

THE LABOUR PARTY AND THE TRADE UNIONS

Andrew Thorpe, University of Exeter

The general election of October 1964 brought the Labour Party back to power with an overall majority of five after thirteen years of opposition. The previous month the party's leader, Harold Wilson, had made a powerful speech at the Trades Union Congress (TUC) in which he stated that a Labour government and the unions would be 'partners in a great adventure'. Delegates enthused by Wilson's vision of a new, modern, purposeful Britain rose at the end of his speech and sang 'For He's A Jolly Good Fellow'.¹ The atmosphere at Congress fifteen years later, after the fall of Wilson's successor, James Callaghan, and the election of a Conservative government under Margaret Thatcher, could hardly have been more different. Now, the leaders of two major unions, the train drivers' union (ASLEF) and the National Union of Public Employees, put forward a motion demanding that the Labour Party should ensure that the next Labour government would follow party policy as laid down by the party conference.² Although the motion was, effectively, ruled out of order on the grounds that it was not the business of the TUC to tell the Labour Party what to do, there was no singing, least of all in praise of the Labour leadership.

Indeed, for Britain as a whole, the years 1964 and 1979 seem poles apart. In the space of only fifteen years, it went from the fading afterglow of 'You've Never Had It So Good' to being seen as suffering from a real sense of malaise. The Labour Party, which at the start of the period had seemed to be the party of a glowing technological future, had, by its end, an image of being worn out and discredited, with few, if any, concrete answers for the problems of the modern world. Worse still, the link with the trade unions, which had served Labour well at various points in the past and which had still been seen as worth boasting of at the 1964 election, now appeared to be a millstone around the party's neck.

It is, of course, possible to overplay the extent to which change took place in the relationship between the party and the trade unions in this period. There were, for example, no significant changes to the party's constitution, and institutional relations in 1979 remained, formally, much as they had been in 1964. At every level from constituency party to conference, there was the potential for the unions to dominate Labour. The party continued to be heavily reliant on union affiliation fees for its funding. The trade union section of the party's 27-strong National Executive Committee (NEC) remained at a complement of 12 throughout the period. Trade unionists continued to sit in Labour cabinets, although the extent of their live links with the union movement varied. The proportion of Labour MPs who were sponsored by trade unions varied between 36.3 per cent (in 1966) and 49.6 per cent (in 1979), but in fact this reflected, to a large extent, the fact that these tended to be the safer seats: the actual number of such MPs varied between 114 and

133 (again in 1966 and 1979 respectively).³ Fraternal delegates continued to be exchanged during the conference season. Overall, there was little real challenge to the view that the unions and the Labour Party were symbiotically linked. As Roy Jenkins, later a founder of the Social Democratic Party (SDP) but at the time a leading Labourite, wrote in 1972, 'both wings of the alliance are as necessary to each other now as they were when the Labour Representation Committee [LRC] was founded 72 years ago'.⁴

The formation of the LRC (which became the Labour Party in 1906) had come about, primarily, as a result of trade unions' anxieties about their legal status. From the start, the unions had always played a major role in the party's affairs. The warmth of the relationship between the unions and the party had varied over time, but the fact of it had rarely been seriously questioned, certainly after 1918. Even so, there had been periods of real difficulty, most notably during the two inter-war Labour governments' periods in office (1924, 1929-31).⁵ Even in the supposedly halcyon days of party-union co-operation during under the Attlee governments of 1945-51, there had been times of stress in the relationship.⁶

The 1950s formed a curious period for party-union relations. On the one hand, most trade unionists continued to vote Labour, and their leaders to support the party. Many played a significant role in the party and in various of the disputes and arguments that periodically enlivened it. Yet the conciliatory policy of the Churchill government (1951-5), and its Minister of Labour, Walter Monckton, suggested to many trade unionists that life could be at least bearable under a Tory government.⁷ There was no attempt to introduce anti-union legislation. Full employment was maintained. Real wages rose.

The conciliatory, consultative strain remained a part of government-union relations down to 1964: the establishment of the National Economic Development Council (NEDC) formalized consultative procedures, and seemed to confirm that the unions were now part of the national decision-making process. But another strain also began to assert itself. The Eden government (1955-7) was a good deal less conciliatory at times than Churchill's administration had been, and although Macmillan (1957-64) tried to avoid confrontation, there was no return to the days of Monckton. Attacks on trade unions remained part of the sub-text (and sometimes more) of Conservative rhetoric.⁸ Union discontent rose as Macmillan's government ran into economic trouble. And the legal position of the unions came into question once more. The House of Lords's judgement in February 1964 in the Rookes v. Barnard case was merely the culmination of a number of judicial decisions that seemed to threaten the legal position of the unions as established under the 1906 Trades Disputes Act.

The return of a Labour government in 1964, then, was heartily welcomed by the trade union movement. The Labour manifesto promised full employment and faster economic growth, engineered by planning in partnership with

the unions; although it stated that 'all of us, individuals, enterprises and trade unions' must be 'ready to re-examine our methods of work, to innovate and to modernise', this could be seen as a rhetorical flourish or something which carried little if any threat to the unions.⁹ When the new Prime Minister, Harold Wilson, came to appoint his cabinet, trade unionists could feel encouraged. Wilson himself had no union background. But both the deputy premier, George Brown, and the Chancellor of the Exchequer, James Callaghan, came from the union wing of the party; and the appointment to the cabinet of Frank Cousins, leader of the Transport and General Workers' Union (TGWU), as Minister of Technology, sent out the right signals. It seemed that the government would be looking to work closely with the trade union movement.

