Margaret Thatcher's strategy for the British Trade Unions (1975–1983): An ideological priority or tactical opportunism?

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Thesis submitted for the degree of

Doctor of Philosophy

October 2025

Word Count (qualifying sections from Page 1 – Page 220): 95,390

SHORT ABSTRACT

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Thesis title: *Margaret Thatcher's strategy for the British Trade Unions (1975–1983): An ideological priority or tactical opportunism?*

Summary: Much of the literature from the 1980s and 1990s suggests a pre-determined plan by the Conservatives to dramatically degrade the power and influence of the trade unions. Such accounts typically argue that the Thatcher governments were motivated by ideological hostility to the trade union movement, by the defeat of the previous Heath administration, and the failure of the 1971 Industrial Relations Act to reduce union powers and privileges. More recent research since 2015 using material released under the twenty-year rule has challenged this interpretation, arguing that the Party's thinking on industrial relations between 1974 and 1979 had not, in fact, changed greatly. Even by the autumn of 1978 – the expected date for the next General Election – industrial relations represented the most underdeveloped and cautious area of Conservative policy formulation, and how a Conservative government might work with the trade unions was considered an unanswerable question by most senior Conservatives. However, within six months, the Conservatives had pledged four new items of legislative reform in their 1979 Manifesto and between 1980 and 1993. Furthermore, successive Conservative governments would enact no fewer than six Acts of Parliament used as an ever-tightening ratchet to restrict the power of the trade unions and strip them of many of their long-established legal immunities.

This thesis aims to examine in detail the development of the emerging thinking and strategy on industrial relations in the Conservative Party from the start of Thatcher's tenure in 1975 to the end of her first administration, to answer the following research questions:

- When they came to power in 1979, did the Conservatives have a pre-formulated plan to reform the British industrial relations system and tackle the 'union problem'?
- Who were the key individuals and bodies involved in this area of policy, both within and outside the Party, and what was Margaret Thatcher's own ideology in this regard?
- Did the ultimate programme of legislative reform represent the execution of a Neo-Liberal plan, or were events and political opportunism the main forces at work, and were other supply-side reforms equally important in degrading the power and influence of the British trade union movement?

LONG ABSTRACT

Name: Christopher Thomas Birks

Thesis title: *Margaret Thatcher's strategy for the British Trade Unions (1975-1983): An ideological priority or tactical opportunism?*

This thesis covers the development and execution of Conservative Party strategy towards British trade unions between 1975 and 1983 and examines whether Margaret Thatcher's approach represented the implementation of a coherent, ideologically-driven project or was a more contingent and opportunistic response to events. It is situated within a contested historical debate that, for many years, characterised the Thatcherite trade union reforms as the product of a premeditated Neo-Liberal agenda, formulated in opposition, and executed when in power. Drawing on archival material released under the thirty-year[1] rule, and engaging closely with recent revisionist scholarship, the thesis challenges this interpretation by demonstrating the extent to which Conservative industrial relations policy was – particularly during the first term (1979-1983) - hesitant, internally contested within the Cabinet, and heavily shaped by political circumstance and events, rather than doctrinal certainty.

The narrative that emerged during the late-1980s and 1990s depicted the Thatcher governments as having embarked upon a deliberate and ideologically motivated campaign to weaken trade unions, driven by hostility to collectivism, resentment of the power of the unions and seeking revenge for their part in the downfall of the previous Conservative administration. The legislative programme enacted between 1980 and the early 1990s, it was argued, represented the culmination of a long-planned assault on organized labour, inspired by Neo-Liberal economic thinking, and particularly by the ideas of Friedrich Hayek. Disagreements within Conservative ranks were therefore believed primarily to be disputes over tactics, rather than objectives.

More recent scholarship, however, has cast serious doubt on this interpretation. Studies by Adrian Williamson (2015), Eric Caines (2017) and Philip Begley (2020) suggested that Conservative thinking on industrial relations during the period of opposition from 1974 to 1979 evolved slowly and was shaped less by ideological considerations than caution, uncertainty and a desire to avoid repeating the mistakes of the previous Heath government. These scholars emphasise the enduring influence of voluntarist traditions, the continued dominance of

[1] Now twenty-year rule.

Heathite figures within the Shadow Cabinet, and the absence of a settled plan to reform trade union law prior to the Winter of Discontent. Citing the draft of the 1978 Conservative Manifesto which was prepared for the widely anticipated, but deferred, October 1978 Election, they correctly note that it contained no specific proposals for industrial relations legislation. This thesis builds upon and extends this revisionist position by offering a detailed, policy-specific study of industrial relations, tracing the evolution of Conservative thinking from Thatcher's election as party leader in February 1975 through to the end of her first term in 1983.

The central research questions addressed are: First, did the Conservatives enter government in 1979 with a pre-formulated strategy to reform the British industrial relations system and curtail trade union power? Second, who were the key individuals and institutions involved in shaping this policy area, and what role did Margaret Thatcher's own beliefs play in directing outcomes? Third, did the eventual programme of reform represent the execution of a Neo-Liberal blueprint, or was it instead driven primarily by events, political learning and tactical opportunism, alongside broader supply-side economic reforms?

The thesis argues that Conservative policy towards the trade unions evolved incrementally and unevenly, shaped by a combination of ideological impulses, institutional constraints, and external events. In 1975 Thatcher assumed leadership of a party deeply scarred by the failure of the Industrial Relations Act 1971 and divided over the appropriate response to union power. The Shadow Cabinet she led was dominated by those who had served under her predecessor. Many of the most senior figures remained heavily steeped in the One Nation strand of conservatism and with it, an implicit attachment to full employment. In this context, industrial relations emerged as one of the least developed and most sensitive areas of Conservative policy during the mid-1970s.

Policy formulation in the early years of Thatcher's leadership in opposition was deliberately loose, decentralised and exploratory, reflecting both Thatcher's weak political position within her Shadow Cabinet and a conscious desire to avoid the over-detailed and technocratic approach that had doomed Heath's reforms. Rather than advancing firm legislative proposals, the leadership prioritised articulation of a general philosophical direction, particularly in economic policy, while allowing a wide range of ideas to circulate.

Nonetheless, important alternative intellectual and political under-currents were also at work. The activities of 'shadow advisers', including John Hoskyns, Alfred Sherman, and

organisations such as the Centre for Policy Studies and the Institute of Economic Affairs, contributed to a growing critique of union power and the post-war settlement within the Party. These influences did not amount to a coherent Neo-Liberal programme, but they helped to reframe the problem of industrial relations as one of governance and accountability that were preventing the effective functioning of a free market economy. Thatcher herself was receptive to these ideas at an abstract level, but remained acutely aware of the political risks involved in overt confrontation with the unions.

The thesis places significant emphasis on the role of events in reshaping Conservative strategy. The Grunwick dispute of 1976–78 highlighted the political potency of images of mass picketing and secondary action. While Grunwick caused considerable political embarrassment to the Labour government, it also intensified internal debate within the Conservative Party. The Shadow Cabinet retained a neutral stance on the dispute, a matter of considerable retrospective regret to Margaret Thatcher, particularly as a number of more radical backbenchers including Norman Tebbit were involved in successful direct action orchestrated by the National Association for Freedom. The Winter of Discontent of 1978–79 proved even more decisive. This period of widespread public sector strikes transformed industrial relations into an electoral issue and provided Thatcher with an opportunity to assert leadership, both nationally and within her own party. The crisis did not create Conservative hostility to the unions, but it certainly made legislative action more politically feasible, particularly when it was clear that public opinion was moving in the same direction.

The 1979 Conservative Manifesto, which included commitments to new trade union legislation, represented a significant departure from earlier caution. Yet the thesis argues that these pledges were less the product of long-term planning than of short-term political learning and opportunism, in response to hardening anti-union public opinion. The Manifesto allowed the Conservatives to frame modest legal reforms as a necessary response to disorder and unaccountability, rather than as an ideological crusade.

Once in government, the Thatcher administration continued to proceed cautiously. The early legislative measures introduced under the stewardship of Jim Prior – who retained the industrial relations brief and was regarded as the most conciliatory member of the Government toward the unions – reflected a deliberate strategy of incrementalism, designed to avoid provoking union resistance. The 1980 Employment Act represented a fairly moderate package of reforms. Although it did place limits on secondary picketing, the other measures largely centred on

improving the democratic accountability of trade unions, with required voting thresholds in secret ballots for new Closed Shop arrangements and the provision of government funds for secret ballots for strike action. After Norman Tebbit replaced Prior as Secretary of State for Employment in September 1981, the pace of change accelerated with the 1982 Employment Act which restricted the traditional legal immunities of trade unions, including rendering illegal 'politically-motivated' strikes, sympathy strikes and industrial action directed against a company for non-recognition of trade unions.

These reforms took place in a changing economic context, with sharply rising unemployment and industrial restructuring, which weakened the unions' bargaining position independently of legislation. The thesis contends that the effectiveness of Thatcherite trade union reform cannot be understood solely in terms of legal changes: macroeconomic policy, de-industrialisation and shifts in public attitudes played a crucial role in undermining the power of organised labour. Moreover, the relative absence of sustained union resistance during the early 1980s reflected both strategic miscalculations by union leaders and the cumulative impact of earlier defeats.

In reassessing the relationship between ideology and statecraft, the thesis aligns with interpretations of Thatcherism that emphasise contingency, adaptation and political management over doctrinal purity. While Neo-Liberal ideas provided an important language of justification, they did not operate as a detailed guide to policy. Thatcher's approach to trade union reform was marked by pragmatism, caution and a keen sensitivity to public opinion, even as she projected an image of unwavering conviction. The resulting transformation of British industrial relations was therefore less the product of a single ideological vision, than of a complex interplay between ideas, institutions and events.

Chapter One: The Conservative Party and the Unions – A Troubled Relationship?

The chapter provides the historical and conceptual foundation for the study by tracing the evolution of Conservative attitudes towards trade unions from the post-war settlement to the mid-1970s. It examines the voluntarist tradition that dominated British industrial relations after 1945 and the Conservatives' pragmatic accommodation with organised labour during the 1950s. The chapter analyses the growing strains on this system during the 1960s, including rising unofficial strike activity against a background of rising inflationary pressures and declining productivity. It then turns to the failure of successive reform attempts, focusing on the Donovan Commission, Labour's *In Place of Strife* proposals, and most importantly the Heath government's Industrial Relations Act 1971. It argues that the collapse of Heath's

reforms left a profound legacy within the Conservative Party and a fear of renewed confrontation with the unions. This experience created a policy vacuum that Thatcher inherited in 1975, shaping the cautious and tentative approach that followed.

Chapter Two: February 1975 to 1977: Hesitant Beginnings

This chapter examines the early phase of Thatcher's leadership and the initial development of Conservative industrial relations policy in opposition. It highlights Thatcher's political vulnerability, the dominance of Heathite figures within the Shadow Cabinet, and the lack of ideological consensus on employment and labour market policy. The chapter explores the organisational structures of policy formulation, including the roles of the Conservative Research Department, the Advisory Committee on Policy (headed by Thatcher's most radical ally, Keith Joseph) and numerous policy groups, including Jim Prior's Employment Group.

The chapter also argues that Thatcher deliberately avoided detailed policy commitments, allowing a wide range of ideas to circulate. In industrial relations, this resulted in Prior's Employment Group producing a number of moderate policy recommendations, but stopping far short of any commitment to challenge the legal immunities of the trade unions. In fact, Prior remained hopeful that any new legislation could be completely avoided through consultation and compromise. The chapter situates this caution within broader debates about inflation, unemployment and the legacy of the post-war consensus within a still profoundly Heathite Shadow Cabinet.

Chapter Three: Shifting Sands

Chapter Three focuses on the Grunwick dispute as a critical episode in reshaping Conservative thinking on trade unions. It reconstructs the dispute in detail, examining the political, legal and media dimensions of mass picketing and secondary action. The chapter analyses the divisions within the Conservative Shadow Cabinet over how to respond, including the very public and damaging disagreement between Keith Joseph and Lord Hailsham over the Scarman Report on the Grunwick dispute. While Grunwick did not immediately produce concrete policy change, it played an important role in destabilising the prevailing consensus around voluntarism in the Conservative Party. It also highlights the influence of external actors, particularly the National Association for Freedom, in reframing the debate around individual rights and the rule of law. Grunwick is presented as an episode of learning and for Thatcher in particular, of considerable regret, although in the longer-term the daily scenes of violence in 1977 undoubtedly played to

Thatcher's advantage and highlighted the egregious behaviour of trade unions in a secondary dispute.

Chapter Four: 1977-1978: Stepping Stones

Chapter Four examines the Stepping Stones project led by John Hoskyns and Norman Strauss, analysing its contribution to Conservative strategic thinking. The chapter explores the origins, content and dissemination of the *Stepping Stones* report, including its critique of the British economic and political system and its emphasis on the interconnectedness of economic problems.

While acknowledging the influence of Stepping Stones in shaping Thatcher's broader worldview, the chapter argues that its impact on industrial relations policy was indirect but greater than has often been acknowledged by Conservative politicians. Rather than providing a detailed blueprint for reform, Stepping Stones was in essence a communications programme designed to link trade union power to wider economic dysfunction and to highlight the lack of democratic accountability within the unions. The chapter also situates the project within the evolving communications strategy of the Conservative Party.

Chapter Five: The Power of Ideas

Chapter Five assesses the intellectual influences on Conservative trade union policy, focusing on Friedrich Hayek, the Institute of Economic Affairs and the Centre for Policy Studies. It critically examines claims that Neo-Liberal ideology played a decisive role in shaping legislative outcomes, finding little evidence of direct theoretical translation into policy.

The chapter explores Thatcher's own beliefs, highlighting their eclectic and pragmatic character. While she admired Hayek and shared his hostility to collectivism, her approach to trade unions was shaped as much by traditional Conservative concerns about order, authority and individual responsibility as by abstract economic theory. The chapter concludes that ideas often mattered more as sources for justification rather than as operational guides.

Chapter Six: The Power of Events

Chapter Six analyses the Winter of Discontent as the decisive moment in the evolution of Conservative industrial relations policy. It reconstructs the sequence of events during late-1978 and early–1979, examining the role of the media and public opinion. The chapter shows how

Thatcher used the crisis to assert leadership and to reframe the unions as a problem of governance and democracy.

The chapter argues that the Winter of Discontent transformed industrial relations from a marginal policy area into a central electoral issue in May 1979, enabling the Conservatives to commit to legislative reform by harnessing the shift in public opinion and not appearing reckless or fixated on extracting revenge. It emphasises the contingent nature of this shift and the importance of political timing.

Chapter Seven: Back into Government

Chapter Seven examines the early years of Conservative government from 1979 to 1983, analysing the formulation and implementation of trade union legislation. It explores the objectives of the new administration, the constraints imposed by Cabinet divisions, and the continued role of events in shaping policy.

The chapter focuses on the Employment Acts of 1980 and 1982, the steel strike, and debates over union immunities. It argues that the Government pursued an incremental strategy designed to minimise resistance while gradually reshaping industrial relations. The chapter concludes that the success of these reforms depended as much on economic change and union weakness as on legislative design.

Epilogue

This chapter assesses whether Conservative trade union reform after 1979 represented a pre-planned ideological offensive or an opportunistic, events-driven programme. Although the scale of legislative change between 1979 and the mid-1990s was unprecedented, the reforms introduced during Thatcher's first administration were cautious, incremental and politically calculated. The 1980 and 1982 Employment Acts, the focus of this study, avoided direct confrontation, learning from the failures of Heath's overly-ambitious Industrial Relations Act. This approach allowed the Government to reduce union power while maintaining public legitimacy and avoiding mass non-compliance. The cumulative effect of legislation, macroeconomic change, and declining corporatism transformed British industrial relations, ending the tripartite system and permanently altering the role of trade unions in British political and economic life.

Conclusion

The Conclusion returns to the thesis's core question: whether Thatcher's approach to the unions was an ideological priority or tactical opportunism. The study finds that it was a combination of both. While Thatcher and her key allies shared a long-term ideological objective of curbing union power and restoring parliamentary sovereignty, there was no detailed or fixed blueprint in place when the Conservatives entered office in 1979. Instead, policy evolved through debate, internal division, and responses to unfolding events.

Incremental legislation, careful framing, and sensitivity to public opinion proved central to the reform programme's success. Ultimately, the thesis concludes that Thatcherite trade union reforms represent an example of unexpected statecraft for the Party: ideologically-driven in purpose, but flexible, adaptive and opportunistic in execution. This challenges interpretations that portray the reforms as either wholly premeditated or purely reactive, and highlights the contingent nature of policy change during this transformative period in British political history.

Acknowledgements

I started this research as a mature part-time student during the very unusual circumstances arising from the COVID-19 pandemic in late 2020. Oxford University libraries remained closed or had access severely limited for all of 2020 and for much of the following year. Face-to-face meetings were not possible, and for most of the first year of study, I had not set foot inside my new college, nor met my Supervisor until the latter part of 2021. Clearly, this was an experience that I shared with thousands of other doctoral students starting their research during 2020/2021. It is a huge testament to the supportive community of the University of Oxford that I can now look back on the past five years with great satisfaction – despite a rather difficult start. For this, I thank my supervisor, Dr Ben Jackson of University College, who has been the most assiduous and dedicated tutor; our termly meetings were both challenging and enjoyable in equal measure. I left our meetings always feeling encouraged and determined to push on with my next chapter. I am also very grateful to my College adviser, Dr Perry Gauci at Lincoln College; as a non-resident student, I was in College relatively infrequently, but I always found Perry, the Lincoln College graduate staff and the Middle Common Room community to be hugely supportive and nurturing.

When the libraries and archives reopened, it was a pleasure to spend time in the archives in Oxford, Cambridge and London. A lot of my archival research time was spent at the Churchill Archives Centre at Churchill College. It is an exceptional facility with extremely helpful staff, but Andrew Riley deserves a special mention. I have benefited hugely from his knowledge of the Churchill Archives, and from his extensive network of scholars specialising in this field, as well as his contacts with many of the surviving actors from the period. I am also extremely grateful to Andrew and Allen Packwood OBE, director of the Churchill Archives Centre, for kindly inviting me to various events at Churchill College over the past two years.

Finally, I owe a huge debt of gratitude to my family: Lizzy, my wife, and my three children, Charlotte, Liv and George. The doctoral journey is a long one and by its very nature, extremely absorbing for the participant, but I am very aware of the tolerance and forbearance that my family has shown me and how much they have supported me on this journey. Re-entering the academic world after 35 years has been a joy, but not without its challenges along the way!

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List of Abbreviations

1906 Act	1906 Trade Disputes Act
ACAS	Advisory Conciliation and Arbitration Service
ACP	Advisory Committee on Policy
AIMS	Aims for Freedom & Enterprise
APEX	Association of Professional, Executive, Clerical & Computer Staff
BBC	British Broadcasting Corporation
BSC	British Steel Corporation
CBI	Confederation of British Industry
CCO	Conservative Central Office
CCU	Civil Contingencies Unit
CPA	Conservative Party Archive
CPS	Centre for Policy Studies
CRD	Conservative Research Department
CTU	Conservative Trade Unionists
CUP	Cambridge University Press
EEF	Engineering Employers Federation
EG	Employment Group
EPA	Employment Protection Act (1975)
ERG	Economic Reconstruction Group
HOSK	Papers of Sir John Hoskyns
HOWE	Papers of Sir Geoffrey Howe

ICCUS	Inns of Court Conservative and Unionist Society
IEA	Institute of Economic Affairs
IMF	International Monetary Fund
IPOS	In Place of Strife
IR Act	Industrial Relations Act (1971)
ISTC	Iron and Steel Trades Confederation
KJ	Papers of Sir Keith Joseph
LSE	London School of Economics
LWT	London Weekend Television
MP	Member of Parliament
MPS	Mont Pèlerin Society
MTFW	Margaret Thatcher Foundation Website
NAFF	National Association for Freedom
NCB	National Coal Board
NEDC	National Economic Development Council
NEDDY	National Economic Development Council
NIRC	National Industrial Relations Court
NOP	National Opinion Polls
NUGMW	National Union of General & Municipal Workers
NUM	National Union of Mineworkers
NUPE	National Union of Public Employees
ORC	Opinion Research Corporation
OUP	Oxford University Press
PG20	Policy Group 20 (Industrial Relations)

PPB	Party Political Broadcast
PPS	Parliamentary Private Secretary
PREM	Prime Ministerial Private Office
PSBR	Public Sector Borrowing Requirement
QC	Queen’s Counsel
SALT	Strategic Arms Limitations Talks
SDP	Social Democratic Party
SPG	Special Patrol Group (of Metropolitan Police)
SWP	Socialist Workers’ Party
TGWU	Transport & General Workers Union
TNA	The National Archives
TUC	Trade Unions Congress
TULRA	Trade Union and Labour Relations Act (1974)
TURC	Trade Union Reform Committee
UPW	Union of Postal Workers

Table showing Strike Activity in Britain (1975–1997)

Year	Number of strikes	Number of workers involved	Aggregate working days lost
1975	2,828	809,000	6,012,000
1976	2,016	668,000	3,284,000
1977	2,703	1,166,00	10,142,00
1978	2,471	1,041,000	9,405,000
1979	2,080	4,608,000	29,474,000
1980	1,330	842,000	11,964,000
1981	1,338	1,499,000	4,266,000
1982	1,528	2,103,000	5,312,000
1983	1,364	574,000	3,753,000
1984	1,221	1,464,000	27,135,000
1985	903	792,000	6,399,000
1986	1,074	721,000	1,923,000
1987	1,014	888,000	3,545,000
1988	781	790,000	3,702,000
1989	701	727,000	4,128,000
1990	630	298,000	1,903,000
1991	369	176,000	61,000
1992	253	148,000	528,000
1993	211	385,000	649,000
1994	205	107,000	278,000
1995	235	174,000	415,000
1996	244	364,000	1,303,000
1997	216	130,000	279,000

Sources: *Employment Gazette* (to 1994); *Labour Market Trends* (1995–1997).

Reproduced from: Peter Dorey, *Trade Unions and Industrial Relations since 1979: A total transformation* (Sheffield: Sheffield Hallam University, 1999), p. 58.

Introduction

As the 1980s drew to a close and historians, political scientists and industrial relations experts surveyed the Conservatives' industrial relations legislative programme, there was unanimity that the power and influence of the trade unions had been significantly and permanently curbed. Robert Taylor, the *Financial Times* labour correspondent, writing in 1993, described the period from February 1975 to January 1993 as 'the taming of the trade unions'.[1] While a few Neo-Liberal economic historians, such as Derek Aldcroft and Michael Oliver, believed that 'the union presence…had exerted a negative influence on the economy'[2] and that the reforms were justifiable and inevitable, many industrial relations writers, particularly those who were sympathetic to the unions, such as Alastair Reid, concluded that there was 'a carefully prepared and determinedly pursued version of direct confrontation'.[3] Lord Wedderburn, a leading industrial relations scholar and expert in labour law, believed that the Thatcherite approach to trade union reform had been framed with reference to Neo-Liberal ideology, specifically the work of Friedrich Hayek. Wedderburn argued, as early as 1984, that 'the philosophy of Hayek and its importance for the new labour law has gone too long unemphasised'.[4] After all, Wedderburn asserted, Thatcher was a well-known admirer of Hayek's work, 'describing it as supreme'.[5] Other industrial relations specialists acknowledged that while there were differences within the Conservative Party, they related more to tactics than to strategy or ultimate direction. Dorey, for example, acknowledges that reform was achieved by an ever-tightening legislative ratchet, initially introduced by stealth under the cloak of Prior's emollient approach.[6] Similarly, David Powell asserted that, 'James Prior…persuaded the Prime Minister that this was a sensitive subject best tackled by piecemeal, step-by-step change rather than by a single legislative assault.'[7] Most industrial relations observers agree that when the Conservatives came into office in 1979, it had never been a question of whether they would

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[1] See 'The Taming of the Trade Unions, February 1975 to January 1993', in Robert Taylor, *The Trade Union Question in British Politics: Government and Unions since 1945* (Oxford, 1993), pp.265-328.
[2] Derek H Aldcroft and Michael J Oliver, *Trade Unions and the Economy 1870–2000* (Aldershot and Burlington, 2000), pp. 89–90.
[3] Alastair Reid, *United We Stand: A History of Britain's Trade Unions* (London, 2004), p. 389.
[4] Lord Wedderburn, 'Freedom of Association and Philosophies of Labour Law', *Industrial Law Journal (London)*, 18 (1989), p. 37.
[5] Ibid., p. 7.
[6] See Peter Dorey, *The Conservative Party and the Trade Unions* (London, 1995), pp. 125–7 and Peter Dorey, 'One Step at a Time: The Conservative Government's Approach to the Reform of Industrial Relations since 1979', *The Political Quarterly*, 64 (1993), pp. 24–36.
[7] David Powell, *British Politics and the Labour Question 1868–1990* (Basingstoke, 1992), p. 137.

reduce the power of the unions, but simply how and when. The prevailing narrative was that 'insofar as there were disagreements in Conservative circles, they were over tactics, and not strategy…the outcome was not in doubt'.[8] There were few dissenting voices, although David Marsh, as early as the 1990s, had concluded that the Conservatives' industrial relations thinking had evolved and was informed by opportunism and public opinion, drawing on the New Right and other sources more to justify – rather than necessarily guide – their legislative changes.[9]

For the newly elected Conservatives in 1979 to have a premeditated strategy for union reform (irrespective of whether it was introduced openly or by stealth), they would have needed to have developed this during their period in opposition. It might be assumed that fresh from their defeat at the hands of the miners, and spurred on by a desire for revenge, the Conservatives had developed their plans. For example, writing in 1992, David Powell believed that when 'Margaret Thatcher succeeded Edward Heath as Conservative leader in 1975, she was determined that history should not repeat itself…one of the most obvious manifestations of the Thatcherite new broom was…the programme of trade union reform.'[10] This assumption about the Conservatives in opposition went largely unchallenged until 2015 with the publication of the first of three monographs. The first, by Adrian Williamson,[11] covered the 'longer' period in opposition (1964–1979).[12] The second, by Philip Begley and published in 2020, focused solely on Thatcher's period of opposition from 1975 to 1979.[13] Eric Caines' comparative study of Heath and Thatcher in opposition covered 1964–1979.[14] All benefited from access to the official papers for the entire period that had been released under the thirty-year rule.[15] Williamson's research has rightly garnered the most attention, partly because it was the first study of this period in opposition, but also because it sought to uncover the origins of 'Thatcherism' in the 'long' period of opposition. All are general studies, but each contains a discrete chapter on industrial relations reform.

Williamson found that, contrary to previous assumptions about the Conservative Party's commitment to legalistic reforms when they were re-elected, most senior politicians – and especially the Shadow Cabinet – had swung back in favour of the voluntarist tradition of

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[8] Adrian Williamson, *Conservative Economic Policymaking and the Birth of Thatcherism*, *1964–1979* (Basingstoke, 2015), p. 161.
[9] David Marsh, *The New Politics of British Trade Unions* (Basingstoke, 1993), pp. 54–62.
[10] Powell, *British Politics*, pp. 136–7.
[11] Williamson, *Conservative Economic Policymaking*.
[12] Obviously interrupted by four years in government.
[13] Philip Begley, *The Conservative Party in Opposition 1974–1979* (Manchester, 2020).
[14] Eric Caines, *Heath and Thatcher in Opposition* (London, 2017).
[15] Now twenty-year rule.

industrial relations. He concluded that although the Party had 'embraced legalistic supply-side reform in 1964',[16] the debacle of the Industrial Relations Act (IR Act) had been so humiliating 'that after 1974, the Conservatives were moving away from confronting the unions'.[17] Williamson suggested that the unions were in a much weaker position with the British system of voluntarism close to breaking down, despite outward appearances and peaking union membership. Contrary to the long-standing notion that the Conservatives were developing industrial relations policies in opposition, designed to be the thin end of a bigger legislative wedge, Williamson believes that Prior's promise that there would be 'no legislative field-day' signalled 'a return to the [voluntarist/non legalist] approach that the Conservatives had adopted from 1947 to 1965'.[18] The centre of gravity of the still-heavily Heathite Shadow Cabinet was for a policy of non-confrontation with the unions, with any constructive reforms undertaken only with the co-operation of the unions after due consultation. In Williamson's words, 'most policymakers agreed, *faute de mieux*, upon a policy of legislative inaction'[19] – certainly by the anticipated date of the forthcoming General Election in autumn 1978.

Furthermore, Williamson found surprisingly little evidence of Neo-Liberal thinking, noting that a 'gathering of pro-Conservative industrial relations experts could have met in a telephone box…with room to spare'.[20] Despite radical ideas emanating from a narrow clique of Friedrich Hayek and his followers, they did not provide an obvious strategy to reduce the power of the unions beyond simply removing their blanket immunities, with an obvious problem for the Conservatives: 'How could the Party curtail their [the unions'] dominance by repealing legislation[21] passed seventy years before?'[22] Williamson attributes greater influence on the union debate to what he terms 'other voices': those outside the Conservative Party who were often involved in direct action such as the National Association for Freedom (NAFF), the 'shadow'[23] advisers such as Alfred Sherman, John Hoskyns and his Stepping Stones project, and think-tanks such as the newly founded Centre for Policy Studies (CPS) and the more established Institute of Economic Affairs (IEA). Strikingly, Williamson emphasises the

[16] Williamson, *Conservative Economic Policymaking*, p. 162.
[17] Ibid.
[18] Ibid., p. 178.
[19] Ibid., p. 181.
[20] Ibid., p. 196.
[21] The 1906 Trades Dispute Act had granted unions immunity in tort from damages caused by strikes or trade disputes.
[22] Williamson, *Conservative Economic Policymaking*, p. 170.
[23] Meaning they were unofficial and unpaid advisers.

importance of events such as the Grunwick dispute and the 'Winter of Discontent' – and the political opportunism they presented – for shifting the debate within the Shadow Cabinet.

The conclusions reached by Begley on the formation of industrial relations policy and the Conservatives' readiness for government are similar to Williamson's:

> The Conservatives were on a learning curve during this period…but…it does not appear that the specific, dramatic changes of the 1980s [the union reforms] were inevitable. The neoliberal critique of trade unions was certainly powerful and gaining ground in Britain, but this fact was not necessarily directly reflected in the Conservative Party policy.[24]

Caines compared the highly controlled and directed opposition policy-making process adopted by Heath – which ultimately resulted in the ill-fated 1971 IR Act – with the far looser process adopted by the Conservatives in opposition under Thatcher from 1975 to 1979. He also concluded that it was only in the immediate run-up to the 1979 election that 'in one of the two most important policy areas by which the performance of a Conservative government was most likely to be judged – industrial relations…that events had contrived to allow the emergence of a policy'.[25]

When I first wrote my proposal for this research in 2019, Williamson's revisionist study on the origins of Thatcherism had recently been published, with Begley's study appearing during the year that I commenced my research. My intention was to build out from Williamson's general study from the perspective of a single policy area, that of industrial relations. That both Williamson and Begley place greater emphasis on the power of events than the power of ideology struck me as being extremely significant, clearly running counter to the previous belief that the Conservatives were heavily influenced by ideology. This research aims to examine this contention in more detail by examining the strands of ideological thinking of senior politicians and their 'shadow' advisers, and their respective influences. It also examines the Stepping Stones programme undertaken by John Hoskyns and Norman Strauss, including an interview with the latter, and reassesses its contribution to the Party's thinking on industrial relations. The thesis investigates some of the events that the revisionists have cited as having contributed more to the development of the Conservatives' industrial relations policy in opposition than Neo-Liberal ideology, with chapters on the Grunwick dispute and the 'Winter of Discontent'. Both were traditionally viewed as impacting the trade union movement and the

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[24] Begley, *The Conservative Party in Opposition*, p. 114.
[25] Caines, *Heath and Thatcher*, p. 228.

Labour government (and its electoral fortunes), but I argue that both episodes had just as big an impact on the Conservatives in opposition: if Thatcher felt that she had missed a political opportunity at Grunwick, she was doubly determined not to make the same error during the 'Winter of Discontent'. A granular examination of the timeline of events in January 1979 reveals exactly when and how she was able to turn the crisis to her advantage – within the country and her own Shadow Cabinet.

Unlike her predecessor, Edward Heath, who had enjoyed the support of a united Shadow Cabinet, Thatcher could muster only a handful of supporters in her Shadow Cabinet; most remained firmly Heathite in their political outlook and loyalties. Clearly, this had implications for the formulation of more radical policies while in opposition, and Thatcher and her allies had to work within these restrictions and tensions. Chapter 2 examines these tensions and the role of the Heathite-dominated Conservative Research Department (CRD),[26] which was tasked – as in previous periods in opposition – with overseeing the policy review. This research examines these tensions in detail, particularly between Thatcher's 'shadow advisers', Alfred Sherman and Hoskyns. It details how Thatcher tried – and ultimately succeeded – in moving from a policy of doing little to curb the power of the unions and no planned major legislative changes, to promising to bring new legislation before Parliament in the 1979 Manifesto. This research expands on the late Eric Caines' comparative study of the two periods of Conservative opposition, and concurs that Thatcher was forced to allow her policy review a much freer rein because of disagreements within her Shadow Cabinet, compared with Heath's centrally controlled policy review process. Thus, for many policy areas – particularly contentious ones – a sense of general direction was prioritised rather than a set of specific policy recommendations.

Although my research was intentionally narrowly focused on one – albeit highly contentious and important – policy area, it contributes to the wider debate about the nature of Thatcherism. As such, it adds to several recent studies that have focused on a single policy area and have provided an additional prism through which to observe Thatcherism at work. Defining 'Thatcherism' is itself problematic, even before considering its intellectual wellspring and the relationship and interplay between Neo-Liberalism and more traditional conservative values. Particularly at its inception, many on the New Left saw Thatcherism as 'an unholy alliance of Neo-Liberal economics with resurgent Conservative rhetoric in a power-grabbing project with

[26] Despite Thatcher replacing Ian Gilmour with Angus Maude as director in 1975.

hegemonic pretensions.'[27] Stuart Hall, for instance, contends that measures to 'tame' the unions 'represented a key element of a key hegemonic project pursued by all Conservative governments' that 'manifested itself in ideological terms, as part of a philosophy of anti-collectivism'.[28] Over time, interpretations became more nuanced: as early as 1986 the political scientist, Jim Bulpitt identified Thatcherism as representing a new form of Conservative Party statecraft, with industrial relations as a key plank of its 'governing competence', and Monetarism (described by Bulpitt as a 'modest little economic theory'), merely acting as a secondary instrument until it was abandoned in 1981.[29] Ewen Green believed that 'Thatcherism existed long before Margaret Thatcher became leader' and traced its roots to objections to the post-war settlement. She was fortunate to find herself in tune with the aspirations of the Conservative Parliamentary Party and grass-roots membership in 1975 and 'reap the benefit of social and economic change that gave the Thatcherite political economy an opportunity to flourish'.[30]

Other scholars have observed the dynamic and changing nature of Thatcherism. Saunders and Jackson, for instance, locate its development and effectiveness over the decade into three distinct phases: 'back from the brink' (1979–1983), 'high Thatcherism' (1983–1987) and 'decline and fall' (1987–1990).[31] Sutcliffe-Braithwaite's study of Social Policy highlights that Neo-Liberal ideas often sat alongside Conservative ideas in the policy-making process, but that invariably the latter overruled the former.[32] Andrew Gamble, a strident critic of Thatcher's legacy, believes that the claims made for the agency of Thatcher and Thatcherism 'are often exaggerated':

> [Contrary to the] Thatcher myth…policies were interpreted retrospectively…which gave greater coherence than was intended at the time…[giving] too much weight to rational calculation and foresight…and not sufficient allowance for the muddle and confusion in which politics is

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[27] Florence Sutcliffe-Braithwaite, 'Neo-Liberalism and Morality in the Making of Thatcherite Social Policy', *The Historical Journal*, 55 (2012), p. 498.
[28] Stuart Hall, *The Hard Road to Renewal: Thatcherism and the Crisis of the Left* (London, 1998), pp. 7–8. See also, Stuart Hall, 'The Great Moving Right Show', *Marxism Today*, January 1979, pp. 14–20, and Graeme Lockwood, 'Trade Union Governance: The Development of British conservative thought', *Journal of Political Ideologies*, 10 (2005), pp. 355–71.
[29] Jim Bulpitt, 'The Discipline of the New Democracy: Mrs Thatcher's Domestic Statecraft', *Political Studies*, 34 (1986), pp. 19–39.
[30] Ewen Green, *Ideologies of Conservativism: Conservative Political Ideas in the Twentieth Century* (Oxford, 2002), pp. 238.
[31] Ben Jackson and Robert Saunders, 'Introduction: Varieties of Thatcherism', in Ben Jackson and Robert Saunders (eds), *Making Thatcher's Britain* (Cambridge, 2012), pp. 1–21.
[32] Sutcliffe-Braithwaite, 'Neo-Liberalism and Morality', pp. 497–520.

> necessarily conducted…all the detailed accounts…stress how little Thatcher behaved in the way that the myth suggested.[33]

Despite her image as a bold, ideologically fuelled warrior-leader, Gamble concludes that she was:

> Extremely cautious, always aware of practical obstacles, adept at calculating the balance of forces confronting her and determining when it was wise to take a step back or find another way…Thatcher was particularly good at seizing opportunities and turning situations to her advantage, while presenting herself as always acting out of principle and conviction.[34]

As Richard Vinen has observed, Thatcherism was most clearly projected during times of political or economic crises, and was shaped by what he has termed the '*événementiel*', with the result that 'events such as the 1981 Budget, the Falklands War or the Miners' Strike probably did more to communicate Thatcherism than the speeches of Sir Keith Joseph'.[35] As early as 1992, Marsh and Rhodes had identified an implementation gap between the Thatcherites' aims and achievements across several policy areas, arguing that Thatcherism was by its nature evolutionary and adaptive, representing a contingency strategy for government rather than a blueprint.

Specific areas of Thatcherite policy-making and reform – both 'successful' and 'unsuccessful' – have been studied in recent years. They provide a useful prism through which to observe Thatcherism at work, and include UK personal pensions, social policy (specifically the tax and benefit system)[36] and the sale of council houses.[37] This research adds to this work in a highly contested policy area, particularly at the outset and even within (in fact, *particularly* within) Thatcher's own Cabinet,[38] although it was ultimately successfully executed. My findings concur with many previously referenced observations about Thatcherism and Thatcher as a political operator. There are also some aspects in which my study diverges from the expected narrative. For instance, this research identifies a complex and often contradictory relationship between Thatcherite policy and Neo-Liberalism as described by Davies et al. in the sphere of UK pensions as 'contingent, multi-layered, plural, embedded, dynamic, unstable'.[39] Gamble

[33] Andrew Gamble, 'The Thatcher Myth', *British Politics*, 10 (2015), pp. 3–15.
[34] Ibid.
[35] Richard Vinen, *Thatcher's Britain: The Politics and Social Upheaval of the 1980s* (London, 2009), p. 5.
[36] Sutcliffe-Braithwaite, 'Neo-Liberalism and Morality', p. 498.
[37] Matthew Francis, '"A Crusade to Enfranchise the Many: Thatcherism and the "Property Owning Democracy"', *Twentieth Century British History*, 23 (2012), pp. 275–97.
[38] And Thatcher's Shadow Cabinet from 1975 to 1979.
[39] Aled Davies, James Freeman and Hugh Pemberton, *A Neoliberal Revolution: Thatcherism and the Reform of British Pensions* (Manchester, 2024), p. 33.

has identified many of the inherent contradictions in Thatcherism.[40] However, despite the certainty of Wedderburn and others regarding Hayek's influence on the Conservatives' legislative programme, there is little evidence of it on a day-to-day basis. Instead, the main drivers of the legislative programme from 1980 to 1990 are more practical than theoretical: events and prevailing industrial relations issues, public opinion and media attention, the relative lack of resistance from the unions, the gradual 'conversion' of the Cabinet and the purging of the erstwhile industrial relations 'doves'. In fact, as identified by Lockwood, a significant proportion of the industrial relations reforms undertaken by Thatcher did not involve restricting the unions' immunities (the Hayekian solution, albeit he argued for their total removal), but targeting the improvement of union governance through, for example, secret ballots and qualifying thresholds for strike action to increase accountability.[41] These tapped into a long-standing and traditional Conservative belief that the root cause of trade union militancy was a small number of politically motivated individuals who did not represent the views of their rank-and-file, who were generally non-political, hard-working and patriotic.

[40] Andrew Gamble, 'The Contradictions of Thatcherism', in *Occasional Paper in Politics and Contemporary History*, 22 (Salford, 1990).
[41] Lockwood, 'Trade Union Governance'.

Chapter One: The Conservative Party and the Unions – A troubled relationship?

This chapter contextualises the state of British industrial relations in the second half of the 1970s and provides an overview of the increasing pressures on the long-standing voluntarist tradition between the trade union movement and successive governments. Attempts at reform are outlined, including those of Harold Wilson's government, followed by the more comprehensive and disastrous attempts by the Heath Government in the early 1970s. The chapter considers the dilemmas posed by the trade union 'problem' and the longer-term effects of the failed attempts for both parties, but particularly for the Conservatives. It will be argued that the 1971 IR Act failed to galvanise and embolden opinion within the senior members of the Conservative Party. Mainstream opinion was that any renewed attempts to limit the powers of the trade union movement through legislation would be doomed and politically dangerous. This was the policy vacuum that Margaret Thatcher inherited when she was elected leader in February 1975. Charting how this vacuum was filled and the emergence of a legislative programme that marginalised the influence of the British trade union movement and degraded its powers is the focus of this research. I shall argue that rather than executing a careful blueprint formulated in Opposition, the Conservatives' agenda evolved slowly and tentatively, and was driven as much by tactical opportunism as by Neo-Liberal ideology.

1.1 Industrial relations in the post-war settlement

The 1950s are normally seen as the high-water mark of the voluntarist system, characterised by relatively harmonious industrial relations, low levels of disruptive strike activity and reasonable – at least non-inflationary – wage settlements. The Conservatives were consistently in power in the decade following Churchill's success in the 1951 General Election, and appeared able to work with the trade union leadership.

The period of opposition following their defeat in the 1945 General Election marked a watershed in the Conservative Party's relationship with the trade union movement. During the inter-war years, it had been characterised by mutual suspicion and outright hostility among a vocal minority of backbenchers. Aspects of trade unionism attracted criticism and hostility, particularly the political levy that financed the Conservative Party's opponents and the Closed

Shop. For some in the Party, the 1906 Act represented 'a spineless surrender to union power which placed the unions above the law'.[1] The defeat of the trade union movement in the 1926 General Strike provided a good reason to deal with these objections with the 1927 Trade Disputes Act that banned the Closed Shop and changed the law on the political levy so that union members had to contract into paying it rather than contracting out. Stanley Baldwin was seen as having sided with the employers in 1926, including the mine owners. In fact, as leader of the Conservatives from 1922 to 1937, Baldwin's attitude to the unions was more emollient than his behaviour during the General Strike might suggest: he had a paternalistic concern 'for the condition of workers and good personal relations with their leaders'.[2] He was a leading force in the Party resisting moves to discipline the unions through legislation by supporting the more corporatist elements, including the initiatives by Harold Macmillan and Alfred Mond.[3]

The shock within the Conservative Party at Attlee's landslide victory in the 1945 General Election had a profound effect on its attitude to the trade union movement. A widespread belief was that its defeat was due, at least in part, to its unpopularity among trade unionists. Furthermore, Labour's commitment to full employment meant that, in Macmillan's words, the 'harsh and cruel discipline of the days of unemployment' would no longer moderate union demands for higher wages and, therefore, some form of permanent accommodation was needed. The Party's softening of attitudes to the unions can be seen during the six years of opposition. Initially, the Conservatives' *Industrial Charter*, published in 1947, recommended changes to legislation, including addressing the vexed subjects of the Closed Shop and contracting in of the political levy. The unions were attacked for overt political co-operation with the Labour government's recently implemented wage freeze. However, by 1949, the Conservatives had watered down their plans for legislation and promised instead to call a 'round table conference'. Following Labour's narrow win in the 1950 General Election, the Conservatives promised to maintain the status quo and gave their commitment to free collective bargaining.[4]

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[1] Andrew Taylor, 'The Party and the Trade Unions', in Anthony Seldon and Stuart Ball (eds), *Conservative Century: The Conservative Party since 1900* (Oxford, 1994), p. 501.
[2] Keith Middlemas and John Barnes, *Baldwin: A Biography* (London, 1969), p. 291.
[3] Alfred Mond, a founder of ICI and the initiator of the Mond-Turner talks that envisaged solving the problems of trade union power by giving the leadership an official place in the machinery of the state, in exchange for delivering control over their rank-and-file membership.
[4] Michael Moran, *The Politics of Industrial Relations: The Origins, Life and Death of the 1971 Industrial Relations Act* (Basingstoke, 1977), p. 15.

During the war, the senior Conservative leadership had inevitably been forced into a closer relationship with the trade union movement, but mutual suspicion still prevailed. However, the relationship was transformed with the Coalition Government formation in May 1940 and Churchill's subsequent appointment of Ernest Bevin as Minister of Labour and National Service. During a long political career, Churchill's relationship with the trade union movement had been contradictory; he equated the violence associated with industrial disputes with Bolshevism and had sent troops to quell the striking miners in Wales in 1910. However, he also saw trade unionism as a bulwark against revolution and admired pragmatic trade union leaders, with Bevin a prime example. In Bevin, the trade unions had a personality who could meet the Prime Minister on level terms, and Churchill – although not uncritical – admired Bevin and his ability to increase industrial output through 'a vast and steady volume of faithful effort, the like of which has not been seen before'.[5] Churchill warmed to trade union support during wartime and, after his electoral defeat in 1945, recognised the need to woo working class voters. At the 1947 Conservative Party Conference, he described the unions as 'a long established and essential part of our national life' and acknowledged the 'right of individual labouring men to adjust their wages and conditions by collective bargaining, including the right to strike'.[6] Returning to office in 1951, Churchill did not revive his own or his party's image of being anti-trade union, and other senior Conservatives concurred that the wartime cooperation with the unions should continue in peacetime. This was not a universal view, and many feared the long-term effects of this co-operation and a drift towards state intervention and collectivism: R A Butler's constituency Chairman wrote in 1942 of the 'socialistic mess we shall have to clear up'.[7] However, after the 1945 defeat, many senior Conservatives believed that if they could successfully manage the Keynesian economy and the welfare state better than Labour, Labour would be associated with nationalisation and Socialism, both identified with post-war austerity. A further indication that the Party had reset its relationship with the union movement was the revival of its own union organisation with a brief to combat 'Communist and Socialist activity…at the factory'.[8]

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[5] Chris Wrigley, 'Churchill and the Trade Unions', *Transactions of the Royal Historical Society*, 11 (2011), pp. 273–93, at p. 290.
[6] Ibid., p. 291.
[7] Taylor, 'The Party and the Trade Unions', p. 511.
[8] The Conservative Party's own trade union movement (called the Conservative Trade Union Movement at this time, but later known as the Conservative Trade Unionists (CTU).

Many Conservatives feared that on their return to power, they would face a 'sullen and hostile TUC [Trade Unions Congress]',[9] but the mood was generally conciliatory and cooperative, and the new Government dropped plans to reverse Labour's recent legislation on union dues and the Closed Shop. The largest unions' leaders at this time comprised 'unemotional right-wingers[10]: Tewson at the TUC, Deakin at the Transport and General Workers' Union (TGWU) and Carron at the Amalgamated Union of Engineering Workers (AEU). The result of the conservative leadership of the main trade unions and the TUC would be seen in the following decades in the increasing delegation of power and radicalism to the local level, with rapid growth in the number of shop stewards. However, in 1951, the unions appeared reasonable in their attitudes and moderate in their claims. Although there was no official co-operation, the new Conservative Government sought to persuade the unions that it was in their own, and the political system's long-term interests, to moderate their wage demands: a modified version of 'collective' laissez-faire. The post-war Keynesian settlement effectively required the government to assume an implicit background 'role' of maintaining a high level of employment. In a relatively benign economic environment in the first part of the decade, labour markets remained tight with low levels of unemployment.[11] Although inflation persisted, it showed no tendency to grow out of control. Economic growth, although low, was as high as Britain had achieved in recent years, and private sector employers, faced with rising profits and a tight labour supply, were prepared to concede wage demands above inflation. Moreover, while successive Conservative Chancellors, as custodians of Sterling, regularly urged the unions to restrain their wage claims, there were occasions when other ministers privately lobbied employers to concede large pay claims to keep the industrial peace.[12]

Avoiding confrontation with the unions was a key element of Churchill's strategy following the 1951 General Election. The main policy objective was a competitive and efficient industry that depended on the co-operation of all elements of the triumvirate of management, unions and government. Indeed, Churchill proposed strengthening tripartism to include a non-political body to discuss industrial matters, a precursor to the National Economic Development Council (NEDC) created by a later Conservative Government in 1962. During the first half of the decade, the Government went out of its way to head off and defuse any situations that might

[9] Taylor, 'The Party and the Trade Unions', p. 516.
[10] Stephen Milligan, *The New Barons*: *Union Power in the 1970s* (London, 1976), p. 18.
[11] Although the basis of calculation varied considerably post-war, 1950s unemployment rates averaged approximately 1% - 2%.
[12] Moran, *The Politics of Industrial Relations*, p. 17.

antagonise the unions and lead to industrial strife, with Churchill a leading proponent. Political expediency to the fore, his 'Indian Summer' administration was characterised by a lack of a domestic legislative agenda and its focus on international matters. He appointed Sir Walter Monckton as Minister of Labour in 1951 on the recommendation of a Conservative Party Central Office official.[13] The charming, emollient Monckton was an inspired choice: with a record of public service as adviser to Edward VIII during the Abdication Crisis, he was not seen by the unions as a tribal Conservative, having only been elected an MP at age 60 in 1951. Churchill briefed Monckton not to bring about confrontations with public sector unions, especially the miners, and pressed Monckton on two occasions to avoid strikes on the railways.[14] Churchill personally cultivated senior trade union leaders, including Vincent Tewson, the General Secretary of the TUC, and appointed more trade unionists to consultative bodies and committees than Attlee had done during his administration.[15] 'Moncktonism' became an aspect of Churchill's latter statecraft. When Churchill resigned as Prime Minister in 1955, the policy appeared to have been successful: the level of strike activity in Britain was low by international standards, and there was little evidence of the use of strikes as a political tool. The more radical elements in the trade union movement involved themselves in non-economic issues, such as nuclear disarmament. With unemployment fluctuating between 1% and 2%, growth in trade union membership stagnated, and industrial relations largely disappeared from the headlines. The trade union movement's standing in the eyes of the public appears to have peaked during the first part of the 1950s. We are fortunate to have a complete[16] set of responses to the question: 'Do you think trade unions are a good or bad thing?' collected over a forty-year period from August 1954: 71% of the general public believed trade unions were good in 1954, compared with 51% in 1979.[17]

Monckton's chief contribution to Conservative thinking was to 'state what became, with minor modifications, the apologia of successive Ministers of Labour in resisting calls for legislative intervention'.[18] His tenure (1951–1956) was marked by deliberate acquiescence, and even plans for a non-committal 'workers' charter' were abandoned on advice from unions and employers. Monckton saw industrial relations as being primarily a function of good 'human

[13] For a description of Monckton's time at the Ministry of Labour see Anthony Seldon, *Churchill's Indian Summer: The Conservative Government 1951–1955* (London, 1981), pp. 196–207.
[14] Paul Addison, *Churchill on the Home Front* (London, 1993), pp. 427–9.
[15] Seldon, *Churchill's Indian Summer*, p. 206.
[16] Except for 1962.
[17] Taylor, 'The Party and the Trade Unions', p. 518.
[18] Moran, *The Politics of Industrial Relations*, p. 17.

relations', but by the second half of the decade, it was becoming clear that good human relations could not prevent growing industrial discontent. The dilemma facing the Conservatives is perhaps best encapsulated by Monckton's successor, Iain Macleod, in 1957, when faced with the worst year of industrial unrest since the General Strike: having initially urged the engineering employers to resist a large pay claim, he found himself at a critical point in the dispute and exercised pressure on the employers to reach a settlement.

From the late 1950s onwards, British industrial relations deteriorated. The number of unofficial strikes increased in all industries except mining.[19] This form of industrial dispute, which became a peculiar feature of British industrial relations, was particularly hard to manage given that such disputes typically arose at the local level through rank-and-file initiatives outside of the official grievance process and without the sign-off of national leadership. The relatively benign economic backdrop of the early 1950s was changing, and although there was 'no dramatic shift…managing recurrent balance of payment difficulties, creeping inflation and low growth, alongside an enduring commitment to full employment'[20] became harder for politicians to manage. Moreover, the gap in economic growth rates – and crucially, in industrial productivity between Britain and its competitors, notably the USA and Germany – continued to widen during the 1960s as strike activity continued to increase. Between 1964 and 1967, days lost annually to strike activity ranged between two and three million, but between 1967 and 1970, the number rose to more than ten million.[21] As systemic inflation took hold, unions were increasingly blamed for contributing to the inflationary cycle with excessive wage demands. Employers blamed the unions for resisting modernisation and new technology and acting as a barrier to increasing corporate profitability and competitiveness. An exhausted Conservative Party wracked by scandal was narrowly defeated in the 1964 General Election. Thus, it fell to Labour to address the problem of Britain's creaking voluntarist industrial relations system.

1.2 The Donovan Commission

Evidence of bipartisan recognition of the breakdown of the voluntarist system can be seen in the establishment of a Royal Commission to examine British industrial relations under Lord

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[19] John Goldthorpe, 'Industrial Relations in Great Britain: A Critique of Reformism, *Politics and Society*, 4 (1974), pp. 410–52.
[20] Sam Warner, *Who Governs Britain? Trade Unions*, *the Conservative Party and the Failure of the Industrial Relations Act 1971* (Manchester, 2023), p. 40.
[21] Ibid., pp. 40–4.

Donovan (hereafter 'Donovan' or the 'Donovan Commission') in 1965.[22] In the final months of Douglas-Home's administration, the Conservatives had intimated that they would establish an inquiry into the law affecting trade unions after the General Election. The new Prime Minister, Harold Wilson, announced the appointment of Lord Donovan in the following year. Politicians' hopes for the outcome of Donovan can be seen in the Commission's terms of reference, which implied that legal restrictions on unions would redress the balance of bargaining power in the labour market, increasing the efficiency and profitability of industry. However, most of Donovan's Commissioners were heavily steeped in academic thinking. Otto Kahn-Freund, a Commissioner himself, had first articulated the central principle of British voluntarism in 1954, as an émigré from Nazi Germany: namely, the minimal role of the law in industrial relations. Unsurprisingly, therefore, the Commission's majority report[23] concluded that although industrial relations were now characterised by informal workplace-based bargaining giving rise to market-led anarchy and inflationary pressures, the voluntarist system remained fit for purpose and the law should remain out of industrial relations. It recommended that management should formalise the recent changes by developing, jointly with the unions, procedures to regulate industrial relations at the company level. Donovan's findings disappointed both major political parties: the Conservatives in opposition had already decided not to contribute and to formulate their own legalistically based industrial relations policies, which were published a month before Donovan in their policy pamphlet *Fair Deal at Work.* Labour also effectively ignored Donovan and proceeded to draw up its own proposed legalistic solution in its 1969 White Paper, *In Place of Strife (IPOS).*

1.3 ***In Place of Strife* (*IPOS*)**

Space does not permit a lengthy examination of Labour's attempts to reform the industrial relations system as outlined in *IPOS*, nor the reasons for its failure to be enacted.[24] Notably, it substantially overlapped with the Conservatives' future 1971 IR Act and represented a radical break with voluntarism – although less extensive than Heath's – proposing a series of criminal restraints on management, unions and individual employees. It was a halfway house between Donovan's liberal collectivism and the legalistic corporatist solution that ultimately informed Heath's 1971 IR Act. Neither Harold Wilson nor Barbara Castle had a good knowledge of or

[22] *The Royal Commission on Trade Unions and Employers' Associations 1965–1968*, *Chairman: The Rt. Hon. Lord Donovan*, *Cmnd 3623* (London, 1968).
[23] One member, Andrew Shonfield, dissented.
[24] See Jacqueline Lane, 'A Watershed Decade in British Industrial Relations, 1965–1974' (unpublished PhD thesis, University of Huddersfield, 2017).

relationship with the trade union movement, and their plans foundered on the rocks of internal rebellion within the Parliamentary Party, orchestrated by pro-union MPs led by Jim Callaghan, who had succeeded Bevin as 'keeper of the cloth cap'. However, despite many obvious areas of overlap with his own party's emerging thinking, Heath opposed Labour's attempts to improve the voluntarist system, dismissing it as a 'ragbag of odds and ends'. The fate of *IPOS* should have constituted a clear warning to the Conservatives of the probable opposition from the unions should they try to introduce similar reforms. Labour's White Paper marked the first post-war attempt to move the law to centre-stage and, as such, it moved trade union reform onto the political agenda.

1.4 Heath's 'quiet' revolution

The Thatcherite narrative of Heath's policy-making failure typically highlights his apparent lack of ideological beliefs, particularly compared to Margaret Thatcher. His first biographer, in 1972, wrote:

> Heath cannot be accused of being an 'ideologue', partly because he does not understand even the ideology he claims to hold…but [he] is easily mistaken for an ideologue because…he has a gift, if that is the phrase, for dressing up his decisions in the language of dogma.[25]

In 1970, John Biffen confided to a journalist that 'Heath is basically a super management consultant, brought in to improve the performance of Great Britain Ltd by that marginal one per cent'.[26] Certainly, Heath favoured details and process over political philosophy and was often 'reluctant to tell the public where the car was going, rather than what we were going to do inside the engine'.[27] He believed his policies, particularly in the areas of industrial relations and tax reform, would propel Britain towards his goal of a modern, efficient, high-wage/low-cost economy. This was the prism through which he viewed the problem of Britain's industrial relations. He believed that his reforms would give the unions 'a proper legal status, so that they would become a responsible part of the economic system, and the constitution'. In Williamson's words: 'No one seems to have doubted that these changes would work smoothly.'[28] However, his flagship 1971 IR Act, which was intended to completely overhaul

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[25] Andrew Roth, *Heath and the Heathmen* (London, 1972), pp. xiv–xv.
[26] Hugo Young, *The Hugo Young Papers: A Journalist's Notes from the Heart of Politics* (London, 2009), p. 12.
[27] Mark Garnett, 'Planning for Power: 1964–1970', in Stuart Ball and Anthony Seldon (eds), *Recovering Power, the Conservatives in Opposition since 1867* (Basingstoke, 2005), p. 204.
[28] Williamson, *Conservative Economic Policymaking*, p. 173.

and reform the British industrial relations system, collapsed through non-compliance amid fierce opposition by the trade union movement.

Heath's failed industrial relations reforms, especially the failure of the IR Act, had implications beyond the February 1974 election for the Conservative Party and the future of the British industrial relations system. It will be argued that these failures and the lessons learned had a long-lasting effect on the Conservative Party's approach to the trade unions, both in opposition (1974–1979) and when re-elected under Margaret Thatcher. Heath's failure certainly informed the later Thatcherite approach to industrial relations. The fall of the Heath Government in the election of February 1974 left a deep scar on the Party during the subsequent period of opposition – unsurprisingly, given that most members of Thatcher's Shadow Cabinet from 1975 to 1979 had also served under Heath. This was reflected in the cautious development of future policy. No clearer contrast between the two approaches to the same policy problem can be observed than between their respective strategies and policies in the field of industrial relations.

1.5 Heath's industrial relations reforms: A meticulously planned failure?

History has been harsh on Heath's attempts to reform the British industrial relations system: in Garnett's words, 'the lavish preparations of the policy on industrial relations' ensured that 'as a well-planned failure, the 1971 IR Act rivals even Margaret Thatcher's poll tax'.[29] Its failure is not disputed, and a wealth of primary evidence attests to the many hours spent in opposition debating the subject and drafting material, which was subsequently turned into policy. However, the reasons for Heath's failure are more complex than over-preparation. The IR Act was very (arguably too) ambitious and overly complex, but its reasons for failure were multi-causal. Some related to the shortcomings of Heath's approach to policy-making, including his own personality traits and the incorrect assumptions made during the process. Labour's less ambitious plans in 1969 had already demonstrated that the 'union problem' – as it was now widely termed – represented a great challenge for any government. Labour believed that in return for giving workers greater individual employment rights, their co-operation would be secured in the modernisation of British industry. Thus, several statutes were passed, mainly by the Labour government during the 1974–1979 administration, including guaranteeing

[29] Garnett, 'Planning for Power', p. 208.

employees' rights to minimum redundancy payments, protection against unfair dismissal, sex and race discrimination, and improved health and safety standards.

1.6 The Conservatives and the British industrial relations system

The Conservative Party indicated its intention to review the British voluntarist system of industrial relations only before it lost power in 1964. However, by the late 1950s, an emerging strand of thinking within the Party argued for the law to resolve industrial relations problems. In 1958, a pamphlet published by the Inns of Court Conservative and Unionist Society (ICCUS), *A Giant's Strength*, argued that trade union immunities prevented efficient and effective management and that this power was being exploited in an era of full employment, restricting the freedom of individuals. It proposed that either party should be able to refer any strike to an independent tribunal whose report would be binding. Furthermore, it was argued that unions should be registered to qualify for legal immunities and that unofficial strikes would be subject to criminal and civil proceedings.[30] As Moran argues, while the pamphlet did not directly shape the legislation that was to become the 1971 IR Act, it reflected growing Conservative concerns over strikes, the Closed Shop and the constitutional position of unions.[31] The ICCUS's research saw the involvement of a young QC and future MP, Geoffrey Howe.[32] Howe's interest and credentials in this area ensured that he was heavily involved with Heath's policy review and the Industrial Relations Policy Group (PG20), and Thatcher's later policy review.

1.7 Industrial Relations Policy Group 20 (PG20)

Originally constituted under the Chairmanship of Lord Amory, PG20 was one of the first policy groups to commence work in January 1965. Its brief was to recommend policies to 'help the economy', focusing on 'practical problems rather than theory…to include steps to discourage strikes and inhibit restrictive practices'.[33] This accorded with Heath's brief to all policy groups that the 'end product ought to be a specific solution to a specific problem', but also reflected his view that trade unions perpetuated restrictive practices and inefficiencies in the economic system.

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[30] The Inns of Court Conservative and Unionist Society, *A Giant's Strength: Some Thoughts on the Constitutional and Legal Position of Trade Unions in England* (London, 1958).
[31] Moran, *The Politics of Industrial Relations*, p. 56.
[32] Contrary to common assertion, Howe was not an original author of the pamphlet but was heavily involved in its promotion after publication.
[33] CPA, CRD 3/17/20, Minutes of Meeting, PG/20/65/21, 24 February 1965.

