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**Transformation and Muddling Through  
Industrial Relations and Industrial Training in the UK**

**SKOPE Research Paper No. 106 December 2011**

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**ISSN 1466-1535**

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## **Abstract**

The article considers two related institutional domains, industrial relations and industrial training, in the UK. It analyses the trajectory and magnitude of change, seen in terms of a) forms of coordination/governance and b) the saliency of these domains. The article covers a long time period, pivoting on the years of Conservative government between 1979 and 1997. It argues that trajectories of change in these two domains began earlier than these years and are still not fully unfolded in the industrial training area. Throughout, change involved combinations of both strategic transformation and muddling through by key actors. There are some complementarities between these two domains and with other domains, but there are also significant disjunctures. In explaining change, some emphasis is placed on politics, but also on the 'voluntaristic' nature of labour market institutions in Britain and on employer preferences in labour, product and financial markets and in political contexts.

## **Keywords:**

industrial relations, muddling through, training, transformation



## 1 Introduction

In popular discourse, it is often assumed that the years of Conservative government between 1979 and 1997 marked a significant turning point in the UK political economy in general and in labour markets in particular. According to this view, the policies of Margaret Thatcher represented a decisive break in traditional institutions. Her governments had a clear set of objectives, were determined to use all the available resources of the British state to achieve these, and brought about a radical and irreversible set of changes. In academic analysis, the Thatcher years are also seen as ones of ‘turmoil’ or ‘shock’, during which the UK took a decidedly ‘neo-liberal’ turn involving extensive liberalisation and privatisation in product markets, the deregulation of financial markets, and the undermining of collective institutions and flexibilisation in labour markets (e.g. Crafts 1991, Millward *et al.* 1992, Crouch 2005, Pontusson 2005, Howell 2007). The UK is consequently now categorised as a prime example of a ‘liberal market economy’ (Hall and Soskice 2001).

While there were undoubtedly major transformations in the institutional configuration of the country during these 18 years, we argue that in the two areas or domains of industrial relations and industrial training the focus on the period as a turning point is justified, but also needs to be qualified. The trajectory of change goes back beyond this period, the process of change was more incremental and patchy than is often thought, the changes across the two domains and their linkages with other domains were uneven, and some of the changes would probably have occurred regardless of the government in power. We argue that there is a need for a corrective to the view that there was a coherent, politically-driven strategic transformation of the institutions which governed the labour market and that the term ‘muddling through’ has some analytical purchase in explaining this story.

The article focuses on the development of industrial relations and industrial training in the UK private sector as examples of institutional change in two labour market domains. These two areas are related, but nevertheless distinct, and allow us to examine different trajectories of development and different explanations of change. The article is concerned with when, how, and to what extent institutions in these areas changed. The time period covered pivots on the years of Conservative government from 1979 to 1997, but this is placed in a context which goes back further in time and comes forward up to the present.

Broadly, the argument is as follows. In terms of industrial relations, in early post-Second World War Britain there was a system of coordination or governance which was initially seen by contemporaries, both domestic and foreign, as performing reasonably well. It involved significant coordination and attempts at corporatist-type arrangements. In some respects, it resembled a ‘coordinated market economy’ (Hall and Soskice 2001). However, the foundations were weak. Institutions were skeletal and legal supports were minimal. This weakness became increasingly evident through the 1960s and 1970s, as the salience of the industrial relations ‘problem’ also rose, and the system began to be slowly transformed, as employers, unions and governments searched for new arrangements. The advent of the Thatcher government accelerated, rather than initiated, the trajectory of change in terms of the levels of coordination. By the beginning of the 21st century, British industrial relations had indeed been transformed and, in the private sector, industrial relations were no longer a salient policy issue. In the area of industrial training, post-war Britain also had a system of coordination and governance based around apprenticeships which, if anything, seemed to perform even better than the industrial relations system. But again, contrary to appearances, the foundations were weak and the system became increasingly strained. Here also the actions of the Thatcher government accelerated changes which were already underway. In industrial training, it was only in the final years of the Conservative government that attempts were made to build new arrangements. For various reasons, however, the system of industrial training has not been transformed in the way that industrial relations has.

The next section presents some definitions and concepts. The third and fourth sections provide stylised accounts of industrial relations and industrial training. In the final section, an attempt is made to map the trajectory of change more analytically in these two related domains. This section also considers causes, links with other domains and possible future trajectories.

## **2 Guiding Definitions and Concepts**

A number of concepts are defined. First, the article is concerned with the interrelationship between employers, employers’ organisations, trade unions, other forms of employee representation and the state and its agencies. A particular focus of industrial relations is on collective bargaining and other forms of rule-making. The

focus in industrial training is on the intermediate level of skills, covering the range from semi- to skilled-work, particularly the mix between apprentice-type training, upgrade training within the firm and training via colleges.