The basis for all the government's policies was the securing of a higher level of economic growth. Only in this way, it was believed, could the economy become more healthy and desirable social reforms be achieved. But, as is well known, the economy refused to grow much beyond its normal levels of expansion. The National Plan, published in 1965, was a bold attempt to address the problem.¹⁰ Its force, however, was vitiated by one of its own key objectives. In order to sustain the Plan, it was agreed - at this stage, at least - that the value of sterling had to be maintained. But this in turn meant that the government had to satisfy the markets, and the only way in which this could be done was to show that it was tough on inflation, which had been and was creeping upwards.

It was felt that the way to resolve this conundrum was to impose limits on the extent to which incomes could rise. The Plan itself had stressed that '[p]lanning for economic growth requires policies for price stability and the orderly growth of money incomes' and hence the need for 'a positive policy for prices and incomes'.¹¹ This, however, was controversial within the Labour movement. Broadly, three strands of opinion could be discerned. For some, particularly within the trade union movement, any incomes policy was anathema. It was the role of unions to secure the best possible deal that they could for their members, without any interference from the state. At a union conference in 1965, for example, Ted Hill of the Boilermakers, while straining himself to the utmost to sound loyal, could not resist referring to incomes policy as 'this doubtful venture'.¹² At the other extreme there were those within the party leadership who believed that incomes policy was a good in its own right, and might need to be applied regardless of deals with the unions. At first, though, both these views were very much in the minority. There was a fairly broad section of the movement which saw the value of incomes policy as part of 'socialist planning'. Thus when the National Plan was launched, there appeared to be a fairly broad coalition, in favour of its policies on prices and incomes. The 1965 TUC Congress, doubtless encouraged by the government's Trades Disputes Act which nullified Rookes v. Barnard, voted by a three-to-one majority against a resolution criticising incomes policy out of hand and calling for a

return to free collective bargaining.¹³ Meanwhile, the same year's party conference carried a resolution calling for a 'Socialist incomes policy', which, at this stage, could be seen as a vote in support of the government.¹⁴

Initially, there were high hopes that this socialist planning approach could be sustained. Many trade unionists needed little convincing that incomes policy was a price worth paying for the social and economic goods that would follow from price control and a 'forward' social policy.¹⁵ It was possible to get agreement to a voluntary pay norm of 3.5 per cent in April 1965. However, pressure on sterling meant that the government came increasingly under pressure to focus most closely on incomes. The result was that in September 1965, with the pound under pressure, Callaghan called in cabinet for a full statutory policy.¹⁶ Although this was avoided, the government had some difficulty in persuading the TUC to accept compulsory notification of price and pay increases.¹⁷ In the event, pay increases continued to exceed what the government deemed prudent.

To some extent the government had been able to point to its weak parliamentary position, the obvious imminence of a further election, and the 1965 Act as reasons for the unions not to rock the boat. Most unions were prepared to go along with this, albeit with a degree of resentment. Cousins, who opposed incomes policy instinctively and had soon started hankering for a return to the TGWU, stayed on in the cabinet until the 1966 general election so as not to open any wounds.¹⁸ However, the results of the March 1966 general election changed matters. Labour now had an overall majority of 97, and a full term ahead of it. Ironically, given that the Labour governments of the 1970s would suffer for their small or non-existent parliamentary majorities, that of 1966-70 almost certainly suffered because its majority was so large.

But it also suffered because of changes within trade unionism and industrial relations more generally. Previously, Labour leaders had felt able to deal with trade union and industrial relations policy by reference to union leaders. The impression that this kind of dealing worked had probably reached its peak during the 1950s. Then, a bloc of right-wing union leaders – Arthur Deakin (TGWU), Tom Williamson (National Union of General and Municipal Workers) and Will Lawther (National Union of Mineworkers) – had been seen as the essential power-brokers of Labour politics, each handling hundreds of thousands of votes at party conference with impunity, and always casting them in favour of the leadership. This had been a little misleading even then, but by the 1960s there could be little doubt that serious changes were taking place. Even before 1964, there had been a growing de facto decentralisation of power, with significant increases in the number and density of shop stewards in, for example, engineering, and a significant growth in workplace bargaining.¹⁹ Part cause and part effect of this, too, some unions were electing more left-wing leaders than hitherto, as can be seen with the election of Hugh Scanlon as president of the AEU and Jack Jones as General Secretary of the TGWU in 1967 and 1969 respectively. The TGWU and some other unions sought to

begin to decentralize, in order to make themselves more responsive to workplace realities.²⁰ When it is remembered that this was a period of significant union expansion – membership rose from 10.2 million in 1964 to 11.2 million in 1970 and peaked at 13.5 million in 1979 – and that the increasing power of unions, combined with turbulent economic times, led to greater militancy, it is clear that this was likely to be a period of great difficulty for Labour in government.²¹