PG20 was unable to find an academic specialist in industrial relations who was a Conservative sympathiser. The group found it equally hard to recruit industrialists: several who were approached 'refused to help lest the news get out and poison their relations with their own workforce[s]'.[34] As with other policy groups, PG20 was chaired over time by several senior members of the Parliamentary Party: Lord Amory, Joe Godber,[35] Keith Joseph and Robert Carr. However, the consistent involvement of Geoffrey Howe (a QC and an MP from 1964 to 1966)[36] and Stephen Abbott[37] (a long-serving CRD staffer and PG20's Secretary) was crucial to the energy and output of PG20. Although Abbott had joined the CRD staff in 1960, he had had an international business career in the West Indies. This had exposed him to working practices outside the UK and greatly influenced his thinking and zeal for reforming the British industrial relations system. In the West Indies, he had gained experience of working in a system where legally binding agreements were integral to collective bargaining, a feature he promoted vigorously within PG20.[38] Until ill-health forced him to relinquish his role, Abbott served as secretary to every chairman, but this significantly understates his role: he has been variously described as 'the lynch-pin'[39] and an '*eminence grise*'. In tandem with Howe, Abbott drove the momentum and output of the group. Howe's papers reveal the close working relationship he enjoyed with Abbott, particularly their comparative studies of overseas systems that relied on legalism. The pair travelled to North America on a fact-finding trip with a heavy schedule of meetings (presumably arranged by Abbott), investigating Northern European systems of industrial relations.[40]

From its creation in 1965, PG20 operated to the tight deadline demanded by Heath in its first year because its output was required for the upcoming General Election.[41] The 1966 *Action Not Words* manifesto contained a clear commitment to introducing a new IR Act and the setting up of a Registrar of Trade Unions and a new Industrial Court. Following the Conservatives' heavy electoral defeat in March 1966, Heath made two important decisions in consultation with the then-Chairman of PG20, Keith Joseph. First, it was agreed that the Party would not contribute to Donovan, and second, that the Party would attempt to upstage the Commission by releasing

[34] John Ramsden, *The Making of Conservative Party Policy: The Conservative Research Department since 1945* (London, 1980), p. 243.
[35] The last Conservative Minister of Labour in Douglas-Home's administration.
[36] Howe had lost his seat in the 1966 General Election and returned to work as a QC.
[37] Abbott worked for the overseas business units of the British packaging company, Metal Box.
[38] Moran, *The Politics of Industrial Relations*, p. 5.
[39] Brendon Sewill's description of Abbott cited by Caines, *Heath and Thatcher*, p. 46.
[40] BOD MSS Howe, Dep. 118–130, but particularly dep. 119 and dep. 120.
[41] Labour had only a four seat majority in 1964.

its own industrial relations policy response before Donovan reported. *Fair Deal at Work* was published in April 1968, a month before Donovan reported.

The ambition of the PG20 report was clear. The final draft proposed a total reform of the entire system of industrial relations. It claimed it would deliver long-term industrial peace, promote economic progress by removing barriers to industrial productivity, and protect individuals from harmful pressure and authority from other individuals or organisations. The proposed legislation aimed to bring about a fundamental change in the economic philosophy of trade unions.[42] The document suggested the establishment of a Registrar, narrowing of union immunities, legally binding collective agreements, a legal right to join or refuse to join a trade union, and the creation of an Industrial Court to deal with collective labour law cases. Although it was updated to reflect the findings of Donovan and *IPOS*, in essence, *Fair Deal at Work* formed the basis of the 1971 IR Act.

In a damning verdict on the work of PG20, Barnes and Cockett suggested that the seeds of the Act's failure were sown in the work done for the 1966 Manifesto, which then, from 1966 to 1969 'congealed into policies that were inappropriate when the Conservative Government was finally elected in 1970'.[43] The circumstances surrounding the collapse of the centrepiece of Heath's legislative programme have been well documented, including in a recent study.[44] Many cite tactical mistakes made when the Conservatives regained power, particularly the lack of consultation with the unions and Carr's refusal to discuss or negotiate the 'seven pillars' central to the Bill. However, aside from these tactical matters, the Act contained a major contradiction: it aimed to reform industrial relations and restrict trade union powers, despite acknowledging their importance and legitimacy. Unlike Donovan, it saw the law as the main instrument for achieving these aims.[45] This inherent conflict was perhaps best summarised by Wedderburn[46] who, writing in 1972, posited that the Act seemed to be the work of two distinct draftsmen: 'the first…a civil servant or "organization-man" concerned mainly to bring "order" and a tidy structure to collective British industrial relations…the second is quite different, a Conservative

[42] CPA, CRD 3/17/2, Final report of part 1 of IR Policy Group, 17 November 1967.
[43] John Barnes and Richard Cockett, 'The Making of Party Policy', in Anthony Seldon and Stuart Ball (eds), *Conservative Century* (Oxford, 1994), p. 372.
[44] See Moran, *The Politics of Industrial Relations*, p. 23, footnote 4, and more recently, Warner, *Who Governs Britain?*, p18 footnote 21, and Denis Barnes and Eileen Reid, *Governments and Trade Unions: The British Experience, 1964–1979* (London, 1980) for a perspective from a former senior civil servant. For a succinct summary of the reasons for the Act's failure see Martin Holmes, *The Failure of the Heath Government* (Basingstoke, 1997), pp. 17–36.
[45] David Marsh, *The New Politics of British Trade Unionism: Union Power and the Thatcher Legacy* (Basingstoke, 1992), pp. 12–15.
[46] Lord (Bill) Wedderburn, the prominent Labour lawyer and follower of Otto Kahn-Freund.

lawyer imbued…with doctrines of *individual* rights'.[47] In short, the collectivist and corporatist elements reflected the Heathite technocratic view that the unions were blocking the modernisation and efficient operation of the British economy. Only by registering with a Registrar of Trade Unions could unions continue to enjoy certain legal rights and immunities. In contrast, the legalists of PG20, notably Howe and Abbott, wished to restrict the blanket immunity the unions had enjoyed since 1906 and to place collective agreements within a new legally binding framework – while granting individual employees the right to join or, more importantly, not to join a union.

Many of the reasons for the failure of Heath's ambitious industrial relations reforms can be ascribed to him personally: the meeting minutes from PG20 demonstrate his own involvement and ownership of this policy area, which included writing the introductory forward to *Fair Deal at Work.* Heath himself was never a convert to legalism, but the reforms in the IR Act appealed to his technocratic vision of modernisation. In his opinion, the unions were acting as a drag on the nation's commercial productivity and, as such, their power needed to be curbed by bringing them within the law. He failed to understand the enormous step that this represented, particularly the establishment of the National Industrial Relations Court (NIRC), and that the differences between the new body and the legal courts would be lost on most people. Instead, he believed that the legislation would be welcomed as part of his drive to modernise the British economy and that it would not be considered 'anti-union'. He considered that the unions would respond to recognition as one of the 'great estates of the realm' and would accept greater responsibilities in exchange for greater protection. He failed to spot the obvious flaws and contradictions in the Act, notably the lack of sanctions and incentives for unions failing to register, which proved to be the Act's Maginot Line.

The ultimate reason for the failure of the Act was the lack of compliance, demonstrating that while governments can pass legislation, implementation is not always as easy. Even before the near-farcical scenes involving the NIRC and the jailing and then freeing of the London dockers, there was little evidence that the new legislation had any influence on industrial relations; it was certainly ineffective in providing a mechanism for moderating wage claims. Heath had effectively shelved discussion on the related, but thorny, issue of a counter-inflation strategy because it was deemed too contentious. If the Conservatives had learned anything from the lessons of the collapse of their industrial relations strategy, it was surely that intricate planning

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[47] Bill Wedderburn, 'Labour Law and Labour Relations in Britain', *British Journal of Industrial Relations*, 10 (1972), pp. 270–90, at p. 282.

and detailed drafting could not fill an ideological void and that future policy initiatives would need to be considered in a wider economic context. A more cautious, incremental approach would be needed to stand any chance of success.

Chapter Two: February 1975 to 1977 – Hesitant beginnings

2.1 February 1975

Both Margaret Thatcher herself and the emergence of 'Thatcherism' are replete with contradictions. She is retrospectively viewed as a leader with strong policy beliefs and political convictions who would brook no argument with colleagues who disagreed with her, ruthlessly bypassing and replacing them with what she termed 'one of us'. Thatcher undoubtedly cultivated the image of someone proud to call herself a conviction politician and for whom the word 'consensus' was an insult.[1] However, this enduring image of Thatcher belies the reality, at least for the first six years of her tenure as Leader of the Conservative Party, both in opposition and in her first government. Despite being elected Leader with nearly twice the number of votes of her nearest rival,[2] Thatcher's position was anything but strong. This lack of confidence was reflected in her approach to the formulation and implementation of policy throughout her period of opposition from February 1975 until the 1979 General Election. Even after her electoral victory in May 1979, she remained cautious, earning the nickname 'Timid Margaret' by those, such as John Hoskyns,[3] who constantly urged her to be bolder.

It was not until after the 1981 Budget and the subsequent Cabinet reshuffle the following September[4] – ironically undertaken when the Government's economic and polling fortunes were at their lowest – that the tide turned in Thatcher's favour. A clearer Thatcherite agenda began to emerge from a previously divided and muddled policy landscape. The obvious explanation for this turnaround, particularly in the first two years in power, is the change of personnel, particularly in the Cabinet. As will be discussed, the change in key personnel, and notably the replacement of Prior at Employment by Norman Tebbit, undoubtedly made execution of the Thatcherite agenda easier: the doomsayers of the One Nation tradition, such as Prior, Gilmour and Soames, had been either sacked or demoted and replaced by a younger,

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[1] Thatcher made several comments to this effect: 'To me consensus seems to be the process of abandoning all beliefs, principles, values and policies in search of something in which no-one believes, but to which no-one objects.' For example, see MTFW 104712, Speech to Monash University, 1981, Sir Robert Menzies Lecture, 6 October 1981.

[2] Thatcher received 146 votes to Whitelaw's 79.

[3] Sir John Hoskyns, Head of Policy Unit (1979–1982) and co-author of the *Stepping Stones* report of November 1977.

[4] Dubbed the 'purging of the Wets' with the sacking of Ian Gilmour, Mark Carlisle and Christopher Soames and the demotion of Jim Prior from Secretary of State for Employment to Northern Ireland.

more ideologically aligned generation. However, it will be argued that rather than the change in personnel driving the changes in emphasis and pace of policy implementation, the greater sense of clarity and direction in policy-making shaped the emerging Thatcherite agenda. Moreover, during the second half of her first administration from 1982 onwards, and following her 1983 electoral landslide victory, the mists that had shrouded the Neo-Liberals' thinking and policy-making after her election as Leader in 1975 finally cleared. Being surrounded by a greater proportion of 'true believers' in her Cabinet was undoubtedly extremely helpful to Thatcher, but having a clearer sense of policy priorities and beliefs was more important. In stark contrast to her predecessor Edward Heath, Thatcher's only really settled area of policy related to the economy and the work undertaken by the Economic Reconstruction Group (ERG) while in opposition. Many of the other policy areas that were to form the centrepiece of Thatcherism, including industrial relations, were largely unresolved, remaining contested up to the 1979 General Election and beyond. Ironically, by 1982, when the lacunae in these policy areas were being filled, the centrepiece of the ERG's macroeconomic policy – the supply-side monetary targets to control inflation – was being quietly dropped.

2.2 A 'wobbly' Shadow Cabinet

Thatcher's first Shadow Cabinet was largely inherited from her predecessor, albeit with some new key appointments and promotions. Along with Ted Heath, who famously declined Thatcher's invitation, a few former Heathites also declined to serve. A smaller number were sacked, of whom the most prominent were Robert Carr and Peter Walker. However, Thatcher did not embark on a major purge of the Heathites. In fact, to the surprise of many (including some of the individuals themselves, such as Reggie Maudling),[5] most were retained. Having famously convinced Willie Whitelaw to serve in her Shadow Cabinet, several similar appointments of 'grandees' followed suit, including Lords Carrington, Thorneycroft and Hailsham and Sir Ian Gilmour (who represented the intellectual wing of the One Nation section of the Party). Very few of these were natural allies of Thatcher, nor did they share her beliefs. Indeed, Gilmour went on to become one of her most outspoken critics. Of the twenty-four members of her first Shadow Cabinet, only an estimated four voted for Thatcher in the second round of the leadership ballot.[6] She was, however, able to appoint Geoffrey Howe as her Shadow Chancellor, a move she described as 'a calculated gamble',[7] having given her most

[5] Appointed Shadow Foreign Secretary to his great surprise.
[6] Charles Moore lists these as Keith Joseph, Airey Neave, Angus Maude and Sally Oppenheim.
[7] Margaret Thatcher, *The Path to Power* (London, 1995), p. 288.

staunch ideological and personal ally, Keith Joseph, a roving brief to 'oversee policy rethinking'.[8] Jim Prior was retained as Shadow Employment Secretary for the review and formulation of future industrial relations policy; Thatcher later recalled that the decision was made 'after much thought', noting that this was 'rightly taken as a signal that I had no immediate plans for a fundamental reform of trade union law', adding 'his suitability for the job is only understandable in the light of the Heath Government's poisoned legacy'. Describing Prior's beliefs that, 'we accepted the existing union law, with perhaps a few alterations…and that we saw the union leaders as people with whom we could deal', clearly differed from Thatcher's own views, but she concluded that 'such an approach made more sense at the beginning of the period in Opposition than at the end of it'.[9]

Thatcher's apparent reluctance to purge more Heathites seems hard to understand. After all, she had won the leadership election by a resounding majority. However, her memoirs record her consistent insecurity about her role during the period of opposition. She was undoubtedly aware of the misgivings of many of her senior, male colleagues about the choice of the Parliamentary Party and her own relative lack of experience. The normally outwardly loyal Willie Whitelaw confided to a sacked colleague that 'her cohorts have a. little talent and b. have no idea about running a party'.[10] Largely because of this, after giving jobs to a few to whom she felt 'a special obligation', such as Joseph and Neave, she recalled in later years that she 'never wanted to make a clean sweep of the existing team',[11] despite the fact that it would mean that she would find herself outnumbered by Cabinet colleagues with a very different centre of political gravity to her own. While many contemporary accounts of Thatcher's surprise victory in 1975 ascribed her success to personal rather than ideological reasons, notably the antipathy towards Heath from many Conservative backbenchers, more recent research highlights a fundamental shift in the political tide on the backbenches that helped deliver Thatcher her unexpected victory.[12] However, Thatcher seemed surprisingly reluctant to recruit from this cohort of younger, more ideologically aligned members. It was not until the

[8] Ibid.
[9] Ibid.
[10] Private letter to Robert Carr from William Whitelaw, 19 February 1975, quoted in Mark Garnett and Ian Aitken, *Splendid! Splendid!: The Authorised Biography of Willie Whitelaw* (London, 2002), p. 218.
[11] Thatcher, *The Path to Power*, p. 282.
[12] Mark Wickham-Jones, 'Right Turn: A Revisionist Account of the 1975 Conservative Party Leadership Election', *Twentieth Century British History*, 8 (1977), pp. 74–89.

major reshuffle[13] during the mid-point of her first administration that she made any such appointments.

The obvious cleavage between Thatcher and Joseph, and the rest of her Shadow Cabinet in 1975, appears to be one of traditional One Nation Conservativism and the emerging, more right-wing Neo-Liberal agenda, which had recently been adopted and passionately espoused by Joseph.[14] However, the differences were more profound, particularly regarding their views on employment and the labour market. Almost without exception, Thatcher's Shadow Cabinet retained a strong adherence to the post-war consensus and an implied commitment to full employment. Notwithstanding that unemployment had breached the one million mark during Heath's government, a profound belief in the moral – and political – unacceptability of sustained high levels of unemployment existed. That generation of Conservatives had chosen unemployment as their political priority when confronted with the competing threats of rising inflation or rising unemployment, as exemplified in Tony Barber's 1972 Budget. Although unlike Harold Macmillan and members of his governments, they were too young to have witnessed the effects of the 1930s depression first-hand in their constituencies, those younger members of Heath's Cabinet had also inherited the same abhorrence of mass unemployment: Heath's personal beliefs had been heavily shaped by his experiences at Oxford University in the 1930s when the hunger marchers came to the city. Thatcher, as a younger member of her own Shadow Cabinet, belonged to a subsequent generation with no political memory of the deprivations of the 1930s. Keith Joseph's importance in changing the philosophical debate and direction of the Party will be examined in more detail. However, before Thatcher and in the early days of her leadership, he was a lone voice trying to persuade his Party of the need to break with the consensus of the past. His Preston speech in September 1974 focused on 'outworn orthodoxies' that continued to exert 'powerful emotional and ideological attractions' on all politicians, including himself. In a personal and vivid outpouring, he assumed collective responsibility for the errors – as he now saw them – of the Heath Government, which had 'gone astray'. The crux of Joseph's new Neo-Liberal crusade was that British governments had been fighting the wrong enemy, unemployment, and had been too frightened to adopt 'sound money policies', inadvertently creating a bigger enemy: spiralling inflation. Inflation, he believed, was 'threatening to destroy our society' and was stoking 'intolerable social and political tensions'. He chastised the politicians who had overseen the post-war settlement, including himself, for

[13] In September 1981.
[14] First articulated in his speeches in 1974.

living under the 'shadow of the 1930s…haunted by the fear of long-term mass unemployment, the grim hopeless dole queues and the towns that died'. He accused politicians of 'talking ourselves into believing that these gaunt, tight-lipped men in caps and mufflers were around the corner and [we] tailored our policy to match these imaginary conditions'.[15] He accused the Socialists of exaggerating unemployment levels and 'play-acting the 1930s'. For politicians of all parties whose political consciences were shaped by the post-war settlement, Joseph's views were at least embarrassing and at worst heretical and politically and socially divisive. Writing in the *Daily Mirror*, Michael Foot decried them as the 'most insidious assault on the full employment theories so widely accepted since 1945'.[16] But crucially, few of Thatcher's 1975 Shadow Cabinet would have sided with Joseph, apart from Thatcher herself (particularly on the evils of inflation) and Geoffrey Howe. With his Edgbaston speech just after the October 1974 election, Joseph had destroyed his own political future – certainly as far as high office was concerned – through his ill-judged speech with its references to the 'human stock' being 'threatened…by unfit mothers'. Ironically, this probably enhanced his influence over the development of Party policy in opposition as Thatcher appointed him to her Shadow Cabinet with a roving brief that encompassed being Chairman of the Advisory Committee on Policy (ACP) within the Party, and allowed him continued involvement with the think-tank he had recently co-founded with her, the CPS.

2.3 Policy formulation (1975–1976)

Thatcher's approach to policy and policy formulation was strikingly different compared to her predecessor's period in opposition, despite an identical structure and process being retained. In retrospect, it derived much of its character from Thatcher's personal and political weakness in opposition: a period in which many MPs, including those who had voted for her in preference to Heath, believed she would be challenged and dispatched in favour of a more establishment leader. Thatcher was acutely aware of the weakness of her position, but was determined to avoid making the same errors of policy formulation as her predecessor. As discussed in Chapter 1, Heath – with the benefit of a united Shadow Cabinet – drove his team's policy review to produce specific and detailed, practical policies designed to be turned into legislation once elected, with the disastrous 1971 IR Act as a prime example. In areas where views were more divided, particularly around monetary and incomes policies, the philosophical lacunae were

[15] Keith Joseph, 'Inflation is caused by Governments', Speech at Preston, 5 September 1974, MTFW 110607.
[16] *Daily Mirror*, 7 September 1974, p. 3.

effectively ignored. Thus, Heath entered Downing Street in 1970 with a detailed blueprint for a total overhaul of the British industrial relations system, but no settled position on how to fight inflation or the need – or otherwise – for a statutory prices and incomes policy. Thatcher had also seen that Heath's policy formulation process had bypassed most MPs not in his Shadow Cabinet, and its alienating effect on many backbenchers.

While retaining the structure and machinery she inherited from Heath, Thatcher made changes to key personnel but resisted temptations for a clean sweep of the past. Michael Wolff, Director of Conservative Party Organisation, was sacked, along with the intellectual Heathite, Sir Ian Gilmour, as Chairman of the CRD. Gilmour was replaced by Angus Maude, a prominent anti-Heathite who had been sacked in 1966 for a critical article he had written on the Conservatives' previous opposition approach.[17] As previously detailed, her key ally, Keith Joseph, was appointed Chairman of the ACP (a post that Heath had occupied in his period of opposition). Perhaps surprisingly, she retained the unideological, but arch-Heathite, Chris Patten, as Director of the CRD. Patten was described as retaining 'the confidence of a variety of Conservatives who do not have confidence in each other'.[18] These changes hardly signalled a radical change of policy direction. Indeed, some insiders complained about a 'lack of clarity in any direction at all'.[19] However, despite – or maybe because of – the apparent lack of direction and daily involvement from the leadership, a different but more effective approach to policy formulation emerged. Writing on the eve of the 1979 election, Patten compared the post-1975 policy-making process with that of 1964–1970:

> Since 1975 the Party was more concerned with its philosophy and its general approach than…in the 1960s. This owes something to the change in the style of leadership. It is also partly the result of scepticism about the 'problem-solving' attitude to policy work…a caution about promising too much or attempting too many changes in government too rapidly…these attitudes were not solely or mainly a reaction to the party's record in the decade 1965–1975…they stemmed more from a view of Britain's problems and of the role of the government in trying to solve them.[20]

As Patten noted, 'policy work was less tightly controlled than in 1964–70, despite all work having to be funnelled through the CRD, the ACP, the Shadow Cabinet, and the 'inner Shadow Cabinet – known as the Steering Committee and made up of the leader's most senior colleagues

[17] *The Spectator*, 14 January 1966, p. 39, 'Winter of Tory Discontent'.
[18] *The Times*, 30 May 1978, 'Loyalty and Leadership'.
[19] Vinen, *Thatcher's Britain*, p. 81.
[20] Chris Patten, 'Policy Making in Opposition' in Zig Layton-Henry (ed), *Conservative Party Politics* (London, 1980), pp. 9–25.

– before it received official endorsement'.[21] Moreover, more backbenchers 'wanted to be involved in policy work' resulting in 'more policy groups, initially running on a lighter rein, than before'.

2.4 'A hundred flowers bloom'

Patten's striking description of the Shadow Cabinet being 'wisely disposed to let a hundred flowers bloom' during this period of policy-making in opposition seems at total variance with Thatcher's image of a conviction politician who abhorred ambiguity and political 'fudging'. This was partly because of Thatcher's weak personal position within her divided Shadow Cabinet. She also learned from Heath's downfall the importance of keeping her backbenchers onside, even though they were generally more aligned with her own political thinking. Heath oversaw more than thirty policy groups when in opposition, whereas under Thatcher, there were over twice that number.[22] Many appeared to reflect the niche interests of a few backbenchers, failing to create real momentum or reach any conclusions on policy. In Patten's words, the Shadow Cabinet allowed a hundred flowers to bloom 'to ensure that they could be picked without placing too large a burden on the Shadow Cabinet itself…' but 'a policy sub-committee under Sir Keith Joseph's chairmanship was established to vet policy proposals before their submission to the Shadow Cabinet'.[23] Patten, who had also observed Heath's policy-making process from his CRD desk, could see the sharp contrast between Heath's urgent 'problem solving' and the formulation of detailed policy, and Thatcher's approach to policy that seemed 'more concerned to convey a broad approach rather than scatter public commitments over a wide area'.[24] Indeed, he likened the first Thatcherite policy statement, *The Right Approach*,[25] to one of the *Charters* of the 1950s 'in its style and sweep'.

This relatively fluid approach to policy-making after 1975 was undoubtedly endorsed by Thatcher herself and her intellectual lieutenant, Keith Joseph. As will be examined later, he and Thatcher were nonetheless quick to kill off policy suggestions with which they instinctively disagreed, including the West German 'Concerted Action' and tripartite models in industrial relations involving the NEDC. However, they seemed content to let ideas be freely debated by

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[21] Ibid., p. 19.
[22] No record of the exact number of policy groups exists but it is usually said to be at least 60 at one time and James Douglas of the CRD stated that there were 70. Adam Ridley pejoratively claimed it was 'hard to distinguish a policy group from a couple of Tories who sit down and write a paper about water metering' in Young, *The Hugo Young Papers*, p. 97.
[23] Patten, 'Policy Making in Opposition', p. 19.
[24] Ibid., p. 20.
[25] *The Right Approach: A Statement of Conservative Aims* (London, 1976).

the many groups with minimal pressure for these discussions to produce immediate policy recommendations. This probably accorded with Thatcher's view of the dangers of producing detailed policy in opposition, and her recognition of the deep splits within her party, particularly about monetary policy. Earlier stirrings after the February 1974 defeat suggested that the Party's policy had become 'too *dirigiste*' and the Party too 'entangled in the statutory control of prices and incomes'.[26] Joseph argued for a more market-oriented approach, and the October 1974 Manifesto was an unsuccessful compromise in party unity on this most pressing issue. It was therefore not surprising that of all the policy groups formed in 1975, the ERG proceeded with the greatest sense of momentum. Progress was much slower for many of the others, particularly in areas where views were divided or solutions unclear, with effort diffused to little effect across a very broad canvas, a point not lost on the senior CRD member, James Douglas, in March 1976. Returning to the CRD following a leave of absence after the October 1974 defeat, he penned a confidential memo entitled, *An Instant Impression*, on what he perceived as an unfocused and unproductive approach to policy-making in contrast to the 'great out-put of policy proposals' that had characterised the 1966 and 1970 elections. His memo concludes that, despite being two years since electoral defeat, it does not seem that 'we are yet in a position to appear as a credible alternative government'. On economic policy, he acknowledged that 'we are at least…fairly far advanced', although he did not believe 'our economic policy is yet credible'. For 'housing, education, industrial relations, poverty and welfare…we are still very far from a clear distinctive policy. In some cases…we could probably cobble up a policy fairly quickly although the experience of February to October 1974 was not a wholly happy precedent for this.' Douglas concluded that the 'policy posture of the Party at the next General Election' should be 'concentrated on a narrow front…not more than three or four policy areas…of which industrial relations is, I think, the most important.'[27]

The lack of progress in the policy-making to which Douglas was referring had been initiated in April 1975, two months after Thatcher was elected as leader. Her two most ideologically aligned colleagues, Joseph and Maude, circulated a document by Joseph entitled *Notes towards the definition of policy*.[28] It aimed to 'identify those areas of disagreement or uncertainty to which we want to devote further discussion'. Each policy area, including industrial relations,

[26] Patten, 'Policy Making in Opposition', p. 18.
[27] CPA, CRD/L/4/7, JAT Douglas, Miscellaneous Correspondence (weeded), *The Policy Group Work: An Instant Impression*, 2 March 1976.
[28] CCA Thatcher MSS, THCR 2/6/1/156, Shadow Cabinet Circulated Papers (Joseph, '*Notes towards the definition of policy*'), 4 April 1975.

was covered, albeit briefly and via leading rhetorical questions. Significantly, the opening section dissected the Conservative Party's failure to gain the political and intellectual initiative, in the context of two lost elections and since the War. Joseph was clear that the Party had chosen 'the path of consensus since the war…and on a number of subjects we have reached the end of that road'. Specifically repudiating the post-war consensus and commitment to full employment, he wrote that: 'We undertook to ensure full employment…we competed with the Socialists in offering to perform what is in fact beyond the power of the government.'[29]

The paper was discussed at the 57th Meeting of the Leaders' Consultative Committee on 11 April 1975, chaired by Thatcher. In effect, it was a meeting of the Shadow Cabinet,[30] although there were several absentees, including Jim Prior. The relatively anodyne minutes taken by a CRD official[31] indicate how divided opinion was, particularly around Joseph's analysis in the preface and his rejection of the prevailing consensus and the need to stick to the middle political ground. Timothy Raison and Ian Gilmour on the left of the Party are recorded as rejecting Joseph's opening premise and his explanation of the Conservatives' recent electoral defeats. However, Lord Hailsham's private diary entry for that day provides a far more colourful insight into the raging debate within Thatcher's first Shadow Cabinet. He summarises the day-long meeting: 'There was hardly a dull moment.'[32] His semi-coded notes detail a sharp exchange between Thatcher and Gilmour when she asked him if he believed in capitalism, to which he retorted, 'That's almost blasphemy.'[33] Maudling said that he 'disagreed with everything'. Francis Pym expressed the view that 'Society is moving left' and described Joseph's paper as 'a recipe for disaster', whereas Raison described it as containing 'too much misery'. It is illuminating that much of the intensity of the debate appears to have been reserved for the opening section of Joseph's paper rather than for specific matters of policy, particularly since this document and the meeting were intended to launch the new policy review process.

Joseph's paper is particularly elliptical regarding the very short, twelve-line section on industrial relations, and poses several rhetorical open-ended questions:

> Trade Unions. Are there among our colleagues any who wish to embark on applying a legal framework to union activity? If so, let us discuss. It will come one day. Meanwhile are we agreed to study the possibility of requiring union elections to be by secret ballot – and whether this is likely to improve matters?

[29] Ibid.
[30] Hailsham's diary entry for 11 April 1975 refers to the meeting as the 'SC meeting'.
[31] CCA Thatcher MSS, MTFW 109958, Shadow Cabinet Minutes of the *57th Meeting*, 11 April 1975.
[32] CCA Hailsham MSS, Hailsham Diaries, 11 April 1975.
[33] Ibid.

> Should we follow Mr Prior's lead in urging Conservatives to join unions and to work for enlightened self-interest?
>
> Can we realistically seek to restore the no-strike condition in key sectors – such as power stations – in return for a premium? We would make such an undertaking a condition of employment as it used to be.[34]

Elsewhere in the same paper, under the heading of 'Militancy', Joseph makes the extraordinarily optimistic assertion that 'by not trying [an] "incomes policy", we avoid mass confrontation', although he concedes that 'there are likely to be political strikes particularly in the state sector to try and force the government to subsidise them indefinitely'.[35] Although not present, it was noted that Prior was tasked with organising a group to look at employment matters such as 'unemployment, over-manning, retraining and redundancy and redeployment',[36] but interestingly, a wholesale review of industrial relations practices and structures was not mentioned. Instead, the minutes noted that 'the need for better links with local union leaders was expressed'.

If the April 1975 Shadow Cabinet meeting was intended to fire the starting review on the Party's policy review, the formation of the individual policy study groups and their subsequent pace largely depended on the respective group Chairmen. Certain groups, such as the ERG, were particularly active thanks to the Chairman, Geoffrey Howe, and members Nicholas Ridley, Brian Griffiths from the London Business School, David Howell and John Nott (both newer MPs from the right of the Party) – and Gilmour and Prior from the left. The ERG started work in May 1975 and by the second half of that year was already circulating discussion papers with clear agenda points. By contrast, Prior's Employment Group (EG) had not been convened by the end of 1975: the progress report of the groups in December stated that the EG 'under the putative Chairmanship of Mr Prior' had 'not yet been fully constituted'.[37] The first paper produced by the EG only appeared in April 1976 – a year after the Shadow Cabinet had approved the policy review and the creation of the policy study groups. Prior made his doubts very clear: drafting any employment policy was 'an act of sensitive tight-rope walking' between repairing 'the damage done…at the time of the miners' strike' and not being seen to be 'giving in to undue pressure'.[38] The suggested improvements and changes to the existing employment and industrial relations framework identified by Prior in April were limited and

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[34] *Notes towards the definition of a policy*, p. 12.
[35] Ibid., p. 9.
[36] Shadow Cabinet Minutes of the *57th Meeting*, *11 April 1975*, p. 4.
[37] CPA, CRD Box 3, Progress Report on the work of the policy groups by Nigel Forman, 12 December 1975.
[38] CPA, CRD Box, Minutes of Fourth Working Lunch of the Policy sub-Committee, 26 April 1976.

modest: inserting a ‘conscience clause’ in Closed Shop agreements and paid-for ballots to elect trade union officials. These, he believed, would be acceptable to the unions. By contrast, he proposed no legislative changes to curb the power of the unions, nor did he propose reversing any elements of the four pieces of employment legislation introduced by the Labour government following the 1974 General Elections.[39] The minutes reveal a degree of disagreement with Prior’s conclusions, specifically from the Chairman of the sub-Committee, Keith Joseph, who questioned whether the balance had now shifted in the debate about the need to strengthen the power of the unions to make them more effective.

2.5 Towards The Right Approach and The Right Approach to the Economy

By July 1976[40] – in compliance with the deadline for policy groups to produce their interim findings for the drafting of the document that was to become *The Right Approach* – Prior produced his *Employment Policy: Interim Report*.[41] The summary findings were presented in five pages of the twelve-page document, with the remainder given over to a lengthy appendix on details of the Closed Shop. Prior’s introduction promises ‘specific proposals on the Closed Shop, employee participation, voting in union elections, payment of supplementary benefit to strikers families and picketing’ with a rider that ‘it is neither final nor comprehensive’. When describing his strategy for his review, Prior asserts that ‘we are seen to have interfered too much by legislative means in industrial relations in the past’ (a sentence tellingly underlined by Thatcher in her copy) and that with ‘large scale changes in the law affecting collective bargaining being introduced for the second time in five years…further major legislation would be unwelcome’. He concluded that the major task for the Party was to convince the public and ‘as far as possible the trade unions themselves’ that it did ‘not seek a major confrontation’ (the last five words also underlined by Thatcher) and that ‘we must appear neither unduly provocative nor unduly timid’.[42] The need to avoid major enabling legislation is a recurrent theme in all Prior’s recommendations: for the most part, he advocates the use of voluntary codes of conduct and the assistance of the Advisory, Conciliation and Arbitration Service (ACAS).

[39] Namely the Trade Union and Labour Relations Act (1974), Health and Safety at Work Act (1974), Sex Discrimination Act (1975) and Employment Protection Act (1975).
[40] Prior’s Interim Report is undated, although the CCA date is 5 July 1976.
[41] CCA, Thatcher MSS: 2/6/1/159: Circulated paper, Employment Policy Group Interim Report, MTFW 110156.
[42] Ibid.

The most detailed proposals relate to the Closed Shop, something that most Conservatives saw as an infringement of the rights of the individual, acting as a monopoly that caused labour shortages. The Closed Shop had been examined and debated over many years, most recently by the Donovan Commission in the previous decade. The broad consensus, even for those who disliked it intensely, was that it was so embedded in the British industrial relations model and within the union movement that it could not be outlawed. Furthermore, to the surprise of many Conservatives, there was consistent feedback from many employers that they preferred negotiating with one union. Prior's Appendix laid out the four options for the Closed Shop: 1) Do nothing; 2) Outlaw it; 3) Rely on TUC guidance and co-operation; or 4) Encourage or, if necessary, instruct ACAS (given their duty to improve industrial relations) to draw up a code of conduct. Prior recommended the final option and concluded that it might be possible to 'avoid any legislative change to effect this policy…in line with the statements made by the Leader of the Opposition and the Shadow Employment Secretary on 28th February when they promised no major legislative upheaval in industrial relations.' Dismissing the second option of outlawing the Closed Shop, Prior listed reasons that would prove difficult: the problem of definition, non-compliance, pushback from the trade union movement and some employees, concluding that it was 'for such reasons that Mrs Thatcher and Mr Prior excluded this option'.[43]

The final part of Prior's summary is entitled 'elements affecting the balance of power in industrial relations', which he describes as 'three of the most difficult areas…on each there is undoubted public concern, but great union sensitivity' and that it is important that the arguments are understood and 'not written off as union-bashing'. These three areas are: postal ballots, payment of supplementary benefits to strikers' families and picketing. All three, but particularly the last two, are addressed in a few short lines – in the case of picketing, just one sentence. The provision of free postal ballots had been a much-discussed option by the Conservatives in the past. Prior's proposed plans were to be on 'an optional basis' (with the words underlined by Thatcher in her annotated copy) and funded by a payment to the Post Office to provide 'reply paid envelopes' (heavily underlined by Thatcher with a question mark in the margin suggesting questioning of this logic). Supplementary benefit, it was proposed, would be 'treated as earned income and taxed accordingly' (underlined by Thatcher). Finally, on picketing, it was proposed that 'the possibility be examined of a "deal" whereby in return for severe limitations on the number of pickets a limited right to stop traffic would be granted'.

[43] Ibid.

Here, Thatcher's disapproval is clear from her annotated heavy black underlining and 'why?'[44] scribbled in the margin. The paper concludes that given the nature of the proposal on picketing, 'it would best be left until we return to office'.[45]

The watchword of Prior's EG draft policy summary was caution, with emphasis on avoiding new legislation. Each of the five proposed actions included a section on legislation and cost. Some of the proposals were described as being voluntary or subject to a deal with the unions (e.g. the paid-for ballots and a picketing code), which would only 'involve short bills' or the use of the statutory powers of an existing body, such as ACAS, which could be easily strengthened by amendment if required. Where legislative changes had to be made, they were to be effected through existing laws that did not relate to employment legislation, such as the Finance Bills at the time of the Budget for changes to the taxation of Supplementary Benefit. Crucially, apart from enforcing ACAS's involvement in drawing up a code for employment participation by amending the Employment Protection Act (EPA), none of Prior's proposals required any changes to the employment legislation passed by Labour since 1975 on which the Social Contract had been founded; nor did it require any new enabling primary legislation, in line with the Conservatives' commitment on this matter. Certainly, for Prior, the experience of introducing new industrial relations legislation in the early 1970s had been too painful to revisit.

The emerging thinking from the major policy groups, including the EG, was channelled into the strategy document that became *The Right Approach* and was launched at the Conservative Party Conference in 1976.[46] Often since described as 'trying to be all things to all men', it represented an overview of current thinking and direction within the Party rather than serving as a policy document or manifesto. That the section on industrial relations was short is unsurprising: Chris Patten of the CRD initially drafted the entire document. In June, Patten had written in an internal memo that:

> In presentational terms, we should not seek to pretend that we have an easy answer to the problem of trade union power: we should stress that this is a problem central to the future of parliamentary democracy, even while we have proposals (postal ballots etc.) for strengthening the moderates inside the union, this problem can ultimately be resolved by the will of the common sense majority.[47]

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[44] Ibid.
[45] Ibid.
[46] *The Right Approach: A Statement of Conservative Aims* (London, 1976). Available at MTFW 109439.
[47] BOD CRD 403, *The Conservative Party and Inflation*, 30 June 1976.

This view was reflected in the short sections in *The Right Approach* on the trade unions. It reiterated the principle that the union movement represented 'an important role in a free society; it should be widely consulted and its interests acknowledged and understood', but that 'the unions are not the government of the country'. Much of the onus for reform was put on trade union members: Conservative members were encouraged to take a more active role in their union affairs, union members should push for ballots for union elections (for which public money would be made available), and unions were urged to make 'voluntary arrangements' to protect those who refused to join a union in a Closed Shop workplace 'based upon conscience or deeply held personal conviction'. Significantly, the document reiterated that 'on our return to office we do not intend to introduce a major round of new industrial relations legislation', although, consistent with Prior's summary of the EG's conclusions in July, it did not rule out amending 'certain points in recent legislation…if voluntary arrangements are not in the meantime secured'.[48]

Published in October 1977, a year after *The Right Approach*, *The Right Approach to the Economy*[49] – of which Prior was a co-author – was published. This included a longer section on 'Conservatives and the Unions', but again, no specific policies were outlined. Instead, there was a charged and, in parts, defensive critique of Labour's Social Contract and the relationship between the unions and the Government, which it described as 'a crippling subservience' in which 'the TUC became for a time almost an organ of government – or *vice versa*'. It tried – somewhat unconvincingly – to paint the relationship as being too close and under increasing strain. It posed the hypothetical challenge 'by our opponents…that a future Conservative government would find it hard to secure co-operation from union leaders'. In a thinly veiled attack on Labour's 1974 and 1975 employment legislation that underpinned the Social Contract, the document stated that it 'cannot accept that the Government should draw up its legislative programme at the sole behest of the unions', while noting that 'we see no need for confrontation and have no wish for it'. Optimistically, it concluded that there was no reason why 'a Conservative government would find it harder to get on with the union leaders…rather, perhaps the contrary…union leaders may well find it convenient (and refreshing) to deal at arm's length with a government that knows both its place and theirs'.[50]

[48] *The Right Approach*, pp. 44–6.
[49] Sir Geoffrey Howe, Sir Keith Joseph, James Prior and David Howell: *The Right Approach to the Economy: Outline of an Economic Strategy for the next Conservative Government* (London, 1977).
[50] Ibid.

The longest section devoted to industrial relations in the document was entitled *The Ultimate Challenge*, and warned of the growing threat of union militancy and what it termed 'political strikes'. It contrasted 'the most influential union leaders' who 'on the basis of experience rather than mere hope…can be relied upon to co-operate with a government of any party to try to do what is best for all workers and for the nation as a whole' and those 'militant extremists in the unions…who are openly dedicated to the destruction of the whole free-enterprise system'. It pre-warns of those who will 'desperately try to foment, particularly at local levels, industrial action in protest against some of a Conservative government's measures – especially, perhaps, those designed to curb public spending'. Most tellingly, it references 'the scenes outside the Grunwick factory' and the 'real threat to the rule of law and a stable society'. The reference to Grunwick was particularly topical and relevant,[51] as will be examined later. The violent scenes on nightly television from North West London involving thousands of pickets from all over the country were taken as clear evidence of the threat to civil order and authority, and signs that Labour's Social Contract with the unions was crumbling. However, despite the dire warnings of present and future troubles, *The Right Approach to the Economy* proposed no solutions. Instead, it concluded its commentary on British industrial relations with a bizarrely sanguine hope that 'good sense will, before too long, prevail'.[52] The issue of the 'ultimate challenge' to a future Conservative government had, in fact, been the subject of a discrete policy study group set up under Lord Carrington.[53] Jim Prior was not a member of the group, but had been invited to join a meeting on 11 November 1975 to discuss the role of the Civil Contingencies Unit (CCU). When asked by George Younger about the possibility of 'some future Conservative legislation effectively being vetoed by the trade unions', Prior replied that 'he didn't think the situation would be as bad as that' and hoped that 'three more years of Labour government would engender a more responsible attitude in the trade unions'. Prior concluded his appearance at the meeting by stating: 'We needed a period of time for past wounds to heal' but that 'he was also attracted to the argument that we should agree to pay the unions' price but tell them firmly that this meant less for everyone else and fewer jobs for those who made the demands'.[54]

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[51] The Grunwick dispute had started in July 1975, but came to prominence only with the mass picketing from late autumn 1975 onwards and throughout 1976.

[52] *The Right Approach to the Economy*, p. 22.

[53] Chaired by Lord Carrington, its members were: Ian Gilmour, Lord Jellicoe, Hon George Younger, Hon William Waldegrave, David Hardy, John Peyton and Jonathan Sumption. The Secretary was Nigel Forman of the CRD.

[54] CCA, Younger MSS, PG40/75/3, Authority of Government Policy Group, Minutes of 3rd Meeting, 11 November 1975 [Jim Prior – government machinery]. Available at MTFW 111381.

2.6 An exercise in masterly inactivity or pragmatic reality?

The records of the Leader's Consultative Committee and the minutes of the constituent policy study groups show that Prior's EG was slow to be constituted and produced few policy recommendations from the policy review launch in April 1975 until the latter part of 1977, when it was forcibly reinvigorated by the intervention of John Hoskyns and his Stepping Stones project. Certainly, the slow start to the EG's activities can at least partly, if not wholly, be laid at Jim Prior's door: during 1975, the momentum of the most dynamic policy groups was derived from their respective Chairmen. Caines suggests that Prior had informed the Leader's Sub-Committee that he would prefer an employment market study be undertaken by someone 'outside the mainstream of political discussion'.[55] While this might explain Prior's apparent lack of energy and enthusiasm, the more obvious reason is surely that he did not see any place for significant legislative changes. Indeed, as events unfolded and the debate within the Party hardened against his line, his reluctance became even more apparent.

Prior was far more emollient than Thatcher – in many ways her social antithesis: from a professional background but with links to the landed gentry, he was educated at Charterhouse School and Cambridge University, graduating with a First-Class degree in Land Economy. He downplayed his intellectual credentials and played up his image of being a down-to-earth, ruddy-faced farmer.[56] He was unequivocally on the left of the Conservative Party throughout his career and described by his Labour opponent, David Ennals, as having 'a pink conscience'. In contrast to Thatcher, he was socially assured and charming, but prone to complacency and laziness. John Hoskyns described him as being 'friendly…but somewhat patronising' at their first meeting, noting in his diary that he was 'a nice, reasonable sensible man, hoping to meet stupidity and ruthlessness with concessions and pragmatism'.[57]

Prior's career had flourished under Heath, for whom he had been a Parliamentary Private Secretary (PPS), and thereafter in government as Minister of Agriculture and Leader of the House. Like several of the other former Heathites, including Ian Gilmour and Reginald Maudling, he never hid his allegiance, but unlike them, he was tolerated and retained by Thatcher. His autobiography details his objections to Thatcher's and Joseph's philosophy:

> There was no easy solution, no single theory which might explain our ills or provide all the answers…inflation had become a bigger enemy than

[55] Caines, *Heath and Thatcher*, p. 188.
[56] The description used by his friend, Keith Simpson MP.
[57] John Hoskyns, *Just in Time: Inside the Thatcher Revolution* (London, 2009), p. 75.

> unemployment…and what began to stick in the gullet was the growing belief…that the only thing that mattered was control of the money supply.[58]

Crucially, he thought it unwise to rule out a future policy to encourage wage restraint or a pay policy for those 'seven million or more people employed in the public sector'. For this, he knew that co-operation from the unions would be required.

When appointing Prior to the Shadow Employment brief, Thatcher recognised that he had a 'strong conviction…[that]…the existing trade union law should be accepted with perhaps a few alterations' and that 'he saw the unions' leaders as people with whom we could deal'.[59] There was undoubtedly an element of truth in Thatcher's post-event rationalisation, but equally, she was often happy to use Prior's image as a 'critical friend' of the unions as a foil to confrontation, particularly when in opposition. As she later wrote, 'Such an approach made more sense at the beginning of the period of opposition, than at the end of it.'[60]

Prior appears to have understood his role and played his part, despite his ideological differences with Thatcher. At times, he appears to have been particularly protective and sensitive to other shadow ministers straying onto his Employment turf. Perhaps more surprisingly, Thatcher was, on occasions, quick to intervene and reprimand ministers – even those with whom she was more ideologically aligned, such as Howe – when they publicly strayed onto EG territory. Prior was also a member of the ERG, despite disagreeing with several of its members on their obsession with money supply targets: 'At times I thought the monetarists on the group were spouting the most dreadful nonsense, and used to say as much.'[61] He clearly saw himself as balancing out the 'zeal of the monetarists' by reminding them that when last in government, 'the realities of office had forced us to jettison a load of philosophical baggage'.[62]

2.7 'Good sense prevails': A brief return to industrial relations peace?

Jim Prior was unquestionably a 'dove'[63] in all matters of industrial relations, but as Norman Tebbit, with his far tougher and more radical views, was later to accept: 'Jim's critics and even his friends forget the political atmosphere of the times.'[64] Successive governments had been

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[58] Ibid., pp. 103–7.
[59] Thatcher, *The Path to Power*, p. 288.
[60] Ibid.
[61] Jim Prior, *A Balance of Power* (London, 1986), p. 108.
[62] Ibid.
[63] A phrase used by Norman Tebbit in a speech in support of Prior in 1977: 'Jim's a dove – but he's no chicken'. See Norman Tebbit, *Upwardly Mobile* (London, 1989), p. 196.
[64] Ibid., p. 193.

humbled by the threat or use of trade union power, but with Jim Callaghan succeeding Wilson as Prime Minister, there was evidence that the post-war consensus might be capable of renewal. Callaghan undoubtedly lacked Wilson's debating skills and intellectual trickery, but to the Conservatives he represented no less of a formidable, albeit different, opponent. Callaghan had risen through the trade union movement to whom he had shown greater loyalty than his own Cabinet colleague, Barbara Castle, in 1969. As a former occupier of all the great offices of state, he was a Prime Minister with immediate gravitas who cultivated an image of firm, but avuncular calm: the press christened him 'Sunny Jim' or 'Uncle Jim'. Whatever the tensions within his own party and pressure from the left, 'Callaghan's government resembled those of Baldwin and Chamberlain: a steady, middle-of-the-road affair, with one foot in the old orthodoxy, but ready to innovate.'[65]

Crucially, the unusual partnership of Michael Foot as Employment Secretary and Callaghan as Prime Minister appeared – if only relatively briefly – to have achieved what had eluded all recent previous governments: comparative industrial relations peace with the unions co-operating to deliver a wage restraint policy through the Social Contract. The deal brokered by Jack Jones and Michael Foot between the Treasury and the unions of a flat, maximum pay rise of £6 per week from August 1975 began to bring down wage rises, while the left put up with the required spending cuts.[66] In exchange, the Government had repealed the hated IR Act and passed four pieces of union-friendly employment legislation, including clarifying the status of the Closed Shop. Although inflation and unemployment remained very high, Callaghan was able to boast at the Labour Party Conference that the number of industrial disputes was at its lowest since 1953. This period of relative industrial peace was tested to the full in the autumn of 1976 with another Sterling crisis (the second that year) that required the Chancellor, Denis Healey to seek an emergency loan of £2.5bn from the International Monetary Fund (IMF). Despite ministerial aeroplanes being dramatically diverted and a stormy Labour conference in Blackpool with Healey shouting to be heard over the barracking from left wingers, the Social Contract held firm. The IMF demanded swingeing cuts of £3bn, which Healey managed to negotiate down to £1bn. Callaghan famously told delegates in his closing conference speech (written by his son-in-law, Peter Jay) that 'we used to think that you could spend your way out of a recession…I tell you in all candour that that option no longer exists'.[67] The ensuing

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[65] Phil Tinline, *The Death of Consensus: 100 Years of British Political Nightmares* (London, 2022), p. 207.
[66] Ibid., p. 198.
[67] James Callaghan, 'Labour Party Conference 1976', https://www.youtube.com/watch?v=g6C5EcCV1Vw.

spending cuts are often cited as the first implementation of monetarist policy in the UK, but Callaghan was able to deliver the necessary cuts and maintain industrial relations peace. By insisting that the IMF loan was necessary to protect Britain's industrial strategy from the currency speculators, Healey was able to convince the unions to back the government.

The Conservatives inevitably attacked Callaghan for his Faustian deal with the unions, with Joseph writing an open letter to Callaghan the day after the 1976 Conference[68] in which he described the Social Contract as being 'a fool's bargain' that allowed the TUC to 'dominate the economic climate and the law in field after field'. Thatcher blamed the Social Contract for allowing 'a handful of trade union leaders to dictate to the government',[69] but the reality was that the unions and the government were co-operating effectively despite – and maybe because of – a severe economic crisis. For the Labour Party, the IMF episode paradoxically proved to be a surprisingly 'good crisis': it was soon apparent that the Treasury's economic forecasts had been too gloomy and by 1977 the country witnessed a modest economic recovery that lasted until autumn 1978. For the few more radically inclined members of the Shadow Cabinet, this period offered little encouragement: Joseph's dire warnings about trade union power and a drift to totalitarianism seemed alarmist and almost unhinged. Paradoxically, Thatcher's 1976 Conservative Party Conference, which took place the week after Labour's IMF loan-dominated Conference, was by her own later admission her toughest ever. Even her hand-picked business adviser, John Sparrow, who had been seconded from a City bank, was forced to tell her that 'the dominant theme in City minds was…that…for the time being, we are probably best off with an emasculated Labour government carrying out Conservative (or IMF policies)'. He also added that many people in the City 'actually want a pay policy'.[70]

2.8 The power of events: The Grunwick dispute

By the end of 1976 the IMF loan was in place and inflation showed signs of attenuating. With the first green shoots of economic recovery appearing in 1977, Thatcher's position seemed as insecure as it had been since her election as leader in February 1975. Labour's standing in the polls began to recover and there was speculation that the Party could have already sufficiently reinvigorated itself mid-term to stand a realistic chance of renewing its mandate, particularly

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[68] CCA, Thatcher MSS 2/1/1/37: Keith Joseph, 'Open letter to James Callaghan (attacks Social Contract)', 1 October 1976. https://www.margaretthatcher.org/document/111248.
[69] CCA, Thatcher MSS: Margaret Thatcher, *Speech to the Conservative Party Conference*, 8 October 1976. Available at MTFW 103105.
[70] CCA, Thatcher MSS 2/6/1/226, Letter from John Sparrow to Margaret Thatcher.

if industrial peace prevailed. The 'good sense' that Jim Prior hoped would prevail appeared to have already arrived on Labour's watch, and Prior's cautious approach and resistance to legislative changes appeared to be vindicated. He had reasons to be optimistic that the 'past wounds' caused by the 1971 IR Act to which he had previously referred could now heal. Moreover, while known as a 'dove' in this area, his thinking was similar to most of his Shadow Cabinet colleagues. Some backbenchers, such as Norman Tebbit and George Gardiner, held more radical views, but in 1976 Prior's position as the emollient, critical 'friend' of the unions who favoured doing very little to change the legislative landscape appeared strong. Furthermore, at least to external appearances, his approach appeared to have the backing of his Leader. What changed that situation during 1977 was unexpected. Rather than a set-piece confrontation with a strategically critical industry such as the coal mines or power generation, a small dispute in a small, hitherto unknown photographic processing plant in North West London spiralled out of control into daily scenes of violent confrontation.

The effect that the Grunwick strike had on the Conservative Party's attitude to industrial relations was complex and delayed, and will be examined in more detail in the next chapter. It decisively shifted the internal debate within the Party in 1977 towards a growing acceptance that the 'union problem' could not be managed within the existing legislative framework and the voluntarist tradition. When analysing the Conservative Party's conversion to trade union reform, historians have invariably cited the 1978/1979 'Winter of Discontent' as the turning point, with the Conservatives following public opinion that dramatically hardened against the trade unions. While acknowledging the importance of the 'Winter of Discontent', the effect of the Grunwick dispute on the Conservative Party's approach to industrial relations was profound. Although it was upstaged by later events in late-1978 and early-1979, its importance should not be underestimated. For reasons that will be examined in more detail, this 'picayune revolt'[71] had started in July 1976 but only attracted wider attention during 1977, ultimately leading to Prior's position on industrial relations (overwhelmingly supported by most of the Shadow Cabinet) being increasingly questioned. Grunwick raised many questions for the Labour Party. However, it also led to serious questions about Jim Prior's EG's decision not to introduce any new employment legislation and to rely on ACAS to address industrial disputes. Grunwick clearly demonstrated the ineffectiveness of the EPA and the Trade Union and Labour Relations Act (1974) (TULRA) to retrain the behaviour of the trade unions. The ineffectiveness

[71] Joe Rogaly, *Grunwick* (Harmondsworth, 1977), p. 18.

of ACAS to force an unwilling leader such as George Ward[72] to accept its recommendations was also demonstrated. Norman Tebbit later recalled:

> By 1977, the Grunwick strike crystallised many of the issues, our radical views began to seem less eccentric, but Jim was stuck firmly in the past. In 1975 a Conservative official spokesman would have been denounced as a dangerous lunatic if he had taken my line, but by 1977 public opinion was changing and the Grunwick dispute left Jim Prior dangerously behind the mood of the nation.[73]

The divergence of views between Prior and his more radical colleagues in the Shadow Cabinet was also becoming increasingly apparent to political observers, summed up by the front cover of *The Economist* of 8–14 October 1977 [overleaf] with Prior's head filled by 'thought bubbles' from Keith Joseph, and entitled 'Two Faces of Toryism'.[74]

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[72] The co-founder and managing director of Grunwick.
[73] Tebbit, *Upwardly Mobile*, p. 193.
[74] *The Economist*, 8–14 October 1977, front cover.

Figure 1: 'The Two Faces of Toryism'. Source: The Economist, 8–14 October 1977, Front Cover

Chapter Three: Shifting sands

3.1 Introduction

The Right Approach and *The Right Approach to the Economy* both received favourable receptions at their launches at the 1976 and 1977 Conservative Party Conferences, respectively – albeit in the highly stage-managed environment of that time. Both represented a valiant attempt to draw together the threads of emerging policy in a deliberately vague and non-specific way. Both documents can be criticised for skirting round the most contentious rocks of policy, of which Industrial Relations was one of the most significant. Unsurprisingly, given that *The Right Approach to the Economy* was co-authored by Keith Joseph, Geoffrey Howe, Jim Prior and David Howell (the latter being a former Heathite who had recently switched ideological allegiance to Thatcher), it contained a longer section on Industrial Relations compared to its predecessor, *The Right Approach.* However, it contained little new by way of policy with the exception of mooting the idea of a West German-style Concerted Action approach – something that Thatcher famously killed off a few months later.

Despite an industrial relations policy vacuum in *The Right Approach to the Economy*, it was filled with optimistic statements about the future relationship between a responsible trade union movement and a Conservative Government that would not be looking for confrontation, but would be prepared to act decisively to enforce the law if necessary. This was reinforced by the speeches from the leadership: at its launch at the 1977 Conservative Conference, when Margaret Thatcher was 'looking forward to having a long and fruitful association with the unions'. Prior, whose own instincts towards the unions were genuinely emollient, referred to them as one of 'the great interest groups that make up our society'.[1] However, in the absence of any new industrial relations strategy and, in the interests of political expedience, the Conservative Party's *faute de mieux* stance was of optimistic exhortations for cooperation from the unions and reassuring statements that the party was not looking for, or expecting, confrontation and the two would be able to work harmoniously together, as they had done in the past.[2]

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[1] BOD, CPA/NUA 2/1/81: James Prior speech to Annual Conservative Conference, 11 October 1977.
[2] Speech by Margaret Thatcher to Annual Conservative Party Conference ('confrontation with reality'), 14 October 1977. Available at MTFW 103443.

3.2 The Grunwick dispute

However, in contrast to the optimistic tone of its commentary on future industrial relations under a Conservative Government, *The Right Approach to the Economy* references something which had become topical, the Grunwick dispute:

> Many who have watched on their television screens the scenes outside the Grunwick factory have recognised that…a deeply felt sense of union solidarity can be brought by violent men to constitute a real threat to the rule of law and a stable society.

Although the Grunwick strike started in August 1976, it only gained national prominence the following year, and by the time *The Right Approach to the Economy* was published in October 1977, violent scenes of picketing outside the Dollis Hill factory were filling the front pages of the daily newspapers. Although the reference to Grunwick in the document can be seen as a jibe at the failure of industrial relations on Callaghan's watch and under Labour's Social Contract, it also hinted at an increasing sense of unease in the Conservative Party that the prevailing policy position on controlling the power of the trade unions was not sustainable. I believe that the events of 1977 and the issues that they raised exposed the gulf between what Adam Ridley termed 'the optimists' and 'the pessimists'.[3] The Panglossian hopes expressed in *The Right Approach to the Economy* reflected Prior's conciliatory line, but it was clear that others both inside and outside the Parliamentary party had reached different conclusions: if a dispute at a small private company like Grunwick could lead to the same levels of violence as at Saltley Gate in 1972, then the current structure was surely broken? Any illusion that the current legislative framework and Labour's Social Contract had fixed the problems of British industrial relations was shattered by Grunwick. It raised serious questions about Labour's relationship with the union movement, particularly for those union-sponsored MPs who had become involved with the dispute before it descended into violence. Furthermore, it raised existential questions of the party in opposition. In October 1977, while Thatcher was talking optimistically about the Party's future 'fruitful association' with the unions, Prior was being urged by a growing number within his party to turn his attack on the Closed Shop and secondary picketing in light of the Grunwick dispute. When he failed to do so, more strident members within the Shadow Cabinet, notably Joseph and Howe, and some backbench MPs such as Norman Tebbit and George Gardiner, began to talk about the 'union problem' in increasingly

[3] Adam Ridley of the CRD coined this term in the context of the ERG policy group, but with specific reference to the different strands of thinking on industrial relations strategy and policy.

uncompromising terms. By the beginning of 1978, the sands on which Prior's industrial relations strategy had been built were beginning to shift. This chapter will examine the events of 1977 and, particularly, how the Grunwick dispute shaped views within the Conservative Party and the country. It will examine how an already long-smouldering dispute about union recognition suddenly ignited in the summer of 1977 and gave agency to several actors and organisations on the right, both within and outside the Conservative Parliamentary Party. For some individuals and organisations, Grunwick was a platform for direct action, whereas for others – including several commentators and polemicists – it symbolised everything wrong with British industrial relations: a dystopian world of anarcho-syndicalism and violence on residential streets some twelve miles from Parliament. For some on the right, notably NAFF, strike-breaking at Grunwick represented their finest hour, but for an increasing number of influential voices on the right, it was also the final proof point that the 'union problem' had to be addressed and the existing consensus based around voluntarism and the minimal role of the law in industrial relations was no longer fit for purpose.

3.3 'Optimists' v 'Pessimists' and the consensus

In 1975, in a paper on the UK labour market written during his five-year stint as Economic Adviser to the Shadow Cabinet, Adam Ridley succinctly summed up the Shadow Cabinet's divided views on industrial relations as being between the 'Optimists' versus the 'Pessimists'. Optimists clung to 'common sense, conciliation, discussion, piecemeal reforms and low profile' as their strategy for dealing with the trade unions. Pessimists saw things differently, believing 'there had been a fundamental and irreversible shift of power towards the trade union movement'. To them, the unions had become 'an unmanageable estate of the realm, unanswerable to anyone, subject to almost no legal restraint', which would require a future government to bring about 'a fairly fundamental and radical change' to stand any chance of ruling.[4] That Thatcher's Shadow Cabinet was divided was neither a surprise nor a secret. At this time, Thatcher herself did not openly articulate a clear market-liberal position that would later be termed 'Thatcherite'. However, over time, the political cleavage would be clearly defined – and widely identified – as being 'Thatcherite' v 'One Nation Tory' or 'Wets' v 'Dries'. However, in the early years of her tenure, many members of Heath's 1970–1974 government in Thatcher's Shadow Cabinet bore the scars of the failed 1971 IR Act and Saltley Gate: for them the risk of reigniting that conflagration far outweighed any benefit from

[4] BOD, Howe MSS: Howe S47, Paper by Adam Ridley for ERG, 30 October 1975.

attempting reform. Several, including Prior, still shared Heath's belief in the union movement's status as one of the great estates, albeit one that had been increasingly subverted by an extremist vocal minority that did not reflect the views of the reasonable, quiet majority. Even on the eve of the 1979 election after the 'Winter of Discontent', Prior recalled: 'I was telling her [Thatcher] all the time that we should take things steadily, and not believe we could solve all the problems by draconian legislation.'[5]

For most of the period in opposition, the industrial relations strategy and policy in Thatcher's Shadow Cabinet reflected the views of the Optimists. This was because most of its members remained essentially Heathite, and it was hard to identify a credible alternative to the cautious approach adopted by Prior. The Pessimists' thoughts on industrial relations strategy were also linked to their views on another highly contentious subject, the control of inflation, on which the ground had already begun to shift within the Shadow Cabinet. Thatcher had ruled out imposing an incomes policy as early as 1975 and, in its place, Monetarism and the need to control the money supply increasingly informed opinions in the Shadow Cabinet, particularly among the more pessimistically inclined members of the ERG. As a member of the ERG himself, and despite being outnumbered, Prior profoundly disagreed with their views: 'At times I thought the monetarists on the group were spouting the most dreadful nonsense, and [I] used to say as much.'[6] Prior was worried by 'the complete rejection of any form of incomes policy…I did not want to go for statutory controls, but I believed that we had to have a policy to encourage voluntary restraint and we would need a pay policy for people who served Government'. As a co-author of *The Right Approach to the Economy*, he was able to influence emerging policy. He recalled several years later:

> In the end *The Right Approach to the Economy* did contain a reference to Government having a view on pay…the Government must have come to some conclusions about the likely scope for pay increases if excess public expenditure or large-scale unemployment is to be avoided…this estimate cannot be concealed from the representatives of employers and unions whom it is consulting.[7]

Prior's moderating hand was evident, and his revelation several years later is particularly interesting: 'Margaret absolutely refused to allow the document [*The Right Approach to the Economy*] to be published as a Shadow Cabinet paper.'[8]

[5] Prior, *A Balance of Power*, p. 111.
[6] Ibid., p. 108.
[7] Ibid., p. 109.
[8] Ibid.

