

The Role of the British Labour Party a Century On

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Introduction

There is broad agreement that, under its new unofficial name of 'New Labour' the British Labour party has undergone a metamorphosis. About the nature and contours of that metamorphosis there is much less agreement. There has been a voluminous debate about its policies and ideology - about how significant and deep-seated the changes are and what they signify for the actions of Labour as the UK's ruling party. What does New Labour stand for – and for whom? To sympathetic commentators, New Labour's 'Third Way' creed 'represents the only effective means' of pursuing the traditional social democratic ideals of social justice and solidarity today' (Giddens, 2000: 29). To critics, in contrast, the Blair Government 'owes more to a neo-liberal appreciation of the world than to any social democratic perspective....It's contemporary stance reflects the neo-liberal belief that the notion of an interventionist state imposing collective decisions upon an economic system of market exchange is outmoded and irrelevant' (Heffernan, 2000: viii. See also. Hay, 1999).

In this paper I shall concentrate on just one, albeit a very significant aspect of the changes Labour is undergoing: the alteration in the representational role it is enacting within the social order. I contend that this change is crucial to understanding the nature and effects of the party's transformation. 'The Blair government', Anthony King commented, 'was the first-ever Labour government to be openly, even ostentatiously pro-business' What has been the impact of this? Has 'New Labour' ceased to enact the role of representing the interests and aspirations of the trade unions and employees in general? The paper will explore these questions by means of a case study into industrial relations and labour market policy under the Blair Government.

Representation is a prime function of political parties. It can be defined as the articulation and aggregation of the claims and concerns of groups differentially located within social structure and their translation into party policy. The function of representation lies at the heart of democratic government for parties act as 'a relay between the population and governmental structure, taking up grievances, ideas, and problems developed in a more searching and systematic fashion elsewhere in the body politic', (Kirchheimer, 1990 [1966]: 189) Indeed democracy is often defined in terms of the responsiveness of the political class to the electorate at large. But responsive to whom and to what?

Contemporary analysis tends to focus on the role of parties as the representatives of blocs of voters but a crucial component of the modern political process has always been the representation of social interests. However, the crucial issue of the way in which social interests are represented within the existing political system has received very little sustained attention.¹ Yet from their earliest origins, a key defining aspect of British parties has been their role as representatives of functional interests. Thus in the nineteenth century the Tories were the party of the landed and mercantile interest, and the great traditional orders (the Church of England, the Law); the Whigs (then Liberals) the champions of the rising new Northern manufacturing interest and of religious (nonconformist) dissent. The Labour party was formed primarily because the unions felt that 'the labour interest' lacked adequate voice in the political system and only later was it committed to bolder ambitions of social transformation. (See Beer, 1967 for a

classic treatment). From this perspective the representative function of parties encompasses not only their electoral appeals and their responsive to voter preferences but their role as repositories and aggregators of settled social interests, as representative vehicles for groups differentially located within the socio-economic system.

A central component of the New Labour creed is that the party's traditional approach to social representation, in which it worked in close conjunction (if not always amicably!) with the trade unions, had become socially anachronistic, economically damaging and electoral debilitating. Indeed, at the heart of the New Labour project has been a reformulation of the party's relations with business and the unions. 'We must never', Gordon Brown declared, 'return to a situation here in Britain where, unlike in America and most of Europe, one party is seen as pro-business and the other anti-business' (Electronic Telegraph 11 November 1996). The Prime minister was 'eager to recruit business people into the ranks of the government itself, ministers were instructed to be, and were, continuously sensitive to business interests. Tony Blair's belief in business as an activity, and his admiration for business men and business women, matched that of Margaret Thatcher' (King, 2001: 9). My aim in this paper is to explore what this signifies for the party's role in the political order by examining its manifestation in terms of tangible legislative action.

The way in which Labour – like any party - construes and enacts its representational role is, we shall argue, a function of two main factors: its electoral strategy and the frames of reference or paradigm it deploys to make sense of social reality. The first of these factors has been extensively discussed (see, e.g., King 2002, King, 1998 and Butler and Kavanagh, 1997) and we confine ourselves to some brief comments. The second has been largely neglected and it upon this that we concentrate. Frames or paradigms can be defined as analytical categories which organise one's understanding of the social world 'in such a way as to promote a particular problem definition, causal interpretation, moral evaluation, and/or treatment recommendation for the item described' (Entman, 1993: 52). 'Like a gestalt, it structures the very way in which policy-makers see the world and their role within it' (Hall, 1992: 91-2). Frames are *domain-specific*: that is each is organised around key domains such as the economy, welfare, crime and so forth. We focus on two such frames utilised by the Blair Government which, we contend, provide a key to understanding the re-orientation of New Labour's representational role: those applied to the political economy and to industrial relations. We shall discuss these in turn.

The paper proceeds in the following way. The first, empirical, section illustrates the manner in which the performance of Labour's representational function has been transformed by means of a case study of the Blair Government's policy on employment and industrial relations law. The second section seeks to explain why this transformation has occurred by exploring New Labour's economic and industrial relations paradigms.