The years between 1966 and 1970 were ones of exceedingly hard going for the government on the economic front. Up to November 1967, the emphasis was on trying to save the pound; the effort failed. But then the emphasis had to be on running a tight ship in order to sustain sterling at its new level. All of this, naturally enough, increased pressure for strict incomes policies. The seamen's strike in the spring of 1966 was the occasion for sharp rhetoric on Wilson's part and the announcement of a six-month wage freeze, to be followed by six months of 'severe restraint'.²² Although the policy became less stringent in July 1967, statutory controls remained in place until early 1970; and at a time when the government was trying to take a strong line of limiting public expenditure, it was not surprising that dissension within the party, and between party and unions, developed. Indeed, Minkin has argued that the 1967 party conference represented a watershed in the politics of the Labour movement. Until then, the party leadership had generally been able to mobilize enough support to secure the decisions it wanted from the wider party. But now, two big unions, the Engineers and the Transport Workers, were on the left, and generally critical of Labour's leaders. Thus there was 'a powerful base at the Conference for the government's critics to go over to the offensive', and, in a situation of general union disillusionment on numerous aspects of government policy, 'the rest of the unions could not be relied upon to mobilize in its favour'.²³ This meant, too, that from then onwards the NEC was to have fewer ministerial loyalists as members, and it became increasingly prone to acting against the wishes of the party leadership from the later 1960s onwards.²⁴

Thus pay restraint was not the only issue in government-union relations. But a deteriorating situation was made even worse when the legal position of the unions, a periodic source of controversy and difficulty for governments since the late eighteenth century, was again promoted to centre stage. This was not entirely the doing of the government. The challenges presented by judge-made law in the early 1960s had necessitated at least some legislation to regularize matters. The 1965 Act restored the legal immunities which it had been believed the 1906 Act had guaranteed. But there was a general feeling that further investigation was needed, although the grounds for this varied from those who hoped such an enquiry would merely underpin the status quo to those who hoped for a quantum leap towards greater rights and responsibilities for unions. The result was the establishment of the Royal Commission on Trade Unions and Employers' Associations, under Lord Donovan. The Donovan Commission sat for three years before

reporting in June 1968.²⁵ Its conclusions were such as to hearten those who had looked for an authoritative restatement of the existing situation. Overall, Donovan broadly accepted the status quo, and did not recommend massive change.

It is important to note, however, that Donovan did call on government 'to codify in one Act of Parliament the principles relating to collective bargaining, to industrial relations in general ..., and to trade unions and employers' associations'.²⁶ At the very least, there was a need for 'a comprehensive measure for the consolidation of the statute law'.²⁷ Thus even a document seen by the minister responsible, Barbara Castle, as having '[TUC General Secretary] George Woodcock's fingerprints all over it' and as no real help in facing the actual situation did, all the same, open the door to some form of legislation.²⁸ It was now up to ministers whether they simply consolidated the law, or whether they sought to give it a more substantial tweak.

Castle and her officials were particularly alarmed by the growth in unofficial, or 'wild-cat', strikes. Such actions offended Castle's ideas of socialist responsibility and the need for majority decisions: they could also be seen as threatening the very basis of ordered trade unionism. They also appeared to damage the nation's economic prospects, harming productivity and hence the chances of the fruits of prosperity being used for desirable social reforms.²⁹ Retreating on matters like health service charges and the raising of the school-leaving age in 1967-8 had seared deep into the collective psyche of ministers. Castle's attempt to bring order to industrial relations was one response to this. More broadly, a number of other ministers were beginning to see that electoral nemesis might be looming. Election results were abysmal: in the period 1951 to 1964 the Conservatives had lost only 10 seats at by-elections, yet between July 1966 and November 1968 Labour lost 11 of the 17 seats it was defending.³⁰ Furthermore, the May 1968 local elections proved disastrous: Labour, for example, lost control of Sheffield for only the second time since 1926. One way to avoid disaster might be for the government to take on, and beat, the unions, something on which the Conservative opposition under Edward Heath was now making the running. This would show that the party was its own master, and reassert the government's political virility at a time when devaluation had made it look impotent. Thus it was for a combination of reasons that the White Paper In Place of Strife was published in January 1969.³¹ This document proposed new rights for unions, such as compulsory recognition, but also new responsibilities. In particular, any unofficial action was to be subjected to a compulsory 'conciliation pause' of 28 days; the Secretary of State would have the power to order a ballot before any strike could take place; and the decisions of the new Commission on Industrial Relations (CIR) would be legally binding.

The story of this document's fate is too well known to require extensive recapitulation here.³² Initial misgivings soon blossomed into a full-scale revolt as first the TUC, then the NEC, and then the PLP came out against it, with Callaghan, in particular, playing a leading role in the resistance. But to focus solely on the high politics of In

Place of Strife would be to tell only part of the tale. Castle saw unofficial strikes as a breach of Labour movement discipline, and she shared with her officials the view that they were often undertaken for narrow and mean motives. But this was to downplay the significant changes that had been taking place in trade unionism and industrial relations, noted earlier. A quasi-corporatist vision of deals being struck between unions, employers and government at the highest levels, and then being simply applied to the workforce, went against the grain of those developments. When the increasing hostility of trade unionists towards incomes policy, broader disillusionment with the government's performance, and the general leftward swing of the unions are added into the equation, it becomes fairly clear that such a 'top-down' solution as In Place of Strife had very little chance of being effective.

One result was a degree of union militancy directed squarely at the White Paper. This came at all levels. By the end of April 1969, 14 union executives had supported a call for a special trades Union Congress to be held to condemn the plans.³³ There were demonstrations, and even occasional strikes, on the issue, although the question of how far it led to a longer-term increase in strike activity remains controversial.³⁴ It was not, then, just 'The Battle of Downing Street', as one commentator defined it.³⁵ Rather, as Panitch has written, '[I]t was the more militant sections of the rank and file rather than the union leadership that initiated the main challenge to In Place of Strife'.³⁶ But the repercussions were felt at the very highest levels, with political humiliation for Castle, and severe embarrassment for Wilson, who had supported her. On 17 June the cabinet, at a 'very, very tense meeting' decided, against the Prime Minister's opposition, to abandon the plans.³⁷ Next day a face-saving agreement was reached with union leaders promising to do all they could to contain unofficial strikes.