Prior's image as a leading 'Optimist', and therefore the most favourably inclined towards the union movement, made him the natural candidate to act as their 'critical friend' when attempting to present the Party's emerging thinking on industrial relations. As previously discussed, he was cast in this role by the CRD's Chris Patten (a strongly Heathite official in a strongly Heathite organisation) in his paper on how best to promote the Party's limited industrial relations proposals without inflaming the unions. A more typical attitude in the Shadow Cabinet towards the challenges of British industrial relations can be seen in the minutes of Carrington's Authority of Government Policy Group. The scope of the Group was clear: 'How do you restore the authority of government when it has been lost…how do you avoid losing authority in the first place?' and 'What can you do to preserve your authority when you have to act in a manner which will be unpopular?'[9] However, its subtext is equally clear: How could the chaos experienced under the previous Conservative Government and the challenge to authority by groups such as the miners at Saltley Gate in 1972 (an episode repeatedly mentioned in the minutes) be avoided – or at least mitigated – and managed by better intelligence and planning? The Group's final report noted that 'other policy groups working on industrial relations' will pay particular attention to 'both positive measures and possible negative influences such as the effect of social security benefits to the families of strikers',[10] but beyond that, it had few suggestions for addressing Britain's industrial relations. The policy group, which was over-represented by One Nation grandees,[11] struggled to generate any radical solutions to the issues it was addressing. In a private note to Thatcher with a draft of the final report, Carrington wrote, 'I am afraid we have not come up with any very startling or creative solutions to this fundamental problem.'[12] One of the surviving members of the group in a private interview many years later concurred: 'We didn't really reach any conclusions…the problems were quite frankly so intractable.'[13] The tone of most meetings, which typically took the form of questioning senior representatives of the management of key industries such as gas, water, electricity and the docks, was one of resigned acceptance that a future Conservative government would inevitably face a major strike in one of these industries, and the main question was how best to contain and mitigate its effects. Prior attended one meeting in

[9] CCA, Younger MSS, Authority of Government Policy Group, Minutes of first meeting PG/40/75/1, 10 September 1975. Available at MTFW 111379.
[10] CCA, Younger MSS, Authority of Government Policy Group Final Report PG/4075/18, 22 June 1977. Available at MTFW 111394.
[11] The group's members were Lord Carrington (Chair), Lord Jellicoe, Lord Younger, Sir Ian Gilmour, the Hon. William Waldegrave, David Hardy MP, John Peyton MP and barrister, Jonathan Sumption.
[12] BOD, CRD L/4/14/7 Miscellaneous Correspondence JAT Douglas (weeded), Draft Letter Lord Carrington to Mrs Thatcher, 14 July 1977.
[13] Private interview with the author in June 2023.

November 1975 to talk about his previous involvement with the CCU, created 'following the mistakes made by the Government in the 1972 miners' strike'.[14] As ever, Prior struck an optimistic note, hoping that three years of a Labour government 'might engender a more responsible attitude in the trade unions'. When asked by Younger whether he believed that future Conservative legislation might be vetoed by the trade unions, he replied that he did 'not believe the situation would be as bad as that'. He did accept that 'the unions would not go out on any limb to help a Conservative Government, whereas they would help a Labour Government a little out of loyalty to the Labour administration'. Nevertheless, he was optimistic and felt that 'what we had to do was to try to persuade the trade unions to work with <u>any</u> Government, because it was the Government – as had been the case for many years before 1970'.[15]

A more downbeat assessment of the *realpolitik* of industrial relations was made by the Authority of Government Policy Group from the testimony of Sir Conrad Heron, a senior civil servant who had served as Deputy Chairman of the Commission on Industrial Relations during the early years of Heath's administration, and as Permanent Secretary in the Department of Employment from 1973 to 1976.[16] In November 1976, Heron said that 'the story really started with the Industrial Relations Bill', which he had described as being 'a tall order' and that it would have been 'wiser to have started by doing some simple things…rather than aim at quite such a fundamental reform'. Heron painted a gloomy picture of the Government failing to 'counter the TUC propaganda' that was 'spurious and almost dishonest' and had taken place when 'left wing elements in the movement were in the ascendant'.[17] The Group focused on tactics and presentation, and whether the Government could set up a 'more effective information service that was capable of countering [union] propaganda' (described by Heron as 'a very controversial area'). It also considered whether the unions might respect a larger Parliamentary mandate than Heath's, the quality of the 'flow of intelligence' coming into Government departments about the state of morale and the balance between 'the moderates and the extremists' in key unions, and the tactical merits of introducing more controversial legislation towards the end of an administration rather than at the beginning. At the end of his testimony, when asked whether the Conservatives were failing to secure union co-operation

[14] CCA, Younger MSS, Authority of Government Policy Group, Minutes of 14th meeting (Sir Conrad Heron – Industrial Relations), PG/40/75/14, 24 November 1976. Available at MTFW 111392.
[15] Ibid.
[16] Sir Conrad Heron was very involved with negotiations during the Three-Day Week.
[17] CCA, Younger MSS, Authority of Government Policy Group 14th Meeting, PG40/75/14, 24 November 1976.

because they were unable to compete with Labour's 'social and friendly contacts with trade union leaders', Heron was at his most pessimistic: 'the difficulty was really much more fundamental…the trade unions believe that Labour is their Government'.[18]

3.4 'Fort Grunwick' under siege

It is ironic that Carrington's group, tasked with looking at the issue of Britain's governability, completed its report the week before the TUC's 'week of action'[19] in support of the Grunwick strikers. That week exploded into some of the worst violence ever seen in Britain. More arrests were made by the police[20] of strikers, pickets and sympathisers than at any industrial dispute since the General Strike.[21] Grunwick became a high-profile battleground for groups on the left and the right of British politics, and came to symbolise anxieties of national decline and the drift towards potential totalitarianism – for both sides of the political spectrum, but particularly for those on the Neo-Liberal right who increasingly believed that Britain had become ungovernable. That the dispute spiralled out of control on the watch of the ruling Labour Party – with a Prime Minister with impeccable trade union credentials – and involved some of the most moderate members of the Parliamentary party begged an obvious question about the chances of a future Conservative Government being able to govern at all.

3.5 An 'extraordinary ordinary' dispute

Space does not permit a detailed analysis of the historiography of the Grunwick dispute, and a narrative that remains highly contested. Despite contemporaneous accounts written by leading actors on each side – George Ward (Grunwick's Managing Director) and Jack Dromey (Head of the Brent Trades Council),[22] and a 1977 study by a respected financial journalist and industrial relations expert[23] – the reasons why this seemingly inconsequential dispute turned into one of the most bitter and violent struggles are still contested. However, its profound effect on public opinion and those on the right of the British political spectrum at that time is clear. The battles between pickets and the police tasked with keeping the factory gates open for the non-striking majority of Grunwick's employees dominated newspaper headlines and the

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[18] Ibid.
[19] 13–17 June 1977.
[20] Usually quoted as 550, with 84 of those arrested on the first day, Monday 13 June 1977.
[21] For example, at Saltley Gate in 1972 – an event with which Grunwick was often compared – only 76 people were arrested during a week of violence.
[22] George Ward, *Fort Grunwick* (London, 1977); Jack Dromey and Graham Taylor, *Grunwick: The Workers' Story* (London, 1978).
[23] Joe Rogaly, *Grunwick* (Harmondsworth, 1977).

television news. What had started as a low-key dispute nearly a year earlier exploded into national consciousness from June 1977 with profound implications for both major political parties.

Forty years later, the Grunwick dispute appears riddled with contradictions and ironies. Particularly within the Conservative Party, it was always expected that the next big industrial relations challenge to face a newly elected Conservative Government would be from a heavily unionised workforce in a strategically vital industry. Instead, it was a Labour government that faced a hugely violent dispute from a hitherto unknown company of no strategic importance. Far from being heavily unionised, when the strike started, none of the staff belonged to a trade union – not least of all because the Managing Director, George Ward did not permit union membership. Most Grunwick staff did not strike and only around a quarter walked out. They were all sacked on 2 September 1976,[24] but the majority of the Grunwick workforce continued to work throughout the two-year dispute. The strike started in a low-key manner in August 1976 and only came to national prominence when it turned violent in June the following year. The reasons for the walk out, led by Mrs Jayaben Desai and her twenty-year-old student son, are still contested but appear to be the result of a combination of grievances within the workplace (including the attitude of a particular manager and the requirement to work overtime at short notice), all of which boiled over in intolerably hot working conditions during the warmest summer ever recorded in the UK, in 1976. Ultimately, the dispute became about union recognition, but there were many hundreds of similar cases every year that did not result in extreme violence, and most were settled amicably. Between 1976 and 1980, ACAS dealt with a total of 1,610 recognition cases: in 70% (1,115) voluntary settlements were reached, and in over half of them, the union was fully or partly successful in securing recognition.[25] When the Association of Professional, Executive, Clerical and Computer Staff (APEX) was identified as the white collar union to take on the strikers' case,[26] it was considered one of the most moderate, non-ideological, pragmatic unions in the movement. It even emerged during Scarman's Inquiry that some Conservatives, notably Jim Prior, were members of APEX.[27] Thus, it was particularly ironic that when the APEX leadership, frustrated by their lack of

[24] A total of 137 striking workers were sacked. The number of Grunwick employees fluctuated seasonally, but the average is estimated at between 440 and 500. See Joe Rogaly, *Grunwick*, p. 19, who states it was 'about 490'.
[25] Sid Kessler, 'Trade Union Recognition: CIR and ACAS Experience', *Employee Relations* 17 (1995), pp. 52–66, at p. 63.
[26] Brent's Citizens Advice Bureau is usually credited with providing this advice.
[27] Prior was a member of APEX, along with at least two other unnamed Conservative MPs according to Joe Rogaly.

progress in mounting an effective picket on all eight of Grunwick's entrances, decided to call for wider support from the trade union movement, they were overwhelmed by the 1,500 pickets who arrived each day.[28] The support the strikers received was largely from the far left: notably the Socialist Workers' Party (SWP), but also the Communist Party of Great Britain and the Workers' Revolutionary Party, and Arthur Scargill, a young left-wing firebrand from the Yorkshire National Union of Mineworkers (NUM), who had first come to public prominence at Saltley Gate.

The Grunwick workers' fight for union recognition took place against the background of the successful passing of Labour's two new Acts, the 1974 TULRA and the 1975 EPA: together the legislative embodiment of the new, much-vaunted 'Social Contract' that appeared to be ushering in a quieter and more harmonious era of industrial relations. The EPA restored 'the traditional basis of British labour law, namely "voluntarism"'.[29] Alongside the EPA, ACAS's renewed role was to ensure that arbitration, conciliation and mediation would now permeate the world of industrial relations, while preserving the long-held voluntarist tradition. ACAS's recommendations found in favour of the dismissed strikers and advised Grunwick's management to reinstate the workers to recognise the union. However, ACAS had not been given statutory powers by Labour's new legislation and relied on its agency through the EPA and the guiding principle of voluntarism. Thus, Grunwick's Managing Director, George Ward, with the support of NAFF, was able to resort to the law and ignore the recommendations of ACAS and, later, the Court of Inquiry. As the Pentonville Dockers had effectively destroyed Heath's Industrial Relations Court, so the manager of a hitherto unknown small business had resisted Michael Foot and Jack Jones' Social Contract – and with it, faith in the prevailing consensus regarding voluntarism in industrial relations, both on the left and right of British politics.

3.6 A dispute with no political winners

The Grunwick strike eventually ended with the strikers defeated and abandoned by APEX and the TUC, and a final hunger strike by Mrs Desai and her 'Sari-clad' strikers outside Congress House. Thus, there were clear victors: George Ward and those on the right who had advised him, and individual Conservative MPs who backed him in a personal capacity – but not the Conservative Party. For the party of government, Grunwick was a significant setback in their

[28] Jack McGowan, 'Dispute, Battle, Siege, Farce? Grunwick 30 Years On', *Contemporary British History*, 22 (2008), p. 388.
[29] Ibid., p. 387.

claims to have restored the industrial relations consensus: Ward had demonstrated the ineffectiveness of their recent employment legislation. As Roy Grantham, the APEX General Secretary, accepted in an interview thirty years later, Grunwick's management 'proved that the law was voluntary at the end of the day'.[30] Labour's legitimate claim that strikes were falling was undermined by the violent scenes outside Grunwick shown on television most nights during the summer of 1977.[31] Those scenes suggested that the trade unions were in the grip of extremists.

Jim Callaghan, after consultation with Albert Booth, his Secretary of State for Employment, whose department had been working behind the scenes on the issue, concluded that Grunwick could not be won, given the existing legislation.[32] Callaghan resisted the proposal by two left-wing Labour MPs to introduce new legislation to close the loopholes in the EPA, wishing to avoid controversial new legislation, particularly given an impending General Election. The archives reveal that for Callaghan, the 'determining issue now is that of public order…other matters are secondary'.[33] The newspaper coverage of the violence outside Grunwick on the same day (24 June) referred to the negative effect on international inward investment that the dispute was already having and the implications for the UK's balance of payments.[34] Papers released under the thirty-year rule have since confirmed what had been suspected by many on the left, including Arthur Scargill himself: Callaghan was alarmed by 'Mr Scargill's future picketing plans' and the three-hour meeting at the TUC in July 1977 was inspired by pressure from Callaghan on the TUC leadership. Scargill later recalled that they 'pleaded…begged…threatened' him to stop further mass picketing.[35] Meanwhile, Callaghan still hoped that 'substantial presentation advantages' would accrue from the Government's decision to establish an inquiry under Lord Scarman.[36]

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[30] Warwick University, Modern Records Centre, *Grunwick Remembered.* Roy Grantham, General Secretary of APEX in 1976. Interviewed in 2007. Reference: 803/06A. https://warwick.ac.uk/services/library/mrc/archives_online/filmvideo/grunwick/ accessed 8 May 2023.

[31] The coverage given to the violence during the last two weeks of June 1977 by Independent Television News (ITN) amounted to nearly a third of all the *News at Ten* broadcasting time.

[32] Booth later described Grunwick as 'a classic case of how not to obtain recognition', arguing that the Grunwick workers should have joined a union first and then sought recognition under the 1975 EPA. See Warwick University, Modern Records Centre, *Grunwick Remembered.* Albert Booth, Reference: 803/05A, accessed 8 May 2023.

[33] Notes from telephone call from Callaghan to Booth from Royal Yacht Britannia at Portsmouth, 24 June 1977, TNA, LAB 77/83, as cited by McGowan, 'Dispute, Battle, Siege, Farce?', p. 392.

[34] *The Times*, 24 June 1977.

[35] Arthur Scargill in *Timeshift*, *The Grunwick Strike*, BBC 4, 28 December 2002. Available at https://www.youtube.com/watch?v=PVDJwE6cVmA, accessed 8 May 2023.

[36] McGowan, 'Dispute, Battle, Siege, Farce?', p. 392.

The Grunwick dispute polarised and energised the extremes at both ends of the political spectrum at the expense of the centre. In the case of Labour, this was to the detriment of the social democratic centre of the Party and particularly the APEX-sponsored MPs[37] who had backed the strikers and visited Grunwick before the violence started. They provided an obvious target and source of political capital for their opponents: Thatcher later referred to them as having 'dusted off their donkey jackets…and joined the Grunwick picket line for a short time'.[38] Bill Rodgers, another of Williams's close colleagues on the Labour right, recalls Grunwick being about 'political polarisation…as the consensual centre, occupied by the Prior–Heath "wets" as well as the Labour centre-right struggled in the ideological war that Grunwick came to epitomise'.[39] The enduring damage of Grunwick to the 'consensual centre' of the Conservative Party in opposition was even worse than to the ruling Labour Party whose leadership was more concerned with the daily scenes of violence and the reputational damage it was causing. For the Conservatives, the benefit of any political capital – from Labour's discomfort and the involvement of several ministers in a strike that had turned violent – was offset by the recognition that if this could happen under a Labour government, then what hope did they have? In effect, this was Labour's Saltley Gate with very similar numbers of protesters and pickets squeezed into a far smaller, largely residential area.[40] For the Conservatives, the dispute raised many issues at the heart of the industrial relations debate, particularly that of the Closed Shop – an issue invariably consigned to the 'too difficult to tackle' list.[41] The scenes of mass picketing dashed the hopes of the Optimists in Prior's Employment Policy Group (EPG) that a voluntary limit on picket numbers could ever be implemented. Most of the pickets from June 1977 onwards were recruited from across the country and from different industries, including mining, raising the issue of the legitimacy of secondary action. This issue was further raised by the decision by members of the Union of Postal Workers (UPW) in Cricklewood to act in sympathy by 'blacking'[42] mail coming in and out of Grunwick for a period of around three weeks.[43] For the Conservatives, Grunwick represented a repeat of the violence and picketing of Saltley Gate, with the injustices of the Closed Shop projected onto the microcosm of a private company. As Thatcher later wrote:

[37] This included the Secretary of State for Education and Science, Shirley Williams.
[38] Thatcher, *The Path to Power*, p. 398.
[39] Quoted by McGowan, 'Dispute, Battle, Siege, Farce', p. 392.
[40] Scargill's call to match the 20,000 at Saltley Gate appears to have been nearly met, with approximately 18,000 people arriving on the peak days, such as 11 July 1977.
[41] Not outlawed by legislation until 1990.
[42] Meaning they refused to handle the mail.
[43] Until they were ordered to drop their action by the UPW.

> The scenes outside the factory seemed to symbolise the consequences of giving trade unions virtually unlimited immunity in civil law, it was in fact the criminal law against violence and intimidation that was being breached.[44]

Thatcher's later verdict that Grunwick 'paradoxically proved to be almost as politically damaging to us…as to the Labour Party'[45] is hard to dispute. If anything, it can be argued that it was significantly more so – and it certainly had a more enduring effect. Thatcher later recalled that 'during this period a strange reticence gripped the Government',[46] but an even greater one gripped the Shadow Cabinet, exposing the fissures between the advocates of the Prior–Heathite industrial relations consensus and an emerging belief that the trade union 'problem' would need to be tackled in another way. For the duration of the strike, Prior was able to hold the consensus line, but the dispute left a lingering sense of regret and guilt in some quarters, not least in the mind of the Conservative leader. George Ward may have finally emerged victorious after nearly two years, but not through the official support of the Conservative Party leadership and the Shadow Cabinet. The support and intervention of some individuals within the Conservative Party, including some within the Parliamentary Party, was critical to Ward's eventual success, but their involvement and agency came from direct action or via extra-Parliamentary organisations, notably NAFF. This was certainly acknowledged by Thatcher: 'Without NAFF, Grunwick would have almost certainly gone under…I gave NAFF as much support as I could, though a number of my colleagues regarded it with deep distaste.'[47] By contrast, as is clear from the archives, Jim Prior was closer to his opposite number, Albert Booth, than to some of his Parliamentary colleagues on the right of his party. Referring to the MP John Gorst,[48] a prime mover at Grunwick and a close confidant of George Ward, Prior admitted to Booth that he was 'not on speaking terms with Mr Gorst' and '*persona non grata* with Mr Ward[49] who has no more confidence in me than in the Government'.[50] The feeling was mutual: Gorst was later to call Prior 'a Quisling'. Prior publicly urged Ward to accept the recommendations by ACAS (to reinstate the dismissed workers and recognise the union) and to accept the recommendations of the Court of Inquiry.

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[44] Thatcher, *The Path to Power*, p. 399.
[45] Ibid., p. 397.
[46] Ibid.
[47] Ibid., p. 399.
[48] John Gorst, MP for Hendon North.
[49] George Ward, Grunwick's Managing Director.
[50] TNA, LAB 77/83. Telephone conversation between Secretary of State for Employment, Albert Booth and Jim Prior, 2 September 1977.

Writing eighteen years later, Thatcher's account of the Party's official stance towards Grunwick reads like a mixture of post-event rationalisation, tinged with regret and a degree of guilt. She recounted how she had asked Adam Butler (her PPS) and Barney Hayhoe (Jim Prior's number two, whose views were very similar to Prior's) to join the employees 'on one of their morning coach journeys through the hail of missiles and abuse' to report back to her. In her private correspondence to NAFF's Director, John Gouriet,[51] she had blamed the *realpolitik* of 1977, recalling that:

> Appalled as I was by…Grunwick, I did not believe that the time was yet right to depart from the cautious line about trade union reform (which I had agreed with Jim Prior)…we had to consider a much wider raft of questions [besides the closed shop], ranging from the unions' immunity under civil law, to violence and intimidation which only escaped the criminal law because they came under the guise of lawful picketing.[52]

Although recalled nearly two decades after the event, this statement of intent appears to be the first time that Thatcher committed to reviewing the basis of the voluntarist system. As will be examined in more detail later in this chapter, she found herself having to endorse and defend the consensus and Prior, when the first member of her Shadow Cabinet and closest ally, Keith Joseph, broke ranks with his criticism of Lord Scarman's Report on Grunwick. With the benefit of hindsight nearly two decades later, Thatcher conceded: 'Jim and I were wrong and Keith was right.'[53]

3.7 Grunwick and The National Association for Freedom (NAFF)

Thatcher was in no doubt about the importance of NAFF's contribution to George Ward's victory, and appeared to take vicarious credit for supporting NAFF 'as much as I could'. In his account of the dispute written while the strike was still ongoing, Ward refers to NAFF's intervention as representing 'a little help from my friends'.[54] Ward owed a great deal to NAFF, particularly for their advice and legal intervention with the UPW and the 'blacking' of mail to and from Grunwick. Ward contacted NAFF, having heard about one of their officials, Roger Webster, who had been sacked by his employer (British Rail) for refusing to join the Closed Shop, on the radio. NAFF immediately responded by providing legal advice on how Grunwick could apply for a High Court injunction against the blacking by citing the 1953 Post Office

[51] Thatcher, *The Path to Power*, p. 399.
[52] Ibid., p. 401.
[53] Ibid., p. 402.
[54] Ward, *Fort Grunwick*, pp. 54–9.

Act. Ultimately, these tactics succeeded, and the UPW called off the official action. From then on, NAFF continued to work openly with Ward, providing legal advice from November 1976 onwards.

NAFF's most notorious and audacious episode of direct action at Grunwick, the so-called 'Operation Pony Express', occurred much later in July 1977. The mail 'blacking' dispute between Grunwick, the UPW and the Cricklewood postal workers had dragged on for over six months, with the result that by July 1977, a large amount of uncollected 'blacked' mail – mainly finished photographic goods for customers – was effectively blockaded inside the factory. Some 25 NAFF volunteers collected that mail under the cover of darkness and distributed it for posting throughout the country, thus entering the annals of right-wing folklore. Ward claimed that the blockaded mail amounted to £250,000 in turnover[55] – a large sum of money at the time.[56] It seems unlikely that 'Operation Pony Express' contributed greatly to Ward's ultimate victory over the strikers, but it was undoubtedly a significant publicity coup. NAFF trumpeted their operation as being 'the next best thing to the Entebbe raid' – a remark subsequently incorrectly attributed to Margaret Thatcher.[57]

Grunwick proved to be NAFF's zenith. Its actions and resulting profile undoubtedly galvanised many on the right of the Conservative Party, including several backbench MPs, some of whom were already involved with NAFF. The 1970s were a fertile period for the founding (or re-founding) of new parties and organisations on the fringe of the political spectrum, both on the left and right. For example, the SWP that featured heavily at Grunwick had been re-founded in 1977.[58] On the far right, the National Front, founded in 1967, emerged as a significant political force in the early 1970s, fielding candidates in the 1970 and 1974 General Elections, and several by-elections. NAFF was founded soon after Thatcher was elected Conservative leader in December 1975. That timing seems somewhat ironic given that from the outset, NAFF praised Thatcher's early speeches as leader as 'refreshing' and hoped that 'more of her colleagues on the Conservative front bench might be prepared to follow her example'.[59] Several Conservative MPs sat on NAFF's National Council: Jill Knight, Stephen Hastings, Nicholas Ridley, Sir Frederic Bennett, Dr Rhodes Boyson and Winston Churchill. NAFF claimed they

[55] Ward, *Fort Grunwick*, p. 86.
[56] By way of comparison, later in his book on the dispute, Ward suggests that in 1974 they were charging mail order customers £2 to develop and print twenty photographs.
[57] This line was originally used in a NAFF publication with no attribution to Thatcher.
[58] Originally founded as the Socialist Review Group in 1950 but re-founded as the SWP in 1977.
[59] Neill Nugent, 'The National Association for Freedom', in Roger King and Neill Nugent (eds), *Respectable Rebels: Middle Class Campaigns in Britain in the 1970s* (London, 1979), pp. 76–100, at pp. 88–9.

were the 'tip of the iceberg…and we reckon that a hundred Conservative MPs support our objectives'.[60] Margaret Thatcher was the guest speaker at the NAFF inaugural dinner in January 1977.

However, despite the apparent strong bonds between certain sections of the Conservative Party and NAFF, Thatcher later acknowledged in her memoirs that the organisation was regarded with deep suspicion and distaste by many in the Parliamentary Party, particularly in the Shadow Cabinet. The feeling was entirely mutual: writing just before his murder by the Irish Republican Army (IRA) and the foundation of NAFF by his surviving twin brother, Ross McWhirter described the 'old gang of the Tory Party: Heath, Whitelaw, Prior, Carr, Walker, Gilmour and their hangers on' as a 'bunch of political failures, has-beens who never were…must not be allowed to stand in the way'[61] – and NAFF's purpose was to ensure that they did not. Although NAFF represented a new direct-action political force on the right, it was by no means the first or only organisation to occupy similar political ground and to challenge the post-war consensus. Several right-wing organisations and 'freedom' pressure groups had arisen in the previous two decades, some of which still survived in the mid-1970s. Of these, the largest and most established was the Aims for Freedom and Enterprise (AIMS), founded in 1942.[62] AIMS largely focused on industry and funding for its members, and had argued the case for free enterprise. From the 1940s, it had campaigned strongly – and sometimes successfully – against nationalisation. Several Conservative MPs who became NAFF members were also associated with AIMS and had authored their pamphlets, notably Dr Rhodes Boyson and Nicholas Ridley. A few other, smaller 'economic freedom' groups, such as the Economic League and the British United Industrialists, also existed at this time with similar areas of interest, notably anti-nationalisation. What made NAFF unique was the breadth of the issues that it covered: its fifteen-point *Charter of Rights and Liberties* covered the entire libertarian spectrum of individual freedoms – many of which were uncontroversial: the right to free speech, freedom of association, religious tolerance and the right to private ownership of property. Having acknowledged the freedom of the individual 'to withdraw one's labour' as point seven of the *Charter*, point eight specified the 'freedom to belong or not to belong to a trade union': a direct challenge to the Closed Shop in the workplace.

[60] Ibid.
[61] *Majority*, 24 November to 7 December 1975.
[62] Often referred to by its original name, Aims of Industry.

Unlike the Conservative Party, NAFF had no inhibitions about attacking the trade union movement in general, and the Closed Shop in particular. NAFF emerged from a similar organisation, the Current Affairs Press or, as it became known later, Self Help. Funded by the McWhirter twins, who had made their fortunes from the *Guinness Book of Records*, Self Help believed that it was 'time to stand up to the unions'.[63] Ross McWhirter, a lawyer by background, had a long history of bringing (mainly unsuccessful) legal cases against causes such as Britain's entry into the Common Market and the introduction of comprehensive education in the UK. NAFF was careful to avoid the more controversial, populist issues often associated with other far-right fringe groups, such as immigration and capital punishment: NAFF claimed – rather unconvincingly – to have a 'non-party-political' bias. The thrust of its political message was the preservation and protection of individual choice and to fight – as they saw it – the relentless slide towards collectivism. With the exception of 'Operation Pony Express' at Grunwick, NAFF's 'direct confrontation' strategy in its relatively short period of influence mainly centred on funding legal cases: for three British Rail staff who had been dismissed for breaking a Closed Shop agreement, a group of parents fighting the introduction of the comprehensive education system in their local authority (an obsession of the McWhirters) and legal interventions in the Grunwick dispute in support of George Ward. An indication of the scale and cost of these interventions can be seen from the 1977 audited accounts for NAFF and later published in its newspaper, *The Free Nation*, which show that of the £121,431 deficit for the year, £106,395 was attributable to financial losses in their legal fund.[64]

3.8 Grunwick: A victory for direct action and not for politicians?

After nearly two years, the Grunwick dispute ended not with a bang but with a whimper as the TUC withdrew their support and the Strike Committee announced the end of the strike in June 1978. As such, it represented a rare public 'defeat' for the trade union movement – arguably the first since the short but unsuccessful strike by UPW postal workers in 1971. That George Ward's 'victory' was seen as that of a right-wing direct-action group was not lost on many in the Conservative Party, particularly those on the right. Thatcher's discomfort at her own position on the dispute is evident from her memoirs:

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[63] *Time to Stand Up to the Unions* (London, 1975).
[64] *The Free Nation,* 4-17 August, 1978.

> What the whole affair demonstrated was that our careful avoidance of any kind of commitment to changing the law on industrial relations, though it might make sense in normal times, would be weak and unsustainable in a crisis.[65]

The aspect of NAFF's involvement at Grunwick that inevitably attracted the most attention and headlines was 'Operation Pony Express' – its name alone evoking an exercise in covert transportation and clandestine support.[66] However, despite successfully removing the uncollected mail from Grunwick, it was the provision of legal advice and the paid-for services of lawyers that ultimately allowed George Ward to prevail. Ward noted: 'They [NAFF] recommended solicitors who after consulting Counsel advised me that legal action would prove effective' in challenging the UPW's 'blacking' under the 1953 Post Office Act. This advice was undoubtedly provided and paid for by NAFF, which had recently challenged union actions under the same Act.[67] It is also very likely – although there is no reference to this in any of the accounts of Grunwick, including George Ward's – that NAFF provided the legal advice that proved decisive in the dispute, namely that the recommendations by ACAS (and later, Lord Scarman) were not legally enforceable under Labour's EPA and could therefore be ignored by Ward's company.

3.9 A Shadow Cabinet divided

Grunwick galvanised elements of the right – NAFF and its supporters – and came to represent their 'finest hour'. But it had the opposite effect on the Shadow Cabinet. It exposed a clear divide between the consensus line of the former Heathites and political pragmatists, and the unashamedly outspoken anger and frustration towards the unions increasingly articulated by a vocal minority led by Thatcher's closest ally, Sir Keith Joseph.

Joseph already had a reputation for making controversial speeches and challenging the traditional orthodoxies of the post-war consensus. Starting in 1969–1970, he had focused on the general theme that economic intervention on a 'socialist scale' by both mainstream parties had been a huge political mistake. After the February 1974 General Election, he embarked on what became known as his 'Third Crusade' and on 29 June he gave his Upminster speech. Developing his theme of Socialism, he specifically attributed culpability during the previous thirty years to his own party. The headlines generated by his speech embarrassed and angered

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[65] Thatcher, *The Path to Power*, p. 402.

[66] The original code-name referred to a secret operation that transported indigenous soldiers and material across the borders of Laos and North Vietnam during the Vietnam War.

[67] In January 1977, when two Post Office unions had refused to handle mail, telegrams and telephone calls to South Africa.

Heath. In his speech in Preston in September of the same year, he declared: 'Inflation is caused by governments', interpreted as attacking the main platforms of Heath's economic strategy: deficit financing combined with wage and price controls. Joseph's infamous Edgbaston speech, which appeared to lean into eugenicist theory, was so controversial that it destroyed any pretence he might have had to the Conservative leadership. Thus, it was probably no surprise that within days of the mass picketing at Grunwick taking a violent turn, Joseph decided to speak out. Ironically, on 24 June, the day that Scargill first arrived at Grunwick from Yorkshire, Joseph travelled from London to Yorkshire to address a lunchtime meeting at the Doncaster racecourse.[68] The complete transcript does not exist, but extracts formed the basis of a press release issued by Conservative Central Office (CCO), clearly portraying a hyperbolic sense of outrage. In contrast to the carefully crafted Priorite calls for conciliation and for Ward to accept the recommendations of ACAS, Joseph's words were designed to be incendiary: 'the Battle of Grunwick sorts out the democrats on the one hand from the red fascists and time-servers on the other' and 'men of violence and coercion' have 'hijacked self-styled union moderates'. 'The belief that trade union activity must be above the law, and even above moral sanction' was 'no longer confined to the Marxist militants' but seemed to be accepted by 'a large number of Labour MPs, Government front-benchers, union leaders, the Haldane Society of Socialist lawyers'. In inflammatory tones, he accused the three Labour and APEX-sponsored frontbenchers involved with Grunwick of being the 'respectable…façade behind which the assaults on our liberties continue, behind which red fascism spreads'. He challenged Williams personally – 'Quo Vadis Shirley?' – and asked if she had made any 'effort to hear the Grunwick side of the story, the firm's and that of the many workers who are obviously loyal…or did you take it as granted that the Union is always right?'[69]

Joseph's Doncaster speech was important for several reasons. First, it was sharply at variance with Prior's conciliatory tones – in public, and behind the scenes. Like Williams, Mulley and Howell,[70] Prior urged both sides to conciliate and for the Grunwick management to accept the ACAS recommendations: Joseph was calling the same people a façade for 'red fascism'. It clearly ran counter to Thatcher's insistence that the Party's industrial relations brief should remain solely Prior's territory and that Shadow Cabinet colleagues should respect this delineation. Joseph has become known for his controversial speeches and oratory: for several

[68] This was probably a coincidence, with Joseph returning to his constituency in Leeds on a Friday morning.
[69] BOD, CPA KJ Papers, CCO News Release with extracts of speech by the Rt. Hon Sir Keith Joseph lunch at Doncaster Racecourse Restaurant on Friday 24 June 1977. Available at MTFW 111944.
[70] The three APEX-sponsored Labour Ministers.

years he was the most active public speaker in the Shadow Cabinet, particularly on the university and polytechnic circuit. From 1974 to 1976, he estimated that he had addressed 25,000 students at over 60 meetings.[71] His major interventions were more limited and can be identified as representing some twenty-six speeches (not including Edgbaston), which were later published by the CPS. These speeches, including Edgbaston,[72] were linked by the fact that they were written not by Joseph, but by Alfred Sherman. For a man of Joseph's intelligence and intellectual credentials (including a fellowship at All Souls College, Oxford), he relied heavily on others for ideas and, in the case of his speeches, on Alfred Sherman in particular. A former adviser to Joseph recalled:

> Keith was very drawn to bright people, regardless of their political allegiance, but could be very susceptible to being influenced by their views: he was a bit like a cushion that resembled the shape of the last bottom that sat on it…Sherman was without doubt highly intelligent, but he was an incredibly dangerous and unpleasant man who saw everyone who disagreed with him as his enemy…Thatcher definitely realised that and was more wary of him, but Keith – who never had Margaret's political judgement – relied on him hugely.[73]

Sherman described himself as being on 'mildly friendly terms' with Joseph in the 1960s, and started working with him on a series of speeches in 1969–1970, writing later that: 'I still do not know why I was able to "turn" him…he was a most unlikely rebel'.[74] Contact between them appears to have been minimal during the Heath administration years, but when Joseph was setting up the CPS in December 1974, he asked Sherman to be a director. In June 1977, Joseph appeared to share the prevailing view in the Shadow Cabinet that it would be 'a mistake for the Party to go into the next election pledged to union reform of any kind, which the public would see as likely to lead to U-turns and panics'.[75] However, Sherman persuaded Joseph to speak out about Grunwick and the Closed Shop, the rule of the mob and the militants, and the complicity of the APEX-sponsored Labour MPs. The words Joseph used in Doncaster undoubtedly belonged to Sherman. The references to 'red fascism' bore the hallmarks of the former 1930s Communist and International Brigades volunteer who now rejected the entire British post-war political settlement, viewing it as a Marxist plot or Soviet takeover. Sherman later recalled about his speech writing: 'For Margaret Thatcher every word had to earn her approval…in contrast to Keith Joseph, who often accepted and delivered speeches after a

[71] Cited by Caines, *Heath and Thatcher*, p. 126.
[72] Sherman never denied his involvement with this speech, describing it in 2005 as 'not at all bad', but added that Joseph 'intervened more than usual in that speech'.
[73] From an anonymous private interview given to the author.
[74] Alfred Sherman, *Paradoxes of Power* (Exeter, 2005), p. 45.
[75] Caines, *Heath and Thatcher*, p. 219.

cursory reading.'[76] Sherman's hatred of the British trade union movement was visceral, acknowledging that 'at the outset it performed an invaluable function' it had since degenerated into 'a form of reverse entrepreneurship…where the unions act as a drag on proceedings…the combined effect of these developments…is to make Britain the sick man of Europe' with its 'undertone of resentment reinforced by vulgar Marxism and its crude pastiche of class struggle'.[77] By contrast, Joseph's real and far more nuanced views of trade unionism can be seen in a pamphlet published by the CPS and based on a talk to the Bow Group on the eve of the 1979 Election, *Solving the Union Problem*.[78] While acknowledging the role of the militants in poisoning the atmosphere of industrial relations, his diagnosis of Britain's problems centred on the unions being trapped in a loop by the collective bargaining tradition, leading to a zero-sum game where asking 'one union to sacrifice its own interests for the national good [came] without guarantee that other unions would do likewise'.[79]

Sherman's influence on the industrial relations debate within the Conservative Party was seen in Joseph's next, and arguably more controversial, intervention on Grunwick: his speech to Conservative members at Hove on 1 September 1977.[80] As is clear from its inclusion in his papers,[81] this speech was written by Sherman for Joseph and was even more likely to attract media attention than his Doncaster speech. Joseph attacked on two fronts: first, he questioned the entire premise – and hence the legitimacy – of the Industrial Court to solve the issue of 'violence on the streets' rather than 'the proper answer' of 'firm use of the existing law or reform of the law'. Second, and equally controversially, he questioned the objectivity of the Inquiry and the quality of its Chairman, Lord Scarman – a respected senior member of the judiciary. Joseph, a man renowned for courtesy, described – using Sherman's words – Lord Scarman's approach as 'flawed…slipshod…and naïve'. His report, Joseph alleged, 'glossed over the violence and illegality' of the union, while finding Grunwick's management in breach of the 'spirit of the law'. Moreover, Joseph challenged the notion implicit in Scarman's recommendation that the Grunwick strikers should be reinstated, that their rights were greater than those 'who have stayed on with the company and suffered abuse and intimidation'.

[76] Sherman, *Paradoxes of Power*, p. 85.
[77] Ibid., p. 77.
[78] Keith Joseph, *Solving the Union Problem is the Key to Britain's Recovery* (London, 1979).
[79] Ibid.
[80] BOD CPA/KJ Papers (LCC), CCO News Release with extracts of speech, Sir Keith Joseph attacks Scarman Report (on Grunwick), 1 September 1977. Also available at MTFW 111945.
[81] RHL, Sherman Papers, AC 160/AR KJ/5A/4/4: Joseph Speech at Hove Town Hall, 1 September 1977.

As with his Doncaster intervention, Joseph had strayed onto the industrial relations policy patch without any consultation or warning. This was hugely resented by Jim Prior, but his attack on the independence of the judiciary also provoked the anger of Lord Hailsham, who believed such conduct 'quite unworthy of a Conservative' and deeply disrespectful towards Scarman. In an unsent letter to Joseph, Hailsham pointed out that 'Scarman was not appointed to administer the law' and informs Joseph that he had 'completely misunderstood the nature of a Court of Enquiry under the Industrial Courts Act 1919'. He noted that 'an industrial court is set up…to make proposals *ex aequo et bono* and not legal proposals'.[82] Pointing out that neither he nor Prior had been consulted, Hailsham added that he found himself 'stymied in criticising Socialists for rudeness to the judges' while 'Jim [Prior] watches bemused as the Trade Union stags he has been stalking for so long gallop wildly over the skyline, while the party, completely befuddled by the constitutional position barks and growls menacingly at his heels'.[83] Hailsham's diary entry for the following month indicates the risks that Joseph's attacks on the industrial relations system and consensus could have on the Party:

> Met with WW [William Whitelaw] and P. Car [Lord Carrington] after Shadow Cabinet: Keith is an albatross; lost 1974 (2) by larger no than nec [necessary]. May bring us down. Clever-Silly. Attracts barmies.[84]

Hailsham himself was not uncritical of the power of the trade unions. He remained proud of his part in pulling the post-war Conservative Party towards accepting the consensus of full employment, but he equally condemned the unions' hold over public policy through the Social Contract. He likened the power of the union movement on the Labour government in the 1976 *Richard Dimbleby Lecture* to an 'elective dictatorship',[85] but clearly believed that Joseph had gone too far. Thatcher concurred: 'I thought Keith's criticisms of Lord Scarman were too sharp'.[86]

Within days of Joseph's Hove speech, any outward pretence of unity within the Shadow Cabinet on industrial relations had evaporated. On 12 September, Norman Tebbit – then a backbencher – gave a speech in Chingford that further fanned the flames of the controversy. Using 'colourful language to ensure I would be reported', he likened those from all parties who

[82] CCA, Hailsham MSS 1/1/11, Hailsham Letter to Keith Joseph (unsent) disapproves of his attack on Lord Scarman [Grunwick]. Also available at MTFW 111185.
[83] Ibid.
[84] CCA, Hailsham MSS 1/1/12, Hailsham Diary for 6 October 1977, Discusses Keith Joseph with Whitelaw and Carrington.
[85] Lord Hailsham, 'Elective Dictatorship', *The Richard Dimbleby Lecture*, BBC 1, 14 October 1976. Available at www.bbc.co.uk/programmes/p00fr9gh, accessed 4 June 2025.
[86] Thatcher, *The Path to Power*, p. 402.

accused others of 'union bashing' – when they themselves knew that 'anti-democratic forces had gained great power through the trades union movement' – of sharing the 'morality of Laval and Petain…they are willing not to tolerate evil, but to excuse it'. Specifically referring to the Grunwick dispute, he said:

> Both Jim Prior and Keith Joseph know that George Ward and Grunwick are not perfect, nor was Czechoslovakia perfect in 1938. But if Ward and Grunwick are destroyed by the red fascists, then we have to ask, whose turn is it next? Yes, it is like 1938.[87]

The following day, the British newspapers had picked up the scent of a developing story about the Conservative Shadow Cabinet riven by internal arguments on industrial relations policy.

For Margaret Thatcher, the furore could not have come at a worse time. She had flown to the USA on 6 September, and on 13 September – the day the row erupted – she was visiting President Carter in the White House. When asked for her comments, she brushed past reporters, saying, 'No, No, No.'[88] A briefing was issued on Thatcher's behalf by her PPS, Adam Butler, who was travelling with her. Butler's statement is summarised in Thatcher's papers by Simon Hoggart of *The Guardian*:

> The gist of the statement was that Keith Joseph and Jim Prior were equally right, but since Jim's position was closer to established party policy, he was the more right of the two.
>
> Mrs Thatcher has clearly stated that we don't intend to outlaw the closed shop. We support some important changes with regard to individuals caught up in the closed shop.
>
> I expect that Sir Keith and James Prior are looking at the same problem with different experience. Sir Keith feels very strongly, as we all do, about matters of individual liberty, and looks at that first. James Prior is very experienced in industrial relations, and looks at it from that point of view. A continuing dialogue has been blown up. There is going to be a full debate at conference.[89]

Butler's statement neatly encapsulated Thatcher's personal dilemma on industrial relations. Philosophically and emotionally, she undoubtedly sided with Joseph. However, her strong pragmatic instinct told her to back Prior and his path of minimum resistance. 1977 had been a difficult year for her leadership: the economy had staged a recovery following the IMF loan

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[87] Tebbit, *Upwardly Mobile*, p. 195.
[88] *Daily Mail*, 13 September 1977.
[89] *Written statement on Prior–Joseph dispute (Grunwick)*, 12 September 1977. The full text can be viewed only on the MTFW CD-ROM, but a summary of the statement given to the journalist Simon Hoggart can be seen at MTFW 103270.

and the Social Contract had appeared to be delivering industrial peace. Polling evidence from the by-elections in 1977 was very mixed for the Conservatives. For example, on the same night in April, the swing from Labour to the Conservatives in two Labour seats in the North of England ranged from 7% to 21%.[90] Particularly in the parliamentary party, nerves were jangled by reports – as one MP described it – of 'a sudden upsurge in Labour morale'. The same member, Robert Rhodes James – himself a recently elected MP in a by-election – expanded on his concerns in a letter to Geoffrey Howe: 'There is mounting bewilderment about what the Conservative alternative actually is' with 'increasing impatience about the generalisations that are becoming depressingly frequent by Shadow Cabinet spokesmen in response to direct and clear questions'.[91] Industrial relations were clearly one such area. While the Conservatives were able to attack the current system and the behaviour of the militants, they were unable to provide a vision of a workable alternative. The answers to the perennial questions of whether the unions would work with the Conservatives – and how the Conservatives might work with the unions – remained as elusive as ever. Thatcher rhetorically asked these questions in her Blackpool Conference Speech on 14 October 1977:

> The key question I am asked over and over again is, but will a Conservative Government be free? How will you get on with the Trade Unions? And will the Unions allow a Conservative Government to govern? Yes, the word is 'allow.'

Her answers to her own questions lacked conviction: she expressed the views that she did not believe that union leaders 'seriously intended…to use their industrial muscle for political ends'. Accepting that it was 'possible' that 'a handful of men with great power' could hold 'a great nation to ransom', but in such a situation 'the real conflict would be between Union and people' and not between 'Government and Trade Union…because it would be the people that would suffer'. Stressing the importance of 'having the support of the majority of the people', she said, 'I have suggested a Referendum to test public opinion…in those special circumstances, I say "let the people speak".' The idea of using a referendum in a strike had been briefly discussed by Carrington's Authority of Government policy group but had gained little internal traction. Thatcher mooted it on a few occasions in 1977 and 1978, seemingly to fill a void in the absence of any more concrete industrial relations strategy. She concluded her section on industrial relations in her Conference speech with a rather hollow exhortation that 'the Conservative Party

[90] On 28 April 1977 the Conservatives overturned a 22,915 Labour majority in Ashfield but failed to take the far more marginal seat of Great Grimsby.
[91] BOD, CPA, Howe Papers, Howe S47: Letter to Howe from Robert Rhodes James, 7 April 1977.

look forward to a long and fruitful association with the Unions'.[92] In her wildest imagination, she must have known this was unlikely. Even in the stage-managed environment of a 1970s Conservative Party Conference there was clear evidence that Grunwick was fuelling disquiet among the rank-and-file and activists. There were 198 resolutions on industrial relations at the 1977 Conference, with many calling for action against the Closed Shop or restrictions on picketing.[93] An angry debate ensued 'when an activist from Newham moved a motion calling for an "end to closed shop victimisation"'.[94] While the Conference mood towards industrial relations was undoubtedly charged and hawkish, Prior's line of modest, consensual change received the support of several speakers, some of whom were themselves trade unionists. However, the cleavage between Prior and Joseph's views was still clear: as one who shared Joseph's views, Norman Tebbit's now famous quip about being 'a hawk – but no kamikaze…Jim's a dove – but he's not chicken' was partly to defuse the earlier row caused by his Laval speech in Chingford. It was also 'another colourful phrase' to distract the audience and give Prior time to catch up with the changing mood. Tebbit felt that 'it was a chance he took though never enthusiastically'.[95]

Despite the furore caused by Joseph's attack on Scarman, Sherman soon returned to the fray. Draft notes of his 'speech on the trade unions'[96] marked 'for KJ' in Sherman's papers refer to the need 'to say what we all think, that the unions have increasingly been a factor impoversihsing (sic) Britain and eroding freedom'. He describes 'a one-sided civil war…wrecking the economy…the closed shop is…a drive towards the closed society'. He concludes that:

> the idea that we solve problems by putting salt on their tails has visibly not worked. Since their own members are not victims, we must talk to their members…we are the party of the people, and should not fear talking to the people.[97]

[92] Margaret Thatcher, *Speech to the Conservative Party Conference*, 14 October 1977. Available at MTFW 103270.
[93] From the *1977 Conservative Conference Handbook*, cited by Adrian Williamson, p. 185.
[94] Ibid.
[95] Tebbit, *Upwardly Mobile*, pp. 195–6.
[96] It is not clear if Joseph delivered this speech as no records exist of it, although 'material for 24/10/77' is handwritten on the first page.
[97] RHL, Sherman MSS, Box 3 'Sherman Draft Speech outline for Sir Keith Joseph ("eroding freedoms and impoverishing Britain")'.

3.10 The Lessons of Grunwick

Neither of the two main political parties emerged with honour from the Grunwick dispute, but arguably – and certainly counterintuitively – the setback for the Conservatives was just as great as for Labour. Writing in the autumn edition of the Bow Group's magazine, *Crossbow*, Richard Barber certainly believed that to be the case. He noted:

> It only needed television pictures of tens of thousands of 'trade unionists' and left-wing mobsters howling at the gates of Grunwick to revive the worst fears of the electorate about the industrial disharmony which might accompany the return of a Conservative government.[98]

Grunwick undoubtedly exposed the Conservatives' lack of a coherent industrial relations strategy and policy. Barber ruefully concluded that the Party still 'has a problem with the trade unions due to the strategy which it has been pursuing since the election defeat in 1974…that the way to lay the electoral "bogey" of confrontation is to pretend that a close relationship can exist between them and a future Conservative government' – a clear repudiation of Thatcher's recent exhortation at Blackpool earlier that month.

Begley is probably correct in asserting that Grunwick did 'not necessarily bring about major changes in policy'.[99] The events that palpably shifted policy towards new legislation were those of the following winter of 1978/79. However, Grunwick changed the tone used by some Conservatives in the industrial relations debate, and the dispute was too high-profile to be ignored by the supporters of the consensus within the Conservative Party. The media carried lurid headlines and disturbing footage of the violent scenes, particularly the image of PC Trevor Wilson of the Special Patrol Group (SPG)[100] lying in the street with an open wound in his head from a thrown glass bottle: the front cover of the Daily Express on 24 June simply captioned it 'The Bloody Limit'.[101] Although the dispute was originally about union recognition in a plant where there were no unions, it soon became bound up with wider concerns about the perceived injustices of the Closed Shop (particularly when it became clear that most of Grunwick's staff had remained at work and were unlikely to have wanted to join a union). The dispute had enormous implications for personal choice and freedom. While *realpolitik* dictated that Thatcher adhere to the consensual approach agreed with Prior, emotionally and

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[98] Caines, *Heath and Thatcher*, p. 222.
[99] Begley, *The Conservative Party in Opposition*, pp. 110–14.
[100] The most notorious unit in the Metropolitan Police: Grunwick was the first time the SPG had been deployed in a strike situation.
[101] *Daily Express*, 24 June 1977, front page.

philosophically, she was sympathetic to the growing voices of the activists, many of whom were outside the Parliamentary party and now calling for greater legal constraints on the unions. Her letter to John Gouriet of NAFF explaining her lack of involvement with the dispute betrays a sense of frustration and a degree of regret. She concluded that: 'We feel the scenes of wild violence on television…are enough…to put most of the public on the rights side of right and are doing more than hours of argument.'[102] Gouriet was in close contact with Thatcher throughout the dispute, 'briefing her on the issues and expressing himself to be "tremendously grateful" for [her] support'.[103] As previously highlighted, Grunwick represented NAFF's critical moment of maximum power and influence, but it also exerted pressure on Prior and his industrial relations strategy within the Party. Despite claiming to be non-political, NAFF acted as a hard right-wing group within the Conservative Party during the dispute, and its newsletter, *The Free Nation*, consistently praised MPs who questioned Prior's neutrality – Joseph, Tebbit, Boyson and Gow – regularly urging Thatcher to sack Prior, who demonstrated that 'the spirit of Vichy is abroad in Britain'.[104]

Above all, the internal tensions and fissures created by the Grunwick dispute were proof – as if it were needed – that the Conservative Party lacked a viable alternative industrial relations system or strategy. As the Opposition party, they could accuse the unions and the Government of conniving with the militants who were causing the violence, and urge both sides to seek conciliation and accept the recommendations of ACAS and the Scarman Inquiry. However, an alternative system or legislative changes that might have avoided the dispute in the first place still eluded them. With less than two years until the next General Election – when the question about how the Conservatives would work with the trade unions would inevitably be asked – time was running short. As Thatcher herself later admitted about her suggestion of calling a snap referendum to defuse a major strike: 'It was not in itself an answer to the problem of trade union power…it just bought us vital time.'[105]

The process of examining options for industrial relations was already gathering pace behind the scenes by the end of 1977. Most notably, this involved the Stepping Stones project that got underway during the latter part of 1977 and continued into 1978, and some consideration of the West German Concerted Action system. The Stepping Stones project, examined in the next chapter, was being undertaken in great secrecy by senior members of the Shadow Cabinet

[102] Thatcher, *The Path to Power*, p. 399.
[103] Williamson, *Conservative Economic Policymaking*, p. 182.
[104] *The Free Nation*, 9 July 1976, p. 7.
[105] Thatcher, *The Path to Power*, p. 403.

against the background of the developing Grunwick dispute. Despite having met John Hoskyns in 1976, Thatcher's initial interest in his theories that became the Stepping Stones project appeared to have dissipated, and contact between them had lapsed. However, within days of the Grunwick dispute descending into violence, channels between Hoskyns and Thatcher were reopened through the intervention of Keith Joseph. This time, Thatcher was more open to Hoskyns and his project. While her cautiously pragmatic instincts still prevailed, Thatcher appeared to have picked up a hardening of attitudes towards the trade union movement, within her party and the country at large. At the height of the violence at Grunwick in July 1977, *The Sun* reported an opinion poll by Marplan that suggested that 80% of those surveyed believed that 'union leaders have "a lot" of power and influence in governing the country'[106]: a point that would not have been lost on Thatcher. Under the cover of great secrecy, Hoskyns and his plans would come to dominate the Shadow Cabinet's debate on industrial relations for the rest of 1977 and for most of the following year.

[106] Cited by Tara Martin Lopez, *The Winter of Discontent: Myth, Memory, and History* (Liverpool, 2018), p. 21.

Chapter Four: 1977–1978 – Stepping Stones

4.1 Introduction

While the ugly scenes at Grunwick had appalled many senior Conservatives, including Margaret Thatcher, they also highlighted the Party's lack of a coherent strategy to tackle Britain's industrial relations issues. Despite widespread sympathy for Grunwick's George Ward and growing outrage at the mass picketing and violence at the factory gates, the Shadow Cabinet maintained a neutral line. Lord Scarman's report[1] further exposed the internal differences of opinion and fault lines between Joseph and Hailsham. Jim Prior's EPG had produced few new ideas or concrete plans to address the issue of union power, and Carrington's Authority of Government Policy Group had essentially suggested a mitigation strategy, given that a showdown with the unions was inevitable and unwinnable. The Grunwick strike's violent picketing was the backdrop to the July 1977 appearance of two quite different and strikingly unusual individuals, hitherto totally unknown in political circles: John Hoskyns, a 50-year-old self-made businessman who had recently sold his computer company, and his colleague, Norman Strauss, a marketing executive from Unilever in his 20s. The output of their joint thinking was to become known as Stepping Stones.[2]

Hoskyns and Strauss were political outsiders with no previous affiliation to the Conservative Party.[3] Both acted in an unpaid capacity, with Strauss still holding down a full-time job at Unilever throughout this time. Hoskyns saw himself as the non-political outsider who had to force his way into the Conservative Party's thinking and policy-making and, in his own words, 'gate-crash the party'.[4] They operated outside of the official Conservative Party organisation and structure; indeed, at times they appeared to be locked in conflict with the traditional conduits of policy debate, notably the CRD. John Hoskyns was able to build a bridgehead to key members of the Shadow Cabinet, including Margaret Thatcher, through the offices – both metaphorically and literally – of the CPS, and following his first meeting with Keith Joseph in

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[1] Leslie Scarman, *Report of a Court of Inquiry Under Rt. Hon Lord Justice Scarman into a dispute between Grunwick processing Laboratories and APEX*, *Cmnd 6922* (London, 1977).
[2] Hoskyns credited Keith Joseph for the title 'Stepping Stones'. See Hoskyns, *Just in Time*, p. 39. For the sake of consistency, when referring to the programme, Stepping Stones will be written thus, but when referring to the report, it will be italicised as *Stepping Stones*.
[3] See Hoskyns, *Just in Time*, pp. 9–12, where he describes himself as a 'floating voter, voting Labour or Liberal more often than Conservative'.
[4] Ibid., Chapter 4.

1974 and his subsequent meeting with the CPS Director, Alfred Sherman. Having secured Thatcher's agreement, he and Norman Strauss wrote and promoted his causal analysis of Britain's economic decline and his strategy for 'economic stabilisation'.[5] The 75-page document took Hoskyns and Strauss only three months to write, but most of their time was subsequently expended on socialising their findings and recommendations to selected members of the Shadow Cabinet, many of whom were extremely sceptical or – in some cases – overtly hostile. This included Thatcher's steadfastly moderate Shadow Employment Secretary, Jim Prior. The final document – issued to members of the Shadow Cabinet on a named and numbered basis for fear of leaks – was considered to be so contentious and politically dangerous by the Party Chairman[6] that he initially wanted to call in and burn every copy.[7] *Stepping Stones* was never published and today only one copy of the final report survives, complete with Margaret Thatcher's handwritten annotations. Nearly 50 years later, the report – with its famous appended 'wiring diagram' of Britain's economic and societal issues using systems analysis – is over-engineered, heavily laced with 1970s management jargon and marketing-speak, and contains considerable repetition (despite Hoskyns' covering letter asserting that 'we have kept the paper as short as possible').[8]

The relevance of the Stepping Stones project to the debate about the Conservatives' attitude to the trade union movement is clear from the conclusion of the final report: 'There is one major obstacle – the negative role of the trade unions. Unless a satisfying and creative role can be developed, national recovery will be virtually impossible.'[9] As Hoskyns later recalled about the drafting process: 'The idea that the reform of the trade unions should be the centrepiece of the whole programme had not yet crystallised in our minds', but 'as Norman and I worked and talked, we came to the conclusion that trade union power was the starting point for everything'.[10] However, for those searching for the source of inspiration for the Conservatives' future legislative assault on trade union powers and legal immunities, *Stepping Stones* falls somewhat short. Rather than representing a blueprint for an incoming government, *Stepping Stones* was a long-term communications strategy to change the public's perception of trade unions. It aimed to transform 'the unions from Labour's secret weapon into its major liability'

[5] A phrase used extensively by Hoskyns.
[6] Lord (Peter) Thorneycroft.
[7] According to Shirley Oxenbury, Thorneycroft's personal assistant.
[8] CCA, Thatcher MSS: THCR 2/6/1/248, *Stepping Stones Report* (final text), 14 November 1977. Available at MTFW 111711.
[9] Ibid., S1.
[10] Hoskyns, *Just in Time*, pp. 41–2.

so that 'the fear of union-Tory conflict could be laid to rest'.[11] Undoubtedly anticipating the probable response from politicians in search of immediate and practical solutions ahead of an election, the report acknowledged that 'such a catalogue is likely to make a busy and sceptical politician's heart sink', but urged for strategic thinking and planning even if, 'there is never a convenient time for strategic thinking in politics…strategy can be defined as the careful thinking we wish we had done two years ago, but don't have time to do today'.[12]

Thus, it is not surprising that the importance of the Stepping Stones project to the Conservative Party's future legislative programme to reduce trade union power has been regularly downplayed by historians and some key political actors. For instance, Nigel Lawson, who supported Hoskyns' conclusions at the time and acknowledged his 'insistence on a long-term coherent strategy, his freshness of approach and his readiness to think the unthinkable', later wrote that he could not recall 'the "Stepping Stones" papers having much practical influence in Government except in so far as they helped to maintain the momentum for a radical reform of trade union law'.[13] For many years, the Stepping Stones programme received relatively scant academic attention, with only two articles on the subject by Taylor and Smith and Morton – both written in 2001.[14] Recently, it has received more attention from several historians, including Dorey and Williamson, who separately concluded that by November 1978, the project appeared to have lost all momentum. In the words of another key actor, Geoffrey Howe, by November 1978, 'the whole exercise had run firmly into the sand'.[15] Dorey believes that the project would have disappeared without a trace at the end of November, but 'the "Winter of Discontent" saved the Stepping Stones programme from obscurity' and 'the unions themselves inadvertently saved Stepping Stones from oblivion'.[16]

While accepting that Hoskyns' approach was, in Lawson's words, 'removed from political reality', particularly for opposition politicians more concerned with the practicalities of winning the next election, I nevertheless contend that *Stepping Stones* had a tangible and lasting influence on the Conservatives' long-term thinking and strategy towards the trade union

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[11] CCA, *Stepping Stones*, *Summary S-1.*
[12] Ibid.
[13] Nigel Lawson, *The View from No. 11: Memoirs of a Tory Radical* (London, 1993), p. 18.
[14] Robert Taylor, 'The "Stepping Stones" Programme: Conservative Party Thinking on Trade Unions, 1975–9, *Historical Studies in Industrial Relations*, 11 (2001), pp. 109–33; Paul Smith and Gary Morton, 'The Conservative Governments' Reform of Employment Law': "Stepping Stones" and the "New Right" Agenda', *Historical Studies in Industrial Relations*, 12 (2001), pp. 131–47.
[15] CCA, Hoskyns MSS: HOSK 1/197, Circular from Geoffrey Howe, 22 November 1978.
[16] Peter Dorey, 'The Stepping Stones Programme: The Conservative Party's Struggle to Develop a Trade-Union Policy 1975–1979', *Historical Studies in Industrial Relations*, 35 (2014), pp. 89–116.

movement. Its central premise of the need to change trade union behaviour and reduce their power underpinned the raft of legislative changes for the next decade, starting with the 1980 Employment Act. It is, however, hard to concur with Dorey that Hoskyns' final report 'provided the Conservative leadership with a tranche of ready-made policies that promised to tackle union power and were popular with much of the electorate, including many union members'.[17] As Williamson argues, 'Stepping Stones did not provide a full or coherent agenda',[18] although, in Howe's words, its 'analysis remained available to offer guidance through the years ahead'.[19] When considered in the wider context beyond just the report (finalised by the autumn of 1978) and together with the activities of the Policy Search Group (one of three policy groups created by Hoskyns), it seems clear that the process had a greater influence on policy formulation, producing such ideas as compulsory postal ballots for union officials and ways to tackle the perceived iniquities of the Closed Shop. This period of intense activity and debate during the second and third quarters of 1978 is often overlooked, but they were as much part of the Stepping Stones project as Hoskyns' report. However, even with the benefit of hindsight of the three Thatcher administrations from 1979 to 1992,[20] it remains a stretch to agree with Sandbrook's revisionist assertion that the report now appears to be 'a stunningly prescient blueprint for the Thatcher government'.[21] It was surely somewhere in between: it undoubtedly represented a clear break and an alternative approach to the voluntarism offered by Jim Prior. It challenged the prevailing view within the Shadow Cabinet that any attack on the unions would only drive them closer to Labour, and therefore it was preferable to let sleeping dogs lie. Thatcher's often inconsistent attitude to the Stepping Stones project before the 'Winter of Discontent' was undoubtedly dictated by her innate caution and political pragmatism, but that she asked John Hoskyns to head up her Policy Unit, even before the 1979 General Election had been called, is surely evidence of his influence on her thinking. Although Hoskyns and his *Stepping Stones* co-author Norman Strauss were in post at No. 10 for only a relatively short period,[22] they nevertheless oversaw the first of the Thatcherite legislative reforms with the 1980 Employment Act.

[17] Ibid., p. 116.
[18] Williamson, *Conservative Economic Policymaking*, p. 187.
[19] Geoffrey Howe, *Conflict of Loyalty* (London and Basingstoke, 1994), p. 108.
[20] Margaret Thatcher resigned at the end of 1990, but the 1987–1992 government remained a Thatcherite administration under her successor, John Major.
[21] Dominic Sandbrook, *Seasons in the Sun: The Battle for Britain*, *1974–1979* (London, 2013), p. 680.
[22] Hoskyns was appointed the head of Thatcher's Policy Unit after the May 1979 election until his resignation in November 1981.

As will be examined, the complete Stepping Stones project covered a longer period and constituted a far greater output than the 75-page report suggests. The extensive archives left by Hoskyns convey the sense of a longer period of intense activity and debate and, with it, a gradual shift in the strongly voluntarist centre of gravity in the Shadow Cabinet. To Hoskyns' intense frustration, progress and take-up were invariably slow, even among key individuals who were outwardly supportive. The 'Winter of Discontent' undoubtedly jolted the project back to life when it appeared to have run out of steam, particularly when politicians detected a change in the public mood and the Labour Party's traditional area of claimed competence – working harmoniously with the trade unions – was showing signs of collapse. Uniquely for the time, the Stepping Stones project challenged the prevailing assumption, even within the Conservative Party, that unless a government was able to work with the unions, it was doomed to fail.