Second, we are concerned with coordination or governance in terms of how transactions and relations are organised. Coordination takes place in various ways: through the market; through the firm; through quasi-market or associational mechanisms such as employers' organisations and trade unions; or through the state and its agencies. The focus is both on the level at which coordination takes place, especially whether it is single-employer or multi-employer or both and on the governance arrangements whereby decisions are made, especially whether they are made unilaterally by employers, bilaterally between employers and employee representatives or multilaterally involving the state.

Third, we are concerned with salience, which concerns the extent to which issues are perceived as a problem. In political science, this is seen primarily in terms of salience to the public: an issue becomes salient when it grows to be important enough that political parties build electoral strategies around the issue; in other words, salience is high when it is a 'public' rather than a 'private' concern (Culpepper 2010). Salience may be gauged by references by politicians in manifestos etc., government reports, legal intervention and the creation of special agencies. Salience for politicians is likely to coincide with salience for key actors, such as employers and unions, but this is more difficult to gauge. Here we focus on how industrial relations became salient in the 1960s to 1980s and how industrial training later assumed greater salience in the 1990s to 2000s.

Fourth, the article is concerned with institutional change. Institutions are here seen as the 'rules of the game' which structure the relations between those who largely create such arrangements (rule-makers) and those who largely operate within them (rule-takers). Following Streeck and Thelen (2005), institutional change is about both the processes and outcomes of change. Sometimes change is radical in both process and outcome terms, as at critical conjunctures such as the aftermath of wars and major political upheavals. For the most part, though, Streeck and Thelen (2005) argue that change is incremental and comes about in a number of ways. Traditional institutions may become discredited or marginalised (displacement), layers of new institutions may be added to old ones (layering), old arrangements may atrophy and cease to operate as intended (drift), institutions may be converted into

functioning in a different way (conversion) and patterns of behaviour permitted under institutions may eventually undermine these institutions (exhaustion).

Finally, we use the notion of ‘muddling through’ to describe an important aspect of the processes and outcomes of change. Building on Lindblom’s classic formulations (1959, 1979), muddling through refers to the search for solutions to problems and the gradual and often incoherent change in policy and practice. Lindblom noted the benefits to be gained by making minor, incremental changes in both economic and political spheres and that ultimately such changes can lead to radical change over an extended period, as we will see in the case of industrial relations in Britain. Two dimensions of the concept should be noted. First, actors may have reasonably clear desired objectives, but in practice change is usually more gradual than envisaged because original plans are opposed by groups which have countervailing power. In the business sphere, firms are made up of a plurality of groups which interact in an uncertain environment. In the political sphere, change also tends to be gradual and evolutionary because it is negotiated between competing interest groups. Thus, while changes are sometimes the result of rational, strategic plans, they are also usually the result of compromises and responses to unanticipated events. Second, change is often not ‘joined-up’ across spheres. While the ‘varieties of capitalism’ approach emphasises the importance of ‘complementarities’ in which practices in one sphere reinforce those in another (Hall and Soskice 2001), muddling through entails changes which are not so related, with the pace, nature and sometimes direction of change differing across domains (Crouch 2005, Howell 2007, Callaghan 2010). In other words, there may be a lack of strong horizontal integration across spheres.

One objection to the concept of muddling through is that it applies to all countries. Nevertheless, we think it appropriate to use it in the case of industrial relations and industrial training in the UK for three reasons. First, as we seek to demonstrate below, the UK has a strong tradition of ‘laissez-faire’ and ‘voluntarism’ in the sense of leaving governance to the voluntary activities of employers and employees and to their organisations. Collective agreements and other institutional arrangements were not deeply embedded in law and were, therefore, vulnerable to the forms of gradual change that Streeck and Thelen (2005) identified, particularly displacement, layering and drift. Second, there is some precedent in both historiography and the social sciences for using the concept of muddling through in

Britain. Thus, a leading modern historian uses the term in the title of a well-respected book about the Thatcher years (Hennessy 1996), arguing that even with the first-past-the-post electoral system which allowed the Conservatives large parliamentary majorities, despite having only just over 40 per cent of the popular vote, there were nevertheless obstacles to major reforms of areas such as the welfare state (see also Gamble 1994). Third, in terms of management, the term muddling through is arguably particularly pertinent in the British context where the historical weaknesses and informalities of the management process have been often documented (Gospel 1992), while Hyman (1987:26) has referred to ‘unscientific management’ as ‘a traditional feature of many areas of employment in Britain’ (see also Bach 2002, Edwards *et al.* 1992). In contrast to their American counterparts, for instance, British managers were historically less well equipped to initiate and implement radical changes in business strategy.

### **3 Industrial Relations**

In the first two decades after the Second World War, the UK had a system of industrial relations which met with much approval by contemporaries and which was often praised by foreign commentators (Brown 2004). ‘Voluntarist’ multi-employer bargaining, largely at national level, was a key feature of the system, with the law not having the same role in governance as in many other countries. While there were many high-profile industrial disputes, which were sometimes large in terms of numbers of days lost, they also tended to be rather infrequent.