The Blair Government and Labour Law

The evolution of the Blair Government's policy on labour law after 1997 cannot be understood without placing it into a broader political context. The alliance between the party and the unions had always been a contentious one and in both the 1964-1970 and 1974-79 Labour governments had reached crisis point. (Minkin, 1991). Learning, it believed, from experience the Blair administration envisaged relations with the unions, and hence questions of employment relations policy in a manner starkly different from its predecessors. Its 'modernisation project' 'deliberately sought to develop a positive and intimate relationship with business and a more arms-length and unsentimental one with trade unions' (Taylor, 2001: 246). Blair himself (and many of his closest advisors) had a somewhat jaundiced view of the unions and the role they had

played both in the party and the country at large and believed that the Conservative legislative assault on union power had benefited both the economy and the conduct of management-labour relations. (Taylor, 2001). There were mutually reinforcing political and economic aspects to the Government's approach.

Politically New Labour held that the close association with the unions had been a crippling electoral handicap, a major cause of its bleak electoral performance since the 1970s (King, 2002: 10-11). As Howell has observed 'ending the association, in the minds of voters and business, between the Labour Party and organized labour ... is the defining core of the modernization project. It is seen as central to the ability to appeal to more affluent swing voters, and to win the confidence of employers and financial interests' (Howell, 2000). Gaining the respect and the confidence of the business community – and therefore of the predominantly pro-business press – was a major strategic goal and one largely accomplished by 1997. This entailed pledging that the Conservative-built pattern of labour of law would, in its fundamentals, be respected, a pledge readily made. This was not simply for political reasons. New Labour was convinced that an anachronistic trade union movement, steeped in the obsolescent rhetoric of industrial conflict and reluctant to co-operate constructively with management for the good of the corporate sector had been a major obstacle to economic progress. It therefore steadfastly opposed repealing those items within the Conservative legislative package which, in its view, risked a recurrence of the industrial dogfights of the past.

This legislation had transformed the industrial landscape. As a result of successive measures the scope of legal industrial action was sharply circumscribed, secondary picketing was banned, strike ballots were made mandatory and individual union members given the right to refuse to abide by majority union decisions. Unions could be sued if they went on strike without fulfilling complex and detailed statutory procedures and firms were empowered to replace collective agreements by individual contracts (Hutton, 1995: 92; Michie and Wilkinson, 1994: 17). Employers were able to take advantage of a buyers market for labour to embark upon the widespread derecognition of unions. Measures were adopted to lower wage costs including abolishing wage councils (which set minimum rates of pay in low-wage industries), contracting out public services where the existing staff was often re-employed at lower rates and fewer fringe benefits, and the scaling down and tightening of eligibility for social benefits to induce the unemployed to accept low-paid jobs. Permanent and full-time jobs were steadily replaced by part-time and temporary contracts which provided limited if any rights to holiday pay, sickness entitlements or pension contributions. The result was a rapid growth in income inequality, stagnant or deteriorating conditions for a large slice of the labour force and endemic insecurity of employment. There was no longer any 'regulation of working time; no legally-protected conditions for labour hired under fixed term contracts, no minority wage legislation; minimal employment protection; and employees had no legal right to representation at the workplace' (Hutton, 1995: 194-95).

Labour in opposition had initially resisted each tranche of Tory labour relations reform but, even before Blair's election to the party leadership in 1994, mainly for electoral reasons had committed itself to leaving intact much of the new system. The 1997 manifesto pledged that 'the key elements of the trade union legislation of the 1980s will stay – on ballots, picketing and industrial action'. There would be 'no return to flying pickets, secondary action, strikes with no ballots or the trade union law of the 1970s'. However, it did promise a series of important reforms including 'basic minimum rights for the individual at the workplace', a minimum wage, (though 'within a flexible labour market') plus rights for workers to join a union and for a union to secure recognition by employers 'where a majority of the relevant workforce' balloted in

favour. Finally – in contrast to the Major Government - it promised to sign the EU's Social Chapter. (Labour party, 1997).

The new government entered office with an ambitious economic programme including initiatives to foster a ‘culture of enterprise and risk-taking’, to encourage the fuller exploitation of technology, to upgrade skill-levels and to encourage a ‘spirit of partnership’ between management and employees. It also set about putting into legislative form the 1997 manifesto pledges on labour law. It sought, as far as possible, to secure a consensus between the unions and the employers and where this proved impossible hammered out its own compromises - which entailed various concessions to the latter. Notwithstanding, the measures laid out in the 1998 white paper, *Fairness at Work*, were hailed by the TUC (Trade Union Congress, the peak association of organised labour in the UK) as ‘the biggest advance in workers’ rights for a generation’. (Taylor, 2001: 252). Thus in April 1999 a National Minimum Wage was introduced though at £3.60 an hour the rate fell considerably short of the TUC’s call for £4.00. It is calculated that over 1.5 million poorly paid (and mainly part-time) workers had benefited. When combined with the Working Families Tax Credit, a new tax credit payable to low or middle-income families in work, significant progress has been made in relieving in-work poverty for families with children (McKay, 2001: 287).²

In the rest of its programme the Government gave precedence to augmenting the individual (rather than the collective) rights of labour. The key measure has been the Employment Relations Act, placed on the statute book in 1999. It contained improvements in the length and entitlement to maternity leave and a statutory right of 3 months’ parental leave. Protection against unfair dismissal has been strengthened by reducing the qualifying period from two years to one and the maximum amounts of compensation awards had been substantially raised (to £50,000). Employees now have the right to be accompanied by a trade union representative in disciplinary or grievance procedures and discrimination against workers because of union membership is no longer legal. (Glyn and Wood, 2001: 61).