Using extensive primary sources, notably the Hoskyns Papers and an extensive interview with Norman Strauss,[23] co-author of *Stepping Stones* and one of the few surviving actors of this period, this chapter evaluates three distinct areas of the project and their impact on Conservative Party thinking and strategy towards industrial relations. These are: a) The final version of *Stepping Stones*, b) The process of 'socialisation' and promotion undertaken by Hoskyns and Strauss of their completed report, and c) the often-overlooked creation by Hoskyns of three policy discussion groups, and in particular, the output of the 'Policy Search' group that comprised several key figures in the future Conservative Government: Keith Joseph (who usually acted as Chair), David Howell, Nigel Lawson and Norman Lamont.

4.2 *Stepping Stones*

According to his diary, the drafting of the 75-page (including Appendices) *Stepping Stones* report took Hoskyns approximately three months from August to October 1977. However, Hoskyns recorded that it had 'taken Norman and me eight-and-a-half months to reach this point, with eighty-eight pages of memos, letters, short papers and handwritten reports, together with the "Stepping Stones" report itself'.[24] The reason for this apparent disparity is that the latter includes the earlier period before he commenced drafting *Stepping Stones* and his attempts at engaging Keith Joseph and Margaret Thatcher. Hoskyns records that between 1975 and 1977, he had started to write a book but had been unable to find a publisher.[25] Hoskyns

[23] Author's interview with Norman Strauss, 9 July 2023.
[24] Hoskyns, *Just in Time*, p. 59.
[25] Ibid., pp. 14–25.

had originally been introduced to Keith Joseph in 1974 by Alfred Sherman of the CPS, together with his friend and former civil servant, Terry Price. Hoskyns had met Price a few years earlier and they had discovered a mutual interest in systems analysis[26] as a tool for diagnosing Britain's economic problems. Both, quite independently, constructed their own – but strikingly similar – versions of a 'wiring diagram'. As will be examined, systems analysis and the use of what became known as the 'wiring diagram' were at the heart of Hoskyns' thinking. With Sherman acting as a facilitator, Hoskyns and Price attempted to engage with a few senior members of the Shadow Cabinet, notably Joseph, during 1975, with mixed results. Terry Price, for instance, recorded a 'chaotic lunch'[27] with Joseph in November 1975,[28] but by the end of that year Hoskyns had engaged with Joseph on several more occasions and met Geoffrey Howe for the first time. Crucially, he had also been introduced by Sherman to the future co-author of *Stepping Stones*, Norman Strauss, in November 1975. However, it was not until August 1976 that Hoskyns wrote: 'Keith Joseph decided it was time for Norman Strauss and me to meet Margaret Thatcher.'[29]

4.3 The 'Wiring Diagram'

It is hard to overstate the importance, as least as far as Hoskyns was concerned, of his systems analysis of the UK economy, which became colloquially known as the 'wiring diagram'. Hoskyns used this methodology in his early meetings in 1975 and 1976 when pitching his ideas first to Joseph, then to Howe and, ultimately, to Thatcher. Hoskyns had first encountered Systems Analysis when he left the British Army and started his business career with IBM.[30] Systems Analysis had first emerged in the 1960s as a response to the increasing complexity of information systems, especially in military and government domains. The origin of the term is usually credited to the RAND Corporation,[31] a think-tank that applied scientific methods to policy and decision-making. By the 1970s, systems analysis had expanded to the commercial

[26] Terry Price had been chief scientific officer at the MOD, and director of the Defence Operational Analysis Establishment.
[27] Ibid., p. 18.
[28] In his memoirs, Hoskyns refers to the 'chaotic' CPS lunch as being in October 1975, but it was in fact on 5 November 1975, based on a 'Report of a meeting 5.11.75', which was kindly provided to me by Norman Strauss. This is not in the Hoskyns' Papers at the CCA.
[29] Ibid., p. 23.
[30] See Hoskyns, *Just in Time*, p. 10 for reference to using two of his former colleagues from IBM to construct his wiring diagram.
[31] Often referred to as the first think-tank, Project Rand (from the phrase, Research and Development). See https://www.rand.org/about/history.html for further details.

and industrial sectors. Norman Strauss had first encountered it while working for Unilever at this time. As Lockwood has identified, although their ideas came from different sources,

> …figures from the business sphere were moving in a parallel intellectual direction to the emerging New Right…with 'systems thinkers' defining their approach as a remedy to 'reductionism' and 'determinism', investigating the behaviours and values of an enterprise as a whole.[32]

During the 1970s and 1980s, Systems Analysis evolved into the development of Structured Analysis, a methodology that focused on defining the system functions, data flows and structures using graphical tools such as data flow diagrams, flowcharts and entity-relationship diagrams. In essence, this methodology was adopted – and adapted – by John Hoskyns to produce his 'wiring diagram' or map of the British economy as he saw it. Each box (or 'node') had a series of causes and effects listed, but Hoskyns focused mainly on the 'feedback loops' that exacerbated conditions and explained why governments enacted policies that fed obviously destructive cycles. For example, in Hoskyns' original diagram, wage claims and their granting led to price increases, which, in turn, contributed to inflation and to the Government freezing prices where it could – and then finally, this led inevitably to an increase in the money supply (to compensate for the lack of Government revenues), thereby exacerbating inflation. Hoskyns was constantly refining his analysis; for Diagram 2 in *Stepping Stones*, he identified the role of fear of further inflation and unemployment as radicalising trade union attitudes and 'negative union role' became the prominent node in the final report along with 'Keynesian Post-War Dream'. What was then a revolutionary way of analysing problems and decision-making had become second nature to Hoskyns: his papers have countless examples of jottings and 'mini' wiring diagrams to explain different problems. He believed that his way of thinking differentiated him from politicians and civil servants. Indeed, Norman Strauss goes as far as to say that nobody in the Conservative Party or the Civil Service understood systems analysis, 'even if they claimed they did'.[33] Thus, it is not surprising that the initial reaction Hoskyns received was typically one of bafflement. Thatcher was reported to have likened Hoskyns' 'wiring diagram' to a chemical experiment when she first saw it.[34] Thatcher recorded that 'the first time I heard all this I was not impressed' after meeting Hoskyns and Strauss one Sunday afternoon at her house. She added that they had 'a refreshingly if sometimes irritatingly

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[32] Charles Edward Lockwood, 'The British New Right and the Problem of Public Opinion, c.1965 – 1987' (unpublished PhD thesis, Cambridge University, 2020), p. 144.
[33] Author's interview with Norman Strauss, 9 July 2023.
[34] This anecdote is widely attributed to Alfred Sherman.

undisguised scorn for the *ad hoc* nature of political decision-making in general, and the decision-making of the Shadow Cabinet in particular'.[35]

The premise of Hoskyns' thinking in the original 'wiring diagram' has often been overlooked and misunderstood. This is not surprising given that it was not included in full in the final report but rather featured as two cut-down sections in the Appendix – 'Diagram 1' and 'Diagram 2' – with the latter featuring Box 11 in the centre of the diagram as the prominent node labelled 'negative union role'. In Diagram 1, the 'role of fear of further inflation and unemployment' is seen as the key driver to radicalise unreasonable and intransigent union attitudes. By the time, these diagrams were extracted and refined for inclusion in *Stepping Stones*, it is clear that Hoskyns wanted to communicate the need for an end to Keynesian economic management and union appeasement.[36]

Several versions of Hoskyns' 'wiring diagram' exist. The copy reproduced overleaf was kindly supplied by Norman Strauss and differs slightly from other versions in the Thatcher Archive. However, all versions attempted to simplify and analyse a complex set of economic and cultural problems in Britain at the time they were created. They attempted to find the sources of dysfunction and, within them, the feedback loops that were created and conspired to inhibit Britain's industrial and economic growth. Britain's growth was compared to its continental neighbours, such as Germany, with the survival of Britain's old industrial infrastructure seen as a disadvantage compared to Germany's newly rebuilt factories and facilities. Perhaps the most interesting – and certainly the most politically bold – conclusion of Hoskyns' analysis lies on the 'start line' in the top left-hand corner of Box A2, 'Electoral Expectations', which flows into Boxes: A3, Increased Public Spending, 'Keynesian Demand Management', B2 'Keynesian Demand Management', A4 'Full Employment' and C2 'Increasing Real Earnings'. Hoskyns' initial analysis placed the blame for Britain's economic problems on the aspirations of its citizens and their unrealistic and contradictory electoral expectations, stemming from their economic illiteracy: a tough message for any politician to sell to an economically long-suffering electorate!

The complete 'wiring diagram' is more sophisticated and multi-causal than suggested in the extracted detail in Diagrams 1 and 2 of *Stepping Stones*, which simply places the trade unions as the root cause of British economic decline. In the full version, Hoskyns cited many other

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[35] Thatcher, *The Path to Power*, p. 420.
[36] Ron Clouse, *The Wiring Diagram* (Great Britain, 2016), p. 156.

'legacy' socioeconomic factors in the system besides 'outdated union structures' that caused feedback loops. These included: 'Memories of Depression' and 'Reliance on Imperial Markets', and he linked the British wartime experience ('UK spared Euroland Wartime Upheaval') to 'Old Factories, Obsolete Plant and Low Productivity' as well as 'Persistence of Old Class Attitudes'. He blamed the 'culture gap' between Government and Industry and the university system for creaming off the best talent to the Civil Service and universities, leading to a shortage of talent in industry and a lack of business experience in government. As such, it is similar to other declinist theories of Britain that were common at that time. However, the full wiring diagram was initially shown to Joseph and Thatcher before they gave the go-ahead to the Stepping Stones project. From its original conception, it was intended to be a multi-causal model. In Hoskyns' words:

> Trying to understand the British sickness without first developing a causal map was like trying to find one's way around London by referring to a street-by-street narrative description in prose, instead of a two-dimensional atlas.[37]

[37] Hoskyns, *Just in Time*, p. 11.

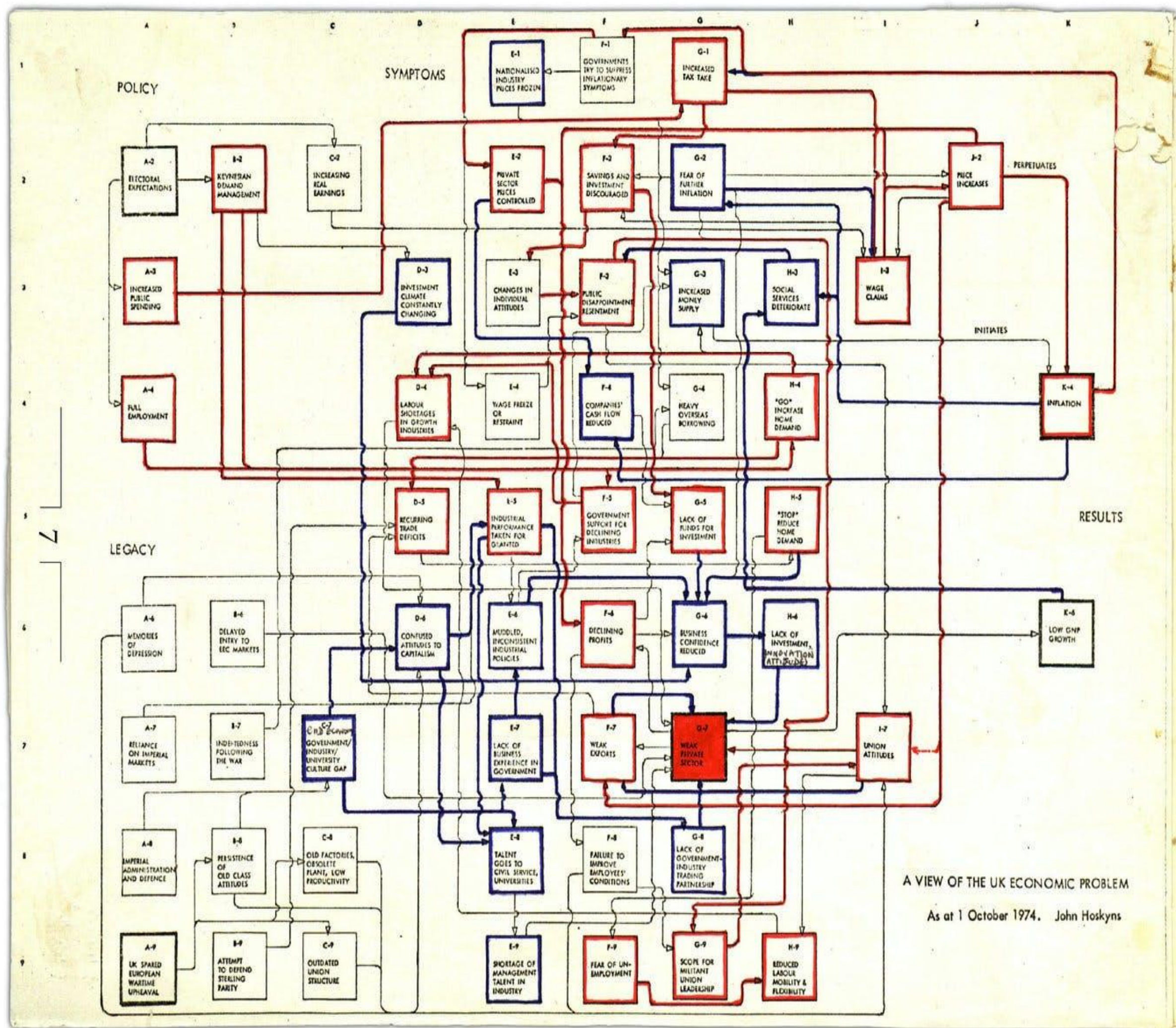

Figure 2: John Hoskyns' 'Wiring Diagram' of the UK Economic Problem, 1 October 1974. Graphic courtesy of Norman Strauss and reproduced with his permission.

The wiring diagram seen in its entirety, as above, lends credence to Hoskyns' claim that reform of the trade union movement did not crystallise as the centrepiece of the programme until he and Strauss started to draft *Stepping Stones*:

> As Norman and I worked and talked we came to the conclusion that trade union power was the starting point for everything. It could and would be used to veto – if necessary by physical force – any programme sufficiently radical to reconstruct Britain's political economy.[38]

However, it is important to bear in mind that although Systems Analysis provided Hoskyns with a methodology to study and diagnose Britain's problems, it never represented a political philosophy; rather, it provided a template for analysing a multi-causal problem and identifying

[38] Ibid., p. 14.

sources of self-perpetuating, damaging behaviour and actions manifesting in 'feedback loops' that would need to be severed to improve the system's functionality. A discernible link between *Stepping Stones* and contemporary political theory can be seen in the work of Sir Geoffrey Vickers,[39] another systems thinker who was studying the reasons for Britain's decline in the early 1970s. Vickers believed that British society's values were breaking down during a period of rapid economic and technological change, but that governments could stabilise the system and increase social coherence through a shared 'communicative framework and habitual behaviours' that exposed the public 'to education by common experience'. Clearly, this was redolent of the aims of *Stepping Stones*, in essence, a communications programme to re-educate and convince the public to question the role of the trade unions in economic affairs, along with its 'hidden objective' of convincing the Shadow Cabinet to behave strategically and adopt a 'sense of crusade' in their 'history making'.[40] It is unclear how much influence Vickers had on Hoskyns. Hoskyns recorded once meeting Vickers when he was 'a sprightly eighty-one', in February 1976.[41] Terry Price (whose systemic analysis of Britain's problems was very similar to Hoskyns') certainly acknowledged the impact that Vickers' book, *Freedom in a Rocking Boat*,[42] had on him.[43]

4.4 The *Stepping Stones* report

Little remaining evidence of the creation of *Stepping Stones* beyond late-stage drafts remains. However, Hoskyns recalled that writing the report was 'extremely hard work' that required 'concentrated thinking' to produce 'a coherent analysis and a similarly coherent prescription ("coherence" was our touchstone)'.[44] He was acutely aware that he had to avoid 'the usual woolly thoughts and worthy sentiments…to throw a shaft of light' on Britain's economic problems, but at the same time, make it 'easy, even enjoyable for busy people to read'.[45]

Even after fifty years, *Stepping Stones* still feels like an extraordinarily eccentric document. The passage of time and subsequent events have certainly diminished its potential to act as the political dynamite so feared by the likes of Thorneycroft. As Hoskyns later recalled: 'Intelligent

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[39] Originally qualifying as a lawyer, Vickers became Director of Economic Intelligence in the Ministry for Economic Warfare.
[40] CCA, Hoskyns MSS: HOSK 1/30, Notes of a meeting between JH [John Hoskyns] and NS [Norman Strauss], copied to Terry Price, 10 August 1977.
[41] Hoskyns, *Just in Time*, p. 22.
[42] Geoffrey Vickers, *Freedom in a Rocking Boat: Changing Values in an Unstable Society* (London, 1970).
[43] Terence Price, *Political Physicist* (Lewes, 2004), p. 345.
[44] Ibid., p. 42.
[45] Ibid.

people did not like to point the finger at trade unions…many people took comfort…that our decline was…a historical process outside our control.'[46] Despite Hoskyns' intention to make the report 'readable and even enjoyable', it falls short of both objectives. For politicians, it would have read like no other document they would have seen before from any civil servant or any Party researcher. As Williamson wryly observes:

> Hoskyns' business background was evident in the tortured management-speak of the documents he produced…a typical draft had…such catchy headings as 'Cognitive Dissonance: A Persuasive Theory'…this was not guaranteed to grab the attention of busy politicians.[47]

The differing styles of the two co-authors are also apparent. Strauss certainly wrote, *The Appendix* and *The Union Problem*, but his hand is also evident in Section 5, *The Nature of the Communications Process*, where Hoskyns' management-speak gives way to Strauss's marketing-speak. Explaining his model of 'the product' and 'the user' – which 'has worked successfully in the field of marketing and advertising [and] therefore should not be questioned despite its 'ration of irritating jargon' – he divides the voting population into 'three kinds of mind': the 'Thinkers', the 'Doers' and the 'Feelers'. He concludes that most voters will be 'Doers' and 'Feelers', with a high degree of overlap. Crucially, Strauss' 'Thinkers' 'are a small minority, including the media'. It is hard to agree with Sandbrook that this all represented a 'stunningly prescient blueprint' for a future Thatcher government, but equally, Williamson's dismissal that 'no real programme emerged'[48] is too harsh. The report did not contain any suggestions of future industrial relations policy or legislation to reduce the power of the unions, but that was never its primary objective – at least as far as Hoskyns was concerned. Describing the objectives of the Stepping Stones programme, his first was 'to produce a communications programme that would begin the long process of convincing the public that radical change would have to come'. He added that 'if we were unable to persuade the electorate of all of this…they could easily be frightened into sticking with the devil they know'. The second objective – 'in logic…a precondition for the first' – was to:

> bring together in a coherent way *all the key policy measures already in preparation, and perhaps some new ones* [my emphasis], so that even though the Conservatives would have to be cautious about how much they said in public,

[46] Ibid., p. 30.
[47] Williamson, *Conservative Economic Policymaking*, p. 187.
[48] Ibid.

> they would at least have a clear internal view of the kind of mandate they were seeking.[49]

The report should therefore be seen as addressing the first objective, an attempt to create a long-term strategic communications plan. The broader project, with its creation of separate policy groups, should be viewed as an attempt to deliver the second objective: the pulling together of the strands of emerging policy and possibly the discovery of some new ones. Hoskyns had told Joseph at the outset of the project that the Stepping Stones communication project was 'relatively independent of policy detail'.[50] In Lockwood's words, it was Hoskyns' belief that the project should 'facilitate legislative change, rather than prescribing it' and given the failure of Heath's 1971 IR Act, 'legislation had to be founded upon amenable popular sentiment…what most politicians had failed to recognise, according to Hoskyns, was the inextricable interdependence of policy and communication'.[51]

The utility and effectiveness of the *Stepping Stones* report should be judged against its own terms of reference: as a coherent and systematic communications strategy to change the public's perception of the trade unions, and persuade the unions themselves to change their role in society. As such, confrontation with the unions was not something to be avoided for fear of being labelled Conservative 'union bashing'; the unions had to be engaged with and confronted. It is easy to see why the document made for uncomfortable reading, particularly for the Heathite majority of the Shadow Cabinet whose non-confrontational approach to industrial relations held sway. Instead, Hoskyns and Strauss argued that trying to 'compete with Labour in seeking peaceful co-existence with an unchanged union movement will ensure economic decline'. Moreover, the authors argued that postponing confrontation until after being elected was guaranteed to fail as it would represent 'office without authority'[52] and could condemn the Conservatives to permanent electoral oblivion: 'We cannot say "win the election first on a low profile on the union problem; then implement a high profile strategy when in power".'[53] They warned of the 'real danger' that in the future 'a Tory government, like the present Labour government, could reach a "satisfactory" relationship with union leaders'.[54] This, of course, ran counter to the current thinking of most – if not all – of the Shadow Cabinet

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[49] Hoskyns, *Just in Time*, p. 40.
[50] CCA, Hoskyns MSS: HOSK 1/21, Second draft of a note by JH [Hoskyns] to KJ [Joseph] summarising the 'assignment you would like me to undertake', 14 July 1977.
[51] Lockwood, *The British New Right*, p. 149.
[52] Interview with Norman Strauss, 9 July 2023.
[53] Ibid., p. 17.
[54] CCA, Thatcher MSS: THCR 2/6/1/248, *Stepping Stones Report*, p. 13.

in 1977: ‘Many shadow cabinet colleagues believed that collaboration with the TUC was the only way they could hope to get back into office.’[55]

The authors of *Stepping Stones* also recommended the Conservative Party adopt an entirely different mindset in opposition, and in government: away from a short-term fixation on securing power at the next election to a systematic, strategic approach with ‘long-term objectives, as well as policies’.[56] Accepting that ‘strategy is an over-worked and thus devalued word, and strategic thinking can be no guarantee of success’, Hoskyns and Strauss nevertheless asserted that ‘strategists have at least a tendency to win’.[57] It was perhaps the inability of *Stepping Stones'* authors to get politicians – particularly Margaret Thatcher – to think and act strategically that proved to be the biggest obstacle. To this day, Strauss believes that this was the biggest failure of their programme.[58]

Despite its often-tortured management- and marketing-speak, a clear strategic thread undoubtedly ran through *Stepping Stones*. A full-throated rejection of Socialism (although there is no evidence of his direct involvement, it is hard not to detect some of Sherman's language in parts), the report advocated a more nuanced strategy, typically referred to at the time as traditional Conservative ‘union-bashing’. While exonerating the unions from being the sole cause of the ‘UK problem’, which was ‘a response to poor management and poor government’, they did not discount the possibility that they could reform themselves and turn their current negative role into a positive one. In return for giving up some of their powers, and in particular for adopting what *Stepping Stones* termed ‘value added bargaining’,[59] the ‘sensible and responsible’ union leaders who participate in the ‘great national recovery programme’ could be offered ‘public and visible roles’ in return.[60] Later in the report, the authors suggested that the union leaders would need to be offered new roles for their ‘power, status and satisfaction’ so that change is made preferable to the status quo and to ease the unions' transition from their ‘current feelings of comradeship, protectiveness and group strength’. Such positions might include: ‘a role in a reformed second chamber…a non-majority role on the Board of a company, a share-owning role for union members, or a controlling role in a local

[55] Hoskyns, *Just in Time*, p. 43.
[56] CCA, Thatcher MSS: THCR 2/6/1/248, *Stepping Stones Report*, p. 8.
[57] Ibid., p. 4.
[58] Interview with Norman Strauss, 9 July 2023.
[59] The linking of wage settlements to productivity gains, particularly through the introduction of new technology and machinery.
[60] CCA, Thatcher MSS: THCR 2/6/1/248, *Stepping Stones Report*, p. 39.

authority etc'. This would ensure 'no loss of face involved, on either side'.[61] Given the reputation of the Stepping Stones project as a staunchly anti-union exercise, such apparent magnanimity might appear strange – and possibly disingenuous – but today Norman Strauss believes that Thatcher's biggest failure in her otherwise apparently successful policy of reducing the power of the trade unions was her lack of magnanimity in victory and the damage to Britain's social fabric from the resentment caused by her high-handed triumphalism.[62]

Running through *Stepping Stones* is the argument that only by removing the trade unions' political and economic power could the British economy be stabilised and revitalised. Thatcher's annotated copy notes: 'but only if there is radical change in the union movement's political and economic role' – underlined and double-underscored in both margins.[63] This was to be achieved by a communications programme with two stated objectives. First, 'to reject Socialism, not just to call for a change of government' and second, to 'demand a fundamental change in the objectives and role of the trade unions'.[64] Crucially, 'a rising tide of public opinion is already transforming the trade unions from Labour's secret weapon into its biggest electoral liability',[65] an assertion unsupported by evidence and a view that would not have been shared by most of the Shadow Cabinet at the time. With hindsight, however, this was a prescient assessment of a shift in public opinion, and it supported the authors' view that the 'one thing' that Labour would fear and 'must therefore prevent is a "great debate" about the unions' role'.[66] The report stressed the need to have 'a calm debating confrontation' and 'the more calmly the evidence is presented, the greater [will be] the resulting indignation and desire for change'.[67] In line with Hoskyns' strong belief in the need for a strategic approach, he envisaged a rolling communications programme. His strategy included using the programme to push out the timing of the forthcoming General Election until autumn 1978; he was mindful of the limited window of opportunity and the risk of the minority Labour government calling an early election. He was also fearful about the timing of future surplus revenues generated from the recently discovered North Sea oil reserves, which would serve to 'simply mask the decay process'.[68]

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[61] Ibid., Appendix A–9.
[62] Interview with Norman Strauss, 9 July 2023.
[63] CCA, Thatcher MSS: THCR 2/6/1/248, *Stepping Stones Report*, p. 5.
[64] Ibid., p. 18.
[65] Ibid., p. 19.
[66] Ibid.
[67] Ibid.
[68] Ibid., p. 4.

Hoskyns did not consider his position on industrial relations to be especially hawkish and he certainly did not share Sherman's visceral hatred of the unions. Even on the eve of the 1979 General Election and in the middle of the 'Winter of Discontent' he was still critical of traditional Tory 'simple-minded union bashing'.[69] On other occasions, Hoskyns rejected calls for a 1971-type measure to circumscribe trade union power with a legal framework. In common with many others, including Jim Prior, he appreciated that Heath's failed attempts at legislation had united the whole trade union movement against the government and handed them a massive PR boost. In fact, Hoskyns pointed out to one of the most resolute opponents of his project, Chris Patten of the CRD, when they were instructed to merge their respective approaches, that their ideological differences were not that great and their views about the reasons for Britain's economic problems were similar. Their main differences centred on how far they believed that public attitudes could be altered by a skilled communications programme.[70] Some members of the Shadow Cabinet clearly did not believe this was possible. For instance, Peter Thorneycroft – who later warmed to Hoskyns' theories – was initially sceptical that a 'prolonged intellectual campaign' would alter the views of the electorate, warning Thatcher that it could be construed as 'arguing with the public', which would be counter-productive.[71] As Lockwood has highlighted, the initial reactions to the Stepping Stones project from members of the Shadow Cabinet were often surprising and defied the traditional Hawks versus Doves (or later Dries v Wets) categorisations.[72] For instance, Whitelaw reacted far more positively and agreed with Hoskyns' initial analysis that the Conservatives might well win an election without addressing the union 'problem' head on, but that they would inevitably fail once in government. By contrast, Geoffrey Howe, who became one of the main supporters of the project, was described in an early meeting in August 1977 as being 'the most obviously impatient and hostile'.[73]

Space does not permit a detailed discussion of the supposed science and theories behind the communications programme proposed by Hoskyns and Strauss, which form some of the longest – and most impenetrable sections – of the report. Their plan was to appeal to the wider electorate on the issue of the role and power of the trade union movement over the heads of the unions and their leaders and, at the same time, by constantly linking the Labour Party and the

[69] CCA, Hoskyns MSS: HOSK 1/224, Draft note by JH [Hoskyns] for KJ [Joseph] on 'Electoral Themes', 18 February 1979.
[70] CCA, Hoskyns MSS: HOSK: 1/77, Note to Chris Patten, 'Merging the Strategies', 10 February 1978.
[71] CCA, Hoskyns MSS: HOSK 1/204, Note by Lord Thorneycroft to Margaret Thatcher, 13 December 1978.
[72] Lockwood, *The British New Right*, pp. 156–7.
[73] CCA, Hoskyns MSS: HOSK 1/98, Notes by Hoskyns for NS [Norman Strauss] and TP [Terry Price] of meeting with Geoffrey Howe MP on 26 August 1977.

union leadership in the public mind to 'persuade the electorate to reject Socialism'. To do so, they advocated the creation of a mental picture of two rival societies, the 'Sick Society' characterised by the existing Labour–trade union leadership link, and its alternative, the 'Healthy Society'. Elsewhere, these two states are re-cast as 'Jim's Britain' and 'Maggie's Britain'. The latter is characterised by Strauss in his Appendix to *Stepping Stones* as embracing 'incentive, enterprise, freedom and participation', encapsulated in his invented slogan, 'Maggie's Britain works – it lets the people speak', which he recommended (and double-underlined for emphasis) could 'form the basis of the Election Campaign's Strategic Platform'.[74]

The stated ambition of the authors of *Stepping Stones* was to 'alter the climate of opinion' by questioning and undermining 'those union values we judge natural forces to have weakened'. Although they did not describe what they believed those values were, as with their assertion that public opinion was moving against the unions, there was a prescient recognition – which would not have been acknowledged by Conservative politicians at the time – that the trade union movement's position was less strong than was widely assumed. *Stepping Stones* argued against a full frontal assault on the entire movement, which would inevitably be seen as 'union bashing'. Instead, it recommended that the Conservatives needed to 'argue labels like "union bashing", "confrontation" or "extremist" out of court'. The Conservatives needed to show their reasonable side to their union opponents: 'We understand, we want to help…we support good unions' and 'provide them with the means to lessen their fear, by taking the initiative and leading them to safer ground'.[75] The Conservatives should select how and when to engage with the union debate in a carefully controlled and tactical manner, bringing it to the electorate's attention 'via the observers of the ensuing debate, namely the media'.[76] For Hoskyns and Strauss, the way to persuade the bulk of the population who were deemed to be capable of changing their views (the 'Feelers' and the 'Doers') was via the 'Thinkers', or in more modern phraseology, through opinion formers: 'The media play a central role in this process because they are…better at motivating Feelers and triggering Doers than political leadership and political events alone can be.'[77] Again, the authors appear to foreshadow the possibility of the Conservatives harnessing for their own purposes a shifting attitude against the role and future of the unions in the media. However, they offered no specific suggestions of who these

[74] CCA, Thatcher MSS: THCR 2/6/1/248, *Stepping Stones Report Appendix*, p. 3.
[75] Ibid., p. 6.
[76] Ibid., p. 7.
[77] Ibid., p. 26.

commentators might be or where they could be found. Indeed, they gloomily concluded that 'at present, they look at policies, messages and politicians simply as facets of our post-war failure. Both the main parties are inseparably linked with that failure in their minds.'[78]

4.5 The proselytising of *Stepping Stones*

When Hoskyns and Strauss circulated their draft of *Stepping Stones* to the Steering Group at the end of October 1977, their status within the Conservative Party was unofficial and uncertain. The project on which they had been working since August had been conducted in strict secrecy; they were not Party officials and were not paid for their services (Strauss was still working full-time and devoting his evenings and weekends to the project). They had been given the go-ahead to write their report by Margaret Thatcher, but they had only met her on two occasions before starting their work in August 1977, following their meetings with her in August and September of the previous year.[79] Hoskyns' earlier contacts with other senior members of the Conservative front bench team had been limited and mostly facilitated by Joseph and the CPS. Before Hoskyns and Strauss were introduced to Thatcher, Sherman had arranged what he termed a 'devil's advocate' meeting in the CPS's offices in Wilfred Street in 1975 with a few MPs, including Leon Brittan, Nicholas Ridley, Christopher Tugendhat and Norman Lamont. By Hoskyns' own admission, the meeting had gone badly. It was diplomatically described as a 'hiccup' by Joseph, who had chaired it.[80] Despite this, Hoskyns was able to secure a direct social introduction to Geoffrey Howe at the end of 1975. He met Howe again in August 1976, just before he and Strauss embarked on drafting their report. The meetings with Howe, who became a lynchpin of the Stepping Stones project, were more encouraging from Hoskyns' perspective; he identified in Howe an agreement with his multi-causal, linked thinking about Britain's inflation problem, recalling: 'I was greatly encouraged to find this sort of systems thinking where it was most needed.'[81] Before commencing his report, Hoskyns also met John Biffen, who clearly impressed him, and Jim Prior, who clearly did not. Hoskyns' meeting with Prior took place just before he commenced drafting on 1 August 1977. It was a shorter introductory meeting than originally planned owing to a Parliamentary Division,[82] but Hoskyns was in no doubt of the importance of Thatcher's

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[78] Ibid., pp. 30–1.
[79] On 23 August at the House of Commons and on 25 September at her house.
[80] Hoskyns, *Just in Time*, p. 21.
[81] Ibid., p. 41.
[82] CCA, Hoskyns MSS: HOSK 1/26, Detailed Notes for NS [Norman Strauss] and TP [Terry Price] relating to his meeting with Jim Prior on 27 July, 1 August 1977.

Shadow Employment Secretary to his project. Despite noting that he was 'relaxed, affable, very easy to get on with' and 'agreed emphatically with the picture I painted of a downhill trend', he 'did not appreciate that the UK recovery would be miraculous'. Hoskyns summarised their meeting by concluding that Prior was 'a nice, reasonable and sensible man, hoping to meet stupidity and ruthlessness with concessions and pragmatism'.[83] On a personal level, Hoskyns always maintained a good relationship with Prior, despite urging Thatcher to move him from Employment in 1978[84] and then successfully orchestrating his move to Northern Ireland in 1981.[85] Hoskyns met Biffen ten days after his meeting with Prior, and there was clearly a greater meeting of minds. Hoskyns' meeting notes described him as 'intelligent, thoughtful, [and] open-minded', and he felt that 'he said some things in a way which (unintentionally?) suggested he was really Shadow Chancellor'. However, during their broad-ranging economic discussion, Hoskyns noted that when he 'outlined the idea of changing union leaders' attitude by educating their rank and file and the public generally' (the core message of *Stepping Stones*), Biffen 'repeated Prior's comment that such education could not easily be done by politicians'.[86]

Undertaking what he later termed his 'voyage of discovery' of his Stepping Stones programme, Hoskyns believed that one of his most important – but covert – objectives was:

> to ensure that the Shadow Cabinet members really understood the colossal scale of the task confronting them, and the high probability that they would fail in office unless they were determined, politically imaginative and strategically competent.[87]

In his notes from a meeting with Norman Strauss on 10 August 1977, as they started to draft their report, Hoskyns listed the need to get the 'Shadow Cabinet to commit itself to strategic behaviour'[88] under the heading 'hidden objectives'. He clearly recognised the enormity of his task: he knew that only Thatcher, Joseph and Howe were genuinely open to his suggestions. Following his initial meetings with various Conservative politicians in 1975 and early 1976, he wrote to Alfred Sherman, who had facilitated most of the meetings, that 'our ideas seem to be falling on fairly stony ground' and that he doubted whether he could 'make our ideas stick'

[83] Ibid.
[84] This was almost certainly at the meeting with Thatcher on 22 May 1978, although there are no minutes of their meeting.
[85] Hoskyns' involvement with Prior's removal from Employment in 1981 was claimed by Norman Strauss in an interview with the author on 9 July 2023.
[86] CCA, Hoskyns MSS: HOSK 1/27 Notes by Hoskyns for NS [Norman Strauss] and TP [Terry Price] relating to his meeting with John Biffen, 6 August 1977.
[87] Hoskyns, *Just in Time*, pp. 40–1.
[88] CCA, Hoskyns MSS: HOSK 1/30, Notes of a meeting between JH and NS on 10 August 1977.

in the Conservative Party.[89] His introductory meetings in August 1977 with Prior and Biffen must have left Hoskyns in no doubt as to the task he would face following the completion of his report. In a diary log on the day of his meeting with Biffen, Hoskyns wrote that 'their [the Conservative Party] fear of the unions gets in the way of their attempts to grapple with the problem, all the time – a sense that their efforts will be in vain'.[90]

The immediate reaction to the final draft of *Stepping Stones*, which had only been distributed to a few senior members of the Shadow Cabinet ahead of a working dinner, was positive, and this clearly pleased and surprised Hoskyns. Apart from the three most supportive members of the Steering Group, William Whitelaw – who had been told by Thatcher that the report was 'the best thing we've had for many years'[91] – described *Stepping Stones* as a 'fascinating paper' and accepted 'the basic premise fully'. Whitelaw agreed there was 'no option but to tackle the union issue head on', although he counselled Hoskyns not 'under any circumstances [to] have a large meeting of eight or nine people to agree the paper'. Instead, he recommended a programme 'to sell the idea to the key people, one-by-one, and then have a meeting of five or six on how to proceed'. He recommended that Hoskyns should not involve Thatcher, but 'aim to deliver a "ready to go" package to Margaret…rather than involving her in the initial discussions' and that Keith Joseph needed to be 'restrained and kept under careful control'.[92] Hoskyns clearly accepted Whitelaw's advice; in the following months, he kept Thatcher and Joseph at arm's length in the process of selling his report to the wider Shadow Cabinet. Interestingly, at this meeting, Whitelaw suggested to Hoskyns that Prior 'or perhaps better [Ian] Gilmour should be used to write Thinkers pieces for Times, FT etc…Ian writes good articles and gives good weekend speeches'.[93]

Following a further meeting with Thatcher and Angus Maude, Chairman of the CRD – who, as Hoskyns had expected, 'came out v positively…instant holistic grasp of the thesis' – Hoskyns began to map out a route to, in Maude's phrase, 'carry' key members of the Shadow Cabinet via a series of bilateral meetings and engagements. Hoskyns' notes from his meeting in November 1977 record Maude's comment that it is 'not difficult to carry country, problem is Shadow Cabinet'.[94] Maude identified the 'key doves' as 'Prior, Carrington, Whitelaw

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[89] RHL, Sherman MSS: Box 7 letter from John Hoskyns, 3 October 1975.
[90] CCA, Hoskyns MSS: HOSK 1/28 Handwritten notes by Hoskyns on 'state of play', 6 August 1977.
[91] Hoskyns, *Just in Time*, pp. 46–47 for diary entries for 24 and 29 November 1977.
[92] CCA, Hoskyns MSS: HOSK: 1/46, Handwritten notes by Hoskyns of meeting with Whitelaw and 'Angus' [Maude], Strauss and JH, 24 November 1977.
[93] Ibid.
[94] CCA, Hoskyns MSS: HOSK 1/44, Notes by Hoskyns relating to his meeting with Maude, 22 November 1977.

(+Walker)' and suggested that the 'remainder can be eased in OK later'. Maude deemed Prior to be the 'key person' and he advised Hoskyns that, 'Howe will agree…he knows he can't run the economy otherwise…and is seen as [a] sensible, reasonable person'. Maude cautioned that it was 'essential to prevent media saying "big row in Shadow Cabinet and Hawks have won"'.[95]

Prior's reaction to reading *Stepping Stones* for the first time cannot have been a surprise to Hoskyns. Described as 'somewhat prickly' by Hoskyns, he noted: 'You won't be surprised to know that I don't think it is that hot.'[96] Unsurprisingly given his reputation as the biggest 'dove' on union matters in the Shadow Cabinet, Prior had several points of objection to *Stepping Stones'* conclusions, particularly that the link between Labour and the unions was not central and that the unions were increasingly divided with 'so many chinks and cracks' – particularly between the leadership and the membership – and that launching a full assault on them would 'inadvertently re-unite them, close their ranks'.[97] In common with several others in the Shadow Cabinet, Prior was hopeful that things were moving in their direction and it was not necessary to take any risks, particularly if the Conservatives were likely to win the next General Election. Following his first meeting with Prior, Hoskyns concluded that he was 'not hopeful that Prior could be converted to a more combative view'.[98] Prior remained the most consistent block to the Stepping Stones project for the following year. Hoskyns continued to try to win him round in several one-to-one meetings and via other Shadow Cabinet members, notably Howe and Joseph. Hoskyns acknowledged to Prior that he saw himself as an outsider, and everything he and Strauss said must have made them 'look like aliens from another world, technocratic, politically naïve, simplistic management-by-numbers businessmen'.[99] Yet, he was not a social outsider[100] and had considerable social skills and charm. He addressed Prior's initial objections to *Stepping Stones* in a letter to Keith Joseph, which was, in turn, circulated to the Steering Group. Hoskyns was at pains to stress that his objective was not to have 'a general letting off of steam about union stupidity or abuses' and that he appreciated that this would unite the unions, and alienate the electorate. Rather, he considered that the continued practice of what

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[95] Ibid.
[96] CCA, Hoskyns MSS: HOSK 1/48, Notes by Hoskyns relating to his meeting with Howe and Prior, 7 December 1977.
[97] Ibid.
[98] CCA, Hoskyns MSS: HOSK 1/26, Detailed Notes for NS [Norman Strauss] and TP [Terry Price] relating to his meeting with Jim Prior on 27 July.
[99] Hoskyns, *Just in Time*, p. 50.
[100] Hoskyns had attended Winchester College before joining the British Army.

he termed 'Wilsonian pragmatism' in industrial relations was not sustainable and would lead to certain defeat.

He attended another face-to-face meeting with Prior on 20 December to 'set the seal on the SG [Steering Group] meeting at which JP [Jim Prior] had agreed to the general thrust of Stepping Stones'.[101] Reiterating his view of the 'public fears that Tories and the unions would not get on if the Tories won election', Prior nevertheless 'confirmed that, despite his fears, he was anxious to cooperate with SS [Stepping Stones] and stressed that he had tried to put the SS thesis into action in his address to the Conservative Trades Unionists Association'.[102] At the end of their meeting, Hoskyns asked Prior what measures – with or without legislation – could be taken to change union behaviour. Hoskyns' notes recorded Prior's response: 'He wasn't sure…would check through Robert Carr's original proposals before the 1971 Industrial Relations Act.' Hoskyns' notes betray his exasperation: 'It is truly astonishing that the Tories are still dithering over these questions because no clear position has been thought through <u>after 3 years</u>' [his emphasis].[103]

Ultimately, Prior's relationship with the Stepping Stones project was not wholly obstructive, but nor was it positive. Hoskyns always maintained a cordial personal relationship with him,[104] and the files contain several memos and papers to him, including multiple drafts of speeches for Prior to deliver.[105] However, Prior appears to have shown little enthusiasm for these suggestions. Except for one speech, there is no evidence that Hoskyns was ever able to persuade Prior to reflect any of his thinking in public. Hoskyns clearly realised this, particularly following his meeting with Thatcher in May 1978, in which it is believed that he and Strauss unsuccessfully argued for Prior to be moved from Employment.[106] In his pre-meeting notes with Thatcher,[107] Hoskyns recorded:

> My judgement is that JP is not prepared to lead with the Stepping Stones line… Jim's position has moved some way during our discussions, but…not…far

[101] CCA, Hoskyns MSS: HOSK 1/52, Notes by Hoskyns relating to his meeting with Jim Prior, 20 December 1977.
[102] Ibid.
[103] Ibid.
[104] He was referred to as a 'friend' by Norman Strauss in an interview in July 2023.
[105] For example: CCA, Hoskyns MSS: HOSK/141, Drafts of possible opening speech by JP with additional suggested additions to the speech, 1 June 1978; also HOSK 1/154 Letter by Hoskyns to 'Jim', 24 June 1978, enclosing a paper by Hoskyns.
[106] There are no minutes of this meeting, but Thatcher later recalled that 'at times various people had suggested that the only way forward was to shift Jim Prior' – see Thatcher, *The Path to Power*, p. 422.
[107] CCA, Hoskyns MSS: HOSK 1/136, Draft of note by Hoskyns to serve as an agenda for forthcoming meeting, 19 May 1978.

> enough. Jim will make stronger and more critical speeches…in the hope that no public row will follow.

He did concede that Prior's policy team had been the 'most fruitful in the whole SS exercise'.[108] However, it appears that Hoskyns accepted that as long as Thatcher retained Prior in post at Employment, she would continue to back him and his cautious line towards the unions – at least in public. In a private note to Terry Price in September 1978, Hoskyns ruefully concluded that, 'JP as ever, agrees in principle but does nothing'.[109]

4.6 'A well-known technique of evasion'

While the Stepping Stones project failed to convince the Conservative Party's Shadow Employment Secretary to take action to promote their arguments, the reactions to the report from the predominantly Heathite core of the Party and the CRD were more damaging, ultimately threatening to kill off the entire project. This was most apparent at the Stepping Stones Steering Committee meeting on 30 January 1978, chaired by Thatcher.[110] She famously described this meeting in her memoirs as one 'at which we argued ourselves into standstill' and claimed credit for saving the project from 'sceptical and hostile colleagues' who 'vied with each other in praising the Stepping Stones paper, but then warned against doing anything to follow it up – a well-known technique of evasion'.[111] Objections were raised by Prior, but also by Thorneycroft, Gilmour and John Peyton, with the latter arguing for a 'third way between appeasement and confrontation'. Francis Pym cautioned against being 'too insensitive or controversial' and John Davies – a former businessman and former Director General of the Confederation of British Industry (CBI) – considered that 'if we told the truth about the unions we should certainly lose the election'. He also felt that 'we should not exaggerate the arguments as to the inevitability of our economic decline', arguing that *Stepping Stones* should have contained proposals to include the unions in national economic management through such forums as NEDC to help 'convert the unions to our way of looking at things'.[112]

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[108] Arguably not a huge achievement compared with the non-existent policy output of the only other theme group under Ian Gilmour.

[109] CCA, Hoskyns MSS: HOSK 1/178, Copy of handwritten letter by JH to 'Terry' [Price], 3 September 1978.

[110] CCA, Thatcher MSS: THCR 2/6/1/233, Steering Committee, Minutes of 51st Meeting (argument over 'Stepping Stones'), 30 January 1978. Available at MTFW: 109883.

[111] Thatcher, *The Path to Power*, p. 421.

[112] Ibid.

Hoskyns had certainly anticipated the probable reaction from the Shadow Cabinet and had prepared notes for Thatcher's winding up of the Steering Committee on 30 January.[113] These warned: 'If we halt Stepping Stones now, it would not be to avert some potential disaster, but it would ensure that nothing which might turn out to be useful could in fact emerge.' The Steering Group was 'unanimous that it has been helpful so far, and that it should continue to the point where it is ready for launching'. A handwritten note by Hoskyns, seemingly written to himself in red ink on the eve of the meeting, simply said: 'Biffen[114] was right – but at this stage we must try to summon up whatever courage to say boo to the goose.'[115]

Hoskyns was not present at the meeting, and thus, we have to rely mainly on Thatcher's recollection of the Steering Group Committee meeting.[116] Her line was that the meeting 'wanted to kill Stepping Stones, but that I would not allow'. Chris Patten had 'submitted a paper to the meeting showing deep suspicion of Stepping Stones'[117] and it was noted that he 'favoured what he would doubtless consider a pragmatic rather than an ideological approach in Opposition'. Sensing that the 'majority at the meeting grasped at the straw provided by Chris's paper and expressed a nonsensical desire to unify the Patten/Hoskyns approach, to which I had to bow', she went on to record that, 'it took a month to get Stepping Stones back on track and even then Chris Patten's work was to go on in parallel'.[118]

In lieu of the next meeting, Patten was tasked with preparing another paper, merging the main points of *Stepping Stones* and his earlier *Implementing our Strategy* paper into a new document titled *Further thoughts on strategy.*[119] Patten saw *Stepping Stones* as the basis for 'an up-market campaign directed towards speeches, articles and the follow up to them', although he acknowledged the 'intellectual rigour, coherence and sophistication of the exercise'. Perhaps most strikingly, Patten's new paper did not directly mention trade unions, although he reproduced an opinion poll showing that voters ranked improving industrial relations lower than many other issues, such as law and order, and inflation. For those who believed that 'improving industrial relations was important', Patten's paper noted that Labour still enjoyed

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[113] CCA, Hoskyns MSS: HOSK 1/70, Note of comments submitted by Hoskyns for Margaret Thatcher MP's winding up for the Steering Committee of the Shadow Cabinet on 30 January 1978.
[114] John Biffen had previously warned Hoskyns that the biggest challenge he would face within the Conservative Party was 'complacency'.
[115] CCA, Hoskyns MSS: HOSK 1/69, Handwritten note by JH, 'Biffen was right', possibly 29 January 1978.
[116] Thatcher, *The Path to Power*, pp. 421–2.
[117] CCA Hoskyns MSS: HOSK 1/32, Briefing paper by Christopher Patten (CRD) on 'implementing our strategy', 21 December 1977.
[118] Thatcher, *The Path to Power*, p. 422.
[119] CCA Thatcher MSS: THCR 2/6/1/233, Paper circulated – Patten on 'Stepping Stones' – further thoughts on strategy, 23 February 1978. Available at MTFW 109854.

a 9% lead over the Conservatives.[120] At the next Steering Committee on 27 February, *Stepping Stones* was finally adopted as the basis for Conservative strategy, albeit alongside Patten's proposals. Crucially, it was confirmed that Prior would remain in charge of developing party policy on the unions and speaking on these matters.[121] The heavily Heathite majority in the Shadow Cabinet and the CRD may not have completely killed off the Stepping Stones project as Hoskyns had initially feared, but they had certainly severely constrained it. Hoskyns had written to Joseph in confidence at the end of February with his critique of Patten's strategy. He described it as 'unworkable' and concluded:

> Either Stepping Stones is restricted to the point that it is ineffective (in which case NS and I should gracefully withdraw); or the Steering Group, Theme Teams and Policy Search Team should carry on where they left off, as if nothing had happened.[122]

The following day Hoskyns received a circular from Joseph to the members of the Stepping Stones Steering Group that 'Margaret's Steering Committee has approved the Stepping Stones programme under the Chairmanship of WW [William Whitelaw]', but there would be 'close links with the CRD…to fit in with the general strategy'.[123]

From March 1978 until the late autumn of the same year (widely assumed to be the most likely time for the next General Election), the Stepping Stones programme took two forms. First was the establishment of the Policy Search Group, together with an additional four 'theme' teams. In fact, only three teams were created: the 'Policy Search' team under Joseph, the 'Socialism and Trade Unions' team under Jim Prior and the 'Sick and Healthy Society' team chaired by Ian Gilmour. When the work from these groups was completed (or at least, nearing completion), the Stepping Stones communication plan would be enacted through speeches by senior members of the Party. These speeches would be choreographed by Hoskyns and would solely focus on the issue of trade union power. Given the agreement that Jim Prior would speak on all industrial relations matters – and Prior's status as the leading 'dove' in the Shadow Cabinet – Hoskyns knew that he would have to work hard to get Prior to agree to this. He planned on using more sympathetic senior members of the Shadow Cabinet, particularly Geoffrey Howe. He wanted to keep Joseph out of the public debate on trade unions because

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[120] Ibid.

[121] CCA, Thatcher MSS: THCR 2/6/1/233, Steering Committee Minutes of 54th meeting, 27 February 1978.

[122] CCA, Hoskyns MSS: HOSK 1/80, Letter by Hoskyns to Sir Keith Joseph MP relating to a note by Christopher Patten, 'Further thoughts on strategy', 27 February 1978.

[123] CCA, Hoskyns MSS: HOSK 1/81, Copy of circular letter by Sir Keith Joseph to members of the Stepping Stones Steering Group relating to the approval by the Leader's Steering Committee of the 'Stepping Stones' programme, 28 February 1978.

Joseph's views were easily dismissed as controversial and doctrinaire, and could inevitably lead to charges of 'union bashing'. It is clear from Hoskyns' attempts to orchestrate the Party's contribution to the public debate on unions in the following months that he always envisaged a specific role for Thatcher: he wanted to keep her outside of the debate and above the fray, using her to 'round off' a particular debate or line of attack in a keynote speech at a suitable event or occasion (the annual conference of the Conservative Trade Unionists (CTU) being one obvious example). Hoskyns was aware of the constraints for formulating and executing a strategy within a very tight schedule, particularly as it was assumed that Callaghan would call an October election. As Hoskyns reflected in a private note to Joseph in May 1978: 'As with all strategy work, it was already "too late" when we started Stepping Stones. We have made some progress, but one can no more rush it than one can invent penicillin by next weekend.' Nevertheless, he concluded that there would be no time for this 'or any other thinking except when in opposition', but that the 'propaganda campaign proposed in Stepping Stones will need to be sustained for at least five years in government if grass roots attitudes are to change'.[124]

That Hoskyns was thinking in terms of a minimum of five years to implement the Stepping Stones communication campaign is telling: unlike the politicians with whom he was dealing on a daily basis and whose main – if not sole – focus was on the outcome of the next election, he was attempting to think and act strategically. A very telling handwritten note from Hoskyns has been clipped to the file containing his May 1978 memo to Joseph,[125] which, although undated, was clearly written many years later, probably on the deposition of his papers. It reads, 'Elementary business thinking for clever politicians who haven't the faintest clue.' Ultimately, it was this disconnect, together with inertia and foot-dragging from the Heathite centre of the Conservative Party and the CRD, that would lead to the Stepping Stones project becoming grounded by the end of 1978. Rather than encountering an ideological roadblock that prevented progress, it encountered a mixture of studied indifference and a lack of organisational focus and drive. In Thatcher's words:

> By the end of summer 1978 the whole Stepping Stones initiative seemed to have come to a halt. Nor had it had any impact on manifesto work…what rejuvenated the Stepping Stones initiative was the collapse of the Government's 5 per cent pay policy that autumn.

[124] CCA, Hoskyns MSS: HOSK 1/128, Agenda for meeting of Stepping Stones Steering Group on 11 May 1978: with attached Stepping Stones report by Hoskyns on 6 May 1978, and handwritten notes of meeting, 11 May 1978.
[125] Ibid.

Previous studies of Stepping Stones have used published extracts of Hoskyns' diary[126] in his memoirs[127] as the main primary source. Now, the availability of the very extensive archive of Hoskyns' papers helps elucidate the reasons for the initiative running out of momentum, and the extreme frustration felt by Hoskyns towards almost everybody in the Conservative Party, including his key supporters and particularly Margaret Thatcher. Some of the intemperate comments by Hoskyns in private notes and his unpublished jottings or logs betray an even greater sense of frustration and anger than in his published diary extracts, and certainly more than many of the regular 'progress reports' to Joseph and the Steering Committee.

4.7 Policy search and 'Theme Teams' policy groups

Thatcher's summary of the Stepping Stones policy groups' output is revealing:

> Opponents of the whole approach, notably Jim Prior and Ian Gilmour, were in control of the most important 'Theme Teams'…though some useful ideas (and some not so good) emerged from the Policy Search group, the crucial question of pay policy was excluded from its remit.[128]

From the perspective of a policy-hungry politician, the exercise yielded relatively little. Hoskyns also conceded in his memoirs that, apart from the Policy Search Group, the teams were 'fairly ineffective'.[129] It is easy to understand why this was the case: the Conservative Party had already engaged in two years of policy discussion and 'discovery' following the two defeats of 1974 and Thatcher's election to the leadership. Hoskyns later wrote that he had heard of 'a total of ninety-six other policy groups…in the Tory party organisation' and that he had 'never come across any of them or received any reports of their work and I cannot quite believe that number'. This does seem to be an extraordinary admission, particularly since there had been no fewer than three groups that had recently finished considering the union issue: Jim Prior's EG and the Nationalised Industries Group, chaired by Nicholas Ridley – both operating under the aegis of Geoffrey Howe's ERG – and Carrington's Authority of Government Group. That there was a high degree of *ennui* – particularly among the former Heathites – should therefore not have been that surprising.

Hoskyns had originally proposed five groups, each following a particular theme or task. The first (usually referred to as Group A) was to discuss 'Britain at the turning point' chaired by

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[126] This includes Peter Dorey's 2014 article, *The Stepping Stones Programme* – see footnote 16 (this chapter) for reference.
[127] Hoskyns, *Just in Time*, pp. 59–79.
[128] Thatcher, *The Path to Power*, p. 422.
[129] Hoskyns, *Just in Time*, p. 69.

Geoffrey Howe, but never in fact materialised. The two groups to look at the 'sick society' and the 'healthy society' (Teams C and D, respectively) were merged on inception, with the resulting group chaired by Ian Gilmour and supported by Timothy Raison, two Shadow team members who were highly sceptical of the Stepping Stones project. Team B, 'Socialism and the Trade Unions' was chaired by Jim Prior, the most conciliatory member of the Shadow Cabinet on union matters, supported by his ally, Barney Hayhoe, also firmly in the 'dove' camp. However, Prior's group – unlike Gilmour's – had more balance in its composition with the inclusion of two more hawkish members, former Labour MP, Reg Prentice, who had recently defected to the Conservatives, and former CRD member and draughtsman of the material for the IR Act 1971, Stephen Abbott. In April 1978, Hoskyns wrote to Joseph, noting that, 'we have deliberately started slowly' and that 'it had taken time for people to get used to working together…and to get…their different levels of scepticism and enthusiasm reconciled' but that 'each team has to work with sufficient rigour and clarity to reach decisions about action'. However, he concluded that if they maintained their present momentum, then 'Stepping Stones has a better than 50% chance of reaching flying speed.'[130]

By the following month, Hoskyns' frustrations with both Gilmour and Prior's groups were clear. His memoirs describe the mood of the first of Gilmour's group meetings he attended as, 'utterly depressing…initial view of the team was negative: Stepping Stones was too ambitious, too dangerous, too complicated and too late' and 'for Norman [Strauss] and me, it was like rowing a barge full of concrete through treacle'. His minutes of the one meeting he attended noted that Ian Gilmour had asked, 'Do we even agree that there is a need to change union behaviour at all?'[131] The records of subsequent meetings of this group do not appear to exist, and the final three-page summary by Hoskyns in June suggests there may have been no more meetings to speak of.[132] By May, Hoskyns had clearly given up on the team; in a handwritten note of the conversation he had with Joseph about both Gilmour and Prior's policy teams, he described Gilmour's C/D team as 'a drinks party without drinks', adding 'Gilmour won't chair…Defence = [his] first concern'. By Raison's name (Gilmour's *de facto* deputy on the group), Hoskyns simply wrote: 'So easy to stall it! Who chose him?'[133]

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[130] CCA, Hoskyns MSS: HOSK 1/106, Agenda and minutes of Stepping Stones Steering Group on 13 April 1978, with attached Stepping Stones progress report [by JH], 10 April 1978.
[131] Hoskyns, *Just in Time*, p. 61.
[132] CCA, Hoskyns MSS: HOSK 1/142, Final report by Hoskyns of the Stepping Stones 'Themes C&D, Socialism and the Sick Society and Healthy Society group', 5 June 1978.
[133] CCA, Hoskyns MSS: HOSK 1/131, handwritten note by Hoskyns on 'picture given to Keith [over period 3–10 May 78]'.

Hoskyns regularly attended the meetings of Prior's 'Socialism and the Trade Unions' group. Their first meeting was not auspicious. Hoskyns later recalled that he and Strauss were asked by Barney Hayhoe: 'What are your credentials for advising a group of this kind?' to which he had been tempted to reply that 'they included not having spent the best years of our lives sitting on the back benches'.[134] Hoskyns' memoirs and notes of the meetings he attended confirm the caution with which the group approached the thorny subject of criticising the unions: 'All institutions must be open to criticism…and while the Conservatives must tread on tiptoe…the unions were no exception to the principle', but that every time a statement was made that could be 'labelled as confrontational, a friendly and balancing statement would have to be made as well'.[135] At the Stepping Stones Steering Group meeting in mid-April, the progress of Prior's group after the first two meetings sounded encouraging: 'JP [Jim Prior] reported that had a good team and hoped to have five further meetings by the end of May being by then, he expected, ready to embark upon speech-making.' However, in the same note of his conversation with Joseph,[136] he wrote that the theme of the B team [the original name for Prior's Socialism and the Trade Union Movement Group] was 'peace without honour' and that 'Jim and Barney won't fight whatever the reality, except in counter-attack.' Interestingly, there appears to be no record of the final report of Jim Prior's group and therefore of any of their policy recommendations. Instead, there are several hawkish-sounding papers by Hoskyns, such as 'Confronting the unions', that he circulated to Prior's group, with the clear purpose of stiffening their resolve.[137] However, with its clear messages to 'explode' the 'great confrontation bluff' and stressing that the 'Tories must not back down' from 'the great debate' with the unions, it clearly represents Hoskyns' and Strauss's views but not the view of the Shadow Employment Secretary or his group. Betraying his extreme frustration in a private handwritten note to himself 'and Norman [Strauss] only' at about the time he should have been collating the final reports of the groups, he wrote: 'Is there any way to involve MT [Margaret Thatcher] or is she just a populist figurehead e.g. Euro-Conservatives or Shah of Persia?'[138] Perhaps the most damning indictment of the Party's discussion and development of industrial relations strategy can be seen in a letter from Warwick Collins, a South African writer who became an influential Neo-Liberal figure, to Joseph declining his invitation to join the Stepping

[134] Ibid.
[135] Ibid.
[136] Ibid.
[137] CCA, Hoskyns MSS, HOSK 1/134, Note by Hoskyns on 'confronting the unions', 16 May 1978.
[138] CCA, Hoskyns MSS: HOSK 1/144, Handwritten notes on C/D agenda and 'Norman [Strauss] only'.