However, there were weaknesses in the system. In particular, national agreements were skeletal and gaps increasingly opened up between formal national rules and informal workplace practices. The lack of legal supports accentuated these weaknesses. By the mid-1960s, this fragility had become clearer and the saliency of upward wage drift, unauthorised work practices and more frequent small strikes rose. These were notably analysed in a major government report of the Donovan Commission in 1968 (Donovan Royal Commission 1968).

In response to the growing saliency of the ‘trade union problem’, there were various kinds of government interventions. Under Labour governments, there were some restrictions, such as incomes policies, and some changes in collective and individual employment law, culminating in the so-called Social Contract of 1974 to

1979, the high point of neo-corporatism in the UK. At one point, codetermination via employee representation on company boards was on the agenda, but unions were ambivalent and employers strongly opposed to such arrangements (Bullock 1977). Under Conservative governments, there was some attempt to restrict union influence through the law which eroded the voluntarist tradition, though these did not achieve the stated aims, as is illustrated in the collapse of the Industrial Relations Act of 1971 (Weekes *et al.* 1975).

More significantly than government intervention, changes occurred in the rules of the game driven by employers. More so autonomously than at government prompting, employers started to reform their arrangements. They looked less and less to employers' associations or even left them altogether; they developed their own in-house personnel capabilities; and they came increasingly to bargain at establishment and occasionally at enterprise level. While this was overwhelmingly done bilaterally with trade unions, there was also new thinking about direct employee participation and joint consultation which might be layered alongside collective bargaining arrangements (Gospel 1992, Millward *et al.* 2000, Brown *et al.* 2009).

In 1979, 18 years of Conservative government began, comprising four administrations. However, it was a government which was necessarily pragmatic and it had not forgotten the failure of the legal reforms of the early 1970s. Monetarist policies led to the deepest recession up to that point in post-war history and unemployment rose dramatically. The government eschewed incomes policies with employers and unions and instead step-by-step introduced a series of legal reforms (seven in total) progressively curtailing union power. It also gave support to employers in major disputes, in particular the coal miners' strike in 1984. These signalled to employers that they should stand firm against unions and to employees that unions would find it more difficult to win in disputes in the way they had hitherto. In these years, there was also some abolition of auxiliary supports for low wages and some weakening of individual employment rights in areas like dismissals. At the same time, however, because of membership of the EU, there was also a slow build-up of new employment rights which acted as a countervailing force.

With the advent in 1997 of the New Labour government (under Tony Blair), comprising three administrations up to 2010, there were changes in policy. Gifts were given to unions in the form of new recognition rights and (because of EU obligations) new information and consultation rights for employees. However, neither of these

have had much direct effect and only little indirect effect, though the introduction of a national minimum wage was more significant. In the main, the Labour governments of 1997 to 2010 largely accepted the industrial relations path which the Conservatives had charted, with this forming a part of the move to the centre ground that the party leadership saw as crucial to electoral success.

Compared to 1979, the UK system of industrial relations had changed significantly in important respects. Foreign multinationals played a significant part in this, but domestic UK companies paralleled them (Edwards and Walsh 2010). Industrial relations had moved to the single-employer level and had to a large extent ceased to be bilateral with trade unions. As collective bargaining had shrunk, so joint consultation had grown relatively, as had various forms of direct employee involvement at work. Where it survived, as in the private sector, collective bargaining increasingly took the form of consultation rather than negotiations and private sector trade union membership fell sharply (Millward *et al.* 2000, Brown *et al.* 2009). While the speed and magnitude of change in levels of coordination and methods of governance undoubtedly owed much to the actions of the Conservative governments, we contend that to a significant extent many of the changes would have happened to a large extent anyway, even in the absence of Conservative governments.

The move to the single-employer level had begun before the Thatcher government and would almost certainly have continued even in the absence of that government. It had begun in the 1960s and accelerated through the 1970s. In the private sector, it was the direction in which most British employers, trade unions and both main political parties wanted to go. While the UK was certainly a leader within Europe in moving in a decentralised, more market direction (Katz and Darbishire 1999), this was a very long-term development rather than one beginning in 1979; it was speeded up by political developments, but not initiated by them.

The decline in union membership did indeed begin in 1979, prompted in part by the high unemployment in the 1980s (created by Thatcher), the labour laws introduced by the Conservative government and privatisation of major industries and union defeats in major disputes. In these ways, the years of Conservative government had an effect. However, again there were other, longer term factors at work. Crucially, the habitat of private sector trade unions was changing, in particular with the decline of manufacturing and large workplaces and the growth of part-time work. A new generation had entered the labour force which had less experience of unions

and the benefits of union membership seemed less obvious. In a more competitive environment, employers had become more ready to bypass and ignore unions. Moreover, the existence of a more supportive Labour government for 13 years from 1997 onwards did little to change things, despite favourable legal changes and a more benign economic environment (Ferne and Metcalf 2005).

Concerning employers, the decline of the collectivist model presented an opportunity to introduce new practices. While there was certainly considerable interest shown in new forms of flexibility and direct employee involvement, both case study and survey data suggest that firms took a highly pragmatic approach and the take-up of new 'human resource management' practices was patchy (Storey 1992: Cully *et al.* 1999). Management's approach to the decline of collectivism was opportunistic with less coherent a sense of what was going to replace it.