The Government also agreed to the EU’s Social Chapter. In itself, the Chapter constitutes little more than a charter of rights but adherence to it binds Britain to the implementation of European Commission directives regulating aspects of working life. (Glyn and Wood, 2001: 62) Beyond the reforms contained in the Employment Relations Act the majority of the statutory measures which have improved working conditions since 1997 emanate from EU legislation. For the unions such legislation, embodying the aspiration of a ‘social Europe’, has opened a window of opportunity, a means by which a significant advance in work pay and conditions, especially for the more vulnerable groups (e.g. part-time workers) could be secured.

By signing up to the Social Chapter and by ending Tory foot-dragging on the implementation of European Union directives the Blair Government exhibited a more co-operative attitude towards the EU. However in practice the change was less dramatic than it appeared on the surface. The Government has generally complied with European proposals in a minimalist fashion, often introducing measures that fail to meet the full requirements of EU law and frequently aligning itself with business interests (and the more right-wing governments in the EU) to block or dilute EU directives intended to extend employee rights (McKay, 2001: 291). We develop the point by exploring two issues, the regulations covering working time and the part-time working..

Individual rights of employees: (1) working time regulations

These regulations stipulate that EU workers must not be normally required to work over 48 hours per week. This has particular relevance for Britain since the average working hours of British employees are considerably longer than those of other nations (in 1997 average annual hours worked were 1,731 in the UK compared to 1,656 in France, 1,574 in Germany, and 1,552 in Sweden. Glyn and Wood, 2001: 62-3) Given its strong commitment to an improved balance between work and family it might have been supposed that the Government would be enthusiastic. However, the reform conflicted with its advocacy (which we explore below) of a less regulated labour market and its desire to placate the business sector. Hence it sought to weaken the impact of the regulations by introducing amendments which would have the effect of excluding millions of workers from coverage, such as allowing workers to waive their rights under the regulations (thereby exposing them to pressure from employers), exempting a number of occupational categories and removing from employers the duty to maintain employees' overtime records (Smith and Morton, 2001: 123, Glyn and Wood, 2001: 63).

Individual rights of employees: (2) part-time workers regulations

In July 2000 the Government enacted the Part-time Workers Regulations as required by EU law. The aim was the application of the principle of 'no less favourable treatment' between full-time and part-time workers by employers. However, the Government's initial draft proposals for implementation - heavily criticised by the TUC – sought to attenuate their effect by limiting coverage to those classified as 'employees' a definition which would have excluded many temporary, agency and nominally self-employed workers (McKay, 2001: 294). On this occasion the threat of legal challenge induced the government to amend its proposals to ensure that all workers were protected. Nevertheless the legislation as eventually framed limited the scope of the Act to just 450,000 part-time workers (according to the government's own figures) leaving more than 90 per cent still unprotected. In this instance, the tension between two government objectives, a better work/life and the promotion of labour market flexibility was resolved emphatically in favour of the latter (McKay, 2001: 294).

Though the government has given much greater priority to extending the individual rather than the collective rights of labour, in practice the two are interlinked. Outside the public sector and the more progressive (usually larger) firms, most employers are reluctant to put into effect legal measures protecting and enhancing the rights of their workforce (e.g. directives on paid holidays and working time). Research has found that trade unions are frequently the main enforcers of individual rights (Brown, 2000: 304; McKay, 2001: 298). How then has the question of trade union or collective worker rights been handled by New Labour? We explore two key issues, trade union recognition and the right to engage in industrial action.

Collective rights of labour: (1) the right to recognition

The culmination of almost two decades of Conservative rule was a veritable crisis of industrial representation. Research showed that by the mid-1990s only 45 per cent of workplaces with 25 or more employees recognised trade unions, a fall of 21 per cent since 1984. Two-thirds of all employees lacked access to independent representation. The weakness of union presence in the workplace meant that for the bulk of employees 'unilateral rule-making by management, as opposed to joint or legal regulation, retained its central position' (Undy, 1999: 322). Since the period when Labour was last in office the balance of industrial power had swung decisively in favour of employers. Trade unions were much weaker, the coverage of collective bargaining much lower than it had been for generations and private

employers had become much more aggressively anti-union. In fact, mass trade union membership has increasingly been confined to the public sector (Towers, 1999: 91). Hence it was not surprising that securing from the incoming Labour Government a legislative entrenchment of the right to recognition was a top union priority.