Relations between the party and the unions had been greatly strained, but they did improve somewhat over the next year. So far as the unions were concerned, after all, the crisis showed that they were still strong enough, in matters directly concerning them at least, to prevent the government doing things they did not want done. For their part, the unions do appear to have made greater, and partially successful, attempts to reduce the number of demarcation disputes.³⁸ On the other hand, events thereafter suggest that there was a degree of distrust entering into party-union relations. The whole affair had been a fiasco. Even if In Place of Strife had been enacted it is open to doubt whether it could have been very effective, given the changes that were taking place in industrial relations and union attitudes. It must be doubted even whether it would have drawn the Conservatives' teeth on the issue of the reform of union law. The then Defence Secretary, Denis Healey, went so far as to suggest that 'permanent damage' was done to the relationship, and that the episode 'did for Wilson what the hopeless attempt to delete Clause Four from the Party Constitution had done for Hugh Gaitskell'.³⁹ Like Callaghan, he came to the view very quickly that legislation on union affairs was best avoided.

But, just as Gaitskell had recovered from his battle with Labour theology, the next few months saw a surprising revival of Wilson's, and the party's, fortunes. The ending of statutory wage controls in January 1970 was a clear tilt at the union vote at the next election, and when that election came, in June 1970, most observers expected Labour to win. However, it failed to do so, and Heath came back with an overall majority of 30.

In the aftermath of the 1970 defeat, Labourites began to differ more and more on the question of trade union policy. Any attempt to identify different strands of thought is hazardous. Nonetheless, a section of the party's right wing was by now heartily sick of the compromises that were needed to keep the unions on board, worried about the inflation and low productivity they believed were being caused by excessive wage settlements, and determined to impose strict wage policies whenever Labour came back into office. Many, though by no means all, of these people would find themselves in the SDP little more than a decade later. Left-wingers, on the other hand, suggested the need for socialist planning of wages as part of broader economic planning and transformation. At the same time, though, the impressive manifestations of wage militancy (most notably among power workers and miners) during the period of the Heath government persuaded some that a return to free collective bargaining was the most desirable route forward.

The problem for the party leadership was that, once returned to office, it would have actually to carry out policy. It had to steer between the extremes in party thinking. To simply try and impose wage restraint would hardly make life easy; nor, in the long term, could it be effective. Then again, to associate the party with all kinds of wage militancy hardly looked like responsible statecraft, and would be sure to fuel the kind of inflation that was becoming endemic under Heath. The years of opposition between 1970 and 1974 provided a stern test for the Labour leadership. But the test of the leadership, and of the party-union relationship, was not as stern as it might have been. Even at this distance in time it is hard to imagine any Conservative government doing so much in so short a space of time as Heath's to restore a close relationship between the Labour Party and the trade unions. The Conservatives' 1971 Industrial Relations Act was a supremely effective tool in achieving this goal, even though it was a disaster in almost every other sense.⁴⁰ This vast and unwieldy statute, introduced on the back of the Conservatives' explicitly critical approach towards the unions at the 1970 election, included various rights for unions and their members, but it also impinged significantly on established union freedoms, and therefore it was hardly surprising that trade unionists were virtually united against it. Predictably enough, too, their view of the Labour Party became more favourable once again. For sure, the party's leader had favoured *In Place of Strife*, but he had at least had the good sense to retreat before the Statute Book became involved. In any case, people like Callaghan, seen by many as having been heroic in their resistance, were still prominent in the leadership of the party. At the 1971 party conference a resolution calling for the Act to be 'completely repealed in the first session of a new Labour government' was passed 'without dissent'.⁴¹ The following

year's conference strengthened Labour's position still further by reiterating the pledge to repeal within the first year and also to make the policy a 'major item' of the next general election manifesto.⁴² And the parliamentary report to the 1973 conference earned some easy points with trade union delegates by stressing that PLP speakers had continued '[a]t every opportunity' to demand repeal.⁴³

Meanwhile, Labour policy also changed in ways that suited trade unionists. In part, this reflected a swing to the left that was a natural reaction partly to the performance of the Wilson governments and partly to the active support of some trade unions, like the TGWU, for a more radical stance. In January 1972, the establishment of a TUC-Labour Party Liaison Committee, with representatives from the parliamentary Labour Party, the NEC and the TUC, symbolized a new degree of consultation and co-operation.⁴⁴ Meanwhile, the NEC (which, as noted above, had moved leftwards since 1967) launched a major redefinition of party policy, culminating in Labour's Programme 1973. This contained a great deal to appeal to union leaders and members. The Industrial Relations Act would be repealed. Price controls, the extension of industrial democracy and more state control of industry were all promised. Perhaps more significantly, there was an explicit commitment that pay restraint would not be a one-way street. Instead, the idea of a Social Contract was put forward, whereby unions would take responsibility for moderating wage claims in return for, first, various social goods, such as food subsidies, redistributive taxation, increased social expenditure, second, the extension of public ownership, and, third, legal reforms, of which more later.⁴⁵