In terms of our broad themes, industrial relations in the UK were slowly transformed over a long-time period, beginning in the 1960s with employers slowly developing single-employer bargaining. The decline of bilateral regulation also developed gradually through the 1980s and 1990s and here undoubtedly the actions by the Conservative government of the time played a role, though not as large as is often suggested. By 2010, British industrial relations had undoubtedly been transformed, but it was a transformation based not so much on a decisive politically-driven turning point but also on long-term structural changes and pragmatic adaptation by employers.

#### **4 Industrial Training**

We turn now to industrial training, an obviously related domain, but one where the nature of change in the UK has been significantly different. Immediately after the Second World War, the UK had a system of industrial training based on apprenticeships which again performed reasonably well. Apprenticeship training had increasingly come to be regulated by multi-employer agreements between employers and trade unions. This contrasted with the pre-war situation where employers had not been prepared to enter into agreements about apprenticeship training and where at workplace level unions asserted control only in periods of upswing. In the 1950s and 1960s, there were some reforms to apprenticeship systems, in particular a shortening of time periods served and provision being allowed for college attendance. Through

this system, the UK produced apprentices in terms of quantity and quality similar to West Germany which was to become the main comparator in this area (Gospel 1992, Broadberry 2004). However, again it was a system which was skeletal and lacked legal supports, especially in terms of requirements on employers, regulation of content and enforcement of arrangements.

The saliency of the training issue grew slowly from the early 1960s onwards, though in no way like the industrial relations issue. It was argued that apprenticeships had not been sufficiently up-dated, standards were variable, skills were produced in relatively narrow ranges and for the most part apprenticeships excluded females. In 1964, the then Labour government introduced an Industrial Training Act which met with wide support. Under this there existed a government agency to oversee the reform of training, which involved employer, union and government officials. At industry level, a series of Industrial Training Boards were established, again with joint employer and union representation. These had the legal power to impose levies on their industries and to pay grants to firms which trained. They also had a broader remit to update training by reforming apprenticeships in a more inclusive and expansive direction. This represented a clear neo-corporatist approach to industrial training.

Some significant reforms were affected under this system in terms of content and delivery, such as the extension of modular training and college attendance. However, some employers, especially smaller ones found the system irksome and, in 1975, the then Labour government introduced the right to be exempted and began the process of unwinding the institutions. In 1982, the Thatcher government abolished the training boards in all sectors, except construction which was felt to have particular problems. This fitted with the new approach to the economy and the labour market and was also a reversion to a more voluntarist approach. Though the abolition was opposed by the unions, the continuation was not supported by the employers. Overall, the Thatcher government was not supportive of apprenticeship training, seeing it as closely associated with trade unions (Central Policy Review Staff 1980, Finegold and Soskice 1988, Senker 1992).

In the high unemployment of the early 1980s, there were two further developments. First, employers were able to recruit trained staff in the external labour market and chose increasingly to develop them through upgrade training within their own internal labour markets. This meant less reliance on apprenticeship training.

Second, government-funded training schemes were expanded to deal with youth unemployment and to offer some skills training. This marked the beginnings of increased government funding for youth training, but a continued neglect of content and standards.

However, by the early 1990s, the saliency of training had re-emerged, among employers, unions, educationalists and the general public. It never rose to the heights of concern about industrial relations, but it became sufficient to prompt new actions. In 1994, the Conservative government (now under John Major) re-launched apprenticeship training under the so-called Modern Apprenticeship, marking some continuity but also change. As they developed, the new arrangements entailed a peak body to guide and to provide government funds, while at industry level sector skills councils were established to draw up standards and to coordinate arrangements. However, though these were termed 'employer-led' bodies, active employer participation has been limited and union involvement has been minimal.

Further characteristics of the developing system should be noted. Apprenticeships have come to be significantly based on competency testing via National Vocational Qualifications which according to many commentators represent an approach imposed by government on employers and employees. The cost of training for most apprenticeships has come to be mainly paid by the government, while actual training is increasingly carried out by for-profit training providers rather than the actual employer. In these circumstances, both unions *and* employers have become disengaged from the system (Ryan and Unwin 2001, Ryan *et al.* 2007). Meanwhile, college-based vocational education has expanded and is significantly larger in terms of numbers than apprenticeship training.

With the advent of the Blair Labour government in 1997, these arrangements remained. However, by way of small gifts to the unions, the government did introduce the right to appoint so-called union 'learning representatives'. No further legal obligations or supports were added.

Over this long time period what has actually happened to intermediate training in the UK? In 1966, there were approximately 244,000 apprentices in the UK, falling to 115,000 in 1979 and 34,000 in 1990. By 2010, the number had risen to 81,000 higher level and 158,000 lower level apprentices. Positively, apprenticeships have been extended to new sectors such as business administration and IT (though with limited success) and to females (though they tend to be segregated into stereotypical

female areas, such as hairdressing and retail). Negatively, apprenticeships in areas such as engineering and construction have struggled to maintain their numbers and many trainees finish their apprenticeship at a low level relative to their counterparts in German-speaking countries (Gospel 1995, Steedman 2010).