Stones programme. He thanked Joseph for inviting him to join 'this group' [one assumes that this was Prior's theme group], where he had:

> …engaged in analysing and perhaps stiffening up Conservative attitudes towards the trade unions. I participated for a day only in this group. This was enough to persuade me that, as I had expected, the group's activity was concentrated on a day-to-day exercise of 'union-watching' and retaliation, without a long-term objective or over-riding strategy.[139]

Arguably, the one successful group – at least in terms of productivity – was Policy Search. This was always intended to be the overarching group and, as such, was populated by the most heavyweight team in terms of seniority and intellectual heft.[140] Chaired by Joseph, its members were David Howell, Nigel Lawson and Norman Lamont. As with the other teams, Hoskyns and Strauss would prepare all the papers and attend meetings themselves. It is clear from the volume of materials prepared for the seventeen meetings that took place that this was by far the most active of the groups, with a high level of interaction and debate. Hoskyns later recalled:

> Working with the Policy Search team was extremely stimulating, although I had one or two vigorous disagreements with Nigel [Lawson]…with the involvement of four of the most intelligent of the potential ministers, the whole thing was relaxed, stimulating, exhausting, exasperating, constructive and fun.[141]

This group was also responsible for all the industrial relations policy output, despite (or arguably because of) the reluctance of another theme group that was tasked with addressing the 'union problem'. Hoskyns' notes following the first meeting of the Policy Search group on 13 March 1978 set out the group's remit:

> Our task is problem-solving not political communications…we should not worry about being 'too complicated' as regards electoral understanding, only as regards the practical difficulties of implementation…almost every idea on our list will have been examined before and found impracticable. All we can hope is that the existence of a strategic framework will allow us to assess the trade-off between 'its difficult-ness' and its potential pay-off.[142]

Hoskyns' original intention for Policy Search was that it would examine what he described as 'the central economic problem' and Britain's economic instability, largely because he believed

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[139] CCA, Hoskyns MSS: HOSK 1/179, Copy of letter by Warwick Collins to Keith Joseph, 16 September 1978.
[140] CCA, Hoskyns MSS: HOSK 182, charts by Hoskyns showing composition of teams helping with the Stepping Stones Programme.
[141] Hoskyns, *Just in Time*, pp. 60–4.
[142] CCA, Hoskyns MSS: HOSK 1/88, Agenda for Policy Search meeting on 13 March 1978.

it was the only Stepping Stones team capable of doing so.[143] In fact, it was Nigel Lawson who immediately disagreed with this allocation of time and resources. In a letter to Joseph after the second meeting of the group, Lawson argued that he thought that previously 'we had agreed that the trade union issue should be raised now, rather than being swept under the carpet until such time as the trade union and Labour Party leadership chose to raise it during the election'. He argued that 'any strategy that does not address this problem of the trade union role from the outset ensures failure in office, even though it might, at first sight appear to make electoral success more likely'.[144] Although Hoskyns was concerned that the group's role might become confused and he feared an 'unproductive clash with Jim Prior's group on the union question', he nevertheless found it 'encouraging to receive such a letter, in contrast to the conflicting views in Jim's team and the intellectual malingering of Ian Gilmour's'. Hoskyns felt that 'in effect, Nigel was saying that if the Policy Search Group had already moved beyond Jim Prior's team on Jim Prior's own subject, why should it not go further?'[145]

The result of Lawson's early intervention was that the paper presented to the Stepping Stones Steering Committee in July 1978 contained a large number of policy recommendations relating to industrial relations and the trade union movement's power and influence, with an overarching theme of 'trade union democracy'. The Group's output was not limited to this area, and included a 'capital-owing democracy package' that foreshadowed some of the more radical policies of Howe and Lawson, including the abolition of the investment income surcharge, dividend controls and a sharp reduction in personal taxes. Other policies were also included such as the creation of enterprise zones, council house purchase schemes and a rather unlikely package of constitutional reforms labelled as a 'Reforming Britain' package including a constitutional convention to discuss a Bill of Rights, reform of both the House of Commons and the House of Lords, the banning of corporate contributions to political parties and the use of referenda in special circumstances (the constitutional reforms almost certainly included those described by Thatcher as being 'not so good').[146] The Group's industrial relations policy recommendations, specifically trade union democracy, contained in its initial report in June 1978 included: compulsory postal ballots (with government assistance for postage costs) for the election of union officials, periodic secret ballots to ascertain whether workers in a company

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[143] Hoskyns, *Just in Time*, p. 64.
[144] CCA, Hoskyns MSS: HOSK 1/98, Copy of letter by Nigel Lawson to Sir Keith Joseph MP relating to the Policy Search meeting of 20 March 1978, 27 March 1978.
[145] Hoskyns, *Just in Time*, p. 64.
[146] See Hoskyns, *Just in Time*, p. 68 where this is confirmed: 'These proposals, I need hardly say, cut no ice with the leadership, and were never heard of again.'

or an industry supported a Closed Shop, statutory works councils, union branch meetings in company time at the place of work and a duty on ACAS to ballot all employees in recognition disputes referred to it, together with allowing non-union members access to ACAS so that it assumed 'an Ombudsman role, in place of the unions'. As well as measures relating to union democracy, it included other policy recommendations such as ending social security benefits for strikers' families and reform of employment protection legislation. The introduction to the Final Report acknowledged that:

> Some of the measures suggested in the report are already proclaimed policy…others may be 'new', though it is unlikely that any of our ideas are truly original – they will have all almost certainly been thought of, examined and in many cases perhaps discarded, in earlier rounds of policy-making.[147]

The significance of the Policy Search Group's Final Report is surely this: although it contained a number of 'recycled' policy discussions, and several suggestions that would never see the light of day again – for example, the Works Council proposals – it nevertheless included policy suggestions that would, in time, become part of Thatcher's successful strategy to reduce the power and influence of the trade unions. As Thatcher later correctly observed, it had 'no impact on manifesto work: had we fought an October general election the manifesto would have included no significant measures on union reform',[148] but, as will be examined in detail later, these and similar ideas *did* feature in the 1979 Conservative Manifesto following the 'Winter of Discontent'.

4.8 The Communications Plan to 'ventilate' the Trade Union issue

The second of Hoskyns' two objectives for the Stepping Stones programme, after establishment of the policy groups, was to secure a 'few speeches' to 'ventilate' (a term used frequently in *Stepping Stones*) the issue of trade union power. This was in line with the consistent theme of *Stepping Stones* to pitch ideas about trade union power and their lack of transparency and democracy at the 'Thinkers' – particularly those in the media – in the hope that they would further promulgate them. Through the 'Thinkers', Hoskyns and Strauss believed they could reach the 'Feelers' and the 'Doers'. However, the issue confronting Hoskyns was that it had been previously agreed (as part of Thatcher's decision to press ahead with Stepping Stones)[149]

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[147] CCA, Hoskyns MSS: HOSK 1/156, Final Report by Hoskyns of the [Stepping Stones] Policy Search Group Final Report, 3 July 1978.
[148] Thatcher, *The Path to Power*, p. 422.
[149] CCA, Thatcher MSS: THCR 2/6/1/162, Leaders Steering Committee ('Stepping Stones'), 27 February 1978. Available at MTFW 109835.

that only Jim Prior should make major speeches on the union issue. There was also a precedent of turf warfare on this patch: in January 1978, Thatcher had been forced to admonish Howe (although she later admitted that she had agreed with him)[150] over a speech in which he criticised aspects of trade union behaviour. She had written on a copy of the draft speech: 'This is not your subject…why go on with it…the press will crucify you…it would be better if Jim Prior said these things.'[151] However, Jim Prior was extremely reluctant to ever say such things. Hoskyns' papers show his great frustration at Prior's inability or unwillingness to start and engage with a public debate about the trade unions. As the work of Policy Search was nearing completion, Hoskyns started to create briefing materials, drafts of possible speeches and counter-attack 'lines' for further follow-up speeches for Prior, but all gained little or no traction from the recipient.[152] Although Prior had been reported as declaring himself 'ready to embark upon speech-making',[153] he gave the impression of being an extremely reluctant participant in the Stepping Stones communications programme. Consequently, Hoskyns had, for the most part, to work around Prior and use other more willing members of the Shadow Cabinet, notably Howe, but also Whitelaw. Hoskyns later recalled that despite 'our efforts to persuade Jim Prior to start a real public debate about the role of the unions, we still seemed to be banging our heads against a brick wall'.[154]

However, following 'a cautious but important speech, promising "no union bashing" but warning that union leaders had no right to be preaching socialism to their members'[155] in July 1978, Howe followed up with a speech drafted by Hoskyns and Strauss. He accused leaders of imposing a 'closed shop of electoral choice'[156] at the next election by threatening the British electorate that if they dared to vote for a Conservative government, they would bring the country to a halt. Covered extensively by the broadsheet newspapers, the speech was also the subject of a leader in the *Daily Telegraph*. The 'bait' was also taken by the then-Chairman of the TUC General Council, David Basnett, who responded to Howe's speech in very personal terms, which in turn, generated the offer to issue a robustly supportive statement by Whitelaw who was – at least in terms of public perception – assumed to be more of a dove on union

[150] Thatcher, *The Path to Power*, p. 405.
[151] CCA, Thatcher MSS: THCR 2/1/3/39, Sir Geoffrey Howe, Draft Speech on Trade Unions (MT 'the press will crucify you for this'), 11 January 1978. Available at MTFW 109796.
[152] See CCA, Hoskyns MSS: HOSK 1/141, Drafts of possible opening speech by JP [James Prior] with additional suggested additions to the speech, 1 June 1978; with undated papers, 'Follow Up' speeches and 'Counter Attack'.
[153] See CCA, Hoskyns MSS: HOSK 1/131 for Prior's apparent willingness to do this.
[154] Hoskyns, *Just in Time*, p. 70.
[155] Ibid., pp. 68–9.
[156] Hoskyns credited Norman Strauss with this phrase.

matters.[157] The spat between Howe and Basnett continued through the summer and into the early autumn with the publication of an extremely long letter[158] to *The Times* on 28 September. The letter had been drafted by the Stepping Stones team and challenged the legitimacy of Basnett's electoral mandate at his union (National Union of General and Municipal Workers, NUGMW) and the unrepresentative nature of the union block vote. Meanwhile, despite considerable prompting and pushing from Hoskyns, and from some colleagues including Howe,[159] Prior still appeared determined to tread a cautious middle line. In a newspaper interview in September, he was quoted as saying: 'If you look back over the past fifty years, bad management is more responsible for the problems of British industry than bad unions.'[160] A month after his long letter was published in *The Times*, Geoffrey Howe was evidently tired of maintaining his feud with Basnett in the media (despite Hoskyns' continued efforts to draft further 'attack lines' and letters on his behalf). In an undated[161] private note to Hoskyns, he wrote, 'I decided not to pursue the Basnett thing further at this stage. One could only be repetitive: and people seem to think we won.'[162]

The progress of the communications strand of the Stepping Stones programme in the latter half of 1978 was undoubtedly slow and limited, particularly given the reluctant participation of the main spokesman for union matters within the Party. Hoskyns recalled that 'we had made a little progress, albeit in fits and starts'. The speeches and statements by Howe and Whitelaw, together with the public feud with Basnett, had attracted a reasonable amount of press attention, particularly in the broadsheets. Some of this had been from unlikely sources, including the then-Liberal supporting *The Guardian* and the political editor of *The Times*, David Wood. However, less encouragingly for Hoskyns and Strauss, it also drew attention to an obvious division in the Shadow Cabinet between the more hawkish tone emanating from the speeches of Howe and Whitelaw, compared to the consistently emollient tones of the Shadow Employment Secretary. Speaking of the relative success of the press coverage of the speeches by Howe and Whitelaw, Hoskyns concluded that 'activities of this kind, which took an enormous amount of time and effort, did no more than nudge the debate in the direction we

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[157] Ibid.
[158] According to Hoskyns' notes, the 28-column letter was one of the longest ever published on any subject.
[159] See CCA, Thatcher MSS: THCR 2/1/3/9, Howe to Prior as an example of a curt memo regarding the Closed Shop.
[160] Hoskyns, *Just in Time*, p. 70.
[161] Although almost certainly written in October 1978.
[162] CCA, Hoskyns MSS: HOSK 1/185, Note to Hoskyns from G [Sir Geoffrey Howe MP] relating to exchange of letters with David Basnett, October 1978.

wanted it to go…for a country on the ropes it was still pretty weak tea'.[163] In a diary entry in October 1978, he summarised his relationship with Prior, who he found 'likeable at a personal non-working level…[but] it's clear from many giveaway remarks that even by August he'd still failed to grasp what it was we were trying to do'.

4.9 Conclusion and the legacy of the Stepping Stones programme

All the key actors, including John Hoskyns himself, concur that by early October 1978 the Stepping Stones project appeared to have lost all momentum. Joseph had expressed his disappointment to Thatcher and Whitelaw that 'we cannot get on as we hoped'[164] and had persuaded Thatcher to call a meeting of the Steering Group on 13 November, which she herself would chair. This meeting and a subsequent meeting on 23 November were, in many ways, the last chance to breathe life back into the project, and Hoskyns was clearly aware of this. From his perspective, both meetings were a failure – and this is corroborated by Thatcher's recollections. Her performance as Chairman at the first meeting was later criticised by Hoskyns: 'Margaret a v. bad chairman – announcing her own favourite solution at the outset, holding forth far too much…she was also petulant' and after the meeting, 'she was tending to complain she had "delegated" Stepping Stones [i.e. to Whitelaw]…she has the bad habit of blaming others in front of people – another sign of lack of confidence'.[165] Unsurprisingly, Thatcher's account does not admit to any deficiency in her leadership, simply recalling:

> Jim was still able to block proposals for a vigorous campaign on the union question that winter. Peter Thorneycroft gave him strong support…even though party opinion had begun to shift in my direction, no amount of discussion between Shadow ministers, advisers and MPs would have sufficed to persuade the Shadow Cabinet of the need to think about trade union reform, had it not been for the industrial chaos of the 'Winter of Discontent.'[166]

The 'Winter of Discontent' was to transform the debate on industrial relations, within the Conservative Party and nationally. No amount of union-critical speeches or feuds with senior trade unionists aired in broadsheet newspapers could hope to generate the column inches and 'outraged' banner headlines of a wave of public sector strikes and the ensuing industrial and economic chaos. It also changed the entire tone of the debate. For the Conservatives, industrial relations and trade union reform were no longer subjects they could avoid. For Labour, their

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[163] Ibid.
[164] CCA, Hoskyns MSS: HOSK 1/187, Letter to Hoskyns by Sir Keith Joseph relating to a forthcoming meeting of the Stepping Stones Group, 9 October 1978.
[165] Hoskyns, *Just in Time*, p. 74.
[166] Thatcher, *The Path to Power*, pp. 422–3.

ability to work harmoniously with the unions – a key plank of their political competence and statecraft – had disappeared. As will be explored in the next chapter, these events pushed trade union reform through the introduction of new legislation onto the agenda and into the 1979 Manifesto for the first time since the collapse of the IR Act 1971 during the Heath Government. Given this turn of events, the entire Stepping Stones programme looks rather redundant and a waste of effort and time. It is certainly true that *Stepping Stones* was not – and was never intended to be – a legislative blueprint for future trade union reform. It was an eccentrically presented long-term communications strategy that required politicians to think strategically over a five-year horizon rather than about getting re-elected at the next General Election. Both Hoskyns and Strauss attributed their greatest failure to their inability to get politicians to think strategically and systematically. However, it is very clear from the vast amount of material generated by their programme, particularly in the policy teams phase from March to July 1978 – something that is often overlooked – that at least within the confines of the Shadow Cabinet, the issue of trade union power and the deleterious effect it was having on the UK economy was very vigorously debated as a result of the programme. The political centre of gravity in Thatcher's Shadow Cabinet was strongly Heathite (and would remain so even when in power until 1981) and with it, a strong adherence to voluntarism. Events would prove to be a more powerful catalyst for shifting their position than Hoskyns' philosophising and debating. Nonetheless, the Stepping Stones programme undoubtedly maintained a high level of internal debate within the Party during 1977 and 1978, at a time when many senior Conservatives had effectively consigned industrial relations to the 'too difficult to tackle' pile and before events during the following winter generated a new and far stronger momentum towards reform.

Chapter Five: The power of ideas

Our success will depend upon our ability to identify the various microclimates of opinion and engage in dialogue with them. This entails understanding the way they see things and arguing in terms relevant to their views and preoccupations.[1] Sir Alfred Sherman, November 1974

5.1 Introduction

In Saunders' words, 'the party Thatcher inherited was in a state of unusual intellectual ferment…Keith Joseph had recently concluded that he had never truly been a conservative at all and had set out on a national campaign to stir up debate'.[2] In the dying days of Heath's leadership, Joseph had obtained permission to create what became the CPS, which he co-founded with Thatcher. There was undoubtedly 'a general proliferation of right-wing think-tanks and discussion groups, and a flurry of books…on the nature and identity of Conservatism.[3] This was an unusual position for the Party. Brian Harrison had noted that twentieth-century Conservatives, while not completely absent, had been 'unobtrusive', and although 'Macmillan was in many respects an intellectual figure…he flourished as a politician only after he learned to conceal the fact'.[4] In the 1950s and 1960s, the Party had the towering, but maverick, figure of Enoch Powell – arguably more of an intellectual than a politician – who still cast a long shadow over Conservative thinking in the early 1970s. However, the Conservative Party, while unable to compete with the intellectual heft of Socialists such as Crosland, was not devoid of its own political thinkers, for example, the former Director of the CRD[5] Sir Ian Gilmour. Furthermore, outside the political arena among academics and educationalists, identification with traditional Conservative thinking had been in decline since

[1] RHL, Sherman Papers, Box No. 7, Acc. 554, *Credo*, 18 November 1974.
[2] Robert Saunders, 'Crisis? What Crisis?', in Ben Jackson and Robert Saunders (eds), *Making Thatcher's Britain* (Cambridge, 2012), p. 26.
[3] Ibid.
[4] Brian Harrison, 'Mrs Thatcher and the Intellectuals', *Twentieth Century British History*, *5* (1994), pp. 206–24, at p. 207.
[5] Until he was sacked by Thatcher and replaced with Angus Maude.

the mid-1960s. As Harrison has shown,[6] fewer than a quarter of university and polytechnic lecturers said they supported the Conservatives by the mid-1970s.[7]

Interest in Neo-Liberal political philosophy increased in Britain during the 1970s, immediately preceding the emergence of a set of political beliefs and principles[8] that became known as Thatcherism. The two schools of thought co-existed and mutually sustained each other throughout the following decade. The same was true in America with the election of Ronald Reagan as President in 1980, although the Neo-Liberal influence had been present there for several decades. However, beyond this, the historiography of Neo-Liberal thinking and the growth of its influence in the UK is more contested. Richard Cockett's seminal study[9] of the 'think tanks and the economic counter-revolution' from 1994 drew heavily on the extensive archive of the Mont Pèlerin Society (MPS), founded by Friedrich Hayek in 1947, and the UK-based IEA, founded by entrepreneur Antony Fisher in 1955. Cockett depicts a continuous thread linking the original Neo-Liberal thinkers of the MPS, particularly Hayek and Milton Friedman, to what he describes as the 'Heroic Age'[10] when the Conservatives were in opposition and Heath was replaced by Thatcher in February 1975. According to Cockett, by the time of Thatcher's election as Leader, 'most of the theoretical framework for what was to be called the "Thatcher Revolution" had already been laid…what remained to be done was to work out the specific policies that a Thatcher administration would pursue'.[11] The IEA is depicted by Cockett as a shadow organisation operating against the weight of the post-war Keynesian establishment; a well from which politicians of all parties (the IEA claimed political neutrality), who were increasingly discontent with the Keynesian consensus, could drink. As such, he traces the engagement of several young and politically ambitious Conservative MPs during the late 1960s and early 1970s: Enoch Powell, Geoffrey Howe, Keith Joseph (whose initial engagement, subsequent disappearance when in Government, and subsequent re-engagement in the mid-1970s are well documented), John Biffen, and Rhodes Boyson. Cockett emphasises the IEA's role in 'keeping Mrs Thatcher abreast of the latest monetarist thinking

[6] Ibid., p. 203.
[7] Despite the emergence of neo-liberal thinking and the Party's electoral successes, this figure was to continue to decline.
[8] Thatcher always refrained from calling her own beliefs an 'ideology', but referred to socialism pejoratively as 'ideology'.
[9] Richard Cockett, *Thinking the Unthinkable: Think-Tanks and the Economic Counter-Revolution*, *1931–1988* (London, 1994).
[10] Cockett, *Thinking the Unthinkable*, p. 243 attributes this nomenclature to 'those who worked with her [Thatcher] during that period, especially the economic liberals in the Centre for Policy Studies'.
[11] Ibid.

during the mid-1970s', documenting Ralph Harris'[12] facilitation of the first meetings between Thatcher and Hayek in 1975 and Friedman in 1978. Through the IEA's work and activities, Cockett argues, there is a link between Hayek and the group of Conservative politicians who would shape the 'Heroic Age', a process accelerated by the newly founded CPS under its energetic and zealous Director, Alfred Sherman (whom Joseph had originally met through the IEA). The link to Hayek and the IEA was also strengthened by the involvement of Ralph Harris and Arthur Seldon of the IEA with the MPS, and by the earlier involvement of Powell, Howe, Biffen and Boyson with the MPS.[13]

More recent scholarship has challenged some of Cockett's contentions, particularly the role played by the IEA, and the strength of the connection between the Neo-Liberal intellectuals, notably Hayek and Friedman, and the politicians associated with the Thatcher administrations. For Jackson, behind the claims of 'the role played by neo-liberal intellectuals and think-tanks in winning the battle of ideas in British politics' there has been 'a nagging worry that this genre of Thatcher commentary has accepted at face value the self-lauding accounts of individuals[14] and institutions that had a vested interest in promoting their own self-importance'.[15] Jackson argues that the idea of the IEA as a political think-tank operating almost behind the lines of the establishment is somewhat misplaced. The IEA was never intended as a political think-tank: its aim was to popularise and promulgate Neo-Liberal thinking by influencing elite opinion-formers such as businessmen, politicians, teachers, lecturers, novelists, journalists and broadcasters – all those whom Hayek famously referred to as 'second-hand dealers in ideas'. Hayek had long argued that changing the minds of this constituency was key to changing policy. Moreover, Jackson argues, far from operating outside of the establishment in the 1960s and 1970s, the IEA – which claimed political neutrality – attracted followers from all three political parties (including several from the social democratic wing of the Labour Party) and was extremely well-funded by 250–300 blue-chip corporate donors in the 1970s and 1980s.[16] Arguably the IEA's greatest contribution to the Neo-Liberal cause was the emergence of a vocal and persuasive cadre of broadsheet economics journalists (and editors) who can be seen as trailblazers in the wider promulgation of Neo-Liberal economic ideas, including

[12] General Director of the IEA (1957–1988).
[13] Powell, Biffen and Howe had all been invited to join the MPS during the 1960s.
[14] For example, Sherman's boast that he 'invented Thatcher and Thatcherism'. Source: Norman Strauss in an interview in July 2023 with the author.
[15] Ben Jackson, 'The Think-Tank Archipelago: Thatcherism and Neo-Liberalism', in Ben Jackson and Robert Saunders (eds), *Making Thatcher's Britain* (Cambridge, 2012), pp. 43–61, at p. 44.
[16] Ibid., p. 47.

Monetarism. These included: Peter Jay (*The Times*), Samuel Brittan (*Financial Times*), William Rees-Mogg (Editor, *The Times*) and Patrick Hutber (City Editor, *Sunday Telegraph*). The importance of the print media in changing and reflecting public opinion on the trade union 'problem' will be examined later, but it should be noted that some of the aforementioned journalists, particularly Jay and Brittan – both with previous links to the Labour Party[17] – had already developed their own direct links with US economic Neo-Liberals and Monetarists.

Unpicking the influence of Neo-Liberal thinking on the Conservatives' approach to the trade union 'problem', both in opposition and in power, is complex and nuanced. Bodies such as the IEA and the CPS (following its foundation in 1974) actively promoted Hayek's ideas. However, the period leading up to the 1979 General Election saw a powerful shift in public opinion against the trade unions, which was more influenced by events and the apparent breakdown of the Keynesian post-war consensus under the strain of endemic inflation and industrial relations chaos. For Thatcher, this change in the political tide was as powerful a catalyst as any theoretical justification or argument promoted by the IEA or CPS. That the two forces aligned was undoubtedly helpful, but the Neo-Liberal thinkers did not provide a ready-made policy solution to the union 'problem', and Thatcher and her closest allies did not need the Neo-Liberals to tell them that Britain had an industrial relations problem. The rest of this chapter will examine the role of bodies such as the IEA and CPS in the context of framing the trade union 'problem', some of the key individuals within them, the role of events, especially the 'Winter of Discontent', and the media's role in reflecting – and shaping – the change in public mood and opinion.

5.2 Friedrich Hayek

Hayek's role in influencing British Neo-Liberalism and the Thatcherite agenda is also contested. Several of the leading actors, including Thatcher, seem to claim a greater degree of retrospective association with Hayek than is apparent from their engagements with him. Thatcher later claimed she had a copy of *The Road to Serfdom*[18] from her time at Oxford[19] and while this may or may not be true, it is conceded on the Margaret Thatcher Foundation website that 'Hayek's influence on her in those years was under the surface'. If Hayek's anti-Socialist *tour de force* originally struck a chord with Thatcher, it seems clear that it was sublimated by the restrictions of being a Conservative MP in the period of Butskellite hegemony. The

[17] Jay was Callaghan's son-in-law.
[18] Friedrich Hayek, *The Road to Serfdom* (London, 1944).
[19] Thatcher was at Oxford from 1943 to 1947.

Thatcher Foundation acknowledges that it is unlikely that she read his great work, *The Constitution of Liberty*, when it appeared in 1960 given that 'even Keith Joseph, a hard-reading fellow of All Souls passed it over'.[20] It was only in 1974, after his Upminster speech and before his Preston speech, that Joseph took *The Constitution of Liberty* on holiday to Scotland during the recess to read it for the first time. He was clearly encouraged to do so by the IEA, and writing to Ralph Harris, Joseph reported 'steeping myself in Hayek'.[21] By then, Hayek had been awarded the Nobel Prize for Economics. John Ranelagh, a former CRD staffer, recalls of Thatcher that 'Hayek was conspicuously absent from her lips in office',[22] which seems surprising given that he later claims from a private source that 'Hayek was once described by Thatcher as one of the three great intellects[23] of the twentieth century'.[24] One explanation for the apparent absence of references to Hayek (and Friedman) in her early speeches as Leader could be that they were both 'foreign' intellectuals (albeit that the Austrian-born Hayek had taken British citizenship in 1938, before moving to Chicago): it is particularly telling that Thatcher only referenced Hayek and Friedman in public speeches made in the USA.

Nonetheless, Joseph, in particular, but also Howe and Thatcher, were conversant in and admired Hayek's thinking after 1974. The recently published memoirs by Tim Lankester, Thatcher's Private Secretary for Economic Affairs in her first administration, reveal that after he had been working for the Labour administration, Thatcher felt that 'if I was to work with her, I needed some re-education…the first book was Friedrich Hayek's wide-ranging polemic against socialism, *The Road to Serfdom*'.[25] Lankester concluded:

> She admired Hayek as a political theorist and philosopher…his thinking helped drive her passion for freedom and individualism, for free enterprise and for a smaller state…but his views on macroeconomic policy were too extreme, even for her: he was opposed to both Keynes's *and* [author's emphasis] Friedman's macroeconomics because he believed governments should leave the economy at macro level to look after itself…even attempting to regulate the money supply was too much for him.[26]

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[20] See *Thatcher, Hayek and Friedman on the MTFW* where it is also claimed of *The Road to Serfdom* that 'few books influenced her more deeply at any point in her life': https://www.margaretthatcher.org/archive/Hayek.
[21] Ibid.
[22] John Ranelagh, *Thatcher's People: An Insider's Account of the Politics, the Power and the Personalities* (London, 1992), p. 296.
[23] The veracity of this story is cast into further doubt by the fact that in addition to Hayek and Albert Einstein, Ian Gilmour made up this triumvirate of great intellectuals!
[24] Ranelagh, *Thatcher's People*, p. 189.
[25] Tim Lankester, *Inside Thatcher's Monetarism Experiment* (Bristol, 2024), p. 72.
[26] Ibid.

Once again, Thatcher's political pragmatism held sway, and she saw the practical limitations of much of Hayek's radicalism. This seems a fairer and more balanced conclusion than the opinion offered in 1990 by Alfred Sherman, an individual arguably prone to self-aggrandisement and the denigration of others he considered his intellectual inferiors: 'It is very difficult to say that Hayek was a guru for Keith and Margaret…people like Keith and Margaret just turned to Hayek and Friedman to justify what they already thought.'[27]

Hayek's own thinking regarding the role and position of the trade unions had evolved since he first wrote *The Road to Serfdom* from 1940s Cambridge. Indeed, it is striking that trade unions only merit a short paragraph in his original seminal work. Hayek largely fell out of discussion in Britain, remembered chiefly for *The Road to Serfdom* but little else, and by 1950, he had taken up an appointment in Chicago. Even before he left the London School of Economics (LSE), it appears that his star had waned: Keith Tribe's interviews with student and teaching contemporaries of Hayek's in the 1930s and 1940s revealed no mention of 'Hayek's impact in lecture room or seminar…nor did their remarks suggest that Hayek was a prominent person in the school'. Tribe concludes that, given Hayek's 'later eminence, his admirers have assumed that he must have been "always already famous"'.[28] Certainly for Hayek, the period between the publication of *The Constitution of Liberty* in 1960 and the award of the Nobel Prize in 1974 was a dark age, both professionally and personally. The timing of the latter was particularly fortuitous for Hayek's reputation in the UK, given that it coincided with Thatcher's election as Leader and Joseph's 'third crusade' of speeches in which he redefined his political beliefs. We know Joseph read *The Constitution of Liberty* in 1974, and it is logical to assume that Thatcher read it soon afterwards. She certainly read it as Leader of the Opposition, as is evident from the much-quoted story of her interrupting an internal debate in the CRD about the importance of finding a middle way and common ground by slapping down a copy of *The Constitution of Liberty* with the words, 'this is what we believe'.[29]

In contrast to *The Road to Serfdom* that had little to say on trade unions, *The Constitution of Liberty* contained an entire chapter entitled *Labor Unions and Employment.*[30] Certainly, by 1960, Hayek was a harsh critic of the unions. Yves Steiner describes in detail how Neo-Liberal opinion shifted from 'entertaining a not unfriendly stance' towards the trade unions at the end

[27] See Ranelagh, *Thatcher's People*, p. 182.
[28] Keith Tribe, 'Liberalism and Neoliberalism in Britain, 1930–1980', in Philip Mirowski and Dieter Plehwe (eds), *The Road from Mont Pèlerin: The Making of the Neoliberal Thought Collective* (Cambridge, 2015), p. 93, footnote 32.
[29] Ranelagh, *Thatcher's People*, p. ix.
[30] Friedrich Hayek, *The Constitution of Liberty* (London, 2006), pp. 233–47.

of the 1940s through ‘the Neo-Liberal big chill’ in the 1950s, with its ‘plurality of Neo-Liberal viewpoints on unions’, until by the end of that decade, Hayek ‘opted for the most radical version, the one least tolerant of the very existence of unions’ and explicitly rejected an alternative Neo-Liberal stance that ‘a solidarity of interests between capital and labor could sometimes be appropriate and beneficial’.[31] Furthermore, Hayek’s chapter on the unions in *The Constitution of Liberty* omits any Neo-Liberal authors who favoured this alternative, only citing ‘serious’ Neo-Liberal authors who happened to agree with him, such as Machlup, Hutt, Petro and Mises. ‘From that time forward, the Hayekian position became the dominant neoliberal perspective on unions.’[32]

Space does not allow for a detailed examination of Hayek’s full-throated case against the unions in *The Constitution of Liberty*, but as Jackson argues,[33] it owed a significant debt to the theories of a now largely forgotten figure in industrial relations, William Harold Hutt. Hutt’s first book, *The Theory of Collective Bargaining*, published in 1930, became the standard free-market critique of organised labour, and was reprinted by the IEA in 1975 to coincide with the revival in interest in Hayek’s work. In 1960, Hayek argued that the unions had ‘reached a state where they have become uniquely privileged institutions to which the general rules of law do not apply’.[34] The ‘whole basis of our free society’, he believed, was ‘threatened by the powers arrogated by the unions’.[35] Even in 1960, Hayek’s charge-sheet against the unions was impressively long: ‘Contrary to all principles of freedom under the law’ they were ‘permitted to exercise…the coercion of fellow workers.’[36] Their main aim was to ‘force up wages by coercive action’,[37] but in the long run, they lowered real wages for all, and when wages were increased in the short-term, it was at the price of unemployment. They operated as a harmful monopoly on the supply of human capital through coercive mechanisms such as the Closed Shop and Union-Shop contracts (which he considered to be contracts in restraint of trade). He stated that: ‘Even so-called “peaceful” picketing in numbers is severely coercive.’[38] Crucially, the unions could never have achieved this ‘without the support of a misguided public opinion

[31] Yves Steiner, ‘The Neoliberals confront the Trade Unions’, in Philip Mirowski and Dieter Plehwe (eds), *The Road from Mont Pèlerin: The Making of the Neoliberal Thought Collective* (Cambridge, 2015), pp. 181–98.
[32] Ibid., p. 195.
[33] Ben Jackson, ‘Hayek, Hutt and the Trade Unions’, in Robert Leeson (ed), *Hayek; A Collaborative Biography, Part V*, *Hayek’s Great Society of Free Men* (London, 2015), pp. 159–74.
[34] Hayek, *The Constitution of Liberty*, p. 233.
[35] Ibid., p. 234.
[36] Ibid., p. 235.
[37] Ibid., p. 240.
[38] Ibid., p. 239.

and the active aid of government' who have 'succeeded in persuading the public that complete unionization is not only legitimate, but important to public policy'.[39]

Even in 1960, Hayek was hinting at radical policy changes to address the issue of what he viewed as legitimised coercion by the trade union movement. He warned:

> If we do not succeed in time in curbing union power at its source the unions will soon be faced with a demand for measures that will be much more distasteful to the individual workers, if not the union leaders, then the submission of the unions to the rule of law: the clamor will soon be either for fixing of wages by the government or for the complete abolition of the unions.[40]

Not only was it vital to remove the legal protection and privileges that the unions currently enjoyed, but it was also important to make unions liable for economic damages incurred during industrial disputes. As Jackson notes, in 1960 this was 'flagged up rather cryptically', but by 1980, Hayek was arguing that legal immunities for unions established under the Trade Disputes Act should be revoked, even advocating in a letter to *The Times* that a referendum should be held to 'rescind all the special privileges which have been granted [sic] the trade unions by law'.[41]

Hayek's work would have been attractive for those beginning to examine the union 'problem' on the right of the Conservative Party. Although deemed a 'foreign' intellectual opining from the USA on a British problem, he was the only theorist writing in such terms. The British industrial relations field was exclusively steeped in Otto Kahn-Freund's voluntarist approach, as proved by the findings of the Donovan Commission, when only one member (Shonfield) had dissented from its strongly voluntarist conclusions. Not only did Hayek highlight aspects of trade unionism with which many Conservatives had long been uncomfortable, such as the use of coercion, the Closed Shop, the coercion imposed on fellow workers by picketing (and workers in other businesses from secondary picketing) and the lack of sanction and immunity from economic damage caused by industrial action, he also now recommended policy solutions for reform – in no uncertain terms. In the period between Hayek's 'rediscovery' by the British right after 1974 and the General Election in 1979, Hayek's voice became louder and more strident, featuring in more mainstream publications than IEA pamphlets or reprints, including multiple articles in broadsheet newspapers and magazines. One of the most-copied articles by Hayek found in the papers of Howe, Thatcher, Joseph and John Hoskyns is an article from the

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[39] Ibid.
[40] Ibid., p. 245.
[41] Jackson, 'Hayek, Hutt and the Trade Unions', p. 166.

International Currency Review in September 1978. The 'Statement by Professor F A Hayek' is titled 'Exploitation of workers by workers' and was a direct challenge to Jim Prior's non-confrontational approach to the unions. The preface concludes:

> This analysis…has awkward implications for the Conservative Party, which Professor Hayek challenges with the following remark: 'if I were responsible for the policy of the British Conservative Party, I would rather be defeated at the polls than be charged with responsibility for policy without a mandate to change the legal sources of excessive trade union power.'

Hayek warned that there would be no salvation for Britain until the special privileges granted to the trade unions 70 years ago were revoked. He suggested that in the absence of a Conservative Party with the political will and determination to achieve this, 'the only hope is that an appeal to a large number of the workers over the heads of their present leaders will lead to the authorisation of a reduction of the powers of the latter'.[42]

5.3 'Think-tanks': Marketplaces for second-hand dealers in ideas?

In the battle for Neo-Liberal ideas in 1970s Britain, the role played by 'think-tanks' in influencing the political discourse – and ultimately policy – is inevitably contested. For those who worked for or were closely associated with such organisations, they played a central role in shifting political opinion away from the Keynesian consensus of the previous twenty-five years in favour of new thinking and policy ideas based on Neo-Liberal theory that had largely originated from America. By contrast, there is a strong counter-view that seeks to downplay their importance, arguing that some of these ideas and theories, including Monetarism, were already present, even during the Callaghan administration, or that these unofficial 'back-channels' were less influential on policy-making than the existing Party apparatus (notably the CRD) or the Civil Service. When considering the importance – or otherwise – of these institutions on industrial relations strategy and policy during this period, the two preeminent organisations were undoubtedly the IEA and the CPS. The organisations had much in common: a shared heritage, broadly similar aims, shared beliefs about the free market, some overlap in membership and corporate sponsors[43] and many of the same politicians engaged with them. Neither were traditional 'think-tanks' in the way that an organisation such as the Brookings Institution in the USA would have considered itself to be. However, there were key differences

[42] Friedrich Hayek, 'Exploitation of Workers by Workers', *International Currency Review*, 10 (4), September 1978. Hayek also used the same title and material for the last in a series of three talks under the title, 'The Market Economy' for BBC Radio 3 in August 1977 and a transcript was also published in *The Listener*, 17 August 1978.
[43] When the CPS was set up in 1974, the IEA shared their corporate membership and donors' lists.

between them, with the CPS representing a far more politically focused and politically driven organisation that was always attached to the Conservative Party, as if by an intellectual umbilical cord. It will be argued that both were effective – up to a point – in their aims of advancing the Neo-Liberal agenda during this period, and both had significant, but different, impacts on shaping industrial relations thinking and policy-making in the Conservative Party in the second half of the 1970s.

5.4 Institute of Economic Affairs (IEA)

Of the two organisations, the IEA had the bragging rights on the longevity of its activities and output. Founded in 1955, it claimed a direct line of descent to Hayek and the MPS. Its founder, war hero turned post-war entrepreneur Antony Fisher, later claimed to have received his brief directly from Hayek in 1947, during which the latter remarked that the 'decisive influence in the battle of ideas and policy' was 'wielded by the intellectuals': a group he dubbed 'second-hand dealers in ideas'. Fisher believed that a 'group of dominant intellectuals from 'the Fabians onwards had tilted the political debate in favour of growing government intervention with all that followed'.[44] For Fisher, the aim of the IEA was to use the same audience to emulate this strategy, except that it was to proselytise and tilt the political debate in favour of free markets. The IEA's 'second-hand dealers in ideas' were drawn from a wide spectrum of what we might now term 'opinion-formers': journalists, academics, lecturers, teachers, writers and broadcasters. With Ralph Harris as Director and the studious Arthur Seldon as Editorial Director, the IEA pursued this strategy for over thirty years. Unlike the CPS, the IEA aimed to steer a politically neutral course, and although over time it received the most interest from those on the right and from the Conservative Party, Seldon attempted to engage with the Liberals in its early days. The IEA was established and operated against the high watermark of British-Keynesian orthodoxy in the 1950s and 1960s when it would struggle to gain traction, but a guiding principle of Harris and Seldon was to disregard the short-term political situation: they were digging in to win an intellectual battle that might last twenty or thirty years and, in time, the intellectual climate would change and politicians would also come round. It was 'for politicians to come to them to learn about the free market, not the other way round'.[45] Jackson has highlighted that the IEA should not be seen as being cast beyond the establishment pale through this long period. It had generous levels of corporate funding,[46] and many of the largest

[44] Antony Fisher, *Must History Repeat Itself?* (London, 1974), p. 103.
[45] Cockett, *Thinking the Unthinkable*, pp. 139–42.
[46] Besides the money originally invested by Fisher.

blue-chip businesses in the UK were subscriber-members. Harris, in particular, worked his personal charm to ingratiate himself with a broad range of politicians from the three main parties and other members of the establishment, including Prince Philip.[47] Between the two of them, Harris and Seldon maintained a very successful double-act: Harris, the more socially confident and better public speaker, organised an endless round of events and meetings – typically over lunch or dinner, while Seldon was responsible for the academic quality and integrity of the large number of IEA publications and for securing the services of the relevant experts as authors. The IEA's academic output was extremely impressive, covering all subjects from economics, funding and reform of the welfare state, education, taxation, pensions, industrial relations, and other market studies on specific industries. Notably, the IEA played a key role in placing the doctrine of what was to become known as Monetarism at the forefront of British political awareness. While the CPS is normally credited with politicising Monetarism during the latter part of the 1970s, the IEA had long been interested in the role of money in society and how monetary factors might be used to control and avoid inflation. The IEA played a crucial role in publicising the work of Friedman (himself a keen supporter of the IEA) and helped raise his profile in Britain, including helping prepare his TV programme,[48] *Free to Choose*, which was aired in the first few months of Thatcher's first administration.

In many ways, the IEA's original strategy was successful, despite having a long lead time from its foundation in the mid-1950s. But the IEA should not be considered as a 'think-tank' in the original sense of the word. Rather, its role was to evangelise the free market and, as such, it resembled a marketplace or a bazaar of ideas with Harris and Seldon acting as enthusiastic brokers to willing buyers. Through Seldon's skilful curation, the IEA generated an extensive library of printed literature, which – like the Fabian Tracts – were cheap, short pamphlets, typically of 10,000–15,000 words. By 1970, some 250,000 of the IEA's 'Hobart Papers' had been sold in several countries. Although Seldon wrote several papers himself (particularly on matters of welfare and the state), most authors were 'experts' in their fields who had been invited by Seldon to write a pamphlet or contribute an essay to a published collection. While some came from Britain, many were from overseas, notably from America, particularly in the economic sphere, and many espoused theories considered politically impossible or dangerous

[47] Jackson, 'The Think-Tank Archipelago', pp. 47–56.
[48] Cockett, *Thinking the Unthinkable*, p. 152.

at the time. To mark the institute's twentieth anniversary, Harris and Seldon edited a republished selection of the most noteworthy articles.[49]

The role played by the IEA was very significant in the field of industrial relations theory. It revived the profile of Hayek in Britain after a period of near-obscurity, turning him into the organisation's most persuasive and high-profile critic of trade union power. In 1972 the IEA published a new contribution from Hayek, *A Tiger By The Tail*,[50] placing the trade union problem in a wider economic context. Significantly, it diverged from the Monetarists' belief that inflation was always – and only – caused by monetary policy, arguing that it was more multi-causal and highlighting the unions' role in perpetuating inflation, even if they were not its original cause. In 1980, as the new government was preparing its first legislation to curb union power, the IEA published a Hobart Paper by Hayek, *1980s Unemployment and the Unions*.[51] The IEA also revived the British career of Hutt, the other former LSE industrial relations expert who had been an important influence on Hayek's early thinking.[52] Hutt had originally set out his case against trade unionism four decades earlier, including many of the ideas later developed by Hayek such as the belief that unions cannot lift overall real wages because wage increases come at the expense of the consumer by cartelising business and reducing free competition in the marketplace. By 1976, Hutt had added an additional critique: that the trade unions enhanced Labour's remuneration by constant use of threat to strike.[53] The Hobart edition was accompanied by a preface and commentary by Leonard Neal, a leading authority on industrial relations on whom Thatcher would increasingly rely.[54] However, not all the Neo-Liberal thinkers involved with the IEA shared Hayek's critique of the British trade unions. In fact, many of the Monetarists and, notably, Milton Friedman, exonerated the unions from causing inflation, which they blamed on governments for failing to control the money supply. Just how relatively little importance they attributed to the unions can be seen in a fascinating transcript of an all-day meeting on 'Inflation: causes, consequences, cures' at the IEA in October 1974. The event was subtitled 'Discourses on the debate between the monetary and trade union interpretations', and the proceedings were later published by the IEA.[55] The Economics Editor of *The Times*, Peter Jay, presented a paper entitled, 'Do Trade Unions

[49] Ralph Harris and Arthur Seldon, *Not from Benevolence: Twenty Years of Economic Dissent* (London, 1977).
[50] Friedrich Hayek, *A Tiger by the Tail* (London, 1972).
[51] Friedrich Hayek, *1980s Unemployment and the Unions* (London, 1986).
[52] The IEA had, in fact, also re-published Hutt's, *Politically Impossible…?* as a Hobart paperback in 1971 in which he attacked politicians for avoiding the truth in dealing with Britain's problems, including the power of the unions.
[53] Cockett, *Thinking the Unthinkable*, p. 149.
[54] Mainly through Neal's involvement in the CPS.
[55] Lord Robbins et al., *Inflation: Causes*, *Consequences*, *Cures* (London, 1974).

Matter?',[56] which was followed by questions and reactions from the invited audience of experts (including Friedman). The unanimity of the audience is particularly striking and at variance with Hayek's conclusion in the Addendum.[57] The monetarist Professor David Laidler[58] appeared to sum up the view of many in the room, that 'there is no evidence in this country that the trade union movement has any power whatsoever to raise the level of money wages in the absence of an expansionary monetary policy'.[59] Friedman would only accept that perhaps 'you can fool trade unions and their workers to do something implicitly which they will not be willing to do explicitly'.[60] While the IEA had been very effective at promoting Hayek's thinking in Britain in the 1970s, his thesis on the damaging role played by the unions in Britain's post-war decline was clearly not accepted by the majority of its Neo-Liberal audience in 1974.

It is undeniable that the IEA was, over a long period, responsible for most of the Neo-Liberal industrial relations literature. Seldon was an assiduous Editorial Director, with the more elegant Harris the *consiglieri* coordinating visits from overseas visitors such as Hayek and Friedman, arranging small private meetings or dinners (such as the one[61] he arranged between Hayek and Thatcher soon after she had been elected Leader in 1975 at the IEA's offices) or hosting lectures to an invited audience. The conclusions are less clear regarding the impact that the IEA's proselytising of such theories had on the wider debate and 'second-hand dealers in ideas'. Certainly, the academic world, which formed a key audience for Hayek, seemed largely resistant to the Neo-Liberal message. Harrison's research indicated that most university and polytechnic staff were Labour supporters, and this only shifted briefly in the mid-1980s when Labour's support was severely impacted by mass migration to the Social Democratic Party (SDP). The academics involved with IEA were mainly economic liberals (many of whom had worked with Robbins and Hayek at the LSE): Graham Hutton, who served on the IEA's Advisory Board, George Schwartz, Arthur Shenfield, Peter Bauer and, later, Alan Walters.[62] Alan Peacock and Jack Wiseman were from the University of York,[63] and Brian Griffiths from the London Business School. Only the former Fabian-turned welfare economist, Colin Clark,

[56] Ibid., pp. 26–50.
[57] Ibid., pp. 115–20. Hayek, the winner of a Nobel Prize that year, was not present at the seminar but his two articles in the *Daily Telegraph* of 15 and 16 October were reproduced as *Addendum 2* in the IEA publication.
[58] Professor of Economics, University of Manchester at the time.
[59] Ibid., p. 35.
[60] Ibid., p. 48.
[61] A private audience lasting thirty minutes.
[62] Cockett, *Thinking the Unthinkable*, pp. 142–3.
[63] Alan Peacock was also from the Open University.

was from Cambridge University. As Harrison has highlighted, the IEA and other Conservative 'think tanks' such as the CPS and the Adam Smith Institute[64] owed much to the past and present alumni of universities other than Oxbridge,[65] and they largely failed to win new converts from either of the ancient English universities.

The IEA was undoubtedly more effective in its engagement and proselytising with politicians. It continued to proclaim its political neutrality and agnosticism and, as such, always attracted an impressively diverse spread of political figures – many of whom did not themselves hold Neo-Liberal beliefs. Politicians attended their functions and, in some cases, wrote pamphlets or essays for IEA or Hobart publications. Labour politicians such as David Marquand and David Owen were regular contributors. For the Liberals, Jo Grimond and John Pardoe both wrote pieces. Unsurprisingly, it was among Conservative politicians that the IEA ideas gained the greatest traction. The IEA appeared to operate on a 'demand pull' basis, whereby politicians who came to them would be counselled and advised as required. In its earlier days, the IEA had identified Enoch Powell as a politician who would give it political access and influence. They gave him a copy of the *Constitution of Liberty* when it was published, and Harris arranged a lunch between Powell and Hayek. However, in Jackson's words, 'by the 1970s Powell's idiosyncratic career path had placed him far from the heart of political influence'.[66] Keith Joseph was certainly heavily involved with IEA for a long period from the late 1960s, albeit inconsistently, with an extended break after the 1970 General Election until his reappearance following the Conservatives' electoral defeat in February 1974 and the famously cold reception he received from Sherman and Walters at the LSE on his return. Before starting his 'third crusade', Joseph re-engaged with the IEA with gusto, steeping himself in its literature, including Hayek's *Constitution of Liberty* for the first time. It brought Joseph back into contact with Alfred Sherman, who turned his hand to drafting all his keynote speeches, including his Preston 'Inflation is caused by governments'[67] speech in September, following his return from Scotland and his IEA holiday 'reading list'. Despite Sherman's drafting of his notorious Birmingham speech in October that damaged his chances of political advance beyond repair, Joseph's links with the IEA remained very strong from then on. He helped fundraise for them by sharing his business contacts and, in return, the IEA offered to share its membership list to

[64] Mainly seeded by alumni from the University of St Andrews.
[65] Harrison, 'Mrs Thatcher and the Intellectuals', p. 214.
[66] Jackson, 'The Think-Tank Archipelago', p. 58.
[67] Alan Walters was also involved in its drafting.

help seed Joseph's nascent CPS with funding capital.[68] Alfred Sherman followed Joseph to the CPS and was appointed its Director, and Geoffrey Howe was the other rising Conservative politician closely involved with the IEA. In Jackson's phrase, 'a politician on the rise',[69] Howe had already shown his cerebral nature and interest in radical political philosophy through his involvement with the Bow Group. His work with the IEA and involvement with Arthur Seldon started in the 1960s and continued during the 1970s across subjects including industrial relations, welfare reform and private medical insurance.[70] Finally, I consider the involvement of Thatcher herself. Jackson describes her as not being 'a close interlocutor in the style of Joseph and Howe',[71] although she did attend some meetings at the IEA, including her first meeting with Hayek in 1975. As is so often the case, Thatcher's position is opaque: she certainly was no Neo-Liberal ideologue, although she clearly relied on many who were associated with the IEA, such as Sherman and Walters. Strangely, she often seemed to be more comfortable being courted by a direct-action group such as NAFF (she spoke at their inaugural dinner) than an organisation such as the IEA.

Now, we need to consider the IEA's effect on the other important subset of the 'second-hand dealers in ideas', writers and columnists of broadsheet newspapers. Here, the evidence is more compelling. The IEA often provided useful material for a new generation of journalists who were increasingly aware of and drawn to Neo-Liberal thinking. Some, such as Samuel Brittan of the *Financial Times* and Peter Jay of *The Times*, were already well-versed in Monetarist thinking, which they had absorbed directly from the source in America. Others, such as Patrick Hutber, City Editor of the *Sunday Telegraph*, were closely involved with the IEA, as were his colleagues on the daily title, Colin Welch and John O'Sullivan. Both *The Times* and *The Telegraph* used Joseph's heavily Neo-Liberal economic speeches as the basis for articles and op-ed pieces. Joseph's Preston speech, largely written by Sherman and Walters, but with some input from Samuel Brittan of the *Financial Times*, was reprinted in its entirety in *The Times.* Many of these, mainly younger journalists in the 1970s, were already aware of and intrigued by the new Monetarist thinking from Chicago, although not all were wholly convinced by it (the Prime Minister's son-in-law, Peter Jay, being a case in point), but the work done by the IEA undoubtedly provided them with additional ballast.

[68] Jackson, 'The Think-Tank Archipelago', p. 59.
[69] Ibid., p. 58.
[70] Ibid.
[71] Ibid., p. 59.

5.5 Centre for Policy Studies (CPS)

In contrast to the IEA's claim to be non-political, the role of the CPS was unashamedly political rather than intellectual: to transform the 'climate of public opinion in order to remove the constraints that had impinged upon previous Conservative governments'.[72] That the CPS developed into this – particularly during the opposition period from its foundation in 1974 and into the first administration – was largely a result of the drive of its highly divisive Director, Alfred Sherman, until his enforced departure in 1983. Thereafter, the character of the organisation undoubtedly changed and, particularly in terms of publications, it resembled the IEA more closely. It is worth remembering that the CPS was initially created with the total co-operation and help of the IEA, financially and in terms of some of its personnel, besides Sherman. The CPS Treasurer, Nigel Vinson, a self-made millionaire on the IEA's Board, said in later years that the original role of the CPS had always been to 'articulate in political terms what the IEA had been thinking'.[73] In fact, the original aims of and plans for the CPS often appear quite unclear. Certainly in Sherman's eyes, this was a result of Joseph's leadership style and his 'lack of robustness and fighting spirit',[74] two qualities that Sherman certainly had in abundance.

It is unsurprising that Sherman's powerful personality dominated the CPS's work during his tenure. Unlike Joseph, who viewed the main role of the CPS as an organisation designed to convert the Conservative Party to particular policies as articulated by the IEA, Sherman 'took it for granted that the Party would be in agreement with the direction we seek to take'.[75] Indeed, as Lockwood describes, Sherman had a far wider ambition for the CPS: to change the political discourse and gain influence over the 'knowledge industry' to contest what he considered the apparent stranglehold of the left-wing intelligentsia. For Sherman, 'the Conservatives had been guilty of an unquestioning adherence to the assumptions of this left-leaning intellectual orthodoxy'.[76] Unlike the Hayekian model of appealing to the 'second-hand dealers in ideas', when Sherman talked about influencing the 'various microclimates of opinion', he envisaged a more populist approach that would appeal over the heads of the 'intellectual establishment'. In Sherman's view, the intellectual and political establishment had become 'divorced from the values and sentiments of the people' and, as such, now failed to represent the 'common sense'

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[72] Lockwood, *The British New Right*, p. 127.
[73] See Cockett, *Thinking the Unthinkable*, p. 237.
[74] Sherman, *Paradoxes of Power*, p. 61.
[75] RHL, Sherman Papers CPS/A80/8/3, *Memo on Role of the CPS.*
[76] Lockwood, *The British New Right*, p. 133.

values of 'ordinary' people.[77] He unashamedly set out his thoughts to Thatcher in a note on 'Populism' (which he did not consider a pejorative term) in which he said it was the Conservatives' role to represent those views and values rather than a consensus imposed by an unrepresentative elite. This proved to be a crucial insight, particularly in relation to the issue of the trade union 'problem'.

Sherman's assessment of the early 1970s was that Heath's downfall was caused by the 'failure of tripartism' and while trade unions could sometimes speak with 'one voice on some issues…and represent their members…and even impose some discipline in rare cases', ultimately 'when they were torn between government promptings and the greed of their grass-roots members' their leaders sided with the source of their salaries'.[78] While this was not a unique Conservative perspective, Sherman also believed that following periods of crippling strikes and apparent sectional self-interest, the unions had made themselves extremely unpopular and had 'almost exhausted the public sympathy they had enjoyed since the 1930s'.[79] Sherman's crucial insight was that by 1978 reform would also be popular with many trade unionists, to say nothing of the electorate in general. Added to which, by the mid-1970s, the former Marxist had developed a hatred of the British trade unions that bordered on the visceral. Thus, Cockett's assertion that 'for the CPS, by the mid-1970s, the reform of the trade unions had become the *sine qua non* of everything else that they were trying to achieve'[80] is only a slight exaggeration. From its inception to Sherman's departure in 1983, there were no fewer than sixteen 'study groups' to examine and formulate policy. Most consisted of about ten members, and some met monthly, although several met far less frequently. Some were quite active, whereas others 'limped along and produced little'.[81] By far the most active and important – and the first to be created – was the group looking at trade union reform, popularly known as TURC (Trade Union Reform Committee). TURC's meetings were held every Thursday night at the CPS under the Chairmanship of Sir Leonard Neil, one of the most experienced industrial relations practitioners of the period.[82] He was a former socialist and on Barbara Castle's advisory team during *IPOS*, who had subsequently changed his views on trade unionism – a background that undoubtedly endeared him to Thatcher, in the same way that she listened intently to George-Brown's views on the subject. Parallel to his involvement with

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[77] CCA Thatcher MSS, THCR 2/6/1/226.
[78] Sherman, *Paradoxes of Power*, p. 75.
[79] Cockett, *Thinking the Unthinkable*, p. 268.
[80] Ibid.
[81] Ibid., p. 277.
[82] Formerly a full-time official with the TGWU before joining Esso as a company negotiator.

TURC, Sherman was the lynchpin of the secret Stepping Stones project under John Hoskyns (also a regular attendee of TURC meetings). Hoskyns's original introduction had been to Joseph, and the Stepping Stones project had arisen from a particularly unproductive lunch in October 1975,[83] when Hoskyns later complained to Sherman that the CPS – with its constant speculation about the recommended reforms from the TURC group – was trying to build a tower-block without foundations. Although the Stepping Stones final report was undoubtedly the work of Hoskyns and Strauss, it also owed a great deal to Sherman's views, notably the concept that far from being its biggest asset, Labour's relationship with the unions could be its biggest liability and, if properly handled, a vote-winner for the Conservatives. As detailed in the previous chapter, Strauss's strategy of changing public opinion through 'Thinkers' probably leaned more into Hayekian thinking than Sherman's more populist instincts. Sherman put forward his own views on trade unions to Thatcher in a series of typically hyperbolic memos in 1978 and 1979. In one, he talked about the Party's proposed union reforms (although at this time they were his favoured solution and not party policy) as being likely to succeed if they won the public over 'to a frankly Hobbesian approach…trade union activity makes almost everybody, including most trade unionists, worse off than they otherwise would be…everyone stands to be more struck against than striking'. He continued: 'In a period of inflation, no one can afford to be left behind; once they have tasted blood…their appetite grows', adding that 'hence we shall be in an archetypal Hobbesian situation, in which we can tell the people…your life is increasingly nasty and brutish…trade union reform is not union-bashing, but in the interests of all trade unionists.'[84] On the eve of the 'Winter of Discontent', he wrote another 'highly confidential' memo to Thatcher:

> The public mood *vis a vis* the unions has changed. The unions' moral ascendancy has been eroded, they are no longer seen as valiant fighters for the underdogs but as selfish and often ruthless operators…what counts is that 'do something about the unions' is again thinkable.[85]

This insight proved to be extremely prescient. While Thatcher was very aware of Sherman's divisive views and personality, it was not an insight that she would have gained from any members of her Shadow Cabinet, nor from her CRD party officials. The extent of the influence that the CPS, in general, and Alfred Sherman, in particular, had on Margaret Thatcher on the

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[83] Hoskyns, *Just in Time*, p. 18.
[84] RHL, Sherman Papers, 'Notes on Policy for the Unions and its presentation to Mrs T', 12 August 1978, AR MT 5/2/3.
[85] RHL, Sherman Papers, Memo marked highly confidential to Margaret Thatcher, *Our exposed flank*, 11 December 1978, AR MT 5/2/23.

matter of trade union reform is impossible to quantify, but it would clearly be significant in the coming months. As will be examined in the next chapter, the CPS – and particularly Sherman – were instrumental in impressing the importance and need for industrial relations reform on Thatcher when in opposition, and did its best to ensure that the new government translated its ideas for trade union reform into law at a time when many members of the new Cabinet would have happily dropped the matter.

5.6 Thatcher's beliefs

I now turn to perhaps the hardest question: What did Margaret Thatcher herself *really* believe about trade union reform during her time as Leader of the Opposition? How important did she consider industrial relations to be and how high in her list of political priorities and objectives did it rank? Given that trade union reform – along with the privatisation programme – became one of the defining and 'successful' (depending on one's perspective) policy areas of her three administrations, it might seem strange that her intentions for this area often appear so opaque. It was not until 15 January 1979, on the eve of the debate in the House of Commons during the height of the 'Winter of Discontent', that we finally saw Thatcher commit herself – and her Party – to trade union reform by means of legislation.

As described in the previous chapter, different – and often radical – forces were exerted on the Conservative Party's thinking and policy-making on many fronts: economic matters, supply-side reform, industrial relations, welfare reform, and education, and in particular, the growing influence of what became known as Neo-Liberal theorists. These influences came directly from individuals, such as Milton Friedman and Friedrich Hayek, and organisations such as the IEA and CPS. Their views were also popularised and re-packaged by several opinion-formers and writers, many of whom were broadsheet newspaper columnists and leader writers. Through these different strands, we can identify the changing landscape of opinion regarding British industrial relations in the 1970s, in short, the 'union problem' – inevitably centred on the belief that the unions were too powerful and acting in a self-interested manner to the detriment of the rest of the country – and what needed to be done to address it. As previously discussed, these theories were being taken up by a small, but slowly growing, number of senior members of the Party, although they remained a minority in the solidly Heathite Shadow Cabinet. Thatcher herself was caught in the middle of these two powerful, but unequal, tectonic plates. Acutely aware that she had only one chance to lead the Party into a General Election, she also knew that her supporters in the Shadow Cabinet could be counted on the fingers of one hand. The

weakness of her position when elected Leader in 1975 meant that, with a few exceptions, her shadow front bench was nearly identical to her predecessor's. The fragility of consensus in the Shadow Cabinet was well understood by her political enemies and media commentators who were never slow to run a story about a split in the Shadow Cabinet. This was evident from the media storm over the 'open disagreement' on the Grunwick dispute between Keith Joseph and Jim Prior that threatened to overshadow her US visit in 1977.[86] Throughout her time in opposition, Thatcher was acutely aware that industrial relations were a major fault line in the Shadow Cabinet and the potential source of a highly damaging split. As she later wrote: 'The question repeated mantra-like by the commentators, "How will you get on with the trade unions if you form a government?" We urgently needed to come up with a convincing answer.'[87] She was to recall that her retention of Prior as Shadow Secretary of State for Employment in her new Shadow Cabinet was 'rightly taken as a signal that I had no immediate plans for a fundamental reform of trade unions', but that Prior's 'suitability for the job was only understandable in the light of the Heath Government's poisoned legacy'. However, she also accepted:

> Jim's strong conviction that our aim should be to establish both that we accepted the existing trade union law, with perhaps a few alterations, and that we saw the union leaders as people with whom we could deal.

Twenty years later, she concluded that 'such an approach makes more sense at the beginning of the period in Opposition than at the end of it',[88] but there is surely a large element of back-projection following the 'Winter of Discontent'. As the draft manifesto for the anticipated 1978 General Election shows, Prior's emollient approach and reassurances of no planned legislative changes held sway. Six weeks of industrial relations chaos in early 1979 proved to be the *Deus ex Machina* to end that approach. Until then, Thatcher was treading a fine line between maintaining and supporting Prior's policy – the agreed position of the Shadow Cabinet – and any gravitational pull she might have experienced from Neo-Liberal advisers, such as Alfred Sherman, or the small number of Shadow Cabinet colleagues, such as Joseph and Howe. Hugh Stephenson's assertion is not completely accurate, namely that:

> In the period between her [Thatcher] becoming leader of the Conservative Party and the general election, she had conducted a kind of antiphonal dialogue in

[86] See Thatcher, *The Path to Power*, p. 368, where it is described as 'the only embarrassment I faced during my American trip'.
[87] Ibid., p. 311.
[88] Ibid., p. 288.

> public with Jim Prior, her employment minister, with her putting forward radical proposals and with him watering them down.[89]

In fact, for most of this period Thatcher conducted a rather unconvincing duet with Jim Prior in public, and in private had admonished her closest allies, Howe and Joseph, when they had publicly strayed onto Prior's brief, risking exposing the industrial relations rift within the Shadow Cabinet to public scrutiny. Thatcher's public pronouncements on trade union relations undoubtedly reflected a need to buttress Prior's emollient strategy of no major changes to union legislation to present the Opposition as being united on this issue. Clearly many of her words, with the benefit of hindsight, sound wildly over-optimistic and even downright disingenuous. For example, at the 1977 Conservative Party Conference, Thatcher had assured delegates in Blackpool that 'a strong and responsible trade union movement is essential to this country and its rights must be respected' and that the Conservative Party 'look forward to a long and fruitful association with the unions'[90] while Prior had been told to focus on the Closed Shop and picketing (something on which most Conservatives agreed). At the same event the previous year, she had made the bold claim that:

> We and the unions [worked] very well for thirteen years when we were in power and then we had one major clash in February 1974…about a statutory incomes policy…but now, I do not want a statutory incomes policy and I believe that we can work in future with the unions as we worked with them for thirteen years.[91]

Thatcher knew that this approach was highly unlikely to work, later writing of 'a basic incompatibility between their economic approach and ours, and…their political allegiance and ours'. She doubted the value that 'any amount of personal diplomacy between Jim and the TUC [would] turn out to be',[92] but in the absence of any viable alternative policy that would be acceptable to her Shadow Cabinet, there was no other option. Despite nearly four years of internal discussion and debate, and as the General Election loomed into view, nothing had changed, and Thatcher

> …had to go along with his [Prior's] approach…I took the decision to support Jim in part because, as yet, the climate was still not yet right to harden our

[89] Hugh Stephenson, *Mrs Thatcher's First Year* (London, 1980), p. 62.
[90] CCA, Thatcher MSS, Speech to 94th Conservative Party Conference in Blackpool, 14 October 1977. Available at MTFW 103443.
[91] CCA, Thatcher MSS Speech to 93rd Annual Conservative Party Conference in Brighton, 8 October 1976, *Speeches to the Conservative Party Conference 1975–78* (CPC, 1989), pp. 19–28.
[92] Thatcher, *The Path to Power*, p. 289. Transcript version available at MTFW 103105.