Labour made an unexpected return to office in March 1974, following the previous month's general election at which no party had emerged with an overall majority. Heath's decision, in the face of a miners' strike, to call a general election on a 'who rules Britain' ticket has usually been seen as a grievous error, and it is a conclusion that is hard to resist. All in all, it has to be said that it was an election in which neither of the major parties looked particularly compelling, but Labour fared well enough to return to office. The government started brightly, so far as the unions were concerned, by settling the coal dispute on terms favorable to the miners and repealing the Industrial Relations Act. Castle was appointed Secretary of State for Health and Social Security, thus being kept a long way from industrial relations matters. Michael Foot was appointed as Employment Secretary after consultations with Jack Jones of the TGWU: the latter had been very keen on Foot, whom he saw as sympathetic and much preferable to the possible alternative, the right-winger Reg Prentice.⁴⁶ Foot was to prove amenable towards the unions, and his performance at Employment between 1974 and 1976 was to be a significant factor in his leap up the Labour hierarchy in the remainder of the decade, culminating in his election as party leader in 1980.⁴⁷ Healey became Chancellor.

The Labour governments of 1974-9 were not to attempt any further 'one-and-for-all' pieces of legislation on industrial relations. Nonetheless, the government did have a view of the way in which industrial relations should

develop, and was not slow to move in a quasi-corporatist direction in order to realise it. The key here was the Social Contract. So far as the Labour leadership was concerned, this implied a new raft of laws. Thus the Advisory, Conciliation and Arbitration Service (ACAS) was set up, as a body to which industrial disputes could be referred by the parties concerned if they so wished. There was a new Trade Union Act, and acts on health and safety at work, employment protection, equal pay, and so on. The establishment of the Bullock Commission on Industrial Democracy in 1974 was another new departure. All this looked impressive in many ways, as did the growing trend for the government to deal with the TUC General Council on a regular basis.⁴⁸ At the same time, though, it brought the issue of trade union power still more to the centre of the political agenda: increasingly, critics (some of them within the Labour party, but many more outside) argued that the unions, and not the government, were running the country (in a January 1977 poll, 53 percent of respondents stated that Jack Jones was the most powerful person in the country, with just 25 percent naming Callaghan, the Prime Minister).⁴⁹ This view was undoubtedly false: certainly so far as the latter part of the government's tenure is concerned there is much truth in David Coates's contention that there was a 'striking ... gap between the public image of trade union power and the private reality of waning trade union influence over public policy'.⁵⁰ But it was an image which was very difficult to shake off.

But if corporatist legislation on unions and industrial relations was one side of the Social Contract, pay restraint was another. In particular, largely external forces, admittedly fuelled by loose monetary policies, meant that inflation was rampant by 1975, culminating that August in an annual rate of 26.9 per cent. In the face of this, most union leaders were agreed that something had to be done. High inflation meant high stakes in the wages round: one year's poor settlement could mean members being severely disadvantaged vis-a-vis other workers, the erosion of differentials, and so on. It was thus that the Social Contract became a reality. Under Phase I of the government's pay policy (July 1975-July 1976), increases were limited to a maximum of £6 per week, and there were to be no increases at all for those earning more than £8,500 a year. In return the government implemented various policies, such as subsidies on food, rent controls, tax concessions, and higher pensions, to increase the value of the 'social wage'.⁵¹ Healey has claimed that the policy was 'a resounding success' in its first year; and while he can hardly be cited as an impartial observer, it is true to say that the rate of earnings growth and inflation did fall under Phase I.⁵² The TUC agreed to Phase II, which ran from July 1976 to July 1977: under this agreement, wage increases were limited to a maximum of 5 per cent, subject to weekly minima and maxima of £2.50 and £4 respectively.

The results of all this were not unimpressive, although there is debate as to how far it was incomes policies as opposed to world economic trends and increasing fear of rising unemployment which led to the moderation of wage demands.⁵³ Still, the government could claim some credit for the reduction in the increase in earnings from 30 per cent

in 1975 to 13 per cent in 1976 (and, later, 10 per cent in 1977).⁵⁴ The relationship between the unions and the government continued to function, although not without difficulty; and the succession of Wilson by Callaghan in April 1976, and the promotion of Foot to be effectively deputy premier, augured well for a continuing close relationship. Even so, union pressure on incomes policy was growing. One problem was that national agreements on wage restraint could not be particularly effective in a situation where so much wage bargaining had become decentralized.⁵⁵ Indeed, the Social Contract itself had the effect of further stimulating the growth and 'officialization' of shop stewards.⁵⁶ The Trades Union Congress of September 1976 did reject a motion which criticized incomes policies for lowering living standards and doing nothing to prevent increasing unemployment, and which called for an immediate return to free collective bargaining. But it also carried a resolution demanding 'a planned return to free collective bargaining' during 1977.⁵⁷

Within months of Callaghan's succession to the premiership, the government was faced with what seemed to be a very serious crisis. A run on the pound began in the summer, and Treasury projections (later proved to be grossly over-pessimistic) suggested that the government was heading towards a major budget deficit.⁵⁸ Here is not the place to rehearse the details of the crisis of autumn 1976 which led the government to seek a loan from the International Monetary Fund, but two points need to be made. The first is that, although Callaghan handled the crisis superbly, bringing an initially hostile cabinet round to a package of spending cuts and suffering not one resignation as a result, the crisis marked an end to the expansive stage of Labour's social expenditure and created a strong undertow of tension and resentment within the Labour movement. The second is that the cuts effectively marked the end of the government's side of the Social Contract, but necessitated a stern fiscal stance in which the restraint of income growth would prove more of a priority than ever. In this sense, incomes policy once again became a one-way street, at just the time that the TUC was moving its position back towards full support for free collective bargaining.