Intense controversy accompanied the framing of the Government's provisions on union recognition provisions and, inevitably, the outcome was a compromise. The law on trade union recognition, as it eventually emerged, imposes 'a series of rigorous tests that establish a highly circumscribed right to trade union representation' (Smith and Morton, 2001: 124). Thus a majority of those voting *and* at least 40 per cent of those eligible to vote would be required before a union would be recognised which means that on a 75% turnout majority support would not suffice. In addition, firms with fewer than 21 employees are exempted from recognition procedures (excluding over 5 million workers from the legislation) and a derecognition provision has been included. To balance (or as a result of tactically astute union manoeuvring) this the Employment Relations Act incorporated a procedure for automatic recognition where a union can prove that a majority of the workforce were already union members: an important union gain. However, even where recognition has been agreed the employers are under no obligation to bargain in good faith; nor does it prevent them from offering different terms to non-union members. The Act was welcomed by the TUC and its affiliates as a milestone in that it was the first piece of favourable legislation for twenty years. But this reflected the modesty of their expectations and British workers' rights in this area remain much slimmer than those of their counterparts in most other EU countries (Glyn and Wood, 2001: 61- 62; Towers, 1999: 86-7; Brown, 2000: 302-3).

Collective rights of labour: (2) the right to engage in industrial action

The Employment Relations Act constituted, the Prime Minister declared, the final New Labour settlement in industrial relations. (Blair, 2001) In this context, the 'notable absence' from the settlement 'was any weakening of the constraints on industrial action that had been introduced by previous Conservative governments' (Brown, 2000: 302-2). There were, from the union vantage-point, several encouraging provisions such as a new eight-week protection from unfair dismissal for workers taking strike action as long as a lawful ballot for industrial action had taken place and the action was official. Also changed in employees favour was the legal definition of 'action short of a strike'. Nevertheless, 'the UK legal regime regulating industrial action is the most restrictive of all of the EU states' (McKay, 2001: 297) Solidarity action remains unlawful and the definition of legal industrial action remains tight and restrictive. Further, an employer still cannot be compelled to reinstate those who successfully claim unfair dismissal and the restrictions preventing employers dismissing those who are on strike are limited. 'The liberty of individuals to take industrial action remains precarious, in breach of international standards' (Smith and Morton, 2001: 131). It is unlikely that trade union bargaining strength in the workplace has been significantly strengthened (Glyn and Wood, 2001: 62) – as, indeed, as we see below was almost certainly the Government's intention.

On the one hand, it is important to recognise that 'despite the Prime Minister's apparent lack of sympathy for them, the trade unions secured a substantial public policy achievement' (Taylor, 2001: 252). On the other, as the Blair Government constantly reiterates, the UK still has one of the most lightly regulated labour markets in the western world. The laws regulating industrial action remain highly restrictive, EU Directives have usually been acceded to only with 'generous derogations and exceptions' (Undy, 1999:331) and many of the individual rights granted depend for their practical application (in the private sector at least) on a strong trade

union presence which is generally lacking. Whatever their cavils about ‘excessive regulation’ and ‘onerous new fiscal impositions’ business felt reasonably satisfied after the completion of New Labour’s first term in office. The unions, it is true, are no longer (as under the Tories) out in the cold. They could now – as Bill Morris, General Secretary of the Transport and General Workers, put it - ‘walk in though the front door of 10 Downing street’ but, as he quickly added, ‘the CBI could get into the back way’ for private tete a tetes (Taylor, 2001: 261). Adair Turner, former head of the CBI , observed, ‘we are now much closer to the American model of Democrats and Republicans, pro-business parties, than the Continental socialist v capitalist model’ (New Statesman 5 November 1999).

As the Blair Government entered its second term, the Prime Minister confided to his business audience that ‘the partnership we have tried to build with [business] over these past years is one that I am deeply committed to. *It is a founding principle of New Labour and it will not change.*’ (Blair, 2001. My emphasis) How can we account for this transformation in Labour’s representational role? Our central contention is that the key lies in the paradigmatic shifts that have occurred in New Labour thinking. We explore this in two interlinked areas, the economic and the industrial.

New Labour’s new representational role (1) Economic paradigm

An economic paradigm specifies ‘what the economic world was like, how it was to be observed, which goals were attainable through policy, and what instruments should be used to attain them’ (Hall, 1993: 279). A paradigm is ‘like a lens that filters information and focuses attention.’ It ‘shapes the way problems are defined, the types of solutions offered, and the kinds of policies proposed.’ (Wilson, 2000: 257). A central component of an economic paradigm lies in its diagnoses of and prescriptions for remedying major economic problems such as unemployment and inflation. Thus Notermans has argued persuasively that a crucial variable determining the feasibility of social democracy has been its ability to achieve price stability and economic growth in conditions of full employment. He advanced the hypothesis that ‘an expansionary macroeconomic strategy aimed at full-employment is only viable if it can rely on financial and labour market institutions to prevent cumulative inflationary pressures’ (Notermans, 1998).

How to balance the competing priorities of full employment, price stability and sustained economic growth has been a task with which successive past Labour governments struggled incessantly but, on the whole, ineffectively. The 1964-70 Wilson Government was, in part, swept away in 1970 by the rising tide of inflation. The 1974-79 Labour government was confronted with stagflation – high levels of inflation, rising unemployment and sluggish growth. In Northern Europe social democratic governments had achieved considerable success in reconciling these imperatives by developing corporatist policy systems. Corporatism has been defined as ‘a political structure within advanced capitalism which integrates organised socioeconomic producer groups through a system of representation and co-operative mutual interaction at leadership level and mobilisation and social control at mass level’ (Panitch, 1980: 173). It assigned to the state and the major producer interests a major role in allocating resources in such a way that socially regressive market outcomes were counteracted through expanding social programmes whilst, at the same time, ensuring a high degree of price stability and economic competitiveness. Unions exercise restraint in the use of their industrial leverage at the point of production in return for a growth in the ‘social wage’, taking the form of the construction of advanced welfare state. Hence corporatism can be seen as a specifically social democratic system of functional representation.