> policy…[and] within the Shadow Cabinet the great majority of my colleagues would not have gone along with me.[93]

One of Thatcher's most revealing comments regarding the probable resistance she would encounter from her Shadow Cabinet was in the immediate aftermath of the furore caused by Joseph's attack on the Scarman Report. On returning from her US visit, and before appearing on *Weekend World*, she knew she needed 'a convincing answer: and there was not much hope that any amount of discussion within the Shadow Cabinet would arrive at one…on what a Conservative government would do if it were faced with an all-out confrontation with the unions'. Seemingly with no consultation with her colleagues, she floated the idea on live television that in such an emergency, 'a referendum might be necessary'.[94] She later wrote that, 'it was not in itself an answer to the problem of trade union power…but the suggestion of a referendum bought us vital time'.[95] In short, as much as she might have found Prior's approach to industrial relations uncomfortable, she understood that there was a lack of a credible alternative policy that would be acceptable to the majority of her front bench team.

Thatcher's twin instincts for her own survival and pragmatic *realpolitik* often make it hard to discern her real stance on issues at this time. Is it possible to know what she really thought about the unions' power and the influence they wielded? And what did she really think about the trade union movement in general? As so often with Thatcher during this period, it can be difficult to discern her thinking and emerging strategy. This might seem counterintuitive for someone 'who had begun to be spoken of as an ideological politician'[96] and who described herself as a 'conviction politician' on several occasions during this period.[97] However, these convictions were typically expressed in terms of her core values. At her first Party Conference as Leader, she told delegates that 'policies and programmes should not just be a list of unrelated items. They are part of a total vision of the kind of life that we want for our country and for our children.'[98] She appears to have consciously avoided making references to ideologies or ideologues, particularly foreign ones. For instance, Saunders notes that she mentioned Hayek and Friedman each only once in any speech during the 1970s, and only when in the US. She

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[93] Ibid., p. 402.
[94] The idea of a referendum had been briefly discussed in Lord Carrington's Authority of Government Policy Group.
[95] Thatcher, *The Path to Power*, p. 402.
[96] Saunders, 'Crisis? What Crisis', pp. 25–42.
[97] For instance, in a speech to a Conservative rally in Cardiff on the eve of the General Election on 16 April 1979 and in an earlier interview with Jimmy Young on the Jimmy Young Show on Radio 2, 31 January 1979.
[98] Conservative Party Conference, 10 October 1975, cited by Robert Saunders in Jackson and Saunders (eds), *Making Thatcher's Britain*, p. 27.

also eschewed words like ‘Monetarism…preferring to talk of “sound” or “honest” money’.[99] As Grimley has shown, these values were firmly rooted in the tradition of Judeo-Christian civilisation,[100] quite often illustrated by direct references to Biblical stories, including, for example, the parable of the Good Samaritan. These values included personal choice, freedom from state intervention, hard work, self-reliance, frugality, democracy, the rule of law, the importance of the family, and the right of private ownership of property. The language of freedom was also ‘unapologetically individualist’.[101]

For all her public statements supporting Prior’s emollient line towards the unions and declaring that ‘we Conservatives count millions of trade unionists among our supporters…it is neither our purpose nor our interest to damage these institutions’, Thatcher undoubtedly harboured a deep suspicion – if not a hatred – of the unions. She believed that they imposed ‘unconscionable restraints upon personal freedom’.[102] She abhorred secondary picketing and the existence of the Closed Shop. Like many Conservatives, she accepted but did not really understand why some employers appeared to favour it. She undoubtedly saw the Closed Shop as depriving individuals of choice and their free will. As to the role and power of trade unions, again, Thatcher had to tread carefully. She appeared to accept their legitimate role as partners in collective bargaining, but this gave them ‘a wholly inappropriate place as special partners in government’.[103] Labour’s Social Contract, she believed, did exactly that and had ‘allowed a handful of trade unions to dictate to the government’.[104] She contrasted the unions’ current role with the ‘great leaders of the past…who were careful not to involve their unions in either running the government nor becoming mere agencies of the government’.[105] Unlike the modern trade union leaders, such as Jack Jones and Hugh Scanlon, Thatcher believed that the older generations of union leaders and Labour politicians, such as Bevin and Morrison, had always accepted this separation. She frequently contrasted the apparently ‘benign’ Callaghan (as representing a ‘moderate disguise’[106] for his union paymasters) to Hugh Gaitskell, a Labour leader for whom Thatcher seemingly had genuine respect. This separation between ‘old’ style trade unionism and the modern undemocratic version was a constant theme: Thatcher

[99] Ibid., p. 29.
[100] Matthew Grimley, ‘Thatcherism, Morality and Religion’, in Ben Jackson and Robert Saunders (eds), *Making Thatcher’s Britain*, pp. 78–94, at p. 92.
[101] Saunders, ‘Crisis? What Crisis’, p. 35.
[102] Ibid., p. 37.
[103] Ibid.
[104] Margaret Thatcher Speech to 93rd Conservative Party Conference, Brighton, 8 October 1976. Available at MTFW 103105.
[105] Speech to the CTU, Sherwood Rooms in Nottingham, 5 March 1977. Available at MTFW 103210.
[106] Thatcher, *The Path to Power*, p. 313.

repeatedly urged Conservatives to join their unions and participate in union affairs and not to let the militants dominate or pass resolutions behind closed doors after ordinary members had gone home. She increased funding for the 'near-moribund Conservative Trade Union Association'[107] and spoke at its annual conference and at regional CTU meetings. However, she knew there was a gulf between her economic approach and that of the unions and between their political allegiances and her own. Thatcher had a strong dislike of collectivism and institutions, and particularly those who represented a sectional interest group. From his time with her at the Department of Education, the civil servant Sir William Pile later recalled that, 'Thatcher never really liked anything that was big, whether it was a local authority or a union or even a school.'[108] She later wrote that she would like her governments to be remembered for 'tackling British vested interests'[109] and monopolies. The trade unions were, in her view, one such vested interest that was better organised, more entrenched and more powerful than in Britain's competitor nations and therein lay the root of British post-war economic and industrial decline.

Finally, it is also very apparent that Thatcher's personal understanding and knowledge of trade unionism was extremely limited. Her exposure to trade unionists – outside the CTU – was minimal. Before the 1979 General Election, her formal contacts with the trade union movement had been almost non-existent. She had one meeting over drinks in 1977 with the so-called 'NEDDY Six' – the six members of the NEDC (for whom she had little regard):

> [The] union side remembers that meeting as a 'total failure'…Mrs Thatcher gave them the impression that she neither understood the problems of trying to run the trade union movement, nor wanted to learn. Much of the time was taken up with argument between Keith Joseph and Jim Prior.[110]

Instead, Thatcher turned to a few former members of the Labour Party or the trade union movement who had recently moved across to the Conservative (or Social Democratic) side of the political divide. Woodrow Wyatt, who had recently become a Conservative, later claimed to have advised Thatcher on trade union matters, although the claim to his knowledge on the subject is unclear. However, clearly the briefing provided by former Deputy Leader of the Labour Party, Lord George-Brown[111] did have a significant influence on her thinking. In January 1979 during the height of the 'Winter of Discontent', Brown appears to have

[107] Robert Saunders, 'Crisis? What Crisis?', p. 37.
[108] Hugo Young and Anne Sloman, *The Thatcher Phenomenon* (London, 1986), pp. 58–78.
[109] Harrison, 'Mrs Thatcher and the Intellectuals', p. 234.
[110] Stephenson, *Mrs Thatcher's First Year*, p. 65.
[111] A flamboyant maverick, Lord George-Brown, had resigned from the Labour Party in 1976.

proactively requested a lunch meeting with Thatcher, which was then followed up with another private meeting. In her memoirs, Thatcher reflected:

> [He had] more knowledge and experience of the labour movement – that is, the unions as well as the party – than almost any of its current leadership…he told me how the hard Left had risen to positions of influence and power within some of Britain's most powerful unions. He showed me that the immunities conferred by legislation since 1906 were being used with a new ruthlessness, and made an unanswerable case for a fundamental change in the law.[112]

As the former *The Guardian* journalist Hugo Young observed, the 'Winter of Discontent':

> …settled the Conservatives' main policy dispute…the great undecided question of whose instincts should prevail, Jim Prior's or Margaret Thatcher's…from being a liability to the Tories, the union issue became through this 'Winter of Discontent', a potential election winner, so long as it was properly handled.[113]

Young is undoubtedly correct: the industrial relations chaos in January 1979 effectively cut the ground from under Prior's feet and his cautious approach to trade union reform no longer looked credible. However, what replaced it was not the 'result of careful and detailed work coming to fruition in time for the election, but of opportunism and the exercise of political instincts on Thatcher's part'.[114] This involved considerable risk-taking and potential jeopardy, much of which related to managing her own Shadow Cabinet and bending to the more cautious approach advocated by most (but not all) of her advisers, against her natural instincts.

[112] Thatcher, *The Path to Power*, p. 425.
[113] Hugo Young, *One of Us* (London, 1993), pp. 126–8.
[114] Caines, *Heath and Thatcher*, p. 224.

Chapter Six: The power of events

If I were responsible for the policy of the British Conservative Party, I would rather be defeated at the polls than be charged with responsibility for policy without a mandate to change the legal sources of excessive trade union power.[1]
Professor F A Hayek, September 1978

Events are a powerful advocate.[2]
Margaret Thatcher, *The Path to Power*, 1995

6.1 'Now is the winter of our discontent'[3]

The industrial relations unrest during the final months of 1978 and the first few weeks of 1979 represents a highly contested episode. This is not surprising: the outbreak of nationwide strikes during that period, although not wholly unprecedented, was certainly comparable with previous episodes of industrial unrest between 1915 and 1922 and the second half of Ted Heath's administration. At its peak between January and March 1979, five million working days were lost and the major industrial stoppages involved approximately 1.67m workers.[4] The absolute number of workers involved – vastly swelled by the participation of 1.5 million public sector workers in local authorities and the health service – was perhaps less notable than the wide cross-section of industries represented, which included Ford Motors, oil tanker drivers, haulage drivers, water workers, social workers, provincial journalists, railway workers and workers in the NHS and council services. Most of the strikes occurred over a short but intense timeline starting after the New Year in 1979 and lasting until the second half of February: a period of six weeks.

These six intense weeks of industrial relations chaos continue to resonate nearly fifty years later for two reasons: first, its timing before a General Election and its impact on the subsequent electoral fortunes of the Callaghan administration, and second, the tactics deployed by the most militant strikers and the hugely damaging impact on public perceptions of trade unionism. The strikes left the Government's voluntary pay agreement with the trade unions, the so-called

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[1] Friedrich Hayek, 'Exploitation of Workers by Workers', p. 13.
[2] Thatcher, *The Path to Power*, p. 428.
[3] William Shakespeare, *Richard III*, Act I, Scene I, Line 1.
[4] John Gennard, 'Chronicle Industrial Relations in the United Kingdom November 1978 – March 1979, Statistical Background to the Industrial Scene', *British Journal of Industrial Relations*, 17 (2) (1979), pp. 268–93, at p. 270.

Stage Four limit of 5%, in tatters. Labour's much-vaunted Social Contract with the unions that had facilitated a period of relative industrial peace since 1974 had effectively collapsed. With it disappeared Labour's claims that they alone could work in partnership with the unions and the alternative would be industrial relations chaos under a Conservative Government. Furthermore, it seriously undermined the personal credibility of James Callaghan and his special relationship with the union movement. In the words of a Labour backbencher from the time: 'The failure of the Social Contract was inevitably viewed as being Callaghan's failure and seriously damaged the reputation he had created as a shrewd and calm political operator with a firm grip on the tiller.'[5] All this might have mattered less, had it not been for the impending General Election. Although Callaghan had surprised his political allies in the trade union movement with his decision to defer an expected General Election in September 1978, it was widely assumed that his minority government would seek to renew its mandate during the early part of 1979. Why the unions chose to confront the Labour government despite an impending election has become another point of contention for the left, particularly given the damage it subsequently did to the party's electoral prospects.

The other feature that undoubtedly contributed to the controversy of this period for the left is the tactics that some strikers employed to press their claims. Although many strikers used conventional tactics when withdrawing their labour – not inconveniencing or hurting the public – this was not always the case, and some of the most egregious examples of secondary picketing attracted extremely damaging headlines for the entire trade union movement. Ironically, there had probably been more violent scenes at other recent industrial disputes, such as Saltley Gate and Grunwick, but some of the scenes of apparent intimidation and coercion during the 'Winter of Discontent' appeared to be more widespread and affected the supply of goods and services by businesses not involved in the primary dispute. Moreover, they often appeared to have damaging effects on sections of the community beyond the dispute. For example, the blockade of the area around Hull and its docks in the Road Haulage Association dispute in January 1979 saw the impromptu creation of local 'strike committees' by militant members who interviewed all lorry drivers – regardless of whether their employers were involved in the dispute. However, the strikes in the public sector generated the most headlines and public outrage. These incidents did not affect most of the country, but were typically focused on disputes between small groups of council workers and individual local authorities and were orchestrated by local militant members of the rank-and-file membership. They included the strikes by refuse collectors in

[5] *Walden on Callaghan*, BBC 2, 17 March 1997. Available at www.youtube.com/watch?v=Uvc7H8hrAg8.

several locations, notably in parts of Central London and the West End administered by Camden Council, and in cities such as Cambridge, High Wycombe and Guildford. Thus, piles of uncollected refuse in Leicester Square became an iconic image of the 'Winter of Discontent'. Disputes between militant members of COHSE (Confederation of Health Service Employees) and NUPE (National Union of Public Employees) in hospitals, including Westminster Hospital and Great Ormond Street, also generated hugely damaging headlines. However, perhaps the episodes that generated the most hostility, particularly in the tabloid press, were the two unconnected disputes[6] in Liverpool and Manchester between municipal gravediggers and their local authority employers. Their refusal to dig graves – and the resulting stories of makeshift mortuaries and the possibility of sea burials – created some of the most dramatic and enduring headlines and images of the 'Winter of Discontent'. The number of people directly impacted by their actions in the affected parts of the country was very small, but the controversy and outrage created were enormous. It left many people, but particularly those within the Labour Party, including an increasingly exasperated and disbelieving Jim Callaghan, asking what kind of trade unionist could do such a thing?

Thus, questions of responsibility and culpability for the 'Winter of Discontent' dominate the extensive historiography of the episode. Many accounts attempt to understand (and often justify) the apparent act of self-harm perpetrated on the labour movement. Additionally, attention has focused on the true nature of the crisis and the extent to which it was conflated and mythologised. The first study of the 'Winter of Discontent' by Ludlam[7] was written before the full opening of the archives under the thirty-year rule.[8] More recent book-length detailed historical accounts by Shepherd[9] and Lopez[10] have benefited from full access to the archives and Cabinet Papers, and many interviews with surviving actors. Of the two studies, Shepherd's is undoubtedly the most conventional, both in his close adherence to the established timeline and his forensic attention to the original archive sources, despite his impressive collection of later oral testimonies. He seeks to answer eleven 'key questions'[11] including: 'What were the motivations of the workers in different disputes?' and 'To what extent did the Winter of

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[6] At the time, these two disputes were both incorrectly blamed on NUPE by several members of the Government, including Callaghan and Healey, but in fact they both involved separate unions, NUGMW and NUPE.
[7] Steve Ludlam, 'Old Labour and the Winter of Discontent', *Politics Review*, 9 (2000), pp. 30–3, and Steve Ludlam, 'Labourism and the Disintegration of the Post-War Consensus: Disunited Trade Union Economic Policy Responses to Public Expenditure Cuts, 1974–79' (unpublished PhD thesis, University of Sheffield, 1991).
[8] Now the twenty-year rule.
[9] John Shepherd, *Crisis? What Crisis?: The Callaghan Government and the British 'Winter of Discontent'* (Manchester, 2013).
[10] Martin Lopez, *The Winter of Discontent*.
[11] Shepherd, *Crisis? What Crisis?*, p. 16.

Discontent demonstrate trade union power or weakness?'; the latter perhaps posing – if not answering – one of the most interesting and counterintuitive questions. Lopez, by contrast, seeks to unravel the layers of 'myth and counter-memory' in which she believes the 'Winter of Discontent' has been wrapped for the past forty years. Drawing heavily on the extensive oral testimonies she obtained from many of the 'internalist' participants in the dispute, Lopez seeks to understand the lived experience of the strikers and, at least implicitly, to reclaim their voices from their depiction as 'self-serving wreckers'[12] who held the country to ransom. A consistent conclusion from Lopez's oral testimonies is the absence of remorse or regret by the strikers for the tactics they employed. All of them, but particularly those employed in the public sector, felt the need to press their case for higher pay and better working conditions was more important than helping a Labour government deliver the fourth stage of a highly regressive incomes policy.

The other aspect of the episode that has generated heated academic debate, particularly amongst its adherents and some surviving actors, is the notion of the 'Winter of Discontent' being an essentially constructed or manufactured crisis. Although Colin Hay claims authorship of this concept,[13] it is also strongly reflected in recent literature from Shepherd and Lopez, with the latter noting: the 'Winter of Discontent has assumed a mythic character…according to legend this was the time that greedy trade unionists held the country to ransom.'[14] In contrast to Lopez and Shepherd, who both imply that the myth-making of the episode occurred – and was perpetuated – after the event, Hay is adamant that the 'Winter of Discontent' was not 'a retrospective rationalisation offered after the fact…but was simultaneous with the events which it served to dramatise'.[15] It is this interpretation that has proved to be the most controversial, particularly among the surviving actors in the Callaghan administration, notably Bill Rodgers and David Lipsey. Lipsey stated:

> I am not sure where you were Professor Hay…but you certainly weren't in Downing Street where I was, where hour by hour the 'newest grief of an hour's age doth hiss the speaker'…I am sorry…this was not a constructed crisis. It was a real crisis.[16]

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[12] Ibid., p. 4.
[13] Colin Hay, *The Moment When 'Then' Became 'Now': Reflections on the Winter of Discontent After the Opening of the Archives* (Sheffield, 2015), p. 14. See also Colin Hay, 'The Winter of Discontent: Thirty Years On', *The Political Quarterly*, 80 (2009), pp. 457–609; 'Narrating Crisis: The Discursive Construction of the "Winter of Discontent"', *Sociology*, 30 (1996), pp. 253–77; 'Chronicles of a Death Foretold: The Winter of Discontent and Construction of the Crisis of British Keynesianism', *Parliamentary Affairs*, 63 (2010), pp. 446–70.
[14] Martin Lopez, *The Winter of Discontent*, p. IX.
[15] Hay, *The Moment when 'Then' Became 'Now'*, p. 16.
[16] Ibid.

It is also clear from the accounts of many of the key advisers and ministers during the period, including Lipsey, Rodgers and Donoughue, that they believed they were dealing with a 'real' political crisis. This is not to deny that aspects of the crisis were undoubtedly exaggerated by the media. Bill Rodgers later wrote that:

> Like wartime bombing raids, the strike produced more warnings of shortages and more signs of damage than actual disruption…the reporting of the strike by newspaper, radio and especially television…had much more impact on opinion that the public's own experience of the strike.

However, most tellingly, he concluded that for ministers at the time – of which he was one – 'most reporting of the strike was close to their own perception of events'.[17]

The crisis was discussed in detail in the memoirs of the leading Labour politicians at the time, in particular, the Prime Minister Jim Callaghan[18] (and in his official biography,[19] for which he was extensively interviewed about this period), Labour's Chancellor Denis Healey,[20] and Transport Minister Bill Rodgers.[21] All three were long-lived and interviewed on several occasions about their memories of the 'Winter of Discontent', and there were interviews with Callaghan on ITV's *TV Eye* during 1978 and 1979 that focused exclusively on the failure of Labour's Stage Four incomes policy and the deterioration in industrial relations as they occurred in real-time. Callaghan did not, on later reflection, significantly change his views on the episode, and while reluctant to attribute wholesale blame to the unions, he was equally resistant to acknowledging any of his personal missteps or poor political judgment. Callaghan viewed the episode as being caused by an irresponsible minority who did not represent true trade unionism, exacerbated by recent changes in the senior leadership of the trade union movement following the retirement of Jack Jones and Hugh Scanlon and the delegation of power by the national leadership to the shop floor and shop stewards, which had, in his view, gone too far. Also viewed from the Government's perspective, albeit at one remove from the Cabinet, are the two accounts of the episode by Callaghan's advisers, Lipsey[22] and Donoughue.[23] Both paint colourful insiders' views of the Government's response to the crisis, including something of a siege mentality and a sense of powerlessness and near-paralysis in

[17] William Rodgers, 'Government Under Stress: Britain's Winter of Discontent 1979', *The Political Quarterly*, 55 (1984), pp. 171–9.
[18] James Callaghan, *Time and Chance* (London, 1997).
[19] Kenneth O Morgan, *Callaghan: A Life* (Oxford, 1990), pp. 653–701.
[20] Denis Healey, *The Time of My Life: My Autobiography* (London, 1990).
[21] Bill Rodgers, *Fourth Among Equals* (London, 2000).
[22] David Lipsey, *In the Corridors of Power: An Autobiography* (London, 2012).
[23] Bernard Donoughue, *Downing Street Diary*, *Volume Two*, *with James Callaghan in No. 10* (London, 2008).

January 1979, as well as a sense of resignation and failure on the Prime Minister's part. For Lipsey, 'there was no mistaking the atmosphere inside No. 10…we felt we had lost control…indeed we had lost control'.[24] Similarly, Chief Secretary to the Treasury, Joel Barnett, was in no doubt that 'the real cause of our downfall…and ultimately at the General Election was the issue of pay'.[25] Brian Walden, the former Gaitskellite Labour MP-turned TV presenter, was a great admirer of Callaghan but largely blamed him for the 'Winter of Discontent'. Walden described his 'sentimental myopia about anything to do with the unions', recalling that 'a catch used to come into his voice when he spoke about the men of Tolpuddle' while 'the rest of us who also knew the modern trade union leaders couldn't see much resemblance between them and the Tolpuddle Martyrs – probably Jim didn't either…but he felt that he ought to – such was his gratitude'.[26] Callaghan's 'gratitude' was because of the advancement of his own political career from his early days as a junior union official. Walden believed that Callaghan could not 'see the trade unions for what they really were: a vested interest' and that he was 'curiously blind to the essential point that government by trade union consent…could never be good for democracy'. Walden's view contrasted with Callaghan's belief in the great value of the Social Contract. He saw it as 'an extraordinary arrangement…born out of muddle and desperation…cooked up in Labour's 1974 manifesto', and considered there was only 'just enough life left in the Social Contract to save Jim's neck in 1976'. According to Walden, Callaghan's downfall was caused by a major flaw in his outlook: 'He was wrong about the trade unions…he'd spent his whole life polishing and sharpening the dagger that was about to be shoved in his back.'[27]

6.2 The Winter of Discontent and the Conservative Party

In contrast to the extensive historiography of the impact of the 'Winter of Discontent' on the Labour Party, the effect of the crisis on the Conservative Party in opposition has been overlooked. There is an acknowledgement that Labour's 'crisis' turned out to be a political gift to the Conservatives in general, and to Margaret Thatcher's political agenda in particular. Although Shepherd devotes a short chapter to the subject,[28] Hay alone appreciates the powerful strategic advantages the 'Winter of Discontent' delivered to the Conservative Party and its

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[24] Ibid., p. 127.
[25] Joel Barnett, *Inside the Treasury* (London, 1982), p. 160.
[26] *Walden on Callaghan*, BBC 2, 17 March 1997. Available at www.youtube.com/watch?v=Uvc7H8hrAg8.
[27] Ibid.
[28] Shepherd, *Crisis? What Crisis?*, pp. 130–47.

policy-making efforts, besides the obvious electoral boost they received in the ensuing General Election. It is hard to disagree with his assessment that:

> In the absence of the Winter of Discontent, the first Thatcher administration would not have been able, and would not have chosen, to target the unions and perceived 'union power' in the way that it did…what we now refer to as Thatcherism would have been impossible in the absence of the Winter of Discontent.[29]

Indeed, he could have added that in the absence of the 'Winter of Discontent', there might well have been no Thatcher administration at all. Even Thatcher herself later reflected that, 'appalling as the scenes of the winter of 1978/79 turned out to be, without them and without their exposure of the true nature of socialism, it would have been far more difficult to achieve what was to be done in the 1980s'.[30] Geoffrey Howe, who had been heavily involved with John Hoskyns and a few others to shape the Party's narrative and policy on trade union reform, later concluded that 'the Winter of Discontent had become the most strategically placed Stepping Stone we could have wished for'.[31]

However, while Howe was undoubtedly correct to place the crisis of 1978/79 as the key turning point in his party's electoral fortunes, the Conservatives' path through the episode was anything but easy. Any assumption that Labour's crisis in the winter of 1978/79 presented the opposition with a golden opportunity that they were quick to exploit and turn to their immediate political advantage is misplaced: if anything, the Conservative opposition was as divided and conflicted in their response to the developing crisis as the incumbent Labour government. As will be examined in the rest of this chapter, the Conservatives' response and their proposals to counter the industrial relations chaos in the first two months of 1979 emerged slowly and tentatively. Moreover, as will be discussed in detail, the momentum that led the Party and its leader to publicly commit to a relatively modest programme of trade union legislation reform came from a small circle of close advisers and associates who were reacting to events and the shift in public opinion. The programme was not, however, discussed and formulated within the wider and deeply divided Shadow Cabinet.

That the 1979 General Election was largely defined by the previous months of industrial relations failure was ironic and unexpected. The ability to work harmoniously with the unions formed an important element of the Labour Party's statecraft and it consistently outperformed

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[29] Ibid., p. 11.
[30] Thatcher, *The Path to Power*, p. 41.
[31] Howe, *Conflict of Loyalty*, p. 107.

the Conservatives in polls throughout the period for its perceived competence in this area. Evidence for this can be seen from the National Opinion Polls (NOP) opinion poll published on 6 April 1979 (after the 'Winter of Discontent'), which showed that only 35% of the sample believed the Conservatives would be better able to handle strikes, and only 19% believed Thatcher would be better at dealing with union leaders than Callaghan. It was the only issue where Labour scored substantially higher than the Conservatives.[32] By contrast, industrial relations policy was still widely viewed by the Conservatives as a question best avoided, particularly after the defeat of the Heath Government and the collapse of the IR Act.

Thus, industrial relations represented the most underdeveloped and cautious area of policy discussion and formulation by the autumn of 1978. As previously detailed, the EPG under Jim Prior had reflected the strongly Heathite leanings of its Chair, and several of its members and its resulting policy proposals were cautious, with no appetite for mandated reform. Nonetheless, in July 1978, Jim Prior told trade union leaders in a speech to Lambeth Conservatives that the Party would not be deterred by accusations of 'confrontation' and 'union bashing' from criticising trade union practices that they considered harmful, including the right of leaders to 'preach socialism' to their members. However, he then laid out what a Conservative Government would not do in the field of industrial relations: it would not introduce a new IR Act, it would not attempt to reform existing legislation without consultation, and it would only draw up codes on the Closed Shop 'after consultation'.[33] These views were broadly reflected across the membership of the Shadow Cabinet, with very few exceptions: the whole area of industrial relations legislative reform was simply too difficult and politically dangerous to contemplate. On 13 October 1978, at the Conservative Party Conference in Brighton, Thatcher was happy to revel in Callaghan's discomfort in her keynote speech. Callaghan had decided not to call a General Election, and the union bloc votes had ensured an overwhelmingly rejected pay restraint.[34] She declared:

> Today the nation has a Prime Minister whose party has disowned his principal policy and destroyed the chief plank in his election strategy. Until last week that strategy was simple. Labour would play its union card, the one called 'special relationship.' The idea was this, a group of union leaders would try to persuade

[32] Stephenson, *Mrs Thatcher's First Year*, p. 64.
[33] BOD, Howe MSS, Howe SP8, *Speech by Jim Prior to Lambeth Conservatives at Clapham Baths*, 20 July 1978.
[34] The vote to reject pay restraint was carried 4,017,000 for and 1,924,000 against.

> the country that if they were not allowed to call the tune there would be no music.[35]

Thatcher went on to address the trade union leaders in her speech, seemingly setting a more conciliatory tone by reassuring them that the Conservatives would not engage in 'union bashing' and specifically rejecting the current cause of the trade union movement's friction with the Government, namely the 5% pay ceiling. She declared: 'We believe in realistic, responsible collective bargaining, free from government interference.'[36] A more cynical interpretation of the Conservatives' eschewal of a future wages and incomes policy is that it was *faute de mieux* policy-making; they knew that any such policy – be it voluntary or statutory – would be unenforceable.

Reflecting on the 1978 Conservative Party Conference and Thatcher's speech, *The Guardian's* Peter Jenkins noted that the party had reopened the trade union question, but that 'trade union reform has been virtually a closed question for both major parties since their unfortunate experiences with *IPOS* and the Industrial Relations Act of 1971'. However, there was 'no suggestion of any change in Conservative Party policy – certainly not this side of a general election. It has forsworn any major new attempts at institutional reform in the industrial-relations field.'[37] The only surviving copy of the Draft Conservative Manifesto for the 1978 General Election[38] confirms this: the first page of Section 4, 'Working with the Unions' states that 'we shall consult the unions and seek their co-operation…we shall not undertake any sweeping changes in the law of industrial relations. Instead, we shall seek to promote an era of continuity and constructive reform.' There was an undertaking to 'review the working of present legislation' and Labour's recently passed 1975 EPA.[39] The commentary implicitly acknowledges a key problem confronting the Conservatives and their trade union stance: many of their potential voters were also trade union members. It acknowledged that 'in recent years more people have joined unions. This is particularly true of white collar workers and women…many of them are Conservatives.'[40] The unions were strongly encouraged to adopt measures advocated by the Conservatives: secret ballots for election to union office (with the

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[35] CCA, Thatcher MSS, Speech to 95th Conservative Party Conference in Brighton, 13 October 1978. Original copy of full speech does not survive, but transcript version is available at MTFW 103764. CCA, Thatcher MSS 1308/78. Available at https://www.margaretthatcher.org/document/103764.
[36] Ibid.
[37] Hoskyns, *Just in Time*, p. 72.
[38] CCA, Thatcher MSS 92/6/1/163, *Shadow Cabinet Circulated Paper (Conservative Party Manifesto for 1978 General Election – 2nd Draft).* Available at MTFW 110273.
[39] Ibid. Section 4, 'Working with the Unions'.
[40] Ibid.

cost of postage and printing met by the state), a proposed code of practice for the 'negotiation of union membership agreements' (i.e. the Closed Shop) on 'the basis of a voluntary agreement', and an acceptable means to regulate picketing, even suggesting that the 'strict arrangements adopted by the National Union of Mineworkers in February 1974 could provide a sensible basis for this'.[41] None of these arguments would have been unexpected. The Conservatives had long opposed the Closed Shop concept, and it was one of the few aspects of industrial relations on which Conservatives could agree. However, the draft manifesto conceded: 'We are opposed to the Closed Shop in principle…but experience has shown that a number of managements and unions consider it a convenient method of conducting their negotiations.'[42] Even on a matter upon which they all seemingly agreed, the Conservatives were unable or unwilling to suggest a legislative solution. Instead, they argued that 'reforms should come from within the movement itself, encouraged and assisted by government', although it is perhaps most revealing that these words – and the sentence that noted it would be 'foolish to ignore the…attempts by previous governments to deal with these problems' – appear to have been struck out by Thatcher in her annotated draft. Was this tacit recognition by her that voluntary reforms driven by the unions were never going to succeed? As so often with Thatcher, the cautious side of her character and her strong sense of *realpolitik* appear to have prevailed, prioritising party unity and avoiding potentially damaging public splits in her Shadow Cabinet. Throughout this period, she supported Prior's cautious approach as a 'critical friend' of the unions, as demonstrated by her intervention and visible annoyance when other shadow ministers, notably the more hawkish Howe and Joseph, publicly encroached on Prior's patch. Much later, she expressed her complete dissatisfaction with the 1978 Manifesto draft, which she described as 'a reflection on…the rest of us who had not been able to agree clear and coherent policies in some crucial areas, particularly the trade unions'.[43] She recalled that, 'in 1978 I was prepared to go along with almost everything that Jim Prior suggested, including [being] "even-handed in our approach to industrial problems"…and that we "would seek to promote an era of continuity and constructive reform"'. She had 'disliked both the tone and the intellectual confusion which characterised Jim Prior's suggested manifesto passages on the role of trade unions…even in 1978 I had felt that we could do better than this'. She recorded strong objections to Prior's suggestions on the Closed Shop and the section 'related to picketing…where there was no mention of a code of practice, let alone legislation', noting that

[41] Ibid.
[42] Ibid.
[43] Thatcher, *The Path to Power*, p. 435.

the reference to the 'strict arrangements adopted by the NUM in February 1974 as a sensible basis' was 'in retrospect, not particularly wise to remind voters directly of the occasion when the previous Conservative Government had been broken by the miners' strike'.[44]

In the event, Callaghan's announcement on 7 September that there would be no General Election meant the draft Conservative Party Manifesto would never be published. However, the differences between it and the April 1979 Manifesto are very clear, particularly for industrial relations. As Thatcher later recorded:

> A comparison between the manifesto draft of August 1978 and the final text published in April 1979 illustrates both the extent and the limits of the changes which – in varying combinations – Keith Joseph, Geoffrey Howe, my advisers and I secured…[and] the passage on trade unions, of course, was the real test.[45]

Over twenty years after the event, she described the legislative proposals included in the 1979 Manifesto as 'my victory over the position on trade unions' and that she had been 'very happy with it; indeed it would turn out I was far more confident not just in its practicality, but also its popularity than some of my colleagues'.[46] Writing two decades later, she described how she 'decided to seize the initiative in January 1979':

> Between the Summer of 1978 and the dissolution of Parliament in March 1979, outside events, above all the winter strikes, allowed me to shift our policies in the direction that I wanted [with the Shadow Cabinet], following rather than leading opinion in the country…now that we could and should obtain a mandate to clip the wings of the trade union militants.[47]

However, the contents of the Conservative Party Manifesto in April 1979 with regards to trade union relations and legislative proposals were not – as Thatcher's post-event rationalisation might suggest – 'the result of careful and detailed work coming to fruition in time for the election', but rather 'of opportunism and the exercise of political instinct on Thatcher's part, prompted by continuing strike action and the prospect of a major parliamentary debate after the Christmas/New Year recess'.[48] Thatcher's final conversion to trade union reform can be tracked and calibrated to a very narrow timeframe: starting with the trailing of the three new legislative proposals to Callaghan to limit union powers[49] in her speech in the House of

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[44] Thatcher, *The Path to Power*, pp. 435–8.
[45] Ibid., p. 436.
[46] Ibid., p. 438.
[47] Ibid., p. 435.
[48] Caines, *Heath and Thatcher*, p. 244.
[49] These were: funding of secret ballots, restrictions on secondary picketing and no-strike agreements in the public utilities. See *Parliamentary Debates* (House of Commons), fifth series, vol. 960, cols 1524–6, 1538–9, 1540, 1541, 16 January 1979.

Commons on 16 January 1979 and the Conservatives' Party Political Broadcast (PPB) the following day on 17 January, which confirmed her party's commitment to trade union reform. Moving the Shadow Cabinet's still Heathite centre of gravity on industrial relations would take the catalyst of a significant exogenous event. The crisis of the 'Winter of Discontent' undoubtedly provided that catalyst. The rest of this chapter will examine the key drivers of the change in the Conservative Party's stance on industrial relations from the autumn of 1978 to early January 1979 when the Conservatives first committed to legislative changes to restrict the power of the unions, initially in the form of its cross-party offer to the Labour Party. It will analyse the key individuals within the Shadow Cabinet and Party hierarchy who were Thatcher's key allies in this policy area. The chapter also attempts to analyse Thatcher's own views and beliefs on the 'trade union problem', as distinct from her more cautious and emollient public pronouncements – an often near-impossible task. It will examine what exactly it was about the crisis that became known as the 'Winter of Discontent' that made it a powerful catalyst to re-frame the debate on trade union power and precipitated the process to remove the traditional legal immunity of the trade unions. Whether these events were a more potent force for change than the emergence and adoption of Neo-Liberal thinking will also be considered.

6.3 Shadow ministers and advisers

Thatcher cited two shadow ministers as her allies in her account of 'seizing the initiative' on policy: Keith Joseph and Geoffrey Howe. Both were active in the field of industrial relations during the latter part of 1978 and the beginning of 1979, but particularly Howe. Although he was shadowing the Chancellor, Denis Healey, on economic matters, Howe had strong credentials on trade union reform that pre-dated his election to Parliament as a young QC when he co-authored *A Giant's Strength* and was involved with the Bow Group in the 1950s. As discussed in Chapter 3, he was the leading draughtsman for Robert Carr of the IR Act 1971 and although, in common with the rest of the Parliamentary Party, he was damaged and traumatised by its failure and the Party's subsequent electoral defeat, he maintained his interest in the area of industrial relations, as is clear from his notes and press cuttings in his personal files.[50] From these, it is evident that despite his Party's retreat from legalism after the failure of Heath's reforms, Howe did not abandon his belief in some form of legalism to bring the unions within the law.[51] Howe was less wary of examining and debating the 'union problem'

[50] BOD, MSS Howe Papers Box 8 contains many loose press cuttings and numerous notes related to industrial relations.
[51] BOD, MSS Howe Papers Box 8, letters to Stephen Abbott.

than other Shadow Cabinet members, even Keith Joseph, who, as will be discussed later, pronounced outspokenly on union matters usually at the instigation of – and scripted by – Alfred Sherman. Howe, by contrast, appears to have been more consistently drawn to industrial relations, normally with more measured and temperate interventions compared to those of Joseph. Despite this, as discussed in Chapter Four, Howe had still earned a fierce rebuke from Thatcher as late as January 1978, in her scrawled marginalia: 'Geoffrey, this is not your subject. Why go on with it – the press will crucify you for this.'[52] However, later that year, Howe had obtained Thatcher's agreement to speak out more vigorously on some of the main themes raised by John Hoskyns and Norman Strauss in their Stepping Stones initiative.[53] This was probably in response to the growing sense of frustration expressed by Hoskyns and Strauss to Thatcher at Prior's continued reticence to take a firmer line with the 'union problem'. Although in July 1978, Prior had followed some of the lines agreed with the Stepping Stones team, his speech largely focused on what a Conservative government would *not* do in the field of industrial relations.[54] A few months earlier, on 22 May 1978, Hoskyns and Strauss had met with Thatcher and

> …openly discussed the possibility of firing Jim [Prior]…we explained that the whole strategy is hopeless with such a deadweight of obstruction…she was not too put out by it. I think she sees Jim as a disaster in the context of any really intelligent and resolute plan for recovery.[55]

Two weeks after Prior's speech on 20 July, Howe – this time clearly with his Leader's permission – embarked on a schedule of public speeches, all addressing the 'union problem'. Howe's papers reveal a busy programme of drafting and delivering these speeches all over the country, starting with a speech to party workers at CCO on 7 August 1978, focusing on David Basnett's (and other union leaders') formation of a Trade Union Committee for a Labour Victory. In the coming months from August to November, Howe gave speeches in Kirklees, Blaby (Nigel Lawson's constituency), Wallsend and the West Midlands. Howe was not known for his powers of oratory, and the pace and intensity of this schedule were unusual. It is clear from Howe's notes and Hoskyns' memoirs that this flurry of activity was designed to implement the strategic objective of the Stepping Stones project: to start a public debate about the 'union problem'. It appears that Howe wrote his own speeches, which were clearly

[52] CCA, Thatcher MSS: THCR 2/1/3/39, Sir Geoffrey Howe, Draft Speech on Trade Unions (MT 'the press will crucify you for this'), 11 January 1978. Available at MTFW 109796.

[53] Caines, *Heath and Thatcher*, p. 217.
[54] Ibid.
[55] Hoskyns, *Just in Time*, p. 67.

informed by the notes prepared by Hoskyns and Strauss, with whom he shared his drafts. For instance, in his first speech on 6 August to Party workers at Central Office – attacking the newly launched Trade Union Committee for a Labour Victory – he said that while union leaders could electioneer in their personal capacity, they 'certainly have no right to claim that they are doing so on behalf of their members, when millions…hold quite different views'. He noted that by doing so, they were seeking to impose a 'closed shop on electoral choice'.[56] Hoskyns considered with a degree of satisfaction that this reference to the Closed Shop was 'a phrase suggested by Norman [Strauss]'.[57] Most of Howe's speeches from early August to the end of November focused on the agreed lines of attack contained within Stepping Stones: a portrayal of the over-powerful trade union leadership as being undemocratically elected with views not representative of their membership. He cited the number of members of different unions who had contracted out of paying the political levy to Labour and argued that the 'mythology…of the Labour movement'[58] needed to be unravelled because it was corrupting the collective bargaining process, and it was now time to expose the damage it was doing to the UK economy.

As previously agreed by the Stepping Stones Steering Group, Howe was careful not to attack the membership or the principles of the trade union movement. Instead, he focused on its leadership and the over-mighty 'union barons'. In his speech in Wakefield on 15 September 1978, Howe returned to the theme that the Labour Movement did not represent the views of its membership. He trained his sights on David Basnett, the leader of the GMBU and, at that time, Chairman of the TUC General Council, citing the influence that the 150,000 members – out of a total membership of over one million – who voted for him would have and the power they would wield at the upcoming Labour Conference via the block vote.[59] The identification of Basnett as a suitable 'scalp' was undoubtedly part of the Stepping Stones strategy.[60] When Basnett took the bait by launching a personal counter-attack on Howe, Strauss immediately secured agreement from William Whitelaw to issue a statement supporting Howe – 'provided Norman and I would draft it, which we did'.[61] Unlike in 1977 when Howe had spoken out about the unions during the Grunwick dispute and created the impression of a divided Shadow Cabinet, this time he was 'robustly supported by Whitelaw, widely assumed to be more of a

[56] BOD, Howe Papers, Howe SP8: *Speech at Conservative Central Office*, 7 August 1978.
[57] Hoskyns, *Just in Time*, p. 69.
[58] BOD, Howe Papers, Howe SP8, Speech at Conservative Central Office, 7 August 1978.
[59] BOD, Howe Papers SP8: Speech to Kirklees Chamber of Commerce, Wakefield, 15 September 1978.
[60] Almost certainly because Basnett and his union were known to be close to Jim Callaghan.
[61] Hoskyns, *Just in Time*, p. 69.

dove on the union issue',[62] and thereby negating the accusation of a divided opposition. The public spat with Basnett continued to generate media interest and debate, ultimately leading to the very long letter from Howe (written by the Stepping Stones team) published in *The Times* on 28 September, as described in Chapter 5. Howe was also able to include issues from developing events to his advantage in his programme of speeches. At the end of November, he attacked the Government's failed attempt to impose sanctions on Ford for breaching the 5% pay ceiling, calling it 'wrong-headed, arbitrary and unjust'. He also questioned why the government had not pressed for secret ballots before the strike was declared.[63]

Encouragingly – at least from Hoskyns' perspective – Howe's interventions garnered attention from the broadsheet newspapers, reporting on his 7 August speech accusing union leaders of imposing an 'electoral closed shop' on voters, and Whitelaw's supportive statement following his Wakefield speech. Some also covered the subject in their Op Eds. These were precisely the 'Thinkers' that Strauss had in mind in his *Appendix A* to *Stepping Stones*. Hoskyns noted the 'good coverage of Geoffrey's speech of 7 August in *The Guardian* and *The Times*, and a second leader in *The Telegraph'* and that 'the press reaction to Willie Whitelaw's statement was distinctly encouraging, with *The Guardian* quoting from it at surprising length'. David Wood, Political Editor of *The Times*, linked 'the Whitelaw statement to the Prior and Howe speeches'.[64] For Hoskyns, who likened his efforts to persuade Jim Prior to start a public debate about the role of trade unions to 'banging our heads against a brick wall', Howe's interventions were very important. He observed that the 'press seemed to sense that an adult debate was at last beginning about a subject that worried many people' and crucially, 'we had begun…to loosen Jim Prior's monopoly of speeches on the trade union issue'.[65] Although he did not mention this, it is clear that Howe was now speaking out on the 'union problem' with the permission of his Party's leader and the public support of her deputy, Willie Whitelaw.

Besides Howe, Thatcher later referenced the role of Keith Joseph when she 'seized the initiative' in January 1979 in her union assault. This is not surprising: through the CPS that he co-founded with Thatcher, Joseph had introduced her (and the Party) to Alfred Sherman, a vituperative anti-union thinker, and John Hoskyns and Norman Strauss, the architects of the Stepping Stones strategy. When asked about Joseph's contribution during the period leading up to her arrival in Downing Street in 1979, Thatcher replied that it was 'Keith who really

[62] Ibid.
[63] BOD, Howe Papers, SP Box 8: Statement of 28 November 1978.
[64] Hoskyns, *Just in Time*, pp. 69–70.
[65] Ibid., p. 69.

began to turn the intellectual tide back against socialism. He got our fundamental intellectual message across to students, professors, journalists, the "intelligentsia"'.[66] He had developed a formidable reputation with the Party as an original thinker and for public speaking, particularly to hostile audiences at universities and polytechnics: 'his zeal as a public speaker became almost a standing joke'.[67] He was seen by his admirers as a 'brave' speaker, particularly when the Conservatives were in opposition. Being in opposition seemed to suit Joseph better than government, when he appeared to be subsumed by his departmental team of civil servants.

However, to many in his own Party, Joseph's speeches were often a liability. Even if unintentionally, his critiques of the post-war settlement and his own *Mea Culpa* in it touched on many important issues: the true cost of inflation and the role of governments in controlling it, the nature of modern unemployment versus its pre-war counterpart and the notion that social problems and deprivation can be transmitted from one generation to the next in a 'cycle'. As we now know, many of these speeches were extensively written by Alfred Sherman, whose hyperbolic style ensured they would catch the attention of the media.[68] However, they also caused Joseph's party and his colleagues significant embarrassment. Joseph's three speeches between the two General Elections of 1974 were felt by many to have contributed to the Conservatives' second defeat in October. His infamous speech delivered in Edgbaston just after the October defeat – and the storm it generated – ended any pretence he might have had to lead his Party. His first major set-piece speech under Thatcher's leadership was at her first Party Conference and was 'a CPS composite exercise',[69] rejecting the 'middle ground' on the basis that 'we don't choose it…we don't shape it. It is shaped for us by the extremists.' Employing a metaphor often used by Sherman, Joseph spoke of a socialist 'ratchet' effect whereby each time Labour had been in office, they had moved things further to the left towards greater statism.[70] This thinking undoubtedly chimed with Thatcher's outlook, particularly her rejection of 'common ground' and collectivism. However, after his speech in October 1975, Joseph focused his seemingly inexhaustible energies on a different type of public speaking on the university circuit. Over the next three and a half years, he made 150 speeches at universities and polytechnics proclaiming, as he called it, the 'moral case for capitalism' to large – and invariably hostile – audiences 'of convinced statists if not socialists'. Somewhat perversely,

[66] Quoted by Morrison Halcrow, *Keith Joseph: A Single Mind* (London, 1989), p. 97.
[67] Ibid.
[68] Seven of these keynote speeches were re-printed in: Keith Joseph, *Reversing the Trend: A Critical Re-appraisal of Conservative Economic and Social Policies* (Chichester, 1975).
[69] Halcrow, *Keith Joseph*, p. 102.
[70] Ibid.

Joseph greatly enjoyed this 'self-inflicted misery' and the cut and thrust of debate. The speeches he delivered 'were not speech-writers' jobs…he used the same basis and improvised when he got to the hall'.[71]

Joseph acted as the gatekeeper to John Hoskyns and his Stepping Stones project. Joseph remained Hoskyns' constant ally, although Hoskyns often found him deeply frustrating. Joseph's character was, by common consent, a mass of contradictions: hugely energetic, but often unable to focus on important matters with a butterfly mind that flitted from topic to topic, and prone to upsetting his colleagues, who were often caught off guard by his pronouncements. Ironically, given his status as the Party's leading thinker, he was prone to vacillation and inconsistency, and susceptibility to articulating the intemperate views of others, specifically Alfred Sherman. Sherman was distrusted and disliked by many in the Shadow Cabinet. Even Thatcher was careful to maintain her distance from him, despite agreeing with many of his anti-socialist instincts. However, regarding industrial relations, Joseph's consistent attitude during this period, which mirrored the prevailing view in the Shadow Cabinet, was that it would be 'a mistake for the Party to go into the next general election pledged to union reform of any kind that the public would see as likely to lead to U-turns and panics'.[72] However, he made two public interventions on the subject in 1977 about the Grunwick dispute. In both cases, Sherman persuaded Joseph to get involved,[73] and in a speech delivered in Doncaster in June 1977, Joseph denounced the 'Marxist and the thugs' with their 'fraternal party links with the concentration-camp regimes of Eastern Europe'[74] in florid language that clearly flowed from Sherman's pen.[75] As Sherman recorded, with a certain amount of satisfaction, 'Joseph was fiercely criticised for his intervention. Strictly speaking, these matters were the responsibility of James Prior…but the speech had immediate effects – in the media, in Parliament and on public opinion.' The speech probably ruffled more feathers in the Shadow Cabinet than the effect it had on public opinion. His second intervention, three months later in September – again drafted by Sherman – on the Scarman Report had a similar effect. It first questioned whether the use of the Industrial Court[76] was appropriate if it was 'the Government's main reaction to violence

[71] Ibid., p. 104.
[72] Caines, *Heath and Thatcher*, p. 219.
[73] Speaking of the first intervention during the strike, Sherman wrote, 'I persuaded Keith Joseph to take a hand…as I believed that much more was at stake than the fortunes of a single factory.' See Sherman, *Paradoxes of Power*, p. 99.
[74] Keith Joseph, Speech at Doncaster Racecourse restaurant, 24 June 1977.
[75] Ibid.
[76] The Industrial Court, chaired by Lord Scarman, had been asked to review the implications of the Grunwick strike.

on the streets…which then produces a report favouring the party for whom the violence was used…may not the Government…have made the situation worse'. His intemperate language attacking Scarman's report (and therefore, by implication, the work and the independence of the judiciary) was 'flawed…slipshod…naïve', and 'glossed over the violence and the illegality' of the unions.[77] Once again, Sherman's bellicose words landed Joseph in trouble with his Shadow Cabinet colleagues. For the second time in three months, Prior was angered by Joseph trespassing onto his industrial relations patch and was quoted in a newspaper article entitled, 'Prior pushes Tory rift over unions into the open' that 'the unions know that *I* [his emphasis] speak on behalf of my colleagues in the Shadow Cabinet'.[78] It also greatly upset Lord Hailsham, then a Shadow Minister without Portfolio, who had crossed swords with Joseph several times in the past. He drafted[79] a stern letter to him remonstrating with him for his discourtesy to the judiciary in general, and to Scarman in particular, and for using language 'normally associated with Michael Foot and with socialist speakers'. He also blamed Joseph for wrecking Prior's emollient and patient approach to the unions, causing the 'trade union stags he has been stalking for so long [to] gallop wildly away over the skyline'.[80]

Following the Shadow Cabinet furore caused by Joseph's attack on Scarman in September 1977, Joseph adopted a lower profile on the 'trade union problem' and did not intervene again until early in 1979 when the 'Winter of Discontent' was already underway. Hoskyns noted that in the previous summer (1978) when Howe's programme of public speaking was being planned, 'as agreed, Keith himself was keeping right out of the debate at this stage'.[81] However, in early 1979, 'Keith, who had deliberately kept a low profile on the union…should now enter the debate' and that 'his speeches were to be intellectually substantial, but politically controversial'. Hoskyns described how he had been 'cranking the Stepping Stones motor for a year and had only managed to get it to fire fitfully on one or two cylinders', but with the 'Winter of Discontent' in full swing, 'suddenly the trade union debate was beginning to open up with articles and leaders on the subject in every newspaper'.[82] Crucially, Hoskyns had decided to stop Sherman from drafting lectures, noting: 'I started preparing the first draft of a speech –

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[77] BOD, CPA KJ papers (LCC file), Speech at Hove Town Hall (attacks Scarman Report on Grunwick), 1 September 1977. Also available at MTFW 111945.
[78] James Prior directly quoted in the article, 'Prior Pushes Tory Rift Over Unions Into Open', *The Guardian*, 12 September 1977.
[79] It appears that the letter was never sent to Joseph, but the draft also appears in Thatcher's papers, suggesting she might have verbally cautioned him.
[80] CCA, Hailsham MSS (1/1/11), Draft letter to Joseph, 16 September 1977.
[81] Hoskyns, *Just in Time*, p. 69.
[82] Ibid., p. 81.

really a lecture – for Keith to deliver.'[83] This lecture, finally delivered to the Bow Group on 5 February 1979, was published by the CPS under the 'cumbersome but accurate title',[84] 'Reforming the Trade Unions is the key to solution of Britain's economic problems.'[85] The bulk of the initial drafting was clearly done by Hoskyns (as is evident from a comparison of the final text with the sections of the first draft in Hoskyns' diary for January 1979), and while Sherman was evidently in the background,[86] the speech lacks Sherman's typical invective. This time, a final draft was sent by Joseph to Thatcher, copied to Prior, inviting 'any further action?' to which Thatcher responded, 'No, we went through it on Sunday.'[87] Interestingly, Chris Patten of the CRD had previously responded to Joseph's draft and, while 'admiring the trenchant style in which it is written', had nevertheless found the 'political message a little confusing' and felt that 'it contains a number of mines quite large enough to blow you out of the water'.[88] The final speech – without Sherman's direct intervention – probably came as close to representing Joseph's real views on the 'trade union problem' and for that reason alone (and despite being, in Hoskyns' words, 'heavy-duty stuff'), it is revealing. Most of the lecture was devoted to diagnosing the union problem in the form of a series of questions: 'Shall we ever cure inflation? Why won't the unions bargain responsibly? How do we break out of the trap?' and so on. Shorn of Sherman's usual hyperbole, Joseph's diagnosis – while familiar – appeared to be balanced and reasonably fair: the unions could 'react only to the framework within which they operate', given they had been 'uniquely privileged for several decades', which 'seemed designed to ensure that a strong union can almost always win any dispute' and 'in a trade dispute most things seem permitted'. In turn, this has created 'a militants' charter' that had 'driven moderates underground' and given 'a supreme opportunity to the left-wing minority whose instincts are destructive'. Amid 'growing confusion…shop stewards disregard union officials…workers start to distrust shop stewards'. Joseph painted a picture of trade union leaders being trapped in a quasi-prisoners' dilemma where 'to ask one union to sacrifice its own interests "for the national good" without guarantee that others will do likewise' was unrealistic and that 'we cannot expect a union leader to choose unilateral disarmament on behalf of its members'. He

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[83] Ibid.
[84] Ibid., p. 86.
[85] Keith Joseph, *Solving the Union Problem is the Key to Britain's Recovery* (London, 1979).
[86] For example, Hoskyns records a meeting to discuss the trade union issue that he arranged on 3 January 1979 between the Stepping Stones team and Enoch Powell at the CPS office in Wilfred Street. See Hoskyns, *Just in Time*, p. 82 for an account of this meeting.
[87] CCA, Thatcher MSS: THCR2/1/1/39, Sir Keith Joseph to MT (encloses draft speech on unions), 27 January 1979. Also available at MTFW 111880.
[88] See Hoskyns, *Just in Time*, p. 85 for reference to the comments in this letter. For original letter, see CCA, Thatcher, THCR (2/6/1/229), Chris Patten to Keith Joseph, 19 January 1979.

absolved the unions from causing inflation,[89] but referring specifically to Callaghan's 5% pay limit, which he termed 'crude one-track monetarism', Joseph asked whether union leaders knew that money supply growth targets had been set in the 8%–12% range and that given 'monetary growth has in fact been at over 12% annually for many months, how can they accept a 5% limit?'[90]

However, while Joseph's summary of the 'union problem' was well-argued and couched in relatively moderate and persuasive language, 'having diagnosed the disease, he had no specific medicine to prescribe'.[91] This seems extraordinary, particularly since he was speaking in the middle of the 'Winter of Discontent', when the Conservatives were about to propose to the Government a cross-party agreement on legislation to outlaw secondary picketing, the introduction of postal and secret ballots on elections and trade disputes, and changes in the law on the Closed Shop and no-strike agreements in the essential services' sector. Joseph's 'solutions' conveyed a sense of continued uncertainty and political nervousness – even from a member of the Shadow Cabinet thought to be the most hawkish on the subject. The 'stepping stone to recovery' he argued was 'the reduction of union power' and there was a need to change both 'the framework' and the 'rules of the game'. He cautioned that the 'legal and administrative difficulties' would be 'formidable' and people would have to understand their rationale as 'it is rarely – except *in extremis* – prudent to pass laws unless the majority of people understand the need for them' and 'this debate is, therefore, an essential prelude to practical action…we need a peace conference, not a charge of the Light Brigade, or the Right Brigade either'.[92] When discussing the draft of his speech with Thatcher and Prior, Joseph had described its purpose as emphasising 'that even the changes in the law, which we now in general propose, will be difficult without careful analysis and discussion'.[93] In Caines' words: 'It is difficult to see how after almost four years of "careful analysis and discussion," more could…be needed'.[94] It was as if the Party's leading thinker still had little faith or confidence in his own ideas. Perhaps the most telling verdict on its inconclusiveness was that delivered by the 'Thinkers'. Hoskyns recorded in his diary that Joseph's speech – intended to be 'politically controversial'

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[89] Joseph believed that it was caused by governments and their control of the money supply. See his Preston speech of 5 September 1975, 'Inflation is caused by Governments', in Keith Joseph, *Reversing the Trend*, pp. 19–33.
[90] Joseph, *Solving the Union Problem*. This pamphlet is available on the MTFW at https://archive.margaretthatcher.org/doc01/393567B88FD74565A13F0851C8AA3901.pdf.
[91] Caines, *Heath and Thatcher*, p. 223.
[92] Joseph, *Solving the Union Problem*, p. 12.
[93] CCA, Thatcher MSS: THCR 2/1/1/39, Keith Joseph to Thatcher enclosing draft speech, 27 January 1979 [depth of change needed above and beyond legal framework], Also available at MTFW: 111880.
[94] Caines, *Heath and Thatcher*, p. 223.

and to stimulate debate – received 'not a great deal of press comment, although Malcolm Rutherford attacked the speech in the *Financial Times'*.[95]

Although Thatcher only cited the input of two Shadow Cabinet colleagues, Keith Joseph and Geoffrey Howe, in her account of 'seizing the initiative',[96] other Parliamentary colleagues, several of whom were not yet in the Shadow Cabinet, argued for the need to reduce trade union power. Earlier, Thatcher had described populating the Stepping Stones main Policy Search Group with some of the 'more solid shadows',[97] including David Howell, Nigel Lawson and Norman Lamont.[98] Lawson, in particular, had been consistently vocal on the weakness of the Conservatives' claim that they could get on with the unions. He had considered it too defensive and that it would leave them vulnerable to 'the sort of thing we can undoubtedly expect from union leaders during the election campaign'. He felt that the Party needed to change their message about trade union leadership, but it had to do so without exposing any splits within the Party, recognising that a split on the union issue would be more damaging than any other. He concluded that the public would not have confidence in the Conservative Party unless it could demonstrate that it had confidence in itself. Lawson was an active participant in the Policy Search Group, including his interest in the German Concerted Action model of industrial relations. Nicholas Ridley, an aristocratic grandee (but without the typical One Nation, *Noblesse Oblige* manner of Gilmour), had written his three-page 'Confidential Annex' [sic] to the Nationalised Industries Policy Group that he headed in June 1977. The short document, which soon found its way into the media, was more of a tactical than a strategic blueprint. It anticipated an early confrontation between a future Conservative administration and the unions, and proposed five steps needed to secure victory. He did not propose legislative changes and the steps he proposed included: provoking a battle in 'a non-vulnerable industry where we can win', building up coal stocks in anticipation of a strike, keeping open particular docks, withholding benefits to strikers and creating a 'large, mobile squad of police' to prevent 'violent picketing…against the likes of the Saltley Coke-works mob'. These steps would 'enable us to hold the fort until the long-term strategy of fragmentation can begin to work'.[99] In his memoirs, Ridley described a view that was prevalent in the Party in opposition:

[95] Hoskyns, *Just in Time*, p. 86.
[96] Thatcher, *The Path to Power*, p. 435.
[97] Ibid., p. 421.
[98] All three were junior shadows and not yet members of the Shadow Cabinet.
[99] CCA, Thatcher MSS (2/6/1/37): Report of Nationalised Industries Policy Group (leaked Ridley Report), 30 June 1977. Available at MTFW 110795.

> Trade unions were like the weather: they were part of our environment and we couldn't change them…Jim Prior had no intention of carrying out any serious reforms of trade union law, despite the fact that the trade unions were clearly holding industry to ransom owing to the privileges and immunities they had been allowed under the law.[100]

Of Jim Prior, Ridley wrote: 'Why she [Thatcher] kept him on has always eluded me…presumably she was content while in Opposition not to stir up either the trade unions or Jim Prior.'[101]

Several backbench MPs involved in the Grunwick dispute also spoke out on what they viewed as intimidation by the unions against staff who remained at work. As discussed in the previous chapter, Norman Tebbit (who became a key part of Thatcher's assault on the unions when he replaced Prior as Employment Secretary in September 1981, but was not yet in the Shadow Cabinet) had unhelpfully referred to the policy of 'appeasement' towards the unions in a newspaper article during the height of the Grunwick dispute as being on a level with 'the morality of Laval and Petain'.[102]

6.4 'Seizing the initiative'

The timing of the transformation of the Conservatives' policies on trade union reform can be precisely located to the first two weeks of January 1979: from Thatcher's interview on *Weekend World* with Brian Walden on 7 January until the emergency debate in the House of Commons on the industrial situation (requested by the Conservatives)[103] on 16 January 1979 and the PPB that had already been scheduled for the following day, 17 January. By the time the PPB was aired, the Conservatives were committed to a legislative programme of trade union reform that would be reflected in the 1979 General Election Manifesto. These were the proposals to make secondary picketing illegal and to review trade union immunities in this area. A statutory code was to regulate the setting up of new Closed Shop agreements, with the right to appeal to a court of law for employees arbitrarily expelled or excluded from a union, with compensation payable to those who lost their jobs as a result. Finally, secret ballots for union elections and 'other important issues' would be required, which would be paid for from public funds. That this programme was approved by the Shadow Cabinet was, in many ways, remarkable, given

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[100] Nicholas Ridley, *My Style of Government: The Thatcher Years* (London, 1991), pp. 14–15.
[101] Ibid.
[102] *The Times*, 15 September 1977.
[103] Thatcher wrote to Callaghan requesting the debate on 10 January after she had given the *Weekend World* interview to coincide with his return from Guadeloupe on 11 January. See CCA, Thatcher MSS: THCR, Letter to the Prime Minister (demanding debate). Only available at MTWF 103921.

its previous resistance and adherence to Prior's 'softly, softly' approach. The reason was the power of the recent events and Thatcher's eye for political opportunism and identifying a suitable window of opportunity to seize the moment, on a rising tide of public opinion against the trade unions that she – almost uniquely – had identified.

The narrative of the events in the short period in early January 1979 broadly concurs with Thatcher's own account in her memoirs. While she makes some reference to her efforts to ensure that she brought her Shadow Cabinet, and particularly Shadow Employment Minister, along with her, it certainly understates her difficulties and the jeopardy she faced, and the restraints she encountered from her own advisers and close associates. Thatcher later recalled how she had spent the Christmas break 'watching the crisis build up'.[104] It is clear that she was already convinced that the key battleground in the new year was going to be industrial relations. This was reflected in her reading over the Christmas break: 'the various Policy Group papers on union questions…[and] a bulging file of briefing from the press and interested outsiders'. She also 'spent many hours studying a textbook on industrial relations law and went back to the original Acts of Parliament, reading through the most important legislation since 1906'.[105] Thatcher's choice to re-examine the subject from first principles of the original legislation and a legal textbook was surely recognition by her of how tangled and contested industrial relations had become for her Party. It was undoubtedly the ground on which the Conservatives were the least secure, where policy was most unsettled and where the splits between Thatcher and her close associates and the majority of her Shadow Cabinet were the greatest.