The results of this were not immediate. The downturn in the economy and increasing fear of unemployment meant that unions had to curb their wage demands somewhat. Thus, although Phase III of the incomes policy (August 1977-July 1978: allowing a maximum increase of 10 per cent) was not formally accepted by the TUC, earnings growth was generally held down. But the signs were ominous. The 1975 party conference had 'overwhelmingly' carried a resolution in favour of the Social Contract and flat-rate (rather than percentage-based) pay settlements as being 'in accordance with our socialist beliefs'; a motion calling for a return to free collective bargaining had been easily defeated.⁵⁹ The following year's conference passed a resolution, again without need for a card vote, supporting the efforts of the government and the TUC to 'beat inflation' and avoid 'a wages free-for-all which would be injurious to weaker members of the community and which would destroy or jeopardize our long-term objectives'.⁶⁰ At the 1977

conference, incomes policy was not discussed as such, but even there, a left-wing resolution condemning, *inter alia*, falling real wages was defeated.⁶¹ Perhaps too much should not be made of this: had there been a debate, the government might well have faced at least a sizeable hostile minority, because, by now, it was only with great difficulty that many groups of workers were persuaded to moderate their demands. Skilled workers began to complain that their differentials had been eroded. Unskilled workers, particularly in the public sector, were feeling increasingly that they were falling even further behind in the wages race. The Social Contract might (although it might not) have helped to assuage some of these fears, or at least offered a figleaf behind which the more moderate union leaders could have hidden. As it was, however, it was a fairly naked truth to argue that, for many workers, years of pay restraint had brought few real benefits and not a few costs. Significantly, that year's Trades Union Congress passed by 7.1 million to 4.3 million votes a resolution calling for an immediate return to free collective bargaining: as Scanlon put it in proposing the motion, grassroots union members had made clear 'their revolt against any question of a Phase III'.⁶²

The expiry of Phase III in the summer of 1978 ushered in a commitment by the government to limit pay increases to 5 per cent in Phase IV (1978-9). This time there was no question of union agreement. To most observers, the new limit seemed utterly unrealistic: if anything, now was the time to move away from incomes policies altogether or at least to relax the position somewhat. Instead, it was decided to go for a still tighter limit. Most people saw the new limit, though, as pre-election window-dressing.⁶³ Callaghan had lost his parliamentary majority in April 1976, and the position had worsened since then; given that another election would have to come before the end of 1979, it seemed that the autumn of 1978 would be as propitious a moment as any to go to the country. The government would demonstrate its toughness by stating the aim of 5 per cent, win the election, and then, once back in office, take a somewhat more sensible stance. This, certainly, appears to have been the view of delegates at the September 1978 TUC, who voted through with some enthusiasm a resolution pledging support for a Labour victory at the next election.⁶⁴ It seemed inconceivable, to most people, that there could be any other explanation: after all, surely Callaghan, of all people, was not trying to face the unions down as Wilson had tried to do over In Place of Strife?

There were, of course, other reasons for Callaghan's decision not to call an election. The legislation on devolution still had to be completed, and, given the massive time and effort that had been invested in it, it was understandable that the cabinet was reluctant to simply throw it all up in the air again. Callaghan was pessimistic about the prospects of Labour gaining an overall majority, even though it seemed that the party should return as the largest in parliament: and the thought of more years of the febrile atmosphere of minority government hardly appealed to a man in his late sixties. All the same, the government's decision to face the winter with a pay limit of 5 per cent signalled fairly clearly that it was to be on his ability to 'control' or 'tame' the unions that Callaghan was asking to be judged. The

most favourable interpretation is probably that ministers hoped or expected that union leaders and members would see it as being in their own self-interest to toe the line. After all, the alternative - a rampantly right-wing Conservative Party under Margaret Thatcher, who had succeeded Heath in 1975 - seemed so patently unappealing that even a Labour government with a 5 per cent pay limit would seem a better option. Labour movement solidarity within a year of a general election would surely hold the line.

But this analysis was flawed. There had been plenty of signs of restlessness among union members, even when their leaders had tried to play the government's game. The leader of the biggest union, Jack Jones, a keen supporter of the Social Contract, had had no choice but to back away from the kind of 'one-way' incomes policies which came to dominate the scene after 1976. He retired in March 1978; his successor at the TGWU, Moss Evans, was a good deal less favourably disposed towards incomes policies of any kind.⁶⁵ In addition, while it was axiomatic to ministers that ordinary trade unionists should prefer a Labour government, increasing numbers of rank-and-file members were not seeing it that way. As long ago as the early 1960s, Goldthorpe et al had found, in their study of Luton, that car workers were voting Labour less through any kind of class solidarity than because they were acting 'instrumentally': that is, they saw a Labour government as being most likely to deliver a better standard of living.⁶⁶ But by the late 1970s that was no longer the case, so far as many trade unionists were concerned, and Thatcher's rhetoric of self-reliance, tax cuts and the like did appeal to many members of the working class. Even those who had no great affection for Thatcher's Conservative Party might be prepared to vote for it; others - perhaps more - could not see such a great difference between the monetarism of Healey and that of Howe, Thatcher's Shadow Chancellor. They were not prepared to forego gains at this stage: indeed, the pessimism regarding Labour's electoral prospects represented by Callaghan's decision not to call an election might even have convinced some to push hard for a decent wage increase now, rather than wait for less propitious times under a Conservative government. It must also be said that ministers underestimated the extent to which some union leaders were prepared to go in securing decent wage increases for their members, and over-estimated those leaders' ability to deliver their rank and file even if they were willing to do so. In a sense, Labour movement solidarity on the one hand and corporatism on the other blinded the government.