In the 1970s the Labour government sought to establish corporatist arrangements – the so-called of the ‘social contract’ - to address mounting problems of rampant inflation, rising unemployment and economic decline. The social contract was a transient experiment, was never institutionally embedded nor did it acquired legitimacy within the union rank and file and eventually, in the late 1970s, collapsed amidst recrimination. For this there were a range of reasons including Labour’s precarious hold on power, the intractability of the country’s economic problem, and the distaste of much of the business sector for corporatist arrangements. But crucial underlying factors were union fragmentation and sectionalism, and the absence of a strong trade union centre able to devise and implement strategies and bargains in the interests of the employed workforce as a whole. In essence, the TUC lacked ‘the collective power and authority to establish any long-term economic pact with a Labour government that could bind together its diverse affiliated unions, most of whose rank and file members did not share the ideological assumptions made by Congress House’ (Taylor, 1993: 260). In the early and mid-1980s the party elite toyed with various corporatist-type schemes but even before Blair’s accession to the leadership it had become convinced that the unions had neither the will or the organisational capacity to deliver on corporatist bargains.

Under the Blair leadership corporatist notions were finally buried as the party’s shift from a Keynesian to a more free-market economic paradigm, underway since 1989, was accelerated. The new thinking stipulated that as long as governments provide a stable, low inflation macro-economic framework, oscillations in the business cycle would balance themselves out, supply would always tend to match demand and the free operation of market forces would produce optimal allocative outcomes. If money was sound, savings will be converted into long-term investment producing high levels of growth and employment. (Brown, 1997) Various policy and institutional decisions have been taken to ensure that price stability is entrenched into the machinery of policy-making, notably the transfer of control over monetary policy to the Bank of England and the adoption of a binding framework of rules to govern the conduct of fiscal policy. These rules were designed to tie all government departments tightly to rigorous expenditure limits precluding resort to an expansionary fiscal policy as a way of boosting demand and employment.

Though precedence is given to price stability, the resumption of ‘high and stable levels of employment’ remained for New Labour a key ‘long-term objective’. (1997 Manifesto). Where Keynesian thinking attributed unemployment to a deficiency of demand the Blair government sees it primarily as a supply-side problem. Further, the theory of the natural rate of unemployment (NAIRU), held by several key government advisors, postulates the existence of a level of unemployment at which the rate of inflation would be constant and below which it would accelerate. Any attempts to reduce unemployment by increasing spending or aggregate demand below the NAIRU level would eventually trigger-off an inflationary spiral. However, the Government does *not* believe that there is a trade-off between employment and inflation - indeed the goals of price stability, improved competitiveness and full employment are deemed to be mutually reinforcing. The NAIRU level can be reduced in such a way as render much lower levels of unemployment compatible with price stability. The key is appropriate supply-side policies. These essentially take two forms: active labour market policy, and labour flexibility.

High levels of joblessness were caused - New Labour maintained - by a variety of social and institutional pressures that discouraged labour market participation including the lack of relevant skills, inadequate child care facilities for the large number of lone mothers who could be profitably employed, a benefit system that creates disincentives to work and so forth. Hence a prime New Labour objective is to promote ‘employability’ amongst those seeking or available

for work. Policies adopted to achieve this include the various 'New Deal' programmes for the young, long-term unemployed, lone mothers and other marginalised groups which provide education and training, subsidised employment and so forth. In addition the Government has sought to 'make work pay' – or widen the gap between paid work and benefit levels – by a range of in-work tax incentives such as the Working Families Tax Credit, as well as by tightening eligibility conditions for unemployment benefits and failing to increase them in line with earnings. (Glyn and Wood, 2001: 53). The reasoning here is that a rise in the flow of recruits into the labour market eases the inflationary pressures of fuller employment. But a corollary of this is that those employed in poorly-remunerated occupations cannot expect any significant improvement of their pay and conditions beyond increments supplied by in-work tax credits (Glyn and Wood, 2001: 55).³ Further the weaker unions at workplace level, the more viable the strategy – one reason why the Government is very keen to maintain the tough anti-union laws enacted by the Conservatives.

Hence the second arm of the strategy is the retention of the flexible labour market inherited by New Labour from their Tory predecessors. The Government endorses the thesis that persistence of stubbornly high levels of unemployment in Western Europe is due to 'distortions and rigidities in labour markets' caused by 'regulations and high non-wage labour costs, used *inter alia* to finance social protection' (ILO, 1995). The UK's more flexible labour market, it claims, has made it the favoured site of foreign investment in the EU – in 2000 it was the third largest recipient of inward investment – boosting jobs and investment. Hence the Government's insistence that it will block any new EU regulations that threaten to add substantially to business costs (Blair, 2000).