In terms of our broad themes, the UK traditionally had a voluntarist system of intermediate level training based on apprenticeship which began to decline in the 1960s. Neo-corporatist interventions over a 20 year period had some effect in supporting and modernising the system, but were dismantled in favour of more market-based approaches in the 1980s. Meanwhile, employers have largely gone their own way, looking to the external labour market for skills or relying on internal labour market upgrade training. Since the early 1990s, governments have sought to build a new system. In this area, more reliance is still based on multi-employer action, though largely without trade unions, reflecting a continuing felt need to use this kind of coordination in this area. However, few would say that these have worked and industrial training remains a salient issue, as governments experiment – ‘muddle through’ in our terms – in a search for workable arrangements (see Keep *et al.* 2010 for a similar argument).

## **5 Discussion**

Here we summarise the pattern of change in these two domains and consider the main determinants of change. In the conclusion we consider linkages in terms of complementarities with other domains and speculate briefly on likely future directions of change.

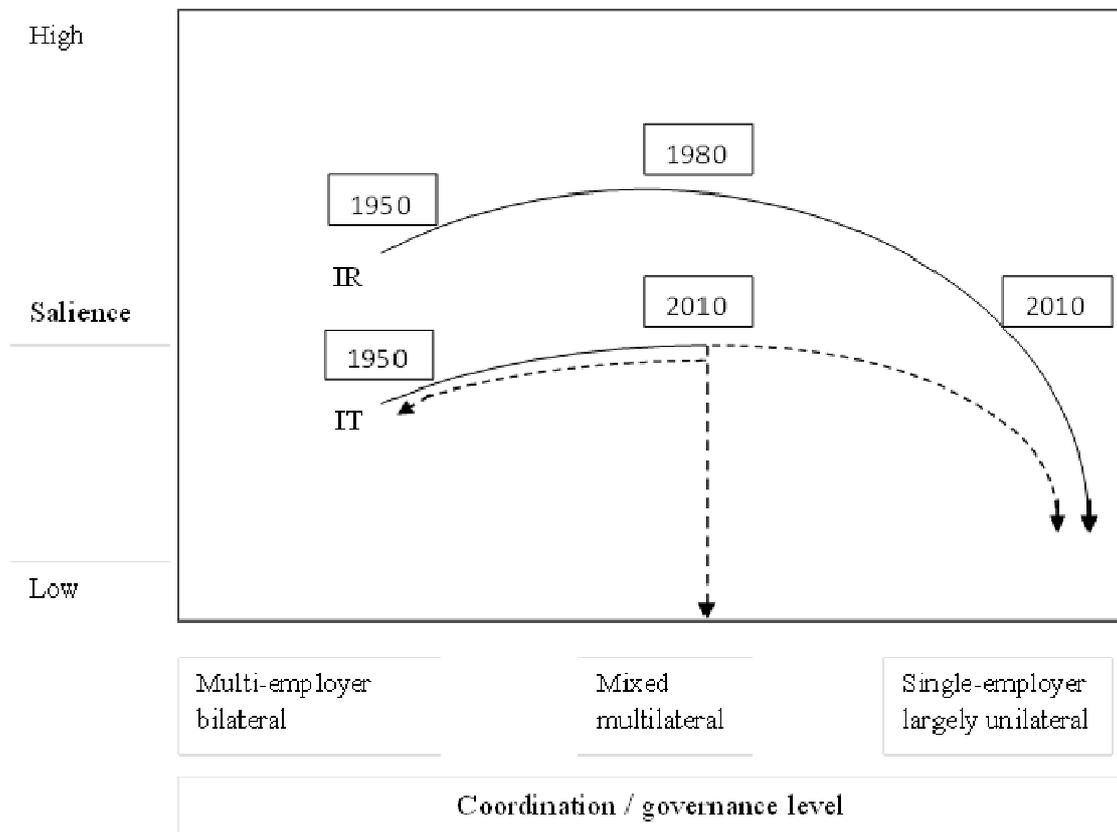
### *Mapping the trajectory of change*

Figure 1 provides a diagrammatic summary of the two narratives outlined above, showing the trajectory of development of industrial relations and industrial training over the period under consideration, in terms of coordination/governance and salience. This is obviously highly stylised and should not be seen as implying a neat transformational trajectory which would certainly not fit with our theme of muddling through.

The horizontal axis shows three broad levels and methods of coordination or governance. First, to the left, the main level is seen as multi-employer, at either industry or regional level or both. For the sake of the argument, but also reflecting

the actual history, the method of governance is here also seen as bilateral, involving employers and their organisations and trade unions. Conceive of this as the period at the beginning of our analysis, in the 20 years after the Second World War. Second, in the middle, the level of coordination is more mixed, involving both multi- and single-employer levels, in other words national, industry, regional, company and establishment levels. The method of governance is also more mixed, involving not only employers and unions but also shop stewards at workplace level and the government at national level. In terms of industrial relations, for example, this is a period roughly around the late 1960s and 1970s.