Even the party conference, which had, up to 1976, been squared on incomes policy, now came to kick the government. Callaghan's broadcast, announcing that there would be no election before 1979, was made on 7 September 1978. But within a month, the party conference had met and passed, by a two to one margin, a resolution which 'totally reject[ed] any wage restraint by whatever method ... and specifically the Government's 5 per cent' and called for a full return to free collective bargaining.⁶⁷

This vote presaged a period of severe difficulty for Callaghan's administration. Motor workers at Ford were awarded 10 per cent by the company, and when the government tried to impose sanctions it was defeated in parliament, some of its own left-wingers voting with the opposition. The lorry drivers went on strike, with inevitable disruption of supplies to shops. And public sector manual workers also struck, feeling that they had a very strong case for a substantial rise after years of limited increases on already poor wages. The winter of 1978-9 saw a dramatic falling away in the government's public opinion poll rating, as a 48-43 lead over the Conservatives in November 1978 became a 33-53 deficit by February 1979. And, crucially, it was given too little time to recover, since it was defeated in the House in March on a vote of confidence, and forced to call an election for 3 May 1979. The election was duly lost; it would be many years before Labour ministers and trade unionists would have the chance to face each other again.

The relationship between unions and the party had shown few signs of obvious strain in 1964. Trade unionism was still well-regarded by public opinion at large, and the government started brightly, with proposals likely to benefit unions and their members. But the period between 1964 and 1979 did not prove to be an easy time to be, in Wilson's phrase, 'the natural party of government'. The economic context, certainly by 1974, was as difficult as that faced by any peacetime twentieth-century British government, with the exception of the Attlee government after 1945. Rising, and then soaring, inflation, and mounting unemployment, were largely due to world trends over which the Labour Party's leaders could have little real influence. But they provided a dismal backdrop against which to work. Furthermore, changes within the party and the unions, and in industrial relations, all meant that quasi-corporatist 'solutions' favoured by the Labour leadership when in government had little real chance of success.

Indeed, the very fact of being in office for two significant periods so close together so long put an immense strain upon the Labour movement. By the early 1970s there was potential for conflict, which would almost certainly have been much worse had it not been for the shotgun remarriage which took place thanks to Heath's Industrial Relations Act. In the short term this worked to the party's benefit, bringing it back together, but in the longer term it simply meant that the problems festered, to erupt from autumn 1978 onwards. By 1979 there were those on both sides - party and unions - who had little regard for the difficulties of the other side, and who perhaps welcomed a showdown, particularly once Labour had been roundly defeated at the polls.

The results of all this for the Labour movement were sombre. In the first place, they provided the context in which Thatcher's rhetoric, until recently still seeming arch and uncertain, could flourish, and helped the Conservatives to win the 1979 election despite the real achievements of the Callaghan government. Secondly, they meant that, once in opposition, irritations and hatreds could come to the surface in a severe bout of internal infighting from which neither the left nor the right of the party emerged with much credit. Ultimately, Labour's attempts to find a new modus vivendi

with trade unionism in this period failed. Ironically but predictably, it was their attempts at 'corporatism' that aroused particular ire, not just from the renascent political right under Thatcher, but also from left-wing critics of the record of the Wilson and Callaghan governments of the 1960s and 1970s.⁶⁸ It would be a rather different Labour party, and a much-changed trade union movement, that would come together again to try to reformulate government-union relations in the aftermath of the economic and legal changes of the Thatcher and Major years.

Endnotes

1. Trades Union Congress, TUC Report 1964 (1964), pp. 384, 386.
2. Trades Union Congress, TUC Report 1979 (1979), pp. 614-17.
3. Calculated from figures given in Labour Party, Annual Reports.
4. R. Jenkins, What Matters Now (1972), p. 117.
5. A. Thorpe, The British General Election of 1931 (Oxford, 1991), pp. 14-17, 88; N. B. Riddell, 'The second Labour government 1929-1931 and the wider Labour movement', unpublished PhD thesis, University of Exeter, 1994, pp. 13-89.
6. V. L. Allen, Trade Unions and the Government (1960), pp. 290-1; J. Davis Smith, The Attlee and Churchill Administrations and Industrial Unrest, 1945-1955 (Oxford, 1990), pp. 38-40; K. O. Morgan, Labour in Power, 1945-1951 (Oxford, 1984), p. 80.
7. R. M. Martin, TUC: the growth of a pressure group, 1868-1976 (Oxford, 1980), p. 300.
8. P. Dorey, The Conservative Party and the Trade Unions (1995), pp. 59-60; J. A. Lincoln, 'Unions and the law', in A. Seldon (ed.), Rebirth of Britain (1964), pp. 115-23.
9. F. W. S. Craig (ed.), British General Election Manifestos, 1900-1974 (Chichester, 1975), p. 272.
10. The National Plan (Cmnd. 2764, 1965).
11. *Ibid.*, p. 65.
12. Confederation of Shipbuilding and Engineering Unions, Report of the Thirtieth Annual Meeting (1965), pp. 17-18.
13. Trades Union Congress, TUC Report, 1965 (1965), pp. 473, 496.
14. Labour Party, Annual Report, 1965 (1965), pp. 229, 231, 247.
15. *Ibid.*, pp. 238-9.
16. R. Crossman, The Diaries of a Cabinet Minister (3 vols, 1975), I:316, 1 Sept. 1965.
17. A motion condemning the move at the party conference was only defeated by 3,635,000 votes to 2,540,000: Labour Party, Annual Report, 1965, p. 247.
18. Crossman, Diaries, I:321, 12 Sept. 1965.
19. R. Price, Labour in British Society (1986), pp. 215-16.
20. K. Middlemas, Power, Competition and the State (3 vols., 1986-91), II:223.
21. R. Taylor, The Trade Union Question in British Politics: Government and unions since 1945 (1993), pp. 381-2.
22. P. Ziegler, Wilson: the authorised life (1993), pp. 251-2.