New Labour's new representational role (2) Industrial paradigm

For framing industrial problems a crucial question is how relationships between employers and employees at the level of the firm are viewed, and, at the political level what is deemed to be the appropriate relationship between the organisations that represent their interests and the state. Fox has argued that 'much depends on whether we view [an enterprise] as a *unitary* or *pluralist* structure'. Is it to be construed as a team unified by a common purpose or as a coalition of interests 'a miniature democratic state composed of sectional groups with divergent interests over which the government tries to maintain some kind of dynamic equilibrium?' (Fox, 1966: 2. Emphasis in original). The answer is important since it shapes policy-makers' expectations of appropriate behaviour, their reactions to actual behaviour and the choice of policies to influence that behaviour.

From the unitary perspective the firm is a team with one source of authority and a single focus of loyalty. The essence of the pluralist approach, in contrast, is that employers and employees have interests – on matters such as pay levels, conditions of work, decision-making arrangements and so forth – which often differ. As the TUC put it: collective bargaining pivots on the belief that 'the distinct and often diverging interests' of trade unions and employers were equally legitimate.' The system of collective bargaining involved 'both recognition by the trade union of the legitimacy of the functions of the employers and recognition by the employers' organisation of the legitimacy of the function of the trade unions (TUC 1967: 30, 47-8). For the pluralist the task is to ensure that collective bargaining operates as an orderly and effective system for managing conflicts of interest. 'In this way the needs of the participant interests receive expression, and workable compromises or new syntheses are forged through agreements and understandings which preserve the coalition as a mechanism of collaboration' (Fox, 1974: 271).

Industrial relations, as is well known, was a highly contentious policy area for successive Labour governments being, indeed, responsible for two of its greatest crises, the storm over Barbara Castle's proposals to reform the unions, *In Place of Strife*, in 1969 and the outbreak of mass industrial disorder ten years later, the so-called Winter of Discontent. Notwithstanding, Labour ministers shared the pluralist principles propounded by the TUC. *In Place of Strife*, for example, defined collective bargaining as 'essentially a process by which employees take part in the decisions that affect their working lives. If it is carried on by efficient management and representatives of well-organised unions, negotiating over a wide range of subjects, it represents the best method so far devised of advancing industrial democracy in the interests of both employees and employers. It offers the community the best opportunity for securing well-ordered progress towards higher levels of performance and the introduction of new methods of work' (*In Place of Strife*, HMSO, 1969).

Labour's pluralist understanding of labour-management relations reflected its pluralist outlook on society as a whole. Pluralism, in its Labourite version, prescribed an inclusive structure of societal regulation which sought to maintain social order, advance distributional justice and promote economic prosperity through a system of institutionalised co-operation: the essential elements were compromise, mutual accommodation and economic steerage by consent. It was assumed that business enterprises and trade unions should share in the functions of governance and alongside the government take part in the 'authoritative allocation of values for society as a whole'. It was regarded as appropriate that they participate 'in the task of giving definition and substance to some notion of the public interest. They play a role in planning and co-ordinating the product of society and its distribution' (Anderson, 1977: 131-2).

In practice the efforts of Labour Governments to establish a stable pluralist order were often disrupted by external pressures and destabilising internal conflicts as they engaged in ever more protracted and exhausting juggling acts in their efforts to balance the claims of the unions and employers, contain industrial strife, combat wage-push inflationary pressures, promote economic efficiency and maintain levels of welfare spending. The institutional logic of pluralism in a full employment welfare society was corporatism and, as we have seen, this failed to evolve.

This constituted a major learning experience for New Labour who believed that the Winter of Discontent demonstrated that the whole corporatist project was misconceived. In the process the Party's traditional pluralist frame of reference has been largely displaced by a quasi-unitary one. This discerns no structured conflicts of interest over the distribution of material resources, status or power. Since society as a whole benefits from a dynamic and competitive market economy (New Labour holds) it follows that there is a broad correspondence between the needs of investors and entrepreneurs in the market and society at large - a natural harmony of interest. Lindblom has argued that in market systems business inevitably occupies a privileged role in government. 'Because public functions in the market system rest in the hands of businessmen, it follows that jobs, prices, production, growth, the standard of living and the economic security of everyone rests in their hands.' Given the sheer range of decisions for which business is responsible, government is inevitably concerned about how well it performs its functions. All governments therefore accept a responsibility to do what is necessary to ensure profits high enough to maintain employment and growth (Lindblom, 1977: 172-4). Such reasoning governs New Labour's unitary outlook. Corporatism had envisaged a tripartite system of policy-making between capital, organised labour and the state in which all would strive for broad agreement over the balance between profits, wages, taxes, spending and growth. Rejecting 'the old form of corporatism' Blair instead called for 'a real sense of shared national purpose' in which business and government would work together in 'a genuine partnership'

(Blair, 2000. Emphasis added). Since the welfare of society is contingent on business prosperity, there can be no opposition between the private interest of business and the public good. Compared to past Labour governments, the Blair administration is unapologetic in giving precedence to creating ‘the right climate for business’. For example it has reduced ‘corporation tax to its lowest level in Britain’s modern economic history’, introduced a new R&D tax credit, ‘cut capital gains tax further than ever before and striven to ‘ensure the tax system rewards success’ (Blair, 2000).