Thatcher's personal position was far from strong and while Callaghan's decision not to call an autumn election had handed the Party a temporary reprieve, the polls had started to move in Labour's favour: in November an NOP poll had given the Conservatives a 3% lead, but any satisfaction that Thatcher might have derived from that would have been punctured by its rise to 14% when respondents were asked the same question on the basis of Ted Heath being leader.[106] In late October, Labour had retained a marginal Scottish seat, Berwick and East Lothian, with an increased majority and by December, Labour were marginally ahead in most national polls. Thatcher told one of her Christmas party guests, the journalist Bill Deedes, that

[104] See Thatcher, *The Path to Power*, pp. 423–30 for her detailed account of the period leading up to the emergency debate on 16 January 1979.
[105] Ibid.
[106] Charles Moore, *Margaret Thatcher: The Authorized Biography: Volume One*, *Not for Turning* (London, 2013), p. 396.

she had endured 'the worst two months' of her time as Leader.[107] The dissenting voices within the Party showed no sign of abating: the 1978 Brighton Conference had been overshadowed by Ted Heath's intervention on the dangers of free collective bargaining on inflation, and Prior had further muddied the waters by suggesting that a statutory incomes policy might be put in place 'under certain circumstances'. Thatcher, whose own speech had been considered 'slightly weak' by the rank-and-file attendees, was forced to contradict Prior's suggestion of an incomes policy on BBC television.[108] Just before Christmas, Thatcher believed that she had finally persuaded her Employment Shadow – whom she described as being always 'well placed to veto the development of new policy on trade union reform' – to accept the policy of providing state funds for unions voluntarily holding secret ballots. She noted that 'this amounted to very little…to the average voter our policy on secret ballots would have been very hard to distinguish from Labour's'.[109] Nonetheless, in a BBC radio interview with Robin Day on 3 January, Jim Prior firmly rejected any suggestion of compulsion for secret ballots as 'not something you can make compulsory in any way' and on the subject of the Closed Shop, Prior stressed that 'we want to take this quite quietly'.[110]

When Thatcher resolved to 'seize the initiative' in New Year 1979, she was, in effect, seizing it from her own colleagues in the Shadow Cabinet, as much as from the unions or the Labour Party. It is very clear that her decision – and its timing – were driven by unfolding events. As she later recalled, 'the industrial situation was changing so fast that it was becoming more and more difficult to keep up to date': the effects of the tanker drivers' overtime ban and the beginnings of the road hauliers' dispute were already very evident in the first week in January. Callaghan was still abroad at the Strategic Arms Limitations Talks (SALT) conference and had not yet made his ill-judged statement at Heathrow on his return from Guadeloupe,[111] which spawned the notorious 'crisis' tabloid headlines. However, after consulting with Alfred Sherman and Gordon Reece, the decision was made to bring forward the planned *Weekend World* interview with Brian Walden by a week.[112] This interview – entirely about industrial relations – would fire the starting gun for the Conservatives' shift in industrial relations policy.

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[107] Ibid.
[108] *Tonight*, BBC1, 10 October 1978.
[109] Thatcher, *The Path to Power*, p. 423.
[110] Ibid, p. 424.
[111] On the morning of 11 January 1979.
[112] Originally booked for 14 January.

Thatcher later admitted that she used her interview with Brian Walden, a former Gaitskellite Labour MP with whom she enjoyed a good personal relationship, to 'run through a shopping list of possible changes, which naturally moved them higher on the agenda than some of my colleagues really wanted'. However, she was 'careful not to commit us firmly to individual measures before they had received proper consideration'. This was somewhat disingenuous: in fact, the only measure that had been discussed and agreed by the Shadow Cabinet (and already announced by Prior) was the provision of public funds for unions to hold secret ballots before strikes, on an entirely voluntary basis. However, during the interview Thatcher hinted at compulsion if required, and the possibility of legislation to withhold Social Security benefits for strikers' families unless there had been a strike ballot, the possibility of subjecting short-term Social Security benefits to taxation, restricting strikes in essential services and a right of appeal to the courts for people who faced losing their jobs for refusing to join a Closed Shop. She also floated the idea of a referendum, noting:

> I've had a study group on it…we haven't made a final decision on its recommendations, but all the recommendations are there for everyone to read…and they suggest that we do in fact have a general enabling power for referendum in a bill when we return.[113]

This was, in fact, completely untrue: the recommendations of the study group were not there for everyone to read nor was it the definite recommendation of the Authority of Government Study Group that discussed it. In his introduction to the interview, Walden appeared to be providing Thatcher with the prompts she might need, noting that she had recently appeared to be 'about to unleash a new campaign' with 'some new proposals in mind' and that she had been 'hinting that she might try to reduce the power of the unions'. Thatcher, for her part, agreed that: 'We do have new ideas in the Tory party, we have a lot of them and they are relevant.' Crucially, when challenged by Walden that any plans to tax strikers' Social Security payments would require legislation, Thatcher responded: 'Oh indeed, but ah…why do you think I'm flinching from legislation?'[114] In the course of a 45-minute interview, Thatcher had, in effect, signalled her Party's commitment to industrial relations legislation and 'socialised' a range of potential options that a future Conservative government might adopt, some of which were never seriously considered again but several of which were incorporated into the 1979 Conservative Manifesto. The following day, Prior gave his reaction on television to the interview, saying that nothing had been agreed about cutting Social Security benefits for

[113] *Weekend World*, LWT, 7 January 1979. Transcript available at MTFW 103807.
[114] Ibid.

strikers and that he opposed compulsory strike ballots. However, as Thatcher later noted, 'Others reacted more positively. I had broken ranks. People could see that I was going to fight. Offers of support, information and new ideas began to flow into my office.'[115] Without doubt, Thatcher would have been heartened by this reaction, taking it as further evidence that events and popular opinion were running in her favour. It probably emboldened her in the face of the upcoming Parliamentary debate on industrial relations on 16 January[116] and the PPB that had been pre-scheduled for the following evening. Three days after her *Weekend World* interview, in a letter to Hugh Thomas, the former Communist historian who was then Chairman of the CPS, she wrote that if she had 'one resolution for the New Year [it] is that I should not part from my convictions by one iota – nor should I fear the reaction of the so-called Liberal Establishment to what I have to say'.[117] Perceiving herself to be on the right side of public opinion was very important to Thatcher, particularly at a time such as this when her position within her Shadow Cabinet was deceptively weak.

The next two weeks – from 8 January to 20 January 1979 – represent the crucial period when the Conservatives committed to introducing new legislation to reduce trade union power should they be elected at the next General Election. The minutes of the Leader's Steering Committee meeting of 20 January record in a rather understated way as the last point of the meeting that, 'when we came to revise the Manifesto draft it would be necessary to give greater emphasis to the problem of union power and our proposals for remedying that problem that we had in the draft the previous autumn'.[118] To paraphrase Hugo Young's words, the events of the 'Winter of Discontent' had finally settled the Conservatives' most contentious policy dispute. The process by which the Party and its Leadership reached that point over the previous two weeks was itself fraught and contentious, with Thatcher's preferred strategy of how to maximise the crisis to its full political advantage being effectively overruled by her advisers in favour of a more bipartisan approach designed to convey a sense of political selflessness and statesmanship. The result of this approach can be seen in Thatcher's statement in the emergency debate on the industrial crisis on 16 January and the script for the PPB. These should be seen as inextricably linked: the original script prepared for the PPB was abandoned in favour of a completely new script solely focused on the industrial crisis, essentially replicating the tone

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[115] Thatcher, *The Path to Power*, p. 425.
[116] The Conservatives had requested a Parliamentary statement from the Prime Minister and a debate on the industrial crisis for this day, which was the second day of business following the Christmas recess.
[117] CCA, Thatcher MSS 2/6/1/230, Letter to Hugh Thomas of the Centre for Policy Studies.
[118] CCA, Thatcher MSS 2/6/1/233, 62nd Leaders Steering Committee, 22 January 1979. Also available at MTFW 109843.

and content of Thatcher's House of Commons speech. It contained her 'offer' to Callaghan to co-operate with the Government on a bipartisan basis to introduce three new proposals to limit union power: 1) publicly funded secret union ballots, 2) ending secondary picketing, and 3) instituting no-strike agreements in the public utilities. The key document agreeing this approach and the offer (therefore *de facto* committing the Conservative Party and the Shadow Cabinet to this legislative programme) is the minutes from the 61st meeting of the Leader's Steering Committee held on 15 January 1979.[119] This represents the signing off of the strategy agreed during the previous week between Thatcher and her close associates (some of whom, such as Lord Thorneycroft, were also members of the Steering Committee) and her other advisers. Thatcher's memoirs allude to the fierce internal debate in the previous week that led to the agreed strategy, but significantly underplay it. It is very clear from other sources, including several of the leading actors involved in those discussions, that Thatcher was persuaded to abandon her original instincts and adopt an alternative strategy about which she continued to have considerable doubts and misgivings.

Thatcher described her preparations for her speech on 16 January as being 'perhaps the most thorough I had ever made in an appearance in the Commons'. Her preparation took the form of drafting her own notes as, 'I always spoke better from notes…I worked on this speech as if it were a tax brief, amassing my sources, marking them up with coloured pens and drafting carefully a few pages of handwritten notes.'[120] It should be remembered that the background to her speech was the dramatic deterioration in the industrial relations landscape: the lorry drivers' dispute was, by then, official. By 15 January, secondary picketing by road hauliers at the docks was in strong evidence and parts of British industry that were especially vulnerable to a road hauliers' strike, such as food and retail distribution, were already warning about panic buying, potential food shortages and the effects on the welfare of farm livestock owing to the shortage of feedstuffs. Thatcher noted that 'sympathetic firms affected by the strikes sent telexes giving their latest news: the CBI was producing a daily briefing. Denis passed on a good deal that he heard; and we all scanned the press.'[121] As will be examined in the next section, the tabloid press covered the developments on their front pages, often to the exclusion of anything else, and *The Sun* had already run its infamous 'Crisis? What Crisis?' headline that was to define the 'Winter of Discontent'. Thatcher's original instinct – and one assumes

[119] Ibid.
[120] Thatcher, *The Path to Power*, pp. 426–7.
[121] Ibid., p. 427.

reflected in her drafted notes for her original speech on 16 January, although these no longer exist – was to make, in her words, 'a hard-hitting but essentially conventional speech…hammering the Government and demanding they change course'.[122] However, what clearly caught her off guard was a converging view from her advisers and close associates that this was not the right approach, and by the weekend of 13/14 January, they put her under heavy pressure to change tack. They argued that given the scale of the crisis, an offer of conciliation would be more electorally appealing and popular than traditional partisan aggression. Moreover, they considered it would be more disconcerting and unexpected, and therefore more lethal, to Callaghan. The advisers and colleagues who constituted the 'several people' who urged 'a different approach'[123] were: Lord Thorneycroft, the journalist T E Utley, Thatcher's speechwriter Ronald Millar, her image consultant Tim Bell from Saatchi and Saatchi, and Gordon Reece and Chris Patten from the CRD.[124] As Moore highlights, the composition of those advising her against making a partisan speech is notable: not just known centrists such as Patten and Thorneycroft who had been consistently negative on the Stepping Stones project, but also normally 'robust' loyalists such as Utley, Reece, Bell and Millar.

Thatcher was 'thoroughly grumpy about the whole idea, a fact that she partially conceals in her memoirs'.[125] She later recorded her objection 'for several reasons' to the offer of cooperation: her belief that it was the 'job of Opposition to oppose', that it was dangerous to make such an offer without having thought through 'whether we actually wanted it accepted or not' and that to stand any chance of it being accepted 'we would have to set our sights too low as regards the measures of reform' and finally that 'if the Government then did accept the offer, then we would have thrown away, for the time being at least, the opportunity of forcing it out of office'. However, by the conclusion of the Steering Group meeting on 15 January, Thatcher 'had come round to the idea' herself – a testament to her innate sense of political pragmatism. She was faced with the fact that her senior colleagues on the Steering Committee (including Prior, Whitelaw, Thorneycroft and Gilmour) also 'favoured a conditional offer', rationalising that 'since reforms were necessary, then if the government was prepared to introduce them, how could the Conservatives oppose them', but also by offering their help the Conservatives had 'enhanced our moral authority'.[126] Interestingly, in her retrospective justification of deciding

[122] Ibid.
[123] Ibid.
[124] Thatcher mentions some of these names, but others have been gleaned from other accounts and from Charles Moore's account.
[125] Moore, *Not for Turning*, p. 398.
[126] Thatcher, *The Path to Power*, p. 427.

to adopt a strategy of an offer of cooperation, Thatcher reiterated a point made to her by Ronnie Millar[127] at the time: that from now on 'Jim Prior and his supporters would find it impossible to refuse support to those same measures if and when a Conservative Government introduced them', concluding that, 'events are a powerful advocate'.[128]

Thatcher's speech on 16 January and the PPB the following night, both of which followed the brief agreed at the Steering Committee meeting, were deemed to have been very successful. Her speech was widely seen as one of her best performances to date in Parliament, earning a somewhat patronising congratulatory remark from Callaghan on her 'most effective performance…in a style of which the Right Honourable lady can be proud'. To the Conservatives' offer, Callaghan made no reply, leading Thatcher to conclude that 'he had been wrong-footed'.[129] Thatcher still felt uneasy about the PPB script and insisted that it was 'toughened'. Although it can be assumed that this was partly to make it less likely that the Government would take up the offer, it is telling that Thatcher noted that 'the higher profile we gave it, the more tightly it would bind reluctant colleagues and the more public support we would gain'. As so often during this period, Thatcher was channelling the public support that she believed existed for measures to reduce the power and influence of the unions – in contrast to the views of many of her Shadow Cabinet colleagues. On this point, she appeared to be vindicated. She concluded:

> The whole political atmosphere had been transformed…from trailing the Labour Party by several percentage points in the opinion polls before my interview with Brian Walden, we had now opened up a twenty-point lead. From being a liability, our perceived willingness to take on the trade union militants had become an advantage. Within the Shadow Cabinet, the opposition from people like Jim Prior and Ian Gilmour to the approach which Keith Joseph, Geoffrey Howe and I wanted was effectively silenced – for the time being at least.[130]

6.5 The role of the media and public opinion

Reflecting on this time in January 1979, Thatcher declared that she had felt that 'in some strange way I was instinctively speaking and feeling in harmony with the great majority of the population'. Her bold approach to the industrial relations crisis certainly indicates that she drew strength and determination from the belief that – almost uniquely among her Parliamentary colleagues – she had caught the wind of public opinion behind her. As she later wrote, 'such

[127] According to Charles Moore.
[128] Thatcher, *The Path to Power*, p. 428.
[129] Ibid., p. 429.
[130] Ibid., p. 430.

moments are unforgettable as they are rare', concluding with the somewhat hyperbolic statement that, 'they must be seized to change history'.[131] Certainly, although it cannot be conclusively proved, the Conservatives' plans for trade union reform contributed significantly to their election victory four months later. Whitelaw believed this to be the case, writing: 'We won, I believe, mainly on our proposals for trade union reform after the Winter of Discontent.'[132] This is more extraordinary given that over a relatively short space of time, the Conservatives' biggest electoral liability appears to have become a significant vote-winner. For this to have occurred, it follows that public opinion on trade unions must have also significantly shifted, particularly at a time when the proportion of the population belonging to a union reached an all-time high and accounted for half of the working population. This raises an obvious question: what was it about the 'Winter of Discontent' that hardened opinion against the movement – even among trade unionists themselves? To what extent was this influenced by the way in which the crisis was framed by the media, and particularly the tabloid press? Finally, what gave Thatcher the confidence to believe that public opinion had turned and was now running in favour of her own belief that the power of the unions needed to be reduced as a priority?

6.6 The media

The narrative of the industrial relations crisis that beset Britain from December 1978 until March 1979 was undoubtedly framed by the media, both print and televisual. One reason is that it provided journalists with many powerful visual images: 'men huddled around braziers',[133] queues of lorries being turned away by pickets at the docks, piles of uncollected rubbish sacks, empty supermarket shelves and rats in central London – all of which was set against the background of one of the hardest winters on record. By far the most emotive images and headlines of the crisis were generated by the public service sector strikes in January and February, such as the pickets outside hospitals. Many of these images and many of the stories that accompanied them in the tabloids were not representative of the lived experience of most people in the country. For instance, the strike by municipal gravediggers that gave rise to the *Daily Mail* headline 'They Won't Even Let Us Bury Our Dead', only affected a small number of local authority areas in Merseyside and Greater Manchester. However, as James Thomas's

[131] Ibid.
[132] William Whitelaw, *The Whitelaw Memoirs* (London, 1989), p. 157.
[133] A phrase subsequently used by Denis Healey about this period.

detailed study of the popular press in the 1970s shows,[134] the crisis created a great many opportunities for tabloid headline writers, and it was the same headline writers who first coined the term 'crisis' following Callaghan's misquoted remarks on his return to the strike-hit Britain from Guadeloupe.[135] 'A Labour Britain was presented as 'UNDER SEIGE', dominated by 'THE RULE OF FEAR'…with 'MILES OF MISERY' and 'CHAOS ON OUR SIDES'.[136] Even when Callaghan had returned from Guadeloupe, the same tabloids correctly identified a brief period of paralysis at the heart of Government – subsequently confirmed by several Labour advisers at the time, including Lipsey and Donoughue – with the headlines, 'Is ANYONE running Britain? WHAT THE BLOODY HELL IS GOING ON, JIM?'[137]

The role played by the media in conflating and even confecting the crisis is still fiercely contended, particularly by many who were involved, with a clear implication that the coverage of the crisis reflected more the political views and biases of their proprietors (and to some extent, their editors) than their readership. Space does not permit a detailed examination of this debate, but it is certain that by 1979, there had been a political reorientation of Britain's tabloid press. Analysis of the five leading British tabloid newspapers in 1979[138] shows that three favoured the Conservatives: the *Daily Express*, the *Daily Mail* and *The Sun*, with the latter officially transferring its allegiance from Labour to the Conservatives at the May 1979 General Election. The circulation of these three titles accounted for approximately 65% of the total daily circulation of 13 million for all tabloid newspapers. By 1980, the only outright Labour-supporting tabloid was *The Mirror* with a readership of 3.62 million (or approximately 29% of all tabloid readers), with the smallest title by circulation, the *Daily Star*, being politically neutral.[139] Historically, tabloid newspapers had often had to tread a careful line in their treatment and criticism of unions, taking care not to upset their own readers who were also trade unionists. In 1979, approximately 11 million workers were members of a trade union compared to an estimated total circulation for Britain's 'red top' and tabloid newspapers of around 13 million. Given the respective demographics of both groups, there was inevitably a large overlap. For this reason, even right-leaning tabloids were normally careful to aim their punches at the leadership of unions and the militants rather than at their rank-and-file.

[134] James Thomas, *Popular Newspapers, the Labour Party and British Politics* (Abingdon, 2005), pp. 61–87.
[135] Albert 'Larry' Lamb, Editor of *The Sun*, is usually credited with creating the 'Crisis? What Crisis?' headline, although Callaghan never used the phrase.
[136] Thomas, *Popular Newspapers*, pp. 78–9.
[137] Ibid.
[138] These were the *Daily Express*, the *Daily Mail*, the *Daily Mirror*, *The Sun* and the *Daily Star.*
[139] Colin Seymour-Ure, *The British Press and Broadcasting since 1945* (Oxford, 1991), pp. 28–9, Table 3.2.

However, by 1979 attitudes towards the unions in Fleet Street had generally hardened, not least because of the militancy and power of the print unions at that time. For some of those, such as the Editor of the *Daily Express*, Derek Jamieson, the 'Winter of Discontent' was an ideal story to hit back at the unions who were disrupting his own industry. He was later to write that, 'We pulled every dirty trick in the book: we made it look like it was general, universal and eternal when it was in reality scattered here and there, and no great problem.'[140] During this episode, the role of *The Sun* newspaper under its transformational editor, Larry Lamb, came to the fore. Following its purchase by Rupert Murdoch in the previous decade, the title – with its deliberately downmarket, populist approach – had overtaken the circulation of the *Daily Mirror* (daily sales of 3.74 million in 1980).[141] Moreover, Larry Lamb who also headlined for the first time the phrase, 'Winter of Discontent' was known to 'hate the unions, especially as, at the time, they could make it hell to get a newspaper out'.[142] He was being extensively courted by some of Thatcher's advisers, notably Tim Bell and Gordon Reece who 'got Larry Lamb to meet Margaret on many an occasion, which finally convinced him – and, in turn, Rupert Murdoch'.[143] Bell also recalled how he 'made ourselves popular with him [Lamb] by drip-feeding him gossip and 'secret' insights'. In return, Lamb was an important influence on Bell and they spent many hours discussing the Saatchi & Saatchi advertising strategy. He also advised Thatcher about communication and even wrote some of her election speeches.[144] As Bell was later to recall, 'in truth there were an increasing number of editors who thought Margaret was the Messiah'.[145] Given Thatcher's social background and gender, this affinity is unexpected as she was very far from having a natural 'common touch', but in many respects her views and principles possessed a tabloid quality. She was particularly drawn to the tabloid papers as much – if not more than – the broadsheets, and anecdotally she is reputed to have requested in later years during subsequent election campaigns, copies of the tabloid press cuttings from this period to hone her attacks.

It remains a moot point whether the right-wing tabloid media's portrayal of the 'Winter of Discontent' and its comments on the trade unions accurately reflected the views of its readership rather than those of their proprietor or editor. Many of those reading their headlines would themselves have been involved in or affected by the strikes, but their views on the

[140] Thomas, *Popular Newspapers*, p. 81.
[141] Seymour-Ure, *The British Press*, pp. 28–9, Table 3.2.
[142] Tim Bell, *Right or Wrong* (London, 2014), p. 59.
[143] Ibid.
[144] Thomas, *Popular Newspapers*, p. 84.
[145] Bell, *Right or Wrong*, p. 59.

coverage are not captured. However, it is interesting that in the case of *The Sun*, which consistently ran some of the most sensational and anti-union stories during the episode and endorsed the Conservatives for the first time at the 1979 General Election, 52% of its readers nevertheless still voted Labour that year, a level of support virtually constant since 1976.[146]

As much as she was an assiduous reader of newspapers during this period, it is likely that Thatcher's conviction that she was on the right side of the public debate on the power and influence of the trade unions would have been partly derived from her own postbag and the Conservative Party's own polling. She regularly referred to receiving messages of public support following speeches or interviews. The polling was undertaken on behalf of the CRD by Opinion Research (OR) and circulated weekly or more regularly depending on the election cycle (during the General Election campaign, a 'weekday quickie' was issued each day). These were always interpolated and circulated with a covering letter to Thatcher by CRD opinion poll expert, Keith Britto. The updates involved a relatively small sample of fewer than 1,000 respondents and were designed to capture public attitudes to 'a number of election issues'. Every OR survey would typically contain several questions on trade union matters. For example, a week before the Election on 25 April 1979, the survey revealed that 'three quarters of the electorate agree that whichever party wins the election, there will be trouble with the unions…even the majority (65%) of Labour supporters agree' and '62% of all voters agreed with the statement that "a Conservative government means trouble with the unions"'. However, more encouragingly for Margaret Thatcher, most respondents who expressed a view (49%) believed that 'laws should be brought in to control the unions' compared to a minority (41%) who believed that 'the best way of controlling the unions is by the Government having a voluntary agreement'. Most Conservative and half of Liberal voters (64% and 50%, respectively) favoured laws to control the power of the unions, as did 33% of Labour voters.[147] If nothing else, this would have reassured Thatcher that although the industrial relations chaos of the previous months had now abated, there was still a perceived 'union problem' in the eyes of the electorate that had not disappeared, and the majority of voters now favoured legislative reform rather than a voluntary agreement to reduce the power and influence of the unions.

[146] Thomas, *Popular Newspapers*, p. 84.
[147] BOD, CPA CRD 4/4/78, ORC Week-Day Quickie Report, *Attitudes of electorate to trade unions*, 25 April 1979.

Chapter Seven: Back into Government

Labour claim that industrial relations in Britain cannot be improved by changing the law.
We disagree.
The Conservative Party Manifesto 1979

7.1 Introduction

After a significant period in opposition, any incoming government – even one with a strong electoral mandate and parliamentary majority – will be challenged by the political reality of a new administration. Most new Prime Ministers are forced to reassess the promises and pledges made in their manifestos in the light of the prevailing *realpolitik*: legislative priorities are frequently re-ordered and pre-election commitments invariably watered down, side-lined or even abandoned. The reasons are often multi-causal but typically include encountering greater resistance from vested interests to proposed reform, lower levels of public and voter enthusiasm for the proposed measures, economic constraints and the inability of public finances to fund their implementation and lack of Parliamentary debate time. Invariably, time and energy are expended on other day-to-day matters or unexpected events and crises that 'crowd out' time for new legislation and reforms.

On her election as Prime Minister in May 1979, Margaret Thatcher was to face several of these challenges in the implementation of her new government's policies. Uniquely, however, she faced an additional one: the lack of a majority in her own Cabinet for many of her important plans. Although there were some areas of consensus – in the areas of defence and law and order, and especially for macroeconomic policy and industrial relations – Thatcher's Cabinet was deeply split, with the Prime Minister and her more radical allies in a minority. This situation applied to most of her first administration, but particularly up until September 1981, when Thatcher carried out a major Cabinet reshuffle and some former Heathite members (notably Ian Gilmour) were sacked and other senior members (including Jim Prior) demoted. This followed an extremely difficult period when her government had been beset by political and economic difficulties. A severe global recession had started in 1980 and was exacerbated by the deflationary effects of Geoffrey Howe's monetarist macroeconomic policies. While the rate of inflation remained stubbornly high, unemployment increased exponentially, with one in ten of the working population out of work by 1980, leading to outbreaks of severe civil unrest

and rioting in several major cities. Terrorist activity increased – principally from the IRA – along with casualties on the British mainland and in Northern Ireland, including the assassination of a senior member of the Royal Family.[1] The new government's political stock fell sharply; within eleven months of the General Election, the Conservatives' share of the vote fell by 19.3% in the Southend by-election. In March 1981, 364 academic economists signed a letter critical of monetarism,[2] and the steep rise in unemployment – that great shared fear of the post-war generation – attracted hostile comments from senior church leaders, including the newly appointed Archbishop of Canterbury.[3] It was against this background during the first half of her first administration that Thatcher oversaw the successful passage of the 1980 Employment Act: the first piece of legislation to rebalance the powers and immunities of the trade unions since Heath's failed IR Act nine years earlier. The scope and ambitions of the 1980 Act represented rather thin gruel to the critics of the unions, who were quick to highlight its inadequacies and the need to enhance its powers with further legislation, even before it had received its final reading in Parliament. However, for the more radical members of the Cabinet, including Thatcher, its successful passage represented a considerable victory over the strongly Heathite, One Nation members of the Cabinet, particularly the reluctant Secretary of State for Employment, Jim Prior. As was evident during her time as Leader of the Opposition, Thatcher's focus and decisive moments of intervention were often the most effective during difficult times. She frequently concealed her frustration to appear outwardly patient, but was equally able to use her impressive powers of political awareness and pragmatism to advantage when she sensed the time was right. As her treatment of Jim Prior demonstrated, she could be both politically cynical and ruthless. Above all, during this part of her Prime Ministerial career at least, she maintained a very strong awareness and understanding of the public mood and expectations.

This chapter will focus on the background and lead-up to the passing of the 1980 Employment Act rather than the successive Employment Act of 1982 and the 1983 Green Paper. Despite its reputation of being a 'mouse of a bill',[4] which was less far-reaching than what was to follow two years later, the 1980 Bill proved to be the most contested and difficult of all the Conservatives' trade union reform legislation. Part of this was because it was the first and

[1] Lord Mountbatten, whose boat was bombed on 27 August 1979 in County Sligo.
[2] CCA, Thatcher MSS: THCR1/5/7 part 2 f21, Letter of the 364 economists critical of monetarism.
[3] The 1981 inner-city riots started a debate that culminated in the publication of the controversial *Faith in the City* report by Robert Runcie's Commission on Urban Priority Areas.
[4] Stephenson, *Mrs Thatcher's First Year*, p. 69.

therefore broke new ground, but it was mainly because Thatcher's Secretary of State for Employment, Jim Prior, was a far more reluctant reformer who still believed that consent and co-operation with the unions was possible. He believed that obtaining the approval of the rank-and-file majority might avoid the need for primary legislation altogether. Moreover, a large proportion – if not the majority – of the Cabinet favoured a similar approach. The drafting of the 1982 Employment Act was undertaken after Thatcher had removed the Employment brief from Prior in September 1981, replacing him with her key ally, Norman Tebbit, who entered Cabinet for the first time. Tebbit believed in the need to curb the powers and immunities of the trade unions and was ideologically to the right of Thatcher. Furthermore, Thatcher's reshuffle in mid-September 1981 – invariably described as a 'purge of the Wets' – re-balanced her Cabinet away from the old Heathite guard: Ian Gilmour, Mark Carlisle, and Lord Soames all left the Cabinet, and key allies such as Nigel Lawson (Secretary of State for Energy), Nicholas Ridley (Financial Secretary to the Treasury) and Norman Tebbit (Employment Secretary) were appointed. Prior's reluctant acceptance of the Northern Ireland brief was seen as evidence that the Thatcherites were now in the majority and in the ascendancy. Although not necessarily apparent at the time, Thatcher's political fortunes and popularity were also already improving – even before the start of the Falklands War – with a recovering economy and Howe's Budget in March 1982.[5]

The first Thatcher government has been much studied and has an extensive secondary historiography. Even at the time, it was clear to many observers that the new government represented a new and radical direction, and a break with the post-war consensus. Several studies were published at the end of the first administration by Martin Holmes,[6] Patrick Cosgrave,[7] William Keegan[8] and Peter Jenkins.[9] One of the most remarkable and vivid accounts by the journalist Hugh Stephenson[10] records the first year of the Thatcher government. Based on a series of off-the-record real-time interviews and unattributed conversations with senior figures within the Cabinet, it provides a great deal of additional colour about Thatcher's relationships with her ministers during the first year in office, and particularly her often

[5] David Sanders et al., 'Government Popularity and the Falklands: A Reassessment', *British Journal of Political Science*, 17 (1987), pp. 281–313 makes a convincing case that the Falklands War only accounted for a short-lived, three-percentage point boost.
[6] Martin Holmes, *The First Thatcher Government 1979–1983: Contemporary Conservatism and Economic Change* (Brighton, 1985).
[7] Patrick Cosgrave, *Thatcher: The First Term* (London, 1985).
[8] William Keegan, *Mrs Thatcher's Economic Experiment* (London, 1984).
[9] Peter Jenkins, *Mrs Thatcher's Revolution: The Ending of a Socialist Era* (London, 1987).
[10] See footnote 4 of this chapter.

contradictory and quixotic attitude towards Prior. A large number of published diaries and memoirs cover this period: the second volume of Thatcher's memoirs covering her time as Prime Minister,[11] the second half of John Hoskyns' memoirs[12] covering his time as Head of the No. 10 Policy Unit until his resignation in 1982, and the published political memoirs of Thatcher's senior ministers: Geoffrey Howe,[13] William Whitelaw,[14] Norman Tebbit,[15] Nigel Lawson,[16] Ian Gilmour[17] and Jim Prior.[18] In addition to John Hoskyns, several senior advisers also covered Thatcher's first administration in detail in their memoirs, including Ferdinand Mount,[19] head of the No. 10 Policy Unit following Hoskyns' departure from 1982 to 1983 and, most recently in 2024, the memoirs of Thatcher's private secretary for economic affairs, Tim Lankester,[20] who attaches a significant proportion of the failure of the 'Monetarism experiment' to Thatcher's inability to move more quickly and radically on reforming employment laws to reduce inflexibility in the labour markets and avoid the sharp rise in unemployment.

Finally, with the Conservatives in government from May 1979, the quantity of primary sources has been significantly expanded by the availability of the full Cabinet Papers for the period under the twenty-year rule, and the important ministerial committees with relevance to trade union reform and legislation, such as the Ministerial Committee on Economic Strategy (or 'E Committee' as it was widely known at the time). Although the number of sources available for the researcher has thus increased, the nature of these official documents 'of record' often means that some of their nuance and meaning is lost in their formality. Other sources are needed to interpret the real undercurrents and tensions within the Cabinet, particularly the Prime Ministerial Private Office files that have also all now been declassified. For example, at the Cabinet Meeting on 20 December 1979, two papers were put forward for discussion regarding the issue of supplementary benefit paid to the families of strikers[21] and the legal position on the payment of tax refunds to strikers[22] by two of the more radical members of the Cabinet.

[11] Margaret Thatcher, *The Downing Street Years* (London, 1993).
[12] Hoskyns, *Just in Time*.
[13] Geoffrey Howe, *Conflict of Loyalty* (London, 1994).
[14] William Whitelaw, *The Whitelaw Memoirs* (London, 1989).
[15] Tebbit, *Upwardly Mobile*.
[16] Nigel Lawson, *The View from No. 11: Memoirs of a Tory Radical* (London, 1992).
[17] Ian Gilmour, *Dancing with Dogma: Britain Under Thatcherism* (London, 1992).
[18] Prior, *A Balance of Power*.
[19] Ferdinand Mount, *Cold Cream*: *My Early Life and Other Mistakes* (London, 2009).
[20] Lankester, *Inside Thatcher's Monetarism Experiment.*
[21] From Keith Joseph, Secretary of State for Industry.
[22] From Geoffrey Howe, Chancellor of the Exchequer.

Their discussions are recorded in a separately annexed minute.[23] This was a controversial topic, particularly for many of the more 'dovish' members of the Cabinet, notably Jim Prior. The minute concludes with the Prime Minister

> …summing up the discussion, [and] said that the Cabinet had serious misgivings about the package of proposals before them…further consideration would need to be given to alternative approaches and she would consider how best this might be arranged.[24]

What the official documents do not record, but what is evident from Lord Hailsham's diary in his 'coded' shorthand notes taken during the meeting, is that Prior objected so strongly to Thatcher's proposed wording that he threatened to resign: 'M proposed a form of words which led Jim Prior to say he would go if that was said.'[25] Interestingly, this incident is not mentioned in Prior's memoirs (although other occasions when he contemplated resigning were),[26] nor was it mentioned in Thatcher's memoirs.

That there was a fundamental disagreement between the new Prime Minister and her Secretary of State for Employment should have been no surprise. After all, the difference in their respective views on industrial relations, and specifically trade union reform, had been all too apparent in opposition, particularly during 1978 and early 1979. In fact, even during the General Election campaign, the two had continued to give the subject their own, quite different, emphases. For example, in media interviews on 8 April 1979, Prior consistently emphasised that the law had only a limited role to play in any future Conservative plans for union reform, mainly in specific areas such as secondary picketing. Three days later at her adoption meeting in Finchley, Thatcher referenced the promises made in the Manifesto on the 'law on picketing, the closed shop and secret ballots' and reassured her audience that, 'I have put this crucial question of the unions first tonight, because I want to make it plain that the Conservative Party will not turn back from the commitments we have made.'[27] On the same day, Prior was saying that a Conservative government would consult the unions on labour law reform while 'only those changes which the unions recognise as necessary should be backed up by the force of

[23] TNA, CAB/128/66/25, Minutes of Full Cabinet CC (79), 20 December 1979. Also available at https://archive.margaretthatcher.org/doc01/380F1E5F1AC649CDA7CD1743E986F2D3.pdf.
[24] Ibid.
[25] CCA, Hailsham MSS: Cabinet, Hailsham diary (diary of strikers' benefits [Prior threatens to resign], 20 December 1979. Hailsham's diary note is coded in speedwriting thus: 'M proposed a form of words which led JP t say e d g if tha w sd.'
[26] See Prior, *A Balance of Power*, p. 164: 'as I arrived for 'E' [Committee] on the Wednesday morning, February 13, my resignation was on the cards'.
[27] CCA, Thatcher MSS: THCR MSS [speaking text], Speech in Finchley (Adoption), 11 April 1979. The original speech does not exist but a transcript is available at MTFW 104002.

law.'[28] For the next week of the campaign, Thatcher appeared to be increasing the rhetoric about 'union wreckers' in her speeches, and TUC leaders were reported to believe that she had decided to 'work the anti-union theme on a rising crescendo until polling day' – a view shared by Prior who was reported to have told friends that while he had won the battle on the manifesto, he had lost the battle to stop a Conservative government 'rushing head-on into another clash with the unions'.[29] However, approximately ten days before the General Election, Thatcher significantly changed her tone, and in the final week, she appeared to have muted her criticism of the unions in favour of messages about the need for an expanded economy and a freer society. This continued for a short while after the election, leading some trade union leaders to speculate that Thatcher had softened her stance and was more aligned with Prior's approach.[30] In fact, we now know that this was a decision taken by the Conservative Party hierarchy to 'soft pedal' the union issue following several opinion polls. An NOP poll on 6 April had shown that only 35% of those polled thought the Conservatives would be better able to handle strikes than Labour, and only 19% thought that Thatcher would be better at dealing with union leaders than Callaghan.[31] The private CRD polls were more optimistic and showed that the Party was starting to win on the union issue, but that they risked losing that support for appearing to be too harsh and not understanding traditional workers' solidarity.[32]

Once elected, the character and *modus operandi* of Jim Prior defined the pace of the implementation of the trade union reforms promised in the Manifesto and became the source of growing irritation and impatience for Thatcher and her key allies. Given that Prior's 'step-by-step',[33] approach to the trade union 'problem' had been consistent throughout the time in opposition, it begs the question as to why Thatcher kept him in post at Employment in May 1979. Prior was widely reported to have told friends that he did not expect to oversee the industrial relations reforms promised in the Manifesto and that if Thatcher secured a solid mandate, then he expected his services would not be required. Describing his meeting with Thatcher on Saturday, 5 May, they agreed that 'relationships between us had been strained for a number of reasons, some personal about which we knew, and some policy, about which everyone knew. The time had come to make a fresh start.' He recalled leaving 'her study a happy man…although I was concerned about the nature of my job and the likely course of

[28] Stephenson, *Mrs Thatcher's First Year*, p. 63.
[29] Ibid.
[30] Stephenson, *Mrs Thatcher's First Year*, p. 64.
[31] Ibid.
[32] Ibid.
[33] A phrase that Prior himself used of his strategy. See Prior, *A Balance of Power*, p. 158.

events'.[34] However, he found that the 'sweet talk of Saturday morning had soon been forgotten' as Thatcher overruled his desire to keep his former shadow deputy and fellow Heathite Barney Hayhoe at Employment, and Prior was first offered Leon Brittan as his deputy – whom he rejected as having been 'a barrister…[and] too closely associated with industrial relations reform', and then was given no choice but to take Patrick Mayhew as his deputy. Thatcher telephoned Prior to confirm this appointment and 'then came her punch line: "I'm determined to have *someone* [Prior's reported emphasis] with backbone in your Department".'[35] As well as her obvious ideological differences with Prior, Thatcher identified 'a more profound and general divide' between herself and her Employment Minister. Although she wrote about these differences over a decade later, this was not a case of back-projection on Thatcher's part as she used near-identical words in a private conversation with the new head of her Policy Unit, Ferdinand Mount in 1982 when Prior had taken the Northern Ireland brief.[36] To Thatcher, Jim Prior 'was an example of a political type that had dominated and…damaged the post-war Tory Party'. She later wrote:

> I call such figures 'the false squire.' They have all the outward show of a John Bull – ruddy face, white hair, bluff manner – but inwardly they are political calculators who see the task of Conservatives as one of retreating gracefully before the left's inevitable advance…to justify the series of defeats that his philosophy entails, the false squire has to persuade rank-and-file Conservatives and indeed himself that advance is impossible. His whole political life would, after all, be a gigantic mistake if a policy of positive Tory reform turned out to be both practical and popular.[37]

For his part, Prior clearly believed in the value of his role as a moderating force on trade union reform, writing that, 'basically, Margaret recognised that my approach was right…although there were times when her instincts and impetuosity would get the better of her'.[38] As a veteran of the fight against the unions during Heath's administration, Prior appeared to see his role as saving the Conservative Party and Thatcher from themselves at the hands of another fight with the unions; it was a role he appeared to almost relish on occasions. He later recalled that, 'throughout my entire time in the job I was having to fight on two fronts – I was striving to impose some sort of legislation on the unions while repelling the right-wing demands for extreme measures'.[39] He reflected that his position had been the strongest, and his political

[34] Ibid., p. 113.
[35] Ibid., p. 114.
[36] See Mount, *Cold Cream*, p. 289.
[37] Thatcher, *The Downing Street Years*, p. 104.
[38] Prior, *A Balance of Power*, p. 155.
[39] Ibid., p. 154.

stock had been at its height, during the period 1977–1979 in opposition, but changed once in power when, 'we must have been the most divided Conservative Cabinet ever…there was a deep division on economic and social policy'.[40] Prior had incorrectly assumed that what 'Margaret claimed we would do was opposition rhetoric [that] would be moderated by the realities of government.'[41] However, within five years and despite his demotion, Prior magnanimously conceded that he had 'failed to recognise…that the mood of the country had changed during the 1970s and it was ready for a more radical move to the right than in 1970…Margaret had caught the new mood; she was more in tune with people than I was.'[42]

Given that Thatcher knew that Prior was a reluctant reformer, why did she appoint him as her first Secretary of State for Employment to deliver on her industrial relations legislative pledges? At the time, conventional thinking held that Thatcher's Cabinet appointments were 'almost entirely devoid of major surprises with most of the portfolios going to those who had held them in opposition'.[43] This reflected her innate caution at a time when, notwithstanding her electoral victory, she was still very aware of her own political mortality and, as in opposition, she believed that the Party's patriarchy would not give her a second chance should she fail. She had exercised similar caution in opposition and resisted Edward Du Cann's[44] advice to start the purge of the Heathites from her Shadow Cabinet. Her 1979 Cabinet appointments were, in fact, more tactical and politically adroit than the more obvious approach of appointing people whose instincts were closer to her own for the major policy areas. Instead, she locked down a few key allies with the most important Cabinet posts, notably Howe as Chancellor (and John Biffen – another ally at the time – as a second Treasury minister with a seat in Cabinet) and Joseph at the Department of Industry. She also promoted the idea of continuity and experience in her Cabinet by offering posts to several of her Party's elder statesmen: Lord Hailsham, Angus Maude, Christopher Soames to be Leader of the House of Lords and the grandee Peter Carrington as Foreign Secretary. Thatcher's first Cabinet contained more peers than any government since the early twentieth century. She also made a few appointments that, in her words, 'excited more comment'[45] and one of these was Jim Prior at Employment. In my view, her reasons for re-appointing Prior to his Shadow brief were not

[40] Ibid., p. 134.
[41] Ibid., p. 112.
[42] Ibid.
[43] Stephenson, *Mrs Thatcher's First Year*, p. 11.
[44] Then Chairman of the 1922 Committee.
[45] The other was that of Peter Walker – a Heathite critic – as Minister of Agriculture. See Thatcher, *The Downing Street Years*, pp. 27–8.

a case of her 'playing safe' and lacking political courage or imagination: it represented a moment of political calculation and opportunism – albeit one that she would come to regret as time went on. In Prior, she had a minister who had been 'more or less happy with what the election manifesto had said on trade union reform',[46] but as Thatcher later wrote:

> We all agreed that trade unions had acquired far too many powers and privileges. We also agreed that these must be dealt with one step at a time. But when it came down to specific measures, there was deep disagreement about how fast and how far we should move…but there was no doubt in my mind that we needed Jim Prior.[47]

Thatcher was guided by her innate sense of political caution: 'Jim was the badge of our reasonableness', who had established the strongest links with the trade union movement of any Conservative politician. She recognised that if the Conservatives had 'signalled the wholesale reform of the unions over and against their opposition at the outset, it would have undermined confidence in the Government and perhaps even provoked a challenge we were not yet ready to face'.[48] While she profoundly disagreed with it, she acknowledged that there were 'people in the country, and in the Conservative Party' at the time who felt that 'Britain could not be governed without the tacit consent of the trade unions'.[49] She was enough of a realist to accept this and that Prior could act as a political Trojan Horse, at least for a while. The deterioration of their relationship – despite the private 'clearing of the air' on his appointment in May 1979 – defined the Party's progress with industrial relations reforms in the next eighteen months. However, Prior did oversee the delivery of most of her manifesto pledges, albeit not at the pace or with the completeness she wanted. It is also now clear that apart from further measures on the Closed Shop, the provisions of the 1980 Act were as far as Prior would have been prepared to go, something he had communicated to Thatcher in the summer of 1981. He also expected to leave his post as Secretary of State for Employment in any future reshuffle, fearing that if he stayed 'there would be some enormous fights'.[50] He had already told Thatcher that he 'would not have curbed union immunities any further than they had been restricted in the 1980 Act'. By then, for Thatcher, his useful life as her Secretary of State for Employment was over. As will be examined in detail in the rest of this chapter, despite being a cautious and often reluctant trade union reformer, Prior had more knowledge of and more extensive contacts with the trade

[46] Stephenson, *Mrs Thatcher's First Year*, p. 14.
[47] Thatcher, *The Downing Street Years*, p. 28.
[48] Ibid.
[49] Ibid.
[50] Prior, *A Balance of Power*, p. 171.

union movement than any other senior Conservative at the time. Thatcher – who had minimal knowledge of trade unionism beyond her instinctive hostility – recognised the value of this, particularly when she was unsure how to proceed, even in 1980 when the problem of compliance that had been the undoing of Heath's legislation was still unresolved. However, by 1981, it was clear that compliance was no longer a major problem: union power could be successfully curbed by legislation. The curbing of union power ran with the grain of public opinion, serving as evidence of the Conservative Party's governing competence and functioning as a powerful vote-winner. Prior was no longer needed as the 'critical' friend of the unions to gain their consent, or at least, to secure their relative acquiescence.

7.2 Conservative objectives

The focus – both at the time and in the later historiography – on the Conservatives' plans for trade union reforms in the first Thatcher administration has naturally been on the 'three changes that must be made at once', as described in the 1979 Manifesto: restricting secondary picketing, a statutory code for Closed Shop agreements and the provision of state funds for secret ballots. A fourth commitment was also made to review the 'financial treatment of strikers and their families'.[51] These were the explicit short-term objectives for the Conservative trade union reforms. However, there were other, equally important, broader aims not explicitly referenced in the Manifesto. These related to many of the themes that the more radical members of the Thatcherite team had been debating in the years in opposition, particularly as part of the Stepping Stones project. Many concerned the changing cultural attitudes towards the role and power of the trade union movement: they wanted to end the corporate embrace of the tripartite system, thereby removing the unions' requirement for consultation and their role in the policy-making process. These aims sought to reassert the sovereignty of Parliament and the authority of government by standing up to the unions, ultimately enhancing its image of governing competence. Crucially, they wished to stiffen the resolve of employers and, learning from Heath's failures whereby the onus of enforcement fell on the state, they wanted to put legislative tools at the disposal of employers to rein in the power of the unions in the workplace. They wanted to change the attitudes of trade unions by instilling a new sense of realism, altering the balance of power in the workplace in favour of management. Finally, they wanted to break the political monopoly of the left on the union movement and, in the words frequently used by

[51] The issue of the payment and tax treatment of Social Security benefits to strikers' families divided the Cabinet, but Thatcher's tax adviser, Lord Cockfield, had recommended a review.

Hoskyns, Sherman and Howe, to restrict the ability of union leaders to 'preach socialism' to their members. These broader aims – most of which would not have been shared or believed to be realistic by the former Heathites, including Jim Prior – were only hinted at in the Manifesto. However, the relatively short document stated that the 'trade union movement…is today more distrusted and feared than ever before' and reminded readers of the need to strike 'a fair balance between the rights and obligations of unions' and 're-establishing the supremacy of Parliament' after the Labour government had 'permitted strike committees and pickets to take on powers and responsibilities that should have been discharged by Parliament and the police'.[52] The implied and far-reaching, long-term objectives of the Thatcherite wing of the Conservative Party were profoundly more radical than the relatively modest legislative commitments outlined in the Manifesto that Prior, the ultimate conciliator, was tasked with delivering.

Thatcher noted in her memoirs that 'less than a fortnight after I formed the Government, Jim Prior wrote to me setting out his plans for trade union reform'.[53] Prior's confidential letter dated 14 May 1979, with Thatcher's handwritten comments,[54] speaks to the differences between them, particularly regarding the speed and time allocated to consultation. Prior started with the least contentious manifesto pledge: an enquiry into the practices of the print union SLADE's recruitment practices, but then tried to set Thatcher's expectations for his proposed handling of industrial relations legislation, which, he averred, was 'absolutely crucial to our whole Administration to get this right'.[55] He warned that: 'It would be fatal to follow the 1970 pattern and rush things too much. We must live up to our promises to consult…we must minimise opposition if we can.'[56] He proposed a consultation period with the TUC and CBI that would 'still be in progress at the time of the TUC Congress in September'. After speaking to Len Murray,[57] he was 'hopeful that the TUC, if properly handled will not reject our proposals outright, but will enter into meaningful consultations with us'. Furthermore, he added, 'John Methven [Director-General of the CBI] has also consulted me against precipitate [sic] action.'[58] Acknowledging that it might be 'suggested that legislation should be in force before next winter's possible crop of industrial disputes', Prior cautioned that 'our proposed changes in the

[52] 'Conservative Party Manifesto 1979', in Iain Dale, *Conservative Party General Election Manifestos*, *1990–1997* (London, 2013), pp. 265–82.
[53] Thatcher, *The Downing Street Years*, p. 98.
[54] TNA, Prime Ministerial Private Office Files: PREM 9/70 f.186 (declassified 2009), Prior Minute to MT [Margaret Thatcher] (Industrial Relations Legislation), 14 May 1979. Also available at MTFW 116224.
[55] TNA, Prime Ministerial Private Office Files: PREM 19/70 f 186, Prior Minute to MT (Industrial Relations Legislation), 14 May 1979 and available at MTFW 116224.
[56] Ibid.
[57] General Secretary of the TUC, 1973–1984.
[58] TNA PREM 19/70 f 186 Prior Minute to MT, 14 May 1979.

law will not alter things overnight' and while 'we want to keep down to a minimum, the time during which legislation on these matters is before Parliament', he hoped to 'be able to publish a Bill before the end of the year'.[59] Thatcher's annotations betray her growing sense of impatience: putting a large cross by Prior's proposed deadline of the end of the year, she wrote, 'please try to get it published in Nov [her emphasis]…we ought to get it in committee before Xmas'. Beside Prior's sentence about the need to consult, she wrote, 'we must leave long enough to put the legislation through' and, most tellingly, beside Prior's comment about the Chairman of the CBI[60] urging caution, she wrote, 'He would be the first to complain if secondary picketing starts again.'[61] Although Thatcher appeared to accept Prior's plans, there was no hiding her sense of frustration at what she would have undoubtedly seen as foot-dragging on the part of her Secretary of State. Thatcher had 'further discussion with Jim about tactics' on 6 June when Prior was alleged by Thatcher to have said that, for the purposes of negotiation, his proposals to the TUC would go 'somewhat further' than those in the Manifesto. Thatcher recalled telling Prior that 'our final position should not be less than the Manifesto – a significantly different emphasis'.[62]

In his memoirs, Prior reflected that his strategy with his Employment Bill had been 'not to push our reforms too far in our first period of Government, for fear that one might undo everything by re-kindling Labour's and the unions' fighting spirits'.[63] Instead, he 'wanted to hold some shots in my locker, so that the unions would know that if they continued to abuse their power tougher measures would follow'.[64] On 13 June, Prior presented his plans for industrial relations legislation to his Cabinet colleagues on the Ministerial Committee on Economic Strategy (E),[65] which were summarised in a confidential Memorandum.[66] As Thatcher later observed, the proposals 'were very similar to those which were ultimately contained in the 1980 Act…but these early proposals were as notable for what they did not contain as for what they did'.[67] This comment underlines the different perspectives of the Prime Minister and her Employment Minister: Prior was fulfilling what he saw as the minimum requirement to meet the legislative commitments in the Manifesto, but Thatcher was not satisfied with his ambitions. His proposals

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[59] Ibid.
[60] The CBI being an inconsistent ally was a constant complaint of the Thatcherites.
[61] TNA PREM 19/70 f 186 Prior Minute to MT, 14 May 1979.
[62] Margaret Thatcher, *The Downing Street Years*, p. 99.
[63] Prior, *A Balance of Power*, p. 159.
[64] Ibid., p. 158.
[65] Hereafter referred to as 'E' Committee.
[66] TNA, CAB 134/4335 Ministerial Committee on Economic Strategy (E 1979), 13 June 1979 (Declassified 2009). Also available at MTFW: 116487.
[67] Thatcher, *The Downing Street Years*, p. 99.

did not, for instance, cover the question of secondary action, other than secondary picketing. Nor did they address the wider question of trade union legal immunities. She concluded: 'In particular, they left alone the crucial immunity, which prevented action being taken by the courts against union funds'.[68] This point was addressed by Norman Tebbit in 1983 and used in the 1984–1985 Miners' Strike.

In the period from June to the autumn, and throughout the party and union conference season, Prior was engaged in 'almost daily consultation'[69] with the TUC, and specifically its Deputy General Secretary, Harry Urwin. We can assume that he used the elements missing from his proposals – as previously discussed – as evidence to the TUC that his moderation had won the day to at least diminish their outright opposition to his Bill. It was also reported at the time that Prior 'used the fruits of these consultations as ammunition' in conversations and debates with some of his more radical colleagues.[70] This 'playing off' of the unions and the reformers was one of Prior's favoured techniques; even when in opposition, his 'unargued assertions…that he alone knew what was and what was not possible with the unions' was reported to have irritated some of his colleagues, notably Geoffrey Howe.[71]

Meanwhile, following her election as Prime Minister, and as part of her new role, Thatcher found herself in greater contact with the trade union movement than hitherto. Her one previous meeting over drinks in 1977 with the 'NEDDY Six' had been described as a 'total failure' and was dominated by internal squabbling in her own team.[72] Although the unions were reported to want another meeting, it never happened during the remainder of the Conservatives' time in opposition. However, Prior maintained an open line to the trade union movement and held regular (if un-minuted) meetings. Within 48 hours of being elected, Thatcher had received a confidential minute from the Cabinet Secretary, John Hunt, presenting the various options to her: whether she should take 'an early opportunity to see the TUC…[or] leave initial contacts with the TUC to the Secretary of State for Employment and (perhaps in the Budget context) the Chancellor of the Exchequer'.[73] Hunt presented her with the arguments in favour: 'You want to make certain changes in the way that industrial relations are conducted but you are not

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[68] Ibid.
[69] Stephenson, *Mrs Thatcher's First Year*, p. 68.
[70] Ibid.
[71] Ibid.
[72] See Stephenson, *Mrs Thatcher's First Year*, p. 65 for a description of this event, which was apparently dominated by an argument between Joseph and Prior.
[73] TNA, Prime Ministerial Private Office Files: PREM 19/7/ f190 (Declassified 2009), Hunt Minute to MT (Industrial Relations Legislation), 5 May 1979. Also available at MTFW 116223.

seeking confrontation' and against: 'There may be an expectation of an early meeting and if it does not take place the TUC, or the Press, may subsequently make capital out of this.'[74] Hunt's advice concluded that she should not just 'leave it to the Secretary of State for Employment' and she should meet the General Secretary of the TUC, Len Murray, and 'say that you want to have good working relationships with the TUC on matters of proper concern to them' either on her own or at an 'early small dinner'. In the event, a meeting took place between Thatcher and Murray on the afternoon of 31 May 1979, with Jim Prior also present. Interestingly, the meeting appears to have been uncontroversial; it is not mentioned in Thatcher's memoirs, and the notes of the meeting from Thatcher's Principal Private Secretary, Ken Stowe, convey a calm and polite interchange between Thatcher and Murray.[75] Stowe's minutes note that Thatcher reiterated her commitment to the legislation for 'which they had obtained a mandate', but she reassured Murray that 'it was small and moderate and would not follow the paths of 1971'.[76] The most revealing archival evidence of the meeting lies in the exchanges between the civil servants in the run-up to the meeting and the preparation of the notes from the lobby briefing on the day of the meeting. These all reveal sensitivity to managing the 'optics' and 'genesis' of the meeting: who originally called it, how long it lasted, and what they talked about. It is clear that, unlike previous Labour governments that had been close to the union leaders with regular 'huddles' at No. 10 and 'beer and sandwiches' crisis meetings, the Conservatives wanted to choreograph their interaction with the Head of the TUC in a different way, and this was reflected in the lobby briefing notes:

> We could not give a time for the meeting…there was space in the diary for it to last 1 and a quarter hours…there was no agenda…no subject headings for discussion. The decision not to give timings had been agreed between the TUC and ourselves. It had 'emerged' – a fair assumption would be that Mr Prior had been instrumental in bringing it about.[77]

However, the next, much bigger meeting between the TUC's Economic Committee and Thatcher (as well as Geoffrey Howe and Jim Prior) on 25 June 1979 was anything but a success. While the official record minuted by Tim Lankester conveys some of the contentious issues that were raised (criticism of the recent budget, objections to the proposed changes in the rating revaluation system, the Government's plans to sell shares in British Petroleum and the TUC's

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[74] Ibid.

[75] Lionel (Len) Murray (1922–2004) was known as one of the most cerebral trade unionists of his generation.

[76] TNA, Prime Ministerial Private Office Files: PREM 19/69 f352 (Declassified 2009), No. 10 record of conversation, MT – Len Murray (General Discussion), 1 June 1979. Also available at MTFW 116268.

[77] CCA Ingham SS: INGH 2/1/1, Press Lobby Briefing, meeting with Len Murray, Vietnamese refugees (released 2010), 31 May 1979.

claimed 'right to advise and consult with the government etc.),[78] anecdotal evidence from those present suggests that 'the meeting was a disaster from the start…[and] broke up in a shambles'.[79] Thatcher later recalled that she came away 'depressed, but not a bit surprised that there was no willingness on their side to face economic facts or to try and understand the economic strategy we were pursuing'.[80] Stephenson's unnamed witness (presumably either Geoffrey Howe, Jim Prior or Ian Gow or one of the four advisers or civil servants)[81] blamed the TUC for arriving with an agenda 'covering virtually the whole of government–trade union relations…far too wide for a first meeting'. Thatcher 'launched into a very prolonged opening monologue' causing Terry Duffy and Tom Jackson 'into breaking ranks and speaking out of turn'. Jim Prior was described as 'saying nothing and looking glum throughout' and Howe 'spoke only in answer to direct questions from her'.[82] This was despite the fact that Len Murray had spent an hour with Thatcher in advance of the meeting. The account of the meeting with the Economic Committee is remarkably like the previous meeting with the NEDDY Six[83] when Thatcher had hectored the trade union leaders. Such encounters are unlikely to have enhanced Thatcher's understanding or appreciation of the trade union movement.

However, despite her unsatisfactory private meeting with the TUC delegation in June, it appeared – at least from the outside – as if Prior's emollient, minimalist reforming position was winning the day. From the end of June until the following February, when the steel strike started, Prior was reported as being 'visibly more assured', particularly at the monthly meetings of NEDDY, where 'his public performances became more obviously confident'.[84] The fact that the monthly meetings with NEDDY and representatives of the government (always Prior, often accompanied by Howe) continued would have been interpreted positively by the trade union leadership. The decision about what to do about NEDDY was arguably one of the first tests that Thatcher had been set. As previously detailed, she followed the advice of her highly experienced Cabinet Secretary within days of taking office, not to attend the quarterly meeting in June and to delegate it to Howe,[85] but the existence and premise of NEDDY was also in the

[78] TNA Prime Ministerial Private Office Files: PREM 19/25 f87. Record of a meeting between the Prime Minister and the TUC Economic Committee at No. 10 at 15.00 hours on Monday 25 June 1979. Also available at https://archive.margaretthatcher.org/doc02/DFA95188C4884515880B22FA27D33503.pdf, accessed 28 February 2025.
[79] Stephenson, *Mrs Thatcher's First Year*, p. 66.
[80] Thatcher, *The Downing Street Years*, p. 100.
[81] These were David Wolfson, Clive Whitmore, Henry James and Tim Lankester.
[82] Stephenson, *Mrs Thatcher's First Year*, p. 66.
[83] See page 144.
[84] Ibid., p. 66.
[85] She did, in fact, chair a quarterly meeting of NEDDY, but not until January 1980.

spotlight. Although it was created by a Conservative Chancellor nearly two decades earlier as part of a policy to improve UK economic planning and performance,[86] its constitution and purpose contradicted the mainstay of the philosophy of the free-market thinkers. To them, its existence implied that the free market was not operating satisfactorily and that this could be improved by the government, employers and unions getting together – outside the framework of Parliament. NEDDY represented the embodiment of the tripartite system of government, employers and unions, and reinforced the position of the union movement to advise on, and be consulted about, economic matters. As was apparent from Murray's comments to Thatcher in the meeting on 25 June, the unions saw this position as being very important, but it was anathema to Thatcher. Joseph was probably in favour of NEDDY's outright abolition, but more moderate voices prevailed, notably Geoffrey Howe, who saw it as a useful forum where open and informed discussion on the state of the economy and the government's economic objectives could take place, as did John Methven, the Director General of the CBI.[87] In the event, NEDDY was spared by Thatcher,[88] although in time she downgraded its meetings from monthly to quarterly.

As the year went on, a gradual change appeared in the Prime Minister's attitude to the need to maintain a level of dialogue with the unions, and the 'mood music' emanating from No. 10 appeared to be more soothing. Indeed, as late as January 1980 at the NEDDY meeting, and even when the steel strike was already underway, her message to the unions appeared to recognise the need for mutual cooperation and understanding. At the Conservative Party Conference at Blackpool in October 1979, Thatcher reiterated that the Government would introduce a Bill before the end of the year designed to strike the right balance between 'a man's right to withhold his labour and a small minority's determination to impose its will on the majority'. She appeared to be holding out a significant olive branch to the unions, and spoke of the honourable part that 'free and responsible trade unions…play in the life of a free and responsible society'. She pledged that:

> However often we may be rebuffed, my colleagues and I will continue to talk to [the unions], to listen to their views, and to give those views due weight in shaping national policy, so long as it is understood that national policy is in the last resort the sole responsibility of government and Parliament.[89]

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[86] Selwyn Lloyd in 1962.
[87] Stephenson, *Mrs Thatcher's First Year*, p. 66.
[88] Finally abolished in 1992.
[89] CCA, Thatcher MSS: THCR/5/1/4/5, Text of MT's speech, Blackpool Party Conference, 12 October 1979. Available at MTFW 119164.

To many observers, it appeared that the existing tripartite system was alive and well. One unnamed union leader was reported to have said: ‘Maybe the Prime Minister [is] a changed woman’.[90] In fact, we now know, both from Thatcher’s own memoirs and the archival evidence that the apparent shift in the mood towards the unions was a tactical switch undertaken by Thatcher, in collusion with her chief allies, Keith Joseph and Geoffrey Howe, as well as Jim Prior. It was not borne from a sense of gradual *rapprochement* in the summer of 1979 – in fact, just the opposite: her mounting frustration at the pace and progress being made along the legislative path. This frustration appears to have boiled over in mid-September, and on 12 September, Thatcher called a meeting with Howe, Joseph, Prior, Christopher Soames and the Secretary of State for Trade, John Nott. As Thatcher later recorded:

> I thought that it was hopeless to try to change the attitudes of most trade union leaders…instead we agreed that we must appeal over their heads to their members…I was convinced that rank-and-file unionists felt very differently to the union bosses about their reforms.[91]

As part of her strategy, Thatcher ‘drummed home the message that it was ordinary trade unionists and their families who were hurt by the irresponsibility of trade union power’.[92] The minutes of the meeting on 12 September[93] are now available and make for interesting reading. The meeting took place against the background of a ‘rash of industrial disputes’, including the Civil Service and at the car manufacturer, BL (formerly British Leyland). Thatcher – who had called the meeting – clearly felt that the government was increasingly on the back foot and was being blamed by the unions for the increasing unemployment levels. Moreover, she noted that the ‘TUC Conference had not produced anything positive’.[94] In her memoirs, she observed it was:

> Marked by unreasoning and unqualified opposition to everything we proposed – even the provision of funds for secret ballots[95] [and that] there was still a real risk that the trade unions would unite against the Government. The Government’s aim should be to keep them disunited, and this meant that Ministers needed to take care with their language…but it would be a mistake to

[90] See Stephenson, *Mrs Thatcher’s First Year*, p. 68.
[91] Thatcher, *The Downing Street Years*, p. 100.
[92] Ibid., p. 101.
[93] TNA, Prime Ministerial Private Office Files: PREM 19/70 f61, No. 10 Record of Conversation MT and Key Ministers (Industrial Relations) Released 2009. Also available at MTFW 116238.
[94] Ibid.
[95] Thatcher, *The Downing Street Years*, p. 100.