**Figure 1: Trajectory of Industrial Relations (IR) and Industrial Training (IT) 1950 - 2010**



Third, to the right, the main level of coordination is the single-employer level, that is it takes place within the individual firm or establishment. The method of governance is also shown as more unilateral, in other words management now decides the rules of the game, within the firm, subject to legal constraints. For industrial relations, again, think of the period from the 1990s/2000s onwards. For industrial

training, which we revert to below, we see more uncertain movement, more on-going experimentation and more mixed coordination which continues to exist up to the present date, which we represent towards the middle of our spectrum. For industrial training there is also a dotted line which suggests various future possible movements.

The vertical axis shows saliency, defined in section two in terms of the importance of an issue to political parties and governments and as gauged by references in party manifestos etc., government reports, legal intervention and the creation of special agencies. As already stated, saliency involves real issues of an economic, social and political nature. It also involves the perception of issues. In our usage, high saliency is a stimulus for action by key players, driving the search for solutions to problems, though not determining outcomes. We have suggested that the saliency of private sector industrial relations rose through the 1960s and 1970s but has declined over the last 20 years. By contrast, the saliency of industrial training was historically lower but has slowly risen and is now higher than that of industrial relations.

Consider in more detail the industrial relations trajectory in the private sector in the UK. Here we see the unfolding of a relatively 'full' story over the period from circa 1950 to circa 2010. Initially, coordination was significantly shaped by multi-employer bargaining between employers' organisations and trade unions. In this respect, the UK was like many other European countries. However, the system had weak foundations and was beginning to change. At that time, industrial relations were a reasonably salient issue, especially significant where there were large national disputes. Over time, moving into the 1960s and 1970s and reflecting multiple pressures, the level of coordination became more mixed, taking place at various levels. Governance was also becoming increasingly multi-lateral, involving shop stewards at the workplace level through shopfloor bargaining and the state at the national level through incomes policies and legislation. Disputes were frequent and the system was seen by many as dysfunctional, a perception that was strengthened by the so-called 'Winter of Discontent' of 1978-9. This is the period when the saliency of industrial relations was highest and in the early 1980s this manifested itself in markedly different public policies towards unions and collective regulation (Grant 2008). The third phase saw the final stages of an already initiated shift to the single-employer level, in other words, more was done, and done exclusively, at company or establishment level. Moreover, employers came to decide matters unilaterally, with

much less or no union involvement in issues and with little direct state involvement in collective issues of pay and conditions, notwithstanding the greater presence of individual employment rights. At this stage, the saliency of industrial relations declined, having become 'privatised' within the human resource management of the firm. In addition, industrial relations ceased to have prominence in political debate, and the Labour governments of 1997-2010 were anxious not to revive its saliency. Of course, contentious issues still remained between employers and employees in the private sector, but these are largely confined within the organisation and attracted less public and political attention.

Consider second the industrial training trajectory. Here the unfolding of the story is less 'full' and the sequencing is also different. As suggested above, industrial training was traditionally a less salient issue through most of the early part of the period, with the exception of the 1964 Industrial Training Act, though we would argue that the exceptional nature of this, its dilution, and later repeal supports our contention. Hence in Figure 1 we begin by drawing the line lower. Towards the beginning of the period, the coordination of training also had a significant multi-employer element and unions were involved in governance, although many employers' associations were reluctant to bargain in any detail with unions about apprenticeships which was at the core of the training system. However, over the last 20 years, as 'skills problems' have been increasingly identified in a growing competitive environment, salience has risen and now stands higher than in the industrial relations domain. In the training area, the level of coordination/governance also became and has remained more hybrid, with mixed levels and significant state intervention, though with greatly reduced union intervention. Saliency remains high, as evidenced by enquiries, government interventions, the creation of new agencies and public expenditures. This is a classic case of 'still muddling through', with a continuing search for solutions, but a lack of coherent change. Hence, in the industrial training domain, there are still significant choices to be made and the dotted lines in Figure 1 depict possible future trajectories.

One possible trajectory in the training area is to remain at this mixed level, with a degree of multilateral coordination. In time, it is conceivable that many of the problems will be resolved, reducing saliency. A second logically conceivable possibility might be to move back to the left and towards multi-employer coordination, with bilateral or multilateral governance. However, this is highly

unlikely because the relevant institutions of industrial relations no longer exist to support such an option. A third possible development is to move incrementally further along the curve towards decentralised single-employer and unilateral governance, in other words to move in the same direction in which industrial relations has already moved. As in industrial relations, this may concomitantly ease the problems and reduce the saliency of the issue.

### *Causes and complementarities*

We turn finally to causes of these trajectories of industrial relations and industrial training. In doing so, we revert to the theme of the importance of politics in general and the Thatcher years in particular, relative to other factors, and also consider complementarities with changes in other domains. Table 1 provides a summary of this and possible complementarities with other domains.