This perspective has clear repercussions for the Blair Government’s approach to labour-management relations. Its programme, the Prime Minister explained, was ‘to replace the notion of conflict between employers and employees with the promotion of partnership’ (Blair’s foreword to *Fairness at Work*). The unitary frame of reference often uses the analogy of the professional football team, ‘for here, combined with the team structure and its associated loyalties, one finds a substantial measure of managerial prerogative at the top in the persons of the manager, trainer, and board members. Team spirit and undivided management authority co-exist to the benefit of all’ (Fox, 1966: 3) As Blair told delegates to the Labour party conference prior to taking office: ‘forget the past. No more bosses versus workers. You are on the same side. The same team’ (Blair, 1996).

What pattern of behaviour do we expect’ Fox enquires, ‘ from the members of a successful and healthily-functioning team? We expect them to strive jointly towards a common objective, each pulling; his weight to the best of his ability’ (Fox, 1966). In a strict unitary perspective – as expounded by the Thatcherites – unions have no real legitimate place. In New Labour’s quasi-unitarianism, in contrast, within the ‘team’ both employers and employees have rights and duties. Indeed, the team analogy implies that ‘if the members have an obligation of loyalty towards the leader, the obligation is certainly reciprocated, for it is the duty of the leader to act in such ways as to inspire the loyalty he demands. Morale and success are closely connected and rest heavily upon personal relationships.’ (Fox, 1966: 3). Employers must treat their workforce justly and respect the ‘very minimum infrastructure of decency and fairness around people in the workplace’ which the Employment Relations Act was designed to put in place (Blair, foreword to *Fairness at Work*). Collective representation of individuals at work can be, the Government accepts, the best method of ensuring that employees are treated fairly’, and concedes that ‘individual contracts of employment are *not always* agreements between equal partners’ (My emphasis: note the important qualification. *Fairness at Work*.). Equally, however, unions have a responsibility to promote harmony and co-operation in the workplace. In return for being granted new rights employees must ‘help achieve important business objectives’ and ‘accept their responsibilities to co-operate with employers. There will be no return to the days of industrial conflict’ (*Fairness at Work*). Thus the unions are enjoined to enter a partnership with the employers as ‘an essential part of developing a modern workplace that can produce goods and services of quality’ and to recognise that ‘management and labour have a mutual interest in a company’s success’ (Blair, 1999a).

The pluralist regarded collective bargaining as vital if employee needs were to be afforded firm protection on the assumption that the workforce had its own distinct interests which, in the absence of trade union representation would be subordinated to those of employers. Managerial prerogatives were only acceptable and legitimate if restricted and exercised with consent (Fox, 1974: 263). As the 1968 Donavan Report on labour relations expressed it:

Properly conducted, collective bargaining is the most effect means of giving workers the right to representation in decisions affecting their working lives, *a right which is or*

should be the prerogative of every worker in a democratic society' (Quoted in McCarthy, 1988. My emphasis).

The Blair Government, in contrast, sees collective representation as one of several *alternative* methods. 'Employers and employees now have available a wide range of representational mechanisms. Many employers and employees choose representational methods not involving trade unions, which achieve good employment relations' (*Fairness at Work*). Rather than the right of unions to organise and secure employer recognition being inherent in a democratic society, it is a conditional one, which has to be earned. So the extent of trade union growth and organisation is dependent not only on their success in convincing employees of their value but of convincing employers as well: hence the very high threshold and complex procedures for union recognition laid down by the Employment Relations Act. As the *Fairness at Work* white paper put it, 'where trade unions are able to demonstrate value to employers', where they can show 'how much help they can bring to the success of an enterprise for employers' they are more likely to gain – and by implication to merit – recognition (*Fairness at Work*).

Unlike Marxist-oriented frames of references which views the interests of labour and capital to be locked in fundamental conflict, the pluralist frame contends that ultimately, both have a common in the success of the firm upon whose commercial viability secure and well-remunerated jobs depends. But it regarded disagreement over such matters as respective rights to shares over profit, wages and social benefits, and over rights to information consultation and participation in decision-making as equally inherent in industrial organisation. As the former TUC General Secretary George Woodcock observed, 'unions and management exist - not as part of the same team but as two separate groups with different aims working in the same sphere' (Taylor, 2000: 141) The role of the union was to ensure that the interests of workers were adequately protected when clashes arose and indeed to articulate grievances when they would otherwise be suppressed or kept off the agenda by managerial power. From the New Labour perspective, in contrast, unions occupy a more modest role: to protect 'their members against arbitrary and unfair treatment', to help them acquire appropriate skills and to work 'with business to promote business performance' (Byers, 1999).

The notion that the employment relationship is an inherently unequal one, that managerial authority that is not countervailed by union organisation constitute a threat, , especially when the market for labour is weak, to employees' employment security, conditions or income levels is not one given much weight by New Labour. It is, further, assumed that ownership affords employers and managers the right 'to organise the production process and social relations inside the firm'. The primary task of industrial relations institutions 'is not to correct an imbalance of power in the workplace, but to create a context in which the productivity and creativity of workers is properly harnessed for the good' (Howell, 2000). To the pluralist the legitimacy of managerial rule 'in the eyes of subordinates is not automatic but must be actively pursued and maintained' (Fox, 1974: 263). For New Labour, managerial authority, as long as it is not exercised in an arbitrary and dictatorial manner, is unproblematic. Thus the Government does not favour any substantial reform to the structure of authority or the decision-making process within the firm – and, indeed, has striven to block modest EU-inspired measures to make mandatory more extensive employee consultative rights as well as more enhancement of workplace rights.