> give the trade unions a pretext for breaking off their contacts with the Government, since these on the whole were beneficial.[96]

In fact, this approach by Thatcher of appearing to be emollient and respectful towards the unions in keynote speeches in an attempt to reassure or win over the rank-and-file was not new: she had done the same at previous Conservative Party Conferences in opposition and in her speeches to the CTU. However, her words were inevitably examined more closely when the Conservatives were in government and especially when formulating new industrial relations legislation. She drew on a well-rehearsed line of thinking in *Stepping Stones* (and not unsurprisingly, as Head of the No. 10 Policy Unit, John Hoskyns was present in the strategy meeting on 12 September): that the average rank-and-file trade unionist was moderate and reasonable and could be persuaded to act in an economically rational way, only if they could be communicated with directly, over the heads of the militant minority in the leadership. Hoskyns recorded in his diary later that month that:

> We continued to think about how the union roadblock could be removed. The Stepping Stones project had given the Conservatives an appearance of unity and resolve during the election, but…the unions still appeared all-powerful, and we had an Employment Secretary who had only agreed under duress to a very cautious set of reforms which would be embodied in a bill whose enactment was still many months away.[97]

In her memoirs, Thatcher recalled that, 'in the last part of 1979 and the early months of 1980 we continued refining the Employment Bill and spent a good deal of time on the question of secondary action and immunities'.[98] This hugely understates the internal battles with Cabinet and E Committee, but also her immense sense of frustration with her Employment Secretary in particular. She acknowledged this a little later in February 1980 during the steel strike,[99] but in reality her frustration had been boiling over for many months, although seemingly to little effect. Tim Lankester's[100] recently published memoir details the failure of Thatcher's brief period of Monetarism in the first two years of her administration and confirms:

> Mrs Thatcher was frustrated by the slow start…of her employment secretary, Jim Prior, in moving ahead with trade union reform. Apart from monetary policy, failure to make an early impact in this area of policy…caused her…great angst during my two-and-a-half years working for her. Prior was in favour of trade

[96] TNA Prime Ministerial Private Office Files: PREM 19/70 f61, No. 10 Record of Conversation MT and Key Ministers (Industrial Relations).
[97] Hoskyns, *Just in Time*, p. 129.
[98] Thatcher, *The Downing Street Years*, p. 102.
[99] Ibid., p. 104: 'I, for my part, had begun bitterly to regret that we had not made faster progress both in cutting public expenditure and with trade union reform.'
[100] Lankester, *Inside Thatcher's Monetarism Experiment*, pp. 136–9.

> union reform but wished to go about it in a way and on a time line that would minimise the risk of industrial strife. It was surprising that she had appointed him to this post since his views were well known from before the election…I recall numerous meetings between him and Mrs Thatcher when she would push for faster and more radical action on issues such as the 'closed shop', secondary picketing, strike ballots and trade union immunities, and he would push back.[101]

Lankester also records that, on one occasion Thatcher paid an impromptu visit to Prior's department to, 'as she put it, "see what they are all doing"' and that Prior's expert adviser, Donald Derx, soon became her 'least favourite civil servant' as she believed that 'he was holding Prior back'.[102] Interestingly, Lankester notes that Thatcher never wanted John Hoskyns to get involved in her engagement with Prior on his reforms (which was, according to Lankester a source of great frustration to Hoskyns). Thatcher felt that Hoskyns had a 'poor grasp of politics, and she wanted to be in control'.[103] This seems somewhat surprising, not least of all because of Hoskyns' own previous frustrations with Prior's *modus operandi* during the Stepping Stones project. Indeed, his diaries for this period make several references to this:

> We were suspicious that the Department of Employment – whether misleading Jim Prior or in collusion with him – was presenting to the Cabinet an extremely distorted picture of the large employers' views about the changes they would like to see.[104]

Thatcher's extreme levels of frustration with Prior can occasionally be seen in the archival records. For instance, in September, Prior had sent working papers to Thatcher on issues relating to proposed changes to Labour's recent legislation, the EPA 1975, upon which Prior proposed to open consultations with the TUC and the CBI at the start of the following week and to hold a press conference to discuss the papers. Thatcher had scrawled on Prior's covering note: 'I hate it that this paper has <u>not</u> been before any Cabinet Committee. To send a paper round on Friday for comments against a background of a press conference on Monday, just <u>isn't</u> good enough.'[105] However, although Prior inevitably felt the downdraught of Thatcher's anger, her frustration extended much further than her Employment Secretary. In the first instance, Prior's approach was still backed by most of her Cabinet. Only during the height of the steel strike in February 1980 did the divide become more even, but certainly during most of 1979, it was only a 'strong minority in the Cabinet, including the Prime Minister, Howe and

[101] Ibid., p. 136.
[102] Ibid.
[103] Ibid.
[104] Hoskyns, *Just in Time*, p. 170.
[105] TNA Prime Ministerial Private Office Files: PREM 19/70 f70, Prior minute to MT (working paper on industrial relations) [Extensive MT annotation], 21 September 1979. Also available at MTFW 116239.

Joseph, but not on this issue, John Biffen, who were shocked by Prior's rigid refusal to move faster and further.'[106] Furthermore, they did not even have a majority in Cabinet Committee E where it was known that 'Whitelaw, Walker, Biffen and Lord Hailsham all ranged with Prior'.[107] Britain's employers offered the Prime Minister little encouragement to move faster and more radically. For instance, the Director-General of the CBI, Sir John Methven wrote to Thatcher's new Principal Private Secretary, Clive Whitmore, in February 1980 during the steel strike, warning him that while 'this Government has great courage and must win opposite (sic) the unions…if too great a step at once then there is a real practical danger that the unions will again confront the Government and win. We cannot afford that.'[108] At exactly the same time (suggesting a planned and coordinated approach initiated by Prior)[109] the Chairman of United Biscuits, Hector Laing – who had previously been a supportive and vocal right-wing industrialist – wrote to Thatcher advising her that 'the pressures to go further than the measures outlined in the Employment Bill must be very great…my belief is that the Bill as amended achieves about the right balance' and that 'those who may be demanding even stronger action than is proposed will not be at the barricades behind you when the shots start flying'.[110]

By the time the Employment Bill was introduced to Parliament in December 1979, Prior was undoubtedly satisfied that his approach had carried the day. The Cabinet moderates (or 'Wets' as they were now routinely being called in the Press) wanted to go no further than the position set out in the published Bill. Although Len Murray and others in the union movement attacked the proposals as 'an unacceptable assault on the fundamental rights of the working man', Prior knew this hyperbole was 'for show' and that secretly they were pleasantly surprised that the government was only proposing to go so far. The tough words and sabre-rattling were to discourage it from going any further. Indeed, Hugh Stephenson has suggested that at one point, the TUC was hoping that it might be possible to get bipartisan legislation, taking trade union law out of politics. The Manifesto promises had been fulfilled, albeit as the bare minimum, and broadly on the timescale discussed with Thatcher in May. However, the Bill had not addressed several obvious areas, which Prior had managed successfully to either ignore or side-step to the significant annoyance of his more radical colleagues, including the Prime Minister. These

[106] Stephenson, *Mrs Thatcher's First Year*, p. 73.
[107] Ibid.
[108] TNA Prime Ministerial Private Office Files: PREM 19/267 f154 Sir John Methven to Whitmore (Trade Unions and Employment Bill), 5 February 1980. Also available at MTFW 114800.
[109] Especially as Laing refers to being part of 'a sounding group that Jim uses from time to time on human relations and related matters'.
[110] TNA Prime Ministerial Private Office Files: PREM 19/262 f 138 Letter from Hector Laing to MT (Prior Bill) Supports Prior, 6 February 1980. Also available at MTFW 114805.

were: i) the issue of secondary picketing, ii) legislation to deal with sympathy strikes, iii) restrictions to the immunities of trade unions, iv) legislation to restrict the payment of benefits to the families of strikers, and vi) legislation making unions legally responsible for all the actions of their members, combined with a right of recourse to union funds for those claiming civil damages. Prior had no intention of addressing any of these options in his Bill. As far as he was concerned, the Bill went as far as it needed and certainly as far as intended to take industrial relations reform as part of his brief. However, over a short period, which was strangely reminiscent of exactly a year earlier, an industrial dispute – this time the national strike at British Steel on 2 January 1980 – changed the landscape and, in Prior's words:

> All my calculations were almost upset…since we returned to office I had been walking a political tightrope in my effort to stick to a gradual approach to union reform…now there was a gale almost blowing me off the rope as the actions of steelworkers and their supporters led to renewed demands for much tougher measures to curb union power.[111]

7.3 The power of events – once again

Thatcher later recorded:

> The debate about trade union reform, both inside and outside government, was conducted under the shadow of industrial conflict: in particular, the issues of secondary action and immunities became inextricably entangled with the 1980 steel strike.[112]

Whereas Prior was to refer to the strike as being 'a gale' that nearly blew him off his political tightrope, for Thatcher and her more radical colleagues, the strike provided them with reasons for more and greater future reforms. Thatcher recorded: 'We were always behind events, learning the lessons of the last strike…we could point to recent abuses to justify reform and could therefore rely on public opinion to help us push it through.'[113] This was undoubtedly the case with the steel strike. It allowed Thatcher and her key allies to regain the initiative in trade union reform. Prior is correct to assert that these events '*nearly*' (my emphasis) blew him off his tightrope. However, despite some difficult moments and a major backbench revolt, he succeeded in passing his Bill, largely in its original drafted form. It was not on the statute books in time to affect the steel strike, but it marked the end of his 'Middle Way'[114] approach. The strike's effect was to boost the reformers' case by releasing a huge amount of pressure for

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[111] Prior, *A Balance of Power*, p. 161.
[112] Thatcher, *The Downing Street Years*, p. 108.
[113] Ibid., p. 98.
[114] Prior's own description to the Employment Select Committee on Employment, 20 February 1980.

further change from many quarters: within the Conservative Parliamentary Party and the backbenches, from employers, the public and the media. Even before his Bill received its final reading, it was very clear that another slew of new legislation would soon follow and that next time it would review many of the more contentious issues that Prior's Bill had not included, including mandating the use of secret ballots before strike action, the effective dismantling of the Closed Shop practice where only union members could be hired, restricting the ability of unions to engage in 'political strikes' and, crucially, making unions liable for damages caused by unlawful industrial action.

7.4 *Express Newspapers v MacShane*

Prior described the Lords judgment on this case as the first event to 'shake' his tightrope before the 'gale' of the steel dispute.[115] The original case from 1978 had originated between the National Union of Journalists (NUJ) and several provincial newspapers that had kept going during a dispute by publishing stories supplied to them by the Press Association (PA). The NUJ had tried to stop this by blacking all PA material. The *Daily Express* had applied for an injunction against the NUJ, and the Court of Appeal ruled in their favour, agreeing that the NUJ's secondary action exceeded what could be regarded as furthering the objectives of the dispute and, therefore, the NUJ did not have immunity. However, after an appeal to the House of Lords, this was overturned and the Lords ruled that the industrial action was 'in furtherance of a trade dispute' (and therefore immune), provided the trade union officials genuinely believed it to be so. As Thatcher was to write: 'This subjective test had the most disturbing implications…it meant that henceforth there would be virtually unlimited immunity for secondary industrial action.'[116] The timing of the judgment in early December was particularly unfortunate: Prior had just introduced his new Bill before the House. Foreshadowing what was to come during the steel strike the following month, the Cabinet was divided: should immunities be restricted solely to the original dispute, in line with the proposals in the Draft Bill to limit picketing to a person's place of work or, in Prior's words, should 'some scope for "sympathetic" or secondary industrial action by unions in furtherance of the original dispute' be allowed? Not unsurprisingly, Prior favoured the latter option with the justification that 'anything more restrictive at this stage would not stick',[117] and he was backed by Hailsham, but the more radical members of the Cabinet disagreed. Howe argued that 'we should return to

[115] Prior, *A Balance of Power*, p. 161.
[116] Thatcher, *The Path to Power*, p. 103.
[117] Prior, *A Balance of Power*, p. 161.

his approach of wholesale reform, adopted in his 1971 IR Act'.[118] Prior prevailed and was given the go-ahead to stick to his original process of a period of consultation and the preparation of a consultation document that would be published in mid-February. However, this was soon overtaken by events. As Prior later recalled, 'as tempers boiled over in the steel strike the political pressure quickly built up within the Party for immediate and tougher action',[119] and it was he, in particular, who felt most of this pressure in the following weeks.

7.5 The steel strike

The all-out strike at the British Steel Corporation (BSC) by members of the Iron and Steel Trades Confederation (ISTC) that started on 2 January 1980 and ended four months later had profound implications on the Conservative Party's thinking and plans for industrial relations reform. For Jim Prior and his 'Middle Way', its timing was unfortunate: just as his Bill was embarking on its Committee Stage. That his Bill did eventually get onto the statute book later that year (largely intact save for an additional clause in light of the Lords judgement on *Express Newspapers v MacShane* and other relatively small changes) belies the reality of the battle that raged in the Conservative Party and in Cabinet during January and February 1980 and the pressure on the key actors – and in several cases, the pressure that they, in turn, were exerting on others. Prior, particularly, was under intense pressure to abandon the step-by-step approach and to push through immediate and far more radical measures. For Prior personally, it must have been both the best and worst of times in his political career.

The UK steel strike was the big 'set-piece' industrial dispute during Thatcher's first administration, but its profile has always been overshadowed by what followed it in the following Conservative administration, the 1984/85 Miners' Strike. While the latter has generated a seemingly inexhaustible historiography, the former has only warranted one detailed study by Hartley and Kelly,[120] which was published at the time and before the Miners' Strike.[121] The two strikes differed in many respects, but also shared some key similarities, and, as such, the steel strike has been seen (and was seen at the time, based on comments in confidential communications between ministers and advisers) as the 'curtain raiser' for the much bigger confrontation that was expected. Ministers did not expect a strike in the steel industry: there

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[118] Ibid., p. 162.
[119] Ibid.
[120] Jean Hartley and John Kelly, *Steel Strike: A Case Study in Industrial Relations* (London, 1983).
[121] Charlie McGuire, *Steelworkers in Struggle: An Oral History of the 1980 National Steel Strike* (Manchester, 2025) has been published since this chapter was written.

was a general expectation that there would be a challenge during the first winter of a new Conservative Government and that it would be from the miners. The ISTC was also not known for its militancy: the last steel strike had been in the 1926 General Strike, and Bill Sirs, the ISTC General Secretary, was seen as moderate and on the right of the labour movement.[122] Even at the time, there was a widespread feeling within the Government that this was a conflict that should never have happened and many ministers privately blamed the management of BSC under its Chairman, Sir Charles Villiers for mishandling the situation. At one point in the strike, Prior was quoted as being openly critical of BSC's management – an incident that caused considerable embarrassment to Thatcher when questioned by the media In fact, the Conservatives were already secretly plotting the removal of Villiers and the appointment of a new Chairman, the controversial American-Scottish businessman, Ian MacGregor.[123] Compared to the year-long Miners' Strike, the steel strike only lasted four months and, unlike the miners' the steel strike did not have a clear-cut winner. Thatcher later recalled, 'the outcome, in spite of the final settlement,[124] was generally seen as a victory for the Government, if not the BSC management',[125] notably because it was accompanied by a productivity agreement and the implementation of a rationalisation plan which, under Ian MacGregor, would be draconian, reducing the workforce from 166,000 on his appointment in 1980 to 71,000 when he went to run the National Coal Board in 1983.

What transformed the strike at BSC into a pivotal episode for the Conservative Party's trade union reform was the outbreak of secondary picketing – often accompanied by violent scenes – outside factories and plants of businesses that were not owned by BSC, but were typically privately owned steel manufacturers and stockholders. None of these businesses were involved in the original pay dispute at BSC, but found themselves drawn in and, very often, their businesses were effectively shut down as a result of picketing. In some cases, workers who were members of the ISTC acted in sympathy with their striking colleagues at BSC, but in most cases, the pickets outside these businesses were ISTC pickets from BSC plants. At this point, it became clear that even if the Draft Employment Bill had already been on the statute book, it would have offered no protection to those businesses that were not involved in the BSC dispute,

[122] Later he was to become a member of the St Ermin's group, a group of right-wing anti-Bennite trade unionists.
[123] MacGregor was clearly expressing his views on the strike – even though his appointment had not been announced. He is just referred to as 'the other man' by Keith Joseph in minutes of two telephone calls.
[124] The strikers originally demanded a 20% pay deal and settled for a 16% increase (staggered over two years) after the strike.
[125] Thatcher, *The Downing Street Years*, p. 113.

and in the light of the Lords judgement on *Daily Express v MacShane*, the ISTC would have still enjoyed immunity for its actions in furtherance of a dispute.

When it was clear in December 1979 that a strike at BSC was inevitable, Ministers believed that the Government's attitude would 'be regarded as a critical test of our determination to curb inflation and public expenditure, and to make nationalised industries stand on their own two feet'.[126] BSC was very heavily loss-making and subsidised by the taxpayer, and although the Government was at pains to say that they would not get involved in the dispute, the BSC Management were confronted with a wage demand for a 20% increase by the ISTC in a new era of free collective bargaining with no statutory or voluntary pay policy in place.

During the first two weeks of the strike, the Government's main preoccupation appears to have been with the way that the dispute and the BSC Board were being portrayed in the press. On the first day of the strike, Prior said to Thatcher in a minuted telephone call that the 'presentation of the steel strike on the television news had sent a shiver down his back'.[127] While agreeing that the BBC 'had been very one-sided', Thatcher added that 'there appeared to be no sense of urgency in the BSC management'.[128] Ministers were more concerned about a rumoured split in the BSC between the Chairman, Sir Charles Villiers and his deputy, Robert (Bob) Scholey. Thatcher expressed her private view to Joseph on a call on 5 January that 'Mr Scholey had been very robust, while Sir Charles Villiers seemed somewhat less solid', but that she feared that Mr Scholey was 'not a particularly skilled negotiator'.[129] Joseph commented that, 'Messrs. Scholey and Villiers were in a death or glory situation…they knew that failure meant that he would ask the Prime Minister to replace them.'[130] In fact, Thatcher's main concern at the beginning of the strike appears to have been that the BSC negotiating team would cave in too soon and too easily. She queried why the Corporation had raised its offer 'as high as 8 per cent in the previous night's negotiations' and sought assurances from Joseph that 'all the new money would be tied to productivity'. In early January, Joseph's intelligence briefing for Thatcher, obtained from the Government members of the BSC Board, indicated that although ISTC members had supported the strike and there was no 'iron production, no steel

[126] TNA Prime Ministerial Private Office Files: PREM 19/307 f51 Nationalised Industries, MT Telephone Call with Keith Joseph at 17.00 on 5 January [1980]. Also available at MTFW 116012.
[127] TNA Prime Ministerial Private Office Files: PREM 19/307 f126 Nationalised Industries, MT Telephone Call with Jim Prior (Secretary of State for Employment) at 21.45 on 2 January [1980]. Also available at MTFW 116006.
[128] Ibid.
[129] PREM 19/307 f51 MT Telephone Call with Keith Joseph at 17.00 on 5 January [1980].
[130] Ibid.

production or rolling at any of the Corporation's plants', there was little disruption to the private sector plants across the country, and even in Sheffield where 'most plants are being picketed, with two exceptions, there is no interference with normal activity'. There was a reassuring message that: 'Users will survive…without serious trouble, even in the unlikely event that all further deliveries from private steelmakers and imports were stopped.'[131] Against this background, Thatcher appeared on LWT's *Weekend World* for her first interview with Brian Walden since the Election on 6 January. Unsurprisingly, the interview concentrated on the recently started steel strike, and when Walden pushed on the secondary strike problem arising from the *Express Newspapers v. MacShane* judgement, Thatcher appeared reasonably relaxed. She described Prior's Draft Bill as being 'modest and sensible', giving a clear hint that because of the need for consultation and 'time to get it right', the secondary strike issue would not be dealt with in the current Bill but possibly in later legislation.[132] She said only that the Government were 'thinking of looking' at the civil immunities of trade unions where they involved breach of commercial contracts. When pushed by Walden about the idea of deducting Social Security benefits from striking workers by amounts that their union would have deemed to have paid them in strike pay – whether they had or not – she said that her Government was 'not very enamoured at the moment'.[133]

What changed the tone of the debate and exposed the deep splits in the Cabinet and Party on industrial relations was the outbreak of secondary picketing of private steel companies that gathered pace during January and into the following month. The secondary picketing took place despite intelligence received from the CBI and other sources indicating that the British manufacturing industry was adapting well to the BSC shutdown, with little evidence of general shortages apart from at a few individual companies; overall UK manufacturing production was being maintained at 96% of its normal level. As Thatcher was to recall:

> The mass picketing at Hadfields[134] raised the stakes…it had overtones of the kind of intimidation and violence which had led to the closure of the Saltley Coke Depot during the miners' strike in 1972: it was vital that we win through.[135]

[131] TNA Prime Ministerial Private Office Files: PREM 19/307 f99, Joseph minute to MT (Steel Strike), 3 January 1980. Also available at MTFW 106008.
[132] *Weekend World*, LWT, 6 January 1980. Transcript available at https://www.margaretthatcher.org/document/104210.
[133] Ibid.
[134] Privately owned Hadfields ran the East Hecla steel plant in Sheffield.
[135] Thatcher, *The Downing Street Years*, p. 112.

The picketing became increasingly violent, and at the end of the first week in February, the local Assistant Chief Constable told the managing director that he could no longer guarantee the safety of the plant and the machinery inside, and Hadfields were forced to close the plant. Although the closure was not reported, the next day, Hadfield's Managing Director came to London to confront the Chairman of BSC and ministers. On the same day (6 February), he met Thatcher (accompanied by Jim Prior) with a delegation of fellow steel producers from the private sector who were members of the British Independent Steel Producers Association (BISPA).[136] No minutes of this meeting appear to exist, but a contemporary report claimed that the BISPA members 'waved her own election manifesto in front of her and demanded without much finesse to know when her government was going to fulfil its commitments to protect them from secondary strikes'.[137] Norton followed up his meeting in a letter to Thatcher on 15 February thanking her for condemnation in the Commons of 'the appalling scenes that took place outside our gates' and informing her that he had received '400 letters in support of the stand we have taken against both the strike and picketing' from 'people who are delighted to see a British lion roaring again'. He concluded: 'Please dear Prime Minister, grab the appropriate people by the throat and make them act as men.'[138] In her reply four days later, Thatcher concluded by promising that, 'We will certainly push ahead with our legislation against secondary picketing as fast as possible. But I fear this cannot be fast enough to affect the current dispute.'[139]

Thatcher had already come to regret accepting Prior's 'modest and sensible' plans for reform. In a note of a meeting she had on 5 February with Sir John Methven of the CBI (normally a supporter of Prior's moderate approach who had recently spoken out in favour of profound changes in the law to 'bring back sanity to industrial relations'), Thatcher felt it was:

> A great pity…that the Government had not brought forward more radical proposals when the Bill was introduced: nine months had virtually been wasted in reached (sic) the present unsatisfactory juncture.[140]

[136] BISPA's membership comprised some 140 steel companies who were not nationalised who accounted for approximately 15% of the total industry.
[137] See Stephenson, *Mrs Thatcher's First Year*, p. 72.
[138] See footnote below: original letter from Derek Norton to Margaret Thatcher is attached to her reply to him.
[139] TNA Prime Ministerial Private Office Files: PREM 19/0310 f207, MT to Chairman of Hadfields Ltd (Steel Strike: Mass picketing) [MT pushing for change in law to address obstruction and intimidation], 19 February 1980.
[140] TNA Prime Ministerial Private Office Files: PREM 19/262 f154, Trade Unions: No. 10 record of conversation (MT – Sir John Methven, CBI) [Methven backing Prior on Bill], 5 February 1980. Also available at MTFW 114799.

> [With] the timing of more radical measures…there would always be a risk of confrontation with the unions…[but] it would be better to accept this risk in the coming months rather than wait until next Autumn when the miners and others could cause the maximum disruption.[141]

In fact, as Thatcher later recorded in her memoirs, a few days earlier on 30 January, Jim Prior had come to visit her at his request and 'poured out a tale of woe' about the strike spreading to the private steel companies and a 'day of action' planned in Wales. She recalled: 'By this stage I did not share Jim's analysis of the situation at all' and she had 'begun bitterly to regret' his timorous approach.[142]

From the second half of January and through February, there was a great deal of activity and correspondence generated by advisers and members of the Cabinet who strongly favoured a more radical approach to the twin issues of secondary action and the immunities currently in place to protect those taking such actions. Not unsurprisingly, the most vocal were the most active participants in the earlier Stepping Stones project, John Hoskyns and Geoffrey Howe. They – and particularly Hoskyns as Head of the No. 10 Policy Unit – communicated their thoughts and fears about the unfolding secondary picketing crisis in the steel dispute to Thatcher on a near-daily basis. However, there were also several voices sharing concerns about Prior's approach, including Angus Maude, Lord Thorneycroft and John Nott. Hoskyns' first memo to Thatcher on 11 January was relatively moderate in its tone, arguing that Prior's proposed amendment on immunities was 'the minimum possible response to the MacShane judgement' and suggesting that 'we are not experts, but the most obvious alternative would be to give a right of action to anyone who is not party to a primary dispute'. He noted, however, that Prior had three compelling objections to this.[143] By 1 February, Hoskyns' advice to Thatcher (and its tone) had hardened: 'We do believe that the two centre pillars of any change are (1) the withdrawal of immunities for <u>all</u> secondary action; <u>and</u> (2) the withdrawal of those immunities from trade unions as well as individuals.'[144] In the same memo, Hoskyns reminds Thatcher of her previous initiative a year earlier:

> We are now in a situation very similar to that of last winter, with colleagues divided as to whether to take the opportunity presented by events or to accept the

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[141] Ibid.
[142] Thatcher, *The Downing Street Years*, p. 104.
[143] TNA Prime Ministerial Private Office Files: PREM 19/261 f66, Hoskyns minute to MT (Prior paper on immunities) [case for doing more], 11 January 1980. Also available at MTFW 114781.
[144] TNA Prime Ministerial Private Office Files: PREM 19/261 f19, John Hoskyns Note to MT, Trade Union Immunities, 1 February 1980. Also available at MTFW 114789.

> status quo. It is worth remembering that, at that time, Jim Prior was opposed to any legislative changes, including the ones in the present Bill.
>
> Now is our best and last chance to make the major changes that will reduce trade union capacity to disrupt industry…the trade unions are part of the Labour movement and therefore our political opponents…it is utterly naïve to think that we can win their goodwill by being 'nice chaps.'[145]

This was a total repudiation of Prior's beliefs, particularly using the steel crisis to the Government's advantage, which ran totally counter to Prior's dislike of legislating in reaction to the latest industrial relations crisis. The day before Prior's Bill was due to be debated by E Committee on 6 February, Hoskyns prepared a minute for Thatcher with his recommended approach:

> You might start with a reference to our Manifesto commitment, to the strength of public opinion, to representations by BISPA and chambers of commerce etc. The technique should be probing and questioning [Thatcher underlined both words in her annotated copy] and not disagreement and argument which will waste time. He [Prior] should not be allowed to stonewall on the basis that 'we've been overall this so many times before'.[146]

In the same memo, Hoskyns rails that:

> The British Establishment is still basically defeatist on trade union reform…the debate that would have captured the groundswell of opinion never took place…because Jim Prior himself for whatever reason, always refused to lead that debate…we have never had the debate properly among colleagues, with no holds barred.[147]

Thatcher also sought renewed advice from her favoured industrial relations expert, Sir Leonard Neal, who confirmed his views from an earlier conversation in a letter to her on the eve of the E Committee meeting. He wrote:

> If the Bill is inadequate as we believe it to be…[it] does nothing in its present form to inhibit secondary 'blacking' and boycotts, including 'sympathetic strikes'…it does not provide for a return to the state of the law before 1976, which allowed for action to be taken against those inducing breaches of commercial or other contracts…the Bill does not provide for any amendment of the current definition of a 'trade dispute'.[148]

[145] Ibid.
[146] TNA Prime Ministerial Private Office Files: PREM 19/262 f160, Hoskyns minute to MT ('E' Committee Employment Bill), 5 February 1980. Also available at MTFW 114797.
[147] Ibid.
[148] TNA Prime Ministerial Private Office Files: PREM 19/262 f148, Sir Leonard Neal letter to MT (Prior Bill) [gist of his report], 5 February 1980. Also available at MTFW 114802.

He concluded 'that we must attempt to create a situation where non-striking becomes a way of life before striking becomes the way of death'.[149] In the same vein, Thatcher was frequently copied in (often blind-copied) to several letters from Cabinet colleagues to Prior expressing their dissatisfaction with his Bill at this time. For example, Angus Maude wrote to Prior on 4 February (blind-copied to Thatcher) that:

> I just do not believe that your proposals are now adequate to satisfy public opinion and remove the disquiet of rank-and-file trade unionists (which has been repeatedly shown in opinion polls – to say nothing of the last Election). Things have changed significantly since E Committee discussed these proposals on 15 January.[150]

The expectation of public opinion to which Maude referred was something Thatcher was invariably, at this time, very aware. She was to later write that, 'all my instincts told me that we would have strong public support to restrict union power, and the evidence supported me' and referred to a survey in *The Times* on 21 January in which respondents were asked if 'sympathy strikes and blacking were legitimate weapons to use in an industrial dispute?' Results indicated 71% of people (and 62% of trade unionists) felt a new law should be brought in.[151] Interestingly, these findings are almost identical to the results of private polling carried out for Keith Britto of the CRD by ORC and circulated to advisers: 70% of all respondents backed a ban on secondary picketing (59% for union members), 59% backed a ban on blacking (45% for union members), 58% backed a ban on secondary strikes (42% for union members) and 50% of all respondents believed that 'firms who lose money because of union action in strikes which do not affect them' should have recourse to the courts (38% for union members). Only the question of restricting social security benefits to strikers' families did not receive majority backing from either group (36% of all respondents versus 30% of trade union members).[152] Crucially, these views were reflected in the media, particularly in the traditionally right-wing newspapers. For example, the *Daily Telegraph* leader opined that, 'it may be no exaggeration to say that the coming week will seal the fate of the Thatcher administration' and four days later, it expressed that some Cabinet resignations might be preferable to the sight of Thatcher hesitating much longer and 'dissipating the country's resolve for firm action'. The

[149] Ibid.
[150] TNA Prime Ministerial Private Office Files: PREM 19/262 f181, Angus Maude to Prior (proposals insufficient) ["important and critical decision"], 4 February 1980. Also available at MTFW 114794.
[151] Margaret Thatcher, *The Downing Street Years*, p. 105.
[152] CCA, Thatcher MSS: THCR2/6/2/174 Part 2 f77, Britto Minute (Trade Union Survey 2) [public view of steel strike], 7 February 1980. Also available at MTFW 114838.

Daily Express was even more direct in its message to the Prime Minister: 'If you don't act now the writing will be on the tombstone of the Tory Government.'[153]

Prior's political survival was in jeopardy in February 1980. That he emerged with his Bill largely intact was a reflection both of his resolute defence of his step-by-step approach and, to an extent, his personal popularity. His memoirs record his battles in E Committee, before the 1922 Committee on 7 February and the Employment Select Committee. He was constantly aware that 'Margaret was under intense pressure from her own supporters to be tougher on the unions'. She wanted:

> to rush through Parliament, in a day or two, an immediate one clause Bill to outlaw secondary picketing…I have no doubt that her advisers were urging her to take a tougher line…but I was totally opposed to her suggestion. Rushed legislation almost always turns out to be bad legislation. Plucking one item out of the Bill would look like a panic response, admitting that we should have acted faster from the outset. It would raise the temperature even higher in the steel strike, cause great anger amongst moderate trade unionists and ruin our attempts to continue talks with the unions.[154]

Prior was also under attack from the Thatcherites on the backbenches, having been 'tipped off that a new campaign was being organised against me…sure enough George Gardiner the Tory MP for Reigate[155] and Thatcher-loyalist wrote an article in the *Sunday Express* on 3 February calling for much more drastic action'.[156]

The E Committee meeting on 13 February was when Prior was due to present his draft of his working paper proposals before presenting it to the full Cabinet the following day. He had resolved to resign if defeated at the E Committee meeting.[157] On the day of the meeting, a well-sourced article appeared in *The Times* by the Political Editor, Fred Emery, under the headline, 'Curb on unions issue hangs in balance'.[158] The article speculated that:

> Mrs Thatcher is leading the cause against Mr Prior, demanding that he stiffen his proposals far more than he wanted to. But last night it was reckoned that there were about five Cabinet Ministers who could tilt the present approximate 8-8 balance…the speculative cabinet division still appeared a touch and go matter for Mr Prior…All such reckoning is of course highly speculative but it shows how far his government has split on a crucial issue of policy.[159]

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[153] Stephenson, *Mrs Thatcher's First Year*, p. 72.
[154] Prior, *A Balance of Power*, p. 165.
[155] Gardiner, a former journalist and MP for Reigate had a regular column in the *Sunday Express.*
[156] Prior, *A Balance of Power*, p. 163.
[157] Ibid., p. 164.
[158] *The Times*, 13 February 1980, p. 2.
[159] Ibid.

As Prior later recalled, 'the meeting was touch and go. But in the end my line held. The full Cabinet meeting the next day was more a formality.' However, as well as navigating the E Committee and Cabinet, Prior had to contend with the groundswell from the backbenches. On 4 February nearly one hundred Conservative MPs put their names to an Early Day Motion (EDM) calling for 'immediate legislation to restore industrial equity'. Prior decided to face down his critics and, with the cooperation of the Chairman of the 1922 Committee, Edward Du Cann, he spoke to a crowded meeting of the '22 Committee on 7 February. By tradition, no minutes of the meeting were kept and no direct briefings were given to journalists afterwards, but one contemporary witness described it as a 'bravura performance' in which Prior 'conceded little and demonstrated that most of his critics had no grasp of what the subject entailed'.[160] He said that his Bill would be on the statute book by August, 'well in time for the next autumn's round of industrial action'. He also hinted at further possible legislation, including cutting Social Security payments to strikers' families – something that he had previously appeared to oppose so strongly that he considered resigning.[161]

After his working paper was published, Prior continued to be attacked by the right wing of his own party. Appearing before the Commons Select Committee on Employment on 20 February, he was asked by John Gorst, MP for Barnet and Hendon North and a veteran of the Grunwick dispute, whether he was frightened of going further with his reforms 'for fear that it might cause a general strike' and, if so, 'the man on the Clapham Omnibus might view it as…cowardice…giving in to threats of blackmail…or abdication'.[162] Prior was reported to have 'started quietly…but his voice rose rapidly and his colour deepened' as he declared, 'sometimes it requires courage to stand against the stream. I believe I am standing against the stream.' He added that 'the man on the omnibus would be the first to complain if we got it wrong'.[163] Despite his strong performances in these meetings, the right wing of the party continued to harry Prior as the Bill went through its committee stages, forcing votes in April on making union funds available to compensate for financial losses incurred through secondary picketing. On 22 April, they staged the biggest revolt of Thatcher's first year when forty-five Conservative MPs voted against the Government for an amendment that would have obliged unions to hold a secret ballot if 15% of its members called for one. The Government was never in danger for any of these votes as Labour members voted with the Government. Even when it

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[160] This account of the 1922 meeting is from Stephenson, *Mrs Thatcher's First Year*, p. 72.
[161] See earlier footnotes 26 and 27 on pp.199–200 for references to his possible resignation from the Government.
[162] Fred Emery, 'Prior Defends His Middle Way', *The Times*, 21 February 1980.
[163] Ibid.

was clear that Prior's 'Middle Way' reforms had won the day in Cabinet, Thatcher could not resist undercutting his position in an interview to BBC's *Panorama* in which she asserted in reply to questioning from Robin Day that, if things did not work after the passage of Prior's Bill, the Government would re-open the question of immunity of union funds from claims for damages. While this was done later in the 1980 Budget, at that time it had not been agreed by the Cabinet, which had, in fact, rejected it on the grounds that it would put part of union law back to what it had been before the Trades Dispute Act of 1906.[164] The habit of making policy by personal assertion – often on live television – had been adopted by Thatcher on other occasions in relation to industrial relations reforms when she had been unable to get her way in Cabinet (or Shadow Cabinet).

Prior's Bill passed with his amendments essentially all incorporated: Two new tests were introduced to ensure that unions would qualify for their immunity. First, that what a union did must be reasonably capable of furthering the primary dispute in question, and second, that the industrial action must be 'predominantly in pursuit of a trade dispute'. Had they been enacted at the time, neither would have done anything to change the position in relation to the sympathy strikes against the private steel firms.

7.6 1981 Green Paper on Union Immunities

Despite his extensive bruising at the hands of the right wing of his Party, with his legislation on the Statute Book, Prior turned his 'attention to drafting my Green Paper on union immunities', recalling that 'I had put forward the idea of publishing a Green paper to Margaret and the hard-liners in Cabinet…my offer had helped persuade them to support my more measured approach to union reform'. By doing so, he felt that 'a Green Paper would enable me to present my own philosophy and develop my own thoughts on the various options'.[165] It is clear from his memoirs that Prior wanted to broaden the debate from the 'narrow question of the unions' position in the law' and, in particular, he believed it was important to 'consider the duties which trade unions and employees owe to the community as a whole' – a debate in which Thatcher would have had very little interest. He also made it clear that while he would consider certain new measures relating to the Closed Shop, he had no appetite to curb 'union immunities any further than they had already been restricted in the 1980 Act'. I wanted to see the main provisions in our first Act given time to be accepted, and not try to rush ahead too fast.[166]

[164] Stephenson, *Mrs Thatcher's First Year*, p. 76.
[165] Prior, *A Balance of Power*, p. 169.
[166] Ibid., p. 170.

However, as he ruefully reflected several years later: 'there was little immediate prospect of my developing my thinking into practical effect…this would depend on my standing at one of the Economic Departments throughout Margaret's Government'. With his move to the Northern Ireland Office in September 1981, any opportunity to influence the Industrial Relations debate disappeared, although Prior did negotiate retaining his place in E Committee on leaving the Department of Employment.

7.7 The White Paper and the Employment Act 1982

The arrival of Norman Tebbit at the Department of Employment in September 1981 profoundly transformed the tempo and tenor of the Government's legislative programme of reforms. Tebbit was far removed from his emollient predecessor's image of the 'false squire'. His family had experienced deprivation and unemployment in the depression of the 1930s, but after winning a place at his local grammar school, Tebbit joined the Royal Air Force, which led to a subsequent career as a civil airline pilot. Unusually for a Conservative MP, he had first-hand experience of being a trade union member. In contrast to Prior's easy-going patrician style, Tebbit was naturally combative, and his nasal London accent made him appear more like a trade union leader than a Conservative MP. Crucially, he was politically aligned with the Prime Minister and, if anything, his views were often more right-wing and radical than hers. For the purposes of this thesis, Tebbit's impact is only briefly examined for the period from September 1981 until the end of the first Thatcher government in May 1983. During this relatively short time, Tebbit framed and secured Cabinet agreement for his White Paper (published in November 1981), which was to set out the shape of his 1982 Employment Act. The latter was later described by Tebbit as 'my greatest achievement in Government', also adding that 'it has been one of the principal pillars on which the Thatcher economic reforms have been built'.[167] Certainly, compared to its predecessor, the 1982 Act was much more radical. In summary, it changed five aspects of industrial relations law:

1. It removed the immunity from actions in tort, which had been enjoyed by the unions since the Trade Disputes Act. This enabled employers to apply for injunctions against unions, to sue unions for damages and, ultimately, for the Courts to sequestrate union assets.
2. It outlawed 'political strikes' by limiting immunity to trade disputes that related 'mainly or wholly to industrial matters'.

[167] Tebbit, *Upwardly Mobile*, p. 232.

3. It further reduced the scope for secondary action by limiting immunity to disputes between 'workers and their employer'.
4. It required approval of all Closed Shop agreements by a secret ballot held every five years. In most cases, approval was required by 80% of those eligible to vote or 85% of those voting.
5. It prohibited union labour only and union recognition clauses in commercial contracts.

Space does not permit an exhaustive examination of Tebbit's time as Employment Secretary during the first administration, but it is certain that the passage of the 1982 Employment Act (named 'the Tebbit Bill' by the TUC as part of their campaign to 'Kill the Tebbit Bill) was a great deal smoother and faster than its predecessor, Prior's 1980 Employment Act. Tebbit was instinctively more radical and reform-minded than Jim Prior. Despite having previously been a member of a union, Tebbit disliked the unions and what they stood for. However, thanks to Prior's relatively modest 1980 Employment Act, the ground had already been broken: unlike the 1971 IR Act, Prior's legislation was workable and enforceable. Union resistance and pushback had been relatively limited, and union membership had fallen steadily since 1979. Finally, and perhaps most importantly, although Britain was slowly emerging from a deep recession, unemployment was high and still rising, and workers were far less likely to strike if they believed their job was at risk. In contrast to Prior's constant fears about the probable reaction of the unions to his legislation, Tebbit was confident there would be limited resistance, despite Len Murray calling for constitutional resistance and the newly elected President of the NUM, Arthur Scargill,[168] threatening defiance of the law. Even with a special levy of 10p per union member, which raised over £1m, as part of the TUC's 'Kill the Bill' campaign, there was very little grass-roots support.

Tebbit wrote later:

> I had a clear game plan for my programme of reform before I made the first move, but it existed only in my mind and I had no intention of exposure more than one move at a time. I was determined first to form public opinion and then to be always just a little behind rather than ahead of it as I legislated.[169]

He identified that his White Paper needed to have 'three main thrusts' – on the Closed Shop, the tightening of the definition of a 'trades dispute' and the restriction of the unions' immunity

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[168] Elected NUM President with 70% of the vote in 1981.
[169] Tebbit, *Upwardly Mobile*, p. 233.

from legal actions for damages for unlawful acts. For the first, he was helped by a small number of high-profile cases involving the Closed Shop, notably the findings of the Strasbourg Court of Human Rights in the case of three former British Rail employees who had been dismissed for failing to join the 'appropriate union'. Tebbit was able to harness public sympathy and outrage at their treatment, but equally, he understood the limitations under which he was operating and rejected pressures within the Party to ban the Closed Shop completely. However, as he later wrote: 'that would not have worked – but I did set out to undermine it',[170] particularly by proposing that compensation for those dismissed as the result of a Closed Shop would be sharply increased. Bringing the immunities of unions into line with those of individuals organising or taking part in industrial action made the unions themselves 'liable in tort' and therefore open to damages if they committed unlawful acts, except in pursuit or furtherance 'of a trades dispute'. Recognising the ambiguity in the definition of a 'trades dispute', Tebbit defined it more tightly to exclude what was often termed a 'political strike' and strikes about matters that originated outside Britain – such strikes would no longer have immunity. However, he drew the line at removing immunity from strikes called without a ballot, feeling it was 'a bridge too far…that provision which was to have a crucial effect in ending the coal strike in 1985, had to await the 1984 legislation'.[171]

Tebbit conceived his legislative programme as being

> carefully designed…[it] did not compel the unions to do anything – so there could be no mass refusal to comply with what came to be known as 'Tebbit's Law.' Nor did it create a complex new legal structure – it simply tilted the balance of power away from the unions by chipping away at the privileges and legal immunities that gave them their ability to ride roughshod over the legitimate rights of the general public.[172]

Nonetheless, Tebbit's reforms did not get an easy ride from the Party, either from those on the right who felt he was being pusillanimous, nor from E Committee and the Cabinet. Regarding the latter, Tebbit was later to recall that he expected – and faced – some 'difficult arguments', particularly because his Cabinet colleagues were at the time 'besotted with three media hobby horses – political strikes, procedural agreements and so-called lay off provisions'. However, the really difficult issue

> was the reversal of the provision in the 1906 Act which had given unions total protection from being sued for damages. In the end I think that it was only the

[170] Tebbit, *Upwardly Mobile*, p. 234.
[171] Ibid., p. 235.
[172] Ibid.

Prime Minister's open support for me that carried the day. Had I not had it, I believe Mr Scargill, not Margaret Thatcher would have won the coal strike.[173]

[173] Ibid., pp. 237–8.

Epilogue

E1: A planned legislative onslaught or an opportunistic events-driven programme?

Between 1979 and 1997, the Conservatives passed six substantive Acts of Parliament to reform British industrial relations and reduce the power and influence of the trade union movement. In Hendy's words, in practice, they 'brought about the most radical package of changes in employment law ever seen in the history of English Law'.[1] As outlined in this thesis, two Acts were passed during the first administration, one in the second administration and two in Thatcher's third administration. The final Act, the 1993 Trade Union Reform and Employment Rights Act, was passed by John Major's government. Had the Conservatives won the 1997 General Election, it is likely that they would have introduced another tranche of legislation, with particular focus on curbing industrial action in the public sector.[2] Only two of these, the 1980 and 1982 Employment Acts, fall within the timeline covered by this research, although it can be argued that they were the two most significant pieces of legislation. The 1980 Employment Act, despite its modest aims, was the first. The 1982 Act began the process of removing the blanket immunity that the unions had enjoyed since the 1906 Trade Disputes Act, now making trade unions – as distinct from trade unionists – liable for civil actions in tort. Specifically, it was Norman Tebbit's short but impactful tenure as Secretary of State for Employment (September 1981 – October 1983) that saw the laws being re-designed to ensure that unions would be financially punished following any clash with the law.

The Conservatives' industrial relations legislative programme established a predictable pattern: a new Act was passed approximately every two years, typically after a renewed electoral mandate. Moreover, the threat of trade union power and dire warnings and reminders of the industrial relations chaos under the Labour government in the 'Winter of Discontent' were used to great political effect in Conservative election material and PPBs throughout the decade and up to, and including, the 1992 General Election. The Conservatives' legislative programme reflected a pragmatic and incremental approach, in contrast to Heath's all-encompassing 1971 IR Act. Another lesson learned from Heath's experience was that the new legislation now relied

[1] John Hendy, *A Law unto Themselves. Conservative Employment Law: A National and International Assessment* (London, 1993), p. 20.

[2] Peter Dorey, *Trade Unions and Industrial Relations since 1979: A Total Transformation* (Sheffield, 1999), p. 17.

on civil rather than criminal law. The Thatcherites wished to ensure that any breach of their new laws would be treated as civil offences; there would be no repetition of the incendiary sight in 1971 of individual trade unionists being jailed. Instead, unions that were in breach of the law could be subjected to an injunction to desist, which, if ignored, could make them liable for damages or, in extreme cases, to having their assets seized (or 'sequestrated') by the Courts. Unlike Heath's failed legislation that had empowered the Secretary of State for Employment to investigate and pursue such actions, responsibility for instituting legal proceedings under the new legislation rested with employers or with the unions' own members, thereby ensuring that ministers did not become directly involved with industrial disputes. Although cumulatively enacted over more than a decade, the Thatcherite legislation was significantly more radical than Heath's: it intervened far more in the internal affairs and processes of the unions by mandating compulsory members' ballots, but also by constraining all secondary action, giving union members more rights in relation to their unions and outlawing labour-only clauses in contracts and tenders.[3] Whereas Heath's legislation had offered the unions certain privileges and immunities in return for registration, there were no reciprocal privileges offered in the Thatcherite legislation, which did not require registration. The Thatcherite reforms took the form of a ratchet relating to practices or issues, progressively tightening over time by subsequent legislation, although often not linear in its implementation. For instance, the first restrictions on the Closed Shop were proposed in the 1979 Manifesto, but it was only after four distinct steps that it was finally abolished in the 1990 Employment Act. In contrast, the immunity conferred where secondary action was involved was removed in only two consecutive steps. With one significant exception, all manifesto commitments to trade union reform were successfully enacted. The exception was the 1983 General Election commitment to introduce 'contracting in' to the unions' political levy. Described by Marsh as 'the one trade union victory',[4] the Conservatives abandoned the idea, fearing that it might set a dangerous precedent and potentially threaten their own funding sources from corporate donations.

The period after Tebbit's tenure at Employment was characterised by a rolling programme of legislative action. With fears of non-compliance fading, the importance of the Employment Ministry also diminished. Tom King, Tebbit's successor in 1983, undoubtedly had a more marginal position in Cabinet than his predecessor.[5]

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[3] David Marsh, 'Industrial Relations', in David Marsh and Roderick Rhodes (eds), *Implementing Thatcherite Policies: Audit of an Era* (Buckingham, 1992), pp. 33–8.
[4] Ibid., p. 34.
[5] David Marsh, *The New Politics of British Trade Unionism* (Basingstoke, 1992), p. 73.

The greatest fear among most Conservatives, and particularly those who had experienced the failure of Heath's legislation, had been the enforceability of their future reforms. Jim Prior had been at pains to consult with the TUC over the relatively modest provisions of his 1980 Employment Act and to secure their tacit acquiescence. However, it soon became clear that despite a show of resistance during Tebbit's tenure, including the TUC's 'Kill the Bill' campaign, compliance was not a significant issue. The reasons why the unions failed to mount an effective campaign fall outside the scope of this study, but clearly, the piecemeal nature of the legislation made it harder to oppose. Furthermore, the economic position of the unions was undoubtedly weaker than in 1971, particularly given the levels of rising unemployment and falling membership during a period of severe recession and de-industrialisation. Crucially, it would not have escaped the attention of the trade union leadership that the Conservatives' reforms were electorally successful and popular with the public, and many Conservative voters were themselves members of trade unions. The ability of the unions to influence government policy also diminished, as Mitchell[6] shows. Although the number of contacts between the government and the unions did not significantly reduce after 1979, the pattern and quality of those meetings changed: there was less personal contact and fewer of the meetings were initiated by the Government after 1979 compared to the previous three-year period from 1976 until the Conservatives came to power (10% versus 27%).

The Conservatives' approach to trade union reform from 1979 until 1990 was cumulative and piecemeal, starting with uncertain 'baby steps' in the 1980 Employment Act, followed by a gradual tightening of the legislative tourniquet over the five subsequent Acts. However, it would be wrong to see this as a premeditated and coherent approach that was stealthily developed in opposition and executed when in power. The evidence in the preceding chapters shows that, even when they were elected in 1979, the Conservatives – and particularly the then Employment Secretary, Jim Prior – were very unsure how far a legislative agenda could be progressed and the probable extent of resistance or non-compliance. Prior had already made it clear that he had no appetite to push an agenda beyond the commitments that became the 1980 Employment Act. However, even by 1981, it was clear that compliance would not be an issue and the slew of legislative changes in the subsequent five Acts proved to be far more sweeping and radical than even the most fervent Thatcherites could have envisaged. The rolling programme of tightening legislation was driven not by the execution of a carefully formulated

[6] Neil Mitchell, 'Changing Pressure Group Politics: The Case of the TUC, 1976–1984', *British Journal of Political Science*, 17 (1987), pp. 509–17.

blueprint, but by political opportunism and the momentum of favourable public opinion (and electoral fortunes) in the face of a divided and weakened trade union movement. The period after the 1983 General Election is often characterised as representing a 'new realism' among the unions and certainly the TUC's General Secretary, Len Murray, initially argued that the unions should be prepared to take a conciliatory approach to the Government.

E2: The Government versus the strikers

Although this research focused on the Thatcherites' legislative strategy, their industrial relations track record while in office and their recorded 'successes' in major disputes are important benchmarks for the success of their programme and their broader aims to reduce the power of the trade unions. A more detailed examination of the incidence of strikes during this period and the extent to which this was influenced by the new legislation compared to other economic trends follows later in this section. However, it is important to briefly consider the Thatcherite record, particularly where it relates to the disputes in the public or nationalised industries sectors. In several of these cases, despite the Government's attempts to publicly distance itself from such disputes, this was neither the case in terms of public perception nor in reality. For example, the striking miners in 1984/85 were not just in dispute with the National Coal Board (NCB); for both sides, the strike was unquestionably a political strike. Even with the passage of more than forty years, this dispute remains the iconic struggle of the trade union movement in this era, although there were many major strikes during the period with less emphatic results or some cases where the unions prevailed. The Thatcherite industrial relations record was therefore more mixed than the defeat of Scargill's NUM might suggest. Official strike statistics for the period from 1979 to the mid-1990s[7] indicate a consistent and significant fall in industrial action, with some notable exceptions (particularly in 1984). The 205 stoppages in 1994 represented the lowest number of strikes since the statistics were first compiled in 1891. However, much of the decline in strike activity was a result of lower levels of industrial action in private businesses. Despite predictions of looming industrial chaos, Thatcher's governments never witnessed the coordinated industrial action on the scale seen at the end of the Callaghan administration, but there were widespread strikes in the public and nationalised sectors. Some of these resulted in clear victories for the employers (and therefore, in effect, the Government), including the steelworkers and miners, but in other disputes the outcome was less emphatic, including teachers, NHS nurses and British Rail. The Thatcherites had a clear

[7] See *Table Showing Strike Activity in Britain (1975-1997).*

preference for 'tough' bosses in the state-owned sectors; for example, they appointed Ian MacGregor, who had a reputation for being tough on the unions, to restructure British Steel before he was moved to the NCB in 1983. In the private sector, the Thatcherites strongly supported the principle of the management's 'right to manage', making clear their enthusiastic support for employers who were prepared to take on the unions, particularly to introduce new technology or improve productivity. This was particularly the case in the traditionally highly unionised and militant environment of the printing industry, which had traditionally operated a Closed Shop. The industry had been beset by frequent bouts of industrial action, including *The Times* newspaper, which had not been published for nearly a year from 1978 to 1979. New industry entrants such as Eddie Shah, the entrepreneurial owner of the *Stockport Messenger*, recruited workers who were not members of a print union, with the result that his new premises were mass-picketed with violent scenes. Conservative ministers – in contrast to the Grunwick dispute when they were in opposition – publicly supported Shah, whom they depicted as a plucky businessman standing up to militant trade union intimidation. Similarly, when Rupert Murdoch, the owner of *The Sun* who had recently acquired the strike-hit *The Times* and *The Sunday Times*, dismissed 5,000 union members and replaced them with workers who had signed new contracts and a no-strike agreement ahead of a move to new premises in Wapping, the Government gave him unequivocal support during months of mass – and often extremely violent – picketing, with strikers and pickets routinely condemned by ministers as Trotskyite troublemakers and agitators.

E3: The 1984–1985 miners' strike

Although outside the timeline of this research, it is important to examine the impact of the Miners' Strike on the Thatcherites' industrial relations strategy and the impact of their recent legislation on the outcome of the Strike, given the enduring status of the year-long struggle and the defeat of the NUM. Only the 1980 and 1982 Acts had been passed when the strike started. The strike has a large and still burgeoning historiography, although much of it focuses on particular aspects of the struggle, such as individual mining communities or regions or particular constituents, such as the wives of the strikers.[8] Most of these more 'internalist'

[8] By no means an exhaustive list, examples include: Peter Gibbon and David Steyne, *Thurcroft: A Village and the Miners' Strike: An Oral History* (Nottingham, 1986); Beverley Trounce, *From a Rock to a Hard Place: Memories of the 1984/85 Miners' Strike* (Stroud, 2015); David Howell, *The Politics of the NUM: A Lancashire View* (Manchester, 1989); Robert Gildea, *Backbone of the Nation: Mining Communities and the Great Strike of 1984–1985* (New Haven, 2023); Florence Sutcliffe-Braithwaite and Natalie Thomlinson, *Women and the Miners' Strike, 1984–1985* (Oxford, 2023).

studies draw on first-hand oral testimonies of the Struggle. There are fewer general 'externalist' accounts of the Strike with a more detached analysis of the outcome of events and the causes of the NUM's defeat.[9] Despite the passage of forty years, it remains a bitter and highly contested episode with accusations of the trade union movement abandoning the NUM in their unequal struggle against an all-powerful state and police force. Without doubt, there is truth in this narrative: the NUM leadership did not receive the support it might have expected from the wider trade union movement. There was a shared determination by the Conservative Government and the higher echelons of the Civil Service (as documented by Richard Vinen[10] from the archival records) that the challenge posed to the authority of government had to be defeated.

However, the main reasons for the NUM's defeat in the 1984–85 strike can be simply attributed to better planning and better executed tactics by the Government, and several tactical errors committed by the NUM. Dorey's assertion that the strike 'appeared doomed to defeat right from the outset'[11] is probably an overstatement, but the fact that the Government had managed to defer a strike that many senior Conservatives believed would occur in the first winter of their first administration into the second year of their second administration was crucial. This bought the Government time to execute the proposals outlined by Nicholas Ridley in his infamously leaked *Confidential Annex* to the Nationalised Industries Policy Group Report.[12] This four-page document was undoubtedly the closest the Conservatives came to producing a 'blueprint' to defeat the trade unions, although I would argue that it was a tactical rather than a strategic plan. By 1984 the Government had managed to amass large quantities of 'buffer' stocks at the pitheads (typically at those mines that continued to work during the strike), identify and secure supplies of imported coal, diversify the sources of energy inputs – other than coal – that could be used for electricity generation, and identify ways to move coal to power stations by non-unionised labour, thereby reducing the chances of blacking or sympathy action. The Government's influence on the timing of the strike contributed greatly to its outcome: at the time, the withdrawal of the first pit closure plan in 1981 to prevent an imminent strike was

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[9] See Francis Beckett and David Hencke, *Marching to the Fault Line: The Miners' Strike and the Battle for Industrial Britain* (London, 2009); Martin Adeney and John Lloyd, *The Miners' Strike 1984: Loss without Limit* (London, 1986), and Huw Benyon and Ray Hudson, *The Shadow of the Mine: Coal and the End of Industrial Britain* (London, 2021).
[10] Richard Vinen, 'A War of Position? The Thatcher Government's Preparation for the 1984 Miners' Strike', *The English Historical Review*, 134 (2019), pp. 121–50.
[11] Ibid., p. 38.
[12] CCA, Thatcher MSS (2/6/1/37) Confidential Annex, Countering the Political Effect, Report of the Nationalised Industries Policy Group. Also at MTFW 110795.

viewed as a humiliation for the Thatcherites (and permanently damaged the career of the incumbent Minister at the Department of Energy, David Howell). However, it gave the Government an additional two years for contingency planning. Moreover, when the strike started in the spring of 1984, the Government had avoided the season of peak demand for coal, thereby extending the time that the pithead stockpiled supplies would last. The Government's position had also been strengthened by other factors over which they had no control, in particular the development of an international coal trade that led to a dramatic fall in the price of imported coal.[13] However, the controversial decision by Arthur Scargill not to hold a national ballot before striking hugely damaged the public perception of the NUM and its leaders, and alienated some miners who might have been prepared to strike. As an illegally constituted strike, it also put the union's funds at risk by removing its immunity from legal action. Dorey describes the decision as a 'strategic error' by Scargill,[14] although with the benefit of hindsight, it is likely that he would have failed to secure a national mandate for a strike. With its more generous terms and substantial overtime payments to build up stocks at certain pits, notably in Nottinghamshire, the Government and the NCB had identified – and exploited – the historic differences that had shaped the distinctive cultures and politics of particular coalfields and areas. Many of these had been shaped by previous pit closures, and earlier attempts to mobilise nationally against individual closures in 1957 and 1970 in Derbyshire and Nottinghamshire had 'previously only demonstrated the difficulty of achieving effective solidarity among the many to safeguard in the first instance the jobs of a few'.[15]

The role of the Conservatives' new civil laws in defeating the miners was surprisingly small. By contrast, the pre-existing criminal laws were undoubtedly used to great effect in a strike characterised by scenes of mass picketing and extreme violence, typified by the bloody clashes seen at Orgreave between the police and pickets in July 1984. A total of 9,808 people were arrested during the Miners' Strike, and of those, 7,917 were charged with a total of 10,272 offences. The majority (75%) of these arrests related to picketing, with offences mainly relating to a breach of the peace, obstructing the police or the highway, and a smaller number (643) relating to 'watching and besetting' the homes of working miners. The powers of the police to set up roadblocks to stop flying pickets were largely derived from general powers in the pre-

[13] Peter Gibbon, 'Analysing the British Miners' Strike 1984–1985', *Economy & Society*, 17 (1988), pp. 139–96.
[14] Dorey, *Trade Unions and Industrial Relations since 1979*, p. 37.
[15] David Howell, 'Defiant Dominoes: Working Miners and the 1984–1985 Strike', in Ben Jackson and Robert Saunders (eds), *Making Thatcher's Britain* (Cambridge, 2012), pp. 148–64, at p. 151.

existing 1972 Road Traffic Act.[16] Thus, while criminal law was used effectively against the miners' pickets, the pre-existing civil law and the Conservatives' newer legislation also played a part, even if it did not determine its eventual outcome. Working miners in Nottinghamshire and Derbyshire made extensive use of it, particularly in the so-called 'rule-book cases' where if a union failed to adhere to its own rules, it could be liable for a breach of contract to its own members.[17] Moreover, recent legislation introduced by the Thatcher government meant that union funds could now be restrained to prevent their use in support of a strike. When the union and its leaders did not obey court orders and were fined for contempt of court, union funds could, for the first time, be sequestrated. Although the direct effects on the new legislation were perhaps less than might have been expected, some of the NUM's working members, who were often financially supported by anti-union organisations and individuals, were emboldened to challenge their own union in court.

E4: A transformation of British industrial relations?

The 1979 Conservative Manifesto contained the statement: 'Labour claim that industrial relations in Britain cannot be improved by changing the law. We disagree. If the law can be used to confer privileges, it can and should also be used to establish obligations.'[18] That the power and privileges of the trade unions were significantly and permanently degraded during the decade of Conservative rule is beyond dispute. However, the extent to which Britain's industrial relations were 'improved' by the decade-long legislative programme was – and remains – more contested.

Strike statistics compiled by the Department of Employment for 1979 until the end of the twentieth century[19] clearly indicate the extent to which industrial action diminished over a twenty-year period: in 1979, there were 2,080 strikes and 29.5 million days lost, compared with 216 strikes and 235,000 days when the Conservatives left office. Fewer strikes would normally be taken as evidence of improved industrial relations, although this does not necessarily equate to a more satisfied labour force, as other factors may be at work. A similar pattern can be observed for many other industrialised countries during this time, and Britain's relative position compared with its global peers did not change significantly.

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[16] Marsh, *The New Politics of British Trade Unionism*, p. 103.
[17] The NUM's Rule 43 required a national ballot with 55% of members voting for a strike.
[18] Dale, *Conservative Party General Election Manifestos*, p. 220.
[19] See Table, *Strike Activity in Britain (1979-1997).*

Picketing – historically a main feature of troubled British industrial relations – also declined during the period. Clearly, this might be expected given the overall reduction in strikes, but it is particularly noteworthy: Millward and Stevens, for example, estimate that between 1980 and 1984, the incidence of picketing halved.[20] Closed Shop incidence also significantly reduced over the same period. Dunn and Gennard, who argue persuasively that the Closed Shop was already in retreat before the Conservatives' legislation took effect, estimate that the working population covered by a Closed Shop agreement declined by 13% in the first four years of the first Thatcher government.[21]

Overall membership levels of British trade unions fell during the decade on an absolute basis and as measured relatively by membership density analysis, which measures the proportion of employees who actually belong