As a first explanation, it should be recalled that we have argued that in the early post-war period, though *prima facie* the institutions of industrial relations and industrial training in the UK performed reasonably well and were admired by contemporaries and overseas observers, in practice they had weak foundations. The skeletal and voluntary nature of the arrangements must be a starting point for any explanation of change in the UK system. The arrangements were skeletal because employers had largely wanted them that way and, for the most part, had not wanted to develop detailed bilateral regulation with unions. For their part, unions would have liked the rules to be fuller and the state was largely indifferent on this matter. The arrangements were voluntary because historically all parties preferred to keep them so: unions for the most part preferred to keep the law out of these areas; employers also preferred to exclude the state wherever possible; and governments were quite content not to interfere too much so long as ‘private’ matters did not overlap into ‘public’ saliency. When pressures built up from the 1960s onwards, these arrangements were not well equipped to withstand them. In addition, compositional change, in the form of the decline of manufacturing, reduced the traditional private sector habitat of trade unions, collective bargaining and industrial training, arguably earlier than in other countries such as Germany, France and Italy. Equally, the advent of privatisation and marketisation of the public sector also removed ‘supporting institutions’ and ‘beneficial constraints’ (Finegold and Soskice 1988, Streeck 1997, Martin and Thelen 2007)

**Table 1: UK Institutional Overview at Present Time**

<b>Institutional domain</b>	<b>Type at present</b>	<b>Direction of change/major reforms</b>	<b>Timing of major reforms</b>
Industrial relations	Liberal	Move to single-employer, decentralised Increasingly unilateral Increasing flexibility But a number of EU directives	Begins 1960s  Accelerates 1980s
Industrial training	Market-based Some industry coordination Increasing government intervention	Attempts to revive apprenticeship Move to single-employer, decentralised Some industry coordination, but employer-led Increased emphasis on college and university education and training	1960s coordination reversed in 1970s and 1980s 1980s – increased government financial support; 1990s – attempts to revive apprenticeship, but also expansion of college- and school-based system
Industrial policy	Small	Deregulation Privatisation	1980s
Financial markets and system	Market – outsider orientated	Intensification of market finance Deregulation of banking Deregulation of equity markets Increased emphasis on disclosure regulation But a number of EU directives	1980s –  1990s –
Corporate governance	Shareholder orientated	Law and codes Strong market for corporate control	Slow build-up 1980s –
Labour market and welfare state	National welfare state, with means testing	Increasing introduction of market principles Adoption of welfare-to-work On-going reforms of health and benefit systems	1980s –
Product markets	Liberal Open	Open, pro-competition Deregulation Privatisation	1950s – 1980s –

A second possible explanation for the trajectory of developments in industrial relations and industrial training focuses on trade unions, their members and potential members. Trade unions came out of the war years with considerable commitment on the part of ordinary workers. In years of economic expansion, low unemployment and high price inflation in the 1970s, membership grew and spread to new groups in the labour force. In these circumstances, unions were able to win benefits for their

members and played some role in sustaining apprenticeship training and their local shop stewards drove some of the movement towards plant level bargaining. However, the situation changed from the 1970s and especially the 1980s onwards. Unions were pilloried in the media and their salience grew in a negative way. In part because they lacked legal supports, in hard times unions were unable to support the system of collective bargaining and industrial training. In general, it might be said that British unions had significant power, but not of an initiatory kind. Unions were not strong enough to support the traditional arrangements or to create new ones with a role for themselves.

A third explanation is in terms of political influence. As already stated, in the two decades after the Second World War, governments of both main political parties were prepared largely to accept and support the systems of industrial relations and industrial training which had developed. This began to change from the 1960s, before what is often seen as the ‘tipping point’ of the Thatcher years. Both Labour and the Conservatives became more interventionist, thereby eroding the voluntarist tradition, not only in the collective area, but also in terms of individual employment rights. The advent of the Thatcher government in 1979 undoubtedly represented a marked change in the pace and magnitude of change, with the government taking actions which previous administrations had not taken. The Thatcher government had broad long-term aspirations in industrial relations – the reduction of union power and the contraction of the coverage of bargaining – but they had less clear plans as to how to obtain these objectives, and were prepared to operate tactically and opportunistically. The supportive role the government played vis-à-vis employers in a number of major disputes which the employers won was important. Undoubtedly, the actions of governments constrained union power, facilitated various employer actions which otherwise would have been less likely and provided a ‘legitimizing discourse’ which helped bring about change (Schmidt 2001, Béland 2009). However, this is not to say that the Thatcher government had a clear, detailed vision of industrial relations reform and the legal reform programme was highly incremental. The policy of privatisation was something which the government also discovered over time and the negative impact this had on trade unions were a largely unanticipated bonus.

For industrial training, governments played a less clear role in changing the system. Labour governments in the 1960s acted to support apprenticeship training, but then backed off from this in the 1970s. The Thatcher government acted to

undermine the apprenticeship system as it had operated, representing a departure from a largely cross-party consensus. However, it was from the early 1960s onwards that apprenticeship had really begun its long-term decline. Later, since the early 1990s, both political parties have tried to recreate a new system of apprenticeship training, both building on and subtracting from their predecessor's schemes. Whereas industrial relations has seen a strategic transformation that was caused in significant part by political influence, industrial training has been the subject of muddling through by all governments and other actors and, in particular, employer preferences have been more significant in shaping the training system.