23. L. Minkin, The Labour Party Conference: a study in the politics of intra-party democracy (1978), p. 322.
24. Ibid., p. 297.
25. Royal Commission on Trade Unions and Employers' Associations, 1965-1968: Report (Cmnd. 3623, 1968).
26. Ibid., p. 204.
27. Ibid.
28. B. Castle, Fighting All The Way (1993), p. 413.
29. Ibid., p. 416.
30. D. McKie, 'By-elections of the Wilson government', in C. Cook and J. Ramsden (eds.), By-Elections in British Politics (2nd edn., 1997), pp. 180, 191.
31. In Place of Strife: a policy for industrial relations (Cmnd. 3888, 1969).
32. A contemporary account is P. Jenkins, The Battle of Downing Street (1970); see also L. Panitch, Social Democracy and Labour Militancy: the Labour Party, the trade unions and incomes policy, 1945-1974 (Cambridge, 1976), pp. 171-203; C. Ponting, Breach of Promise: Labour in power, 1964-1970 (1989), pp. 350-71; B. Pimlott, Harold Wilson (1992), pp. 528-44. For a trenchant attack, see D. Coates, The Labour Party and the Struggle for Socialism (Cambridge, 1975), pp. 126-7.
33. Panitch, Social Democracy and Labour Militancy, p. 179.
34. Ibid.; J. W. Durcan et. al., Strikes in Post-War Britain: a study of stoppages of work due to industrial disputes, 1946-73 (1983), p. 377.
35. Jenkins, The Battle of Downing Street, passim.
36. Panitch, Social Democracy and Labour Militancy, p. 179.
37. T. Benn, Office Without Power: diaries 1968-1972 (1988), p. 187, 17 June 1969.
38. Durcan et. al., Strikes in Post-War Britain, p160.
39. D. Healey, The Time of My Life (1989), p. 341.
40. P. Whitehead, The Writing on the Wall: Britain in the seventies (1985), pp. 72-9.
41. Labour Party, Annual Report, 1971 (1971), pp. 168, 187.
42. Labour Party, Annual Report, 1972 (1972), pp. 122, 133.
43. Labour Party, Annual Report, 1973 (1973), p. 85.
44. Trades Union Congress, TUC Report, 1972, p. 105; L. Minkin, The Contentious Alliance: trade unions and the Labour Party (Edinburgh, 1992), pp. 118-19; L. Minkin, The Labour Party Conference, pp. 337-8; K. Middlemas, Power, Competition and the State, II:372-3.

45. M. Hatfield, The House the Left Built: inside Labour policy-making 1970-75 (1978), pp. 112-31; Whitehead, Writing, p. 118.
46. M. Jones, Michael Foot (1994), pp. 350-1.
47. *Ibid.*, p. 451.
48. Taylor, Trade Union Question in British Politics, p. 228.
49. *Ibid.*, p. 231.
50. D Coates, Labour in Power? A study of the Labour government, 1974-1979 (1980), p. 82.
51. M. W. Kirby, 'Supply-side management', in N. F. R. Crafts and N. Woodward (eds), The British Economy since 1945 (Oxford, 1991), p. 256.
52. Healey, Time of My Life, p. 396.
53. N. Woodward, 'Inflation', in Crafts and Woodward, The British Economy since 1945, pp. 180-211, at 203-5; P. Ormerod, 'Incomes policy', in M. Artis and D. Cobham (eds), Labour's Economic Policies 1974-1979 (Manchester, 1991), pp. 56-72.
54. D. Porter, 'Government and the economy', in R. Cooney and N. Woodward, Britain in the 1970s: the troubled economy (1996), p. 46.
55. Price, Labour in British Society, p. 223.
56. *Ibid.*, p. 238.
57. Trades Union Congress, TUC Report, 1976 (1976), pp. 521, 523, 541.
58. Healey, Time of My Life, pp. 427, 423.
59. Labour Party, Annual Report, 1975 (1975), pp. 166, 148, 150, 167.
60. Labour Party, Annual Report, 1976 (1976), pp. 137, 155.
61. Labour Party, Annual Report, 1977 (1977), pp. 164-5, 182.
62. Trades Union Congress, TUC Report 1977 (1977), pp. 467, 486.
63. E. Dell, A Hard Pounding: politics and economic crisis, 1974-6 (Oxford, 1991), p. 285.
64. Trades Union Congress, TUC Report 1978 (1978), pp. 523, 526.
65. J. Callaghan, Time and Chance (1987), p. 520.
66. J. H. Goldthorpe et al., The Affluent Worker: political attitudes and behaviour (Cambridge, 1968), esp. pp. 79-80.
67. Labour Party, Annual Report, 1978 (1978), pp. 230, 214.
68. T. Benn, Arguments for Socialism (1979), esp. pp. 144-6.