By the same token, traditional Labour concerns with the *structure* of social inequality - a widely disparate distribution of wealth, power, prestige and material circumstances - do not

figure on New Labour's agenda The language of class structure and inequality has vanished from New Labour's lexicon. All too often, Tony Blair averred, 'we were concerned with the distribution of the national cake between profits and wages, and too little concerned with increasing the size of the cake itself.' (Electronic Telegraph 17 September 1996⁴). The discourse of class is regarded as obsolescent : indeed the conception of a social order composed of structurally-differentiated social positions to which correspond markedly disparate life-chances cannot be easily reconciled with image of a fluid and individualistic society based on free and voluntary transactions which heavily influences the Government's thinking. What matters is less *how* resources are distributed than whether all people have the opportunity to better themselves by dint of effort, ability and enterprise. In Blair's words 'you will do more to prevent people being treated as commodities by giving them the best educational skills and opportunities and by having an employment service that is dynamic than you will by trying to protect the workforce with over-restrictive union legislation' (Tony Blair interview, Observer 27 April 1997).

Conclusion

To what extent and in what ways, we asked, has the enacting of Labour's representational role altered? According to one line of thought New Labour's formula of 'fairness, not favours' meant precisely that. 'Blair... ... had much sympathy with the unions in their role as champions of the underdog. He was disposed to champion what he saw as the unions' "legitimate rights"... In the event, the new Labour government's treatment of the unions was as even-handed as Tony Blair had suggested it would be' (King, 2002: 11). It is true that, under New Labour, the individual and collective rights of the workforce have been extended and the Government has set an important precedent by establishing by statute a minimum wage. Though many of the measures were initiated in Brussels, Labour has not, unlike the Conservatives, sought to prevent their enactment. Thus New Labour's 'lasting settlement will lead to an increase in employee representation (in respect of grievances, collective redundancies, transfer of undertaking and through union recognition), marginally enhanced job security (action on unfair dismissal and parental leave) and extended information and consultation' (Undy, 1999: 332). Whether or not this means that the Government championed the unions' 'legitimate rights' and acted in an 'even-handed' way depends of course upon how those terms are construed. New Labour has been very reluctant to restore collective rights for fear of union militancy reviving inflationary and undermining labour market flexibility. The *status quo* has been , in its basics, upheld reflecting the Government assessment that the existing balance of bargaining power, which favours the employer, is economically and socially beneficial. (Undy, 1999: 331). 'The basic settlement in the last parliament will remain, the Prime Minster reassured business leaders a few months after the election. There would be no 'new ramp of employment legislation taking us backwards to the 1970s'. The UK labour market remained the most-lightly regulated amongst the major economies in the European Union and, he insisted, 'it will stay that way ' (Blair, 2001).

Furthermore, there has been an unprecedented penetration of the policy-making process by corporate executives and financiers, many of whom have been appointed to senior positions as heads and members of task-forces and royal commissions charged with policy innovation, as temporary senior civil servants and (in some cases) as ennobled members of the government itself. No other interest has been provided with such generous access to the policy process. This is much less cause than effect of the major re-evaluation of the relations between Labour, on the one hand, and business and the unions on the other that has occurred under New Labour. It reflects the party's move from a pluralist to a more unitary perspective which perceives a broad

correspondence between the interests of capital - of investors and entrepreneurs - and the material welfare of society at large. As a result, it treats industry and finance as (what may be called) public interest organisations with the right to act as partners in the economic governance of the country. Interests like the unions and the anti-poverty lobby, in contrast, are awarded a secondary status as pressure groups whose demands are sectional since their interests do not objectively align and indeed are frequently at odds with the common economic welfare, as now defined.

New Labour has thus redefined its representational role as a business-friendly party. Tony Blair put the matter squarely in 1997:

'People don't even question for a moment that the Democrats are a pro-business party. They should not be asking that question about New Labour. New Labour is pro-business, pro-enterprise and we believe that there is nothing inconsistent between that and a just and decent society' (Blair, Financial Times, 16 January 1997. Quoted in Grant, 2000)

Notes

¹ In a recent review of the problems parties are now encountering 'as mechanisms of representative linkages' Webb makes no mention at all of this issue. (Webb, 2000)

² However, as the journalist Polly Toynbee was soon to show, low pay and poverty continued to be a major problem for millions of working families (Toynbee, 2003).

³ New Zealand apart Britain witnessed the most rapid growth of inequality of any industrialised country since the late 1970s. (Goodman et al., 1997). Though the pace has slowed, pay inequality is still widening under Labour. (Guardian 23 Aug. 2002)

⁴ Redistributive tax systems are 'penal', Blair argued, and do not 'make economic or political sense.... I want a tax regime where, through hard work, risk and success, people can become wealthy' Electronic Telegraph 14 November 1995.

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