Finally, we turn to the behaviour of employers in their market and political contexts. Here we refer to labour, product and financial markets. Taking industrial relations first, British employers had been key players in creating the system of industrial relations which existed after the Second World War. However, their lack of systematic management structures and processes had played an important part in allowing disorderly industrial relations to develop as occurred in the 1960s. Spurred on by product market forces (increasing competition and threats to profits), from the mid-1960s they began incrementally to change the level of coordination towards single-employer bargaining (Gospel 1992). Even in the absence of government prompting, it is highly likely that employers, both British companies and foreign multinationals, would have moved in this direction anyway, though perhaps not as far or as fast. From the 1980s, increased product market pressures (Brown 2008) and new financial market pressures (Gospel and Pendleton 2006) meant that employers had further incentives to move towards establishment level bargaining and even more away from bilateral governance with trade unions. Moreover, in the industrial relations area, the changed political context from 1979 and the reduction of union power had also made it easier to move in directions in which market forces were prompting.

Turning to industrial training, British employers had played their part in the creation of the industrial training system which existed in the two decades after the Second World War. They were happy to see some modernisation of apprenticeship training, but they were dissatisfied with the interventionist Training Board system. In the 1970s and 1980s, they were increasingly prepared to rely on slacker external labour markets for recruitment. Despite protests to the contrary, they were also prepared to delegate more: to the state in terms of funding; to the vocational education

system; and to intermediaries such as sector skills councils and private training providers. Market pressures on them were contradictory: where labour markets were tight, they favoured training and vice versa; where product markets were competitive, they had to train; and, from the 1990s, increasing financial market pressure was a constraint on committing resources to intangible assets such as skills. These conflicting pressures contributed to the approach that we have characterised as ‘muddling through’ by both governments and employers.

## **6 Conclusions**

We have charted institutional changes in two labour market domains in the UK private sector. In the industrial relations area, the system has moved to one which is solidly single-employer and largely unilateral. In the industrial training area, change has been less clear, with a move to a mixed system of coordination, at various levels and with multilateral governance, involving the state and employers, but trade unions only to a limited extent. Both trajectories have been in a broadly liberal market directions, mirroring developments to some extent in other domains over the last three decades and more. Thus, industrial policy has been transformed through the abolition of tripartite structures shaping economic policy and privatisation. Financial markets were deregulated, beginning in the 1970s, but then more thoroughly from the 1980s. The financing, ownership and governance of corporations have also developed in a more market orientated direction (see Table 1). In this way, there are complementarities across various economic and social domains, which in sum constitute a move by the UK in a more liberal market direction over the last 30 years.

There has thus been a transformation, driven in part by government, especially the Thatcher government in the industrial relations area. However, we have urged caution in placing too much emphasis on political factors in isolation and, to a significant extent, the changes pre-date the purported ‘tipping point’ of 1979 to 1997 and occurred in a pragmatic, incremental way. Nor are the institutional configurations in these two domains fixed at a definitive end point. In particular, we have seen that alternative developments are conceivable in relation to the present mixed system of industrial training. However, in industrial relations there is little prospect of a return to collectivist institutions in the private sector, but there is considerable uncertainty over the nature of public sector industrial relations.

While we acknowledge the existence of some complementarities, the links between these trajectories are clearly not tight. When, further, we extend the analysis to other domains, such as the welfare state, we see that despite the Thatcher governments' rhetoric and some substantive changes, the welfare state and public support for social safety nets have been surprisingly resilient (Pontusson 2005). Even if the reforms to the welfare state being implemented by the present Conservative-Liberal Democrat coalition which took office in 2010 bring about radical changes, it would be difficult to argue that these are linked to the much earlier changes in other domains. As Howell (2007:259) notes: 'The British case suggests a certain degree of autonomy of institutions in different spheres .... In other words, the narrative of postwar institutional change may be quite different depending upon which institutions one is talking about'.

We conclude by highlighting two implications of our argument. First, a theme of this paper has been to emphasise political developments in accounting for institutional change. The importance of this in the British case has been acknowledged, especially in the 18 years of Conservative government after 1979, but has also sought to show the limitations of politics as a sole driver of change. We have argued that in industrial relations the transformation of the British system also owes much to the opportunism and pragmatism of British employers. Second, change in the two closely related domains of industrial relations and industrial training has had some similarities, but there are also clear differences, and the two trajectories have followed different paths in a non-sequential way. If this is the case across two such related domains, it is not surprising that we see disjunctures in the form and extent of change to be even greater across less related spheres. Given the extent of change, but also taking the pragmatic and incremental nature of change on the one hand, and the differential and non-sequential trajectories of change across domains on the other, we feel that the British story should be framed in terms of both strategic transformation *and* muddling through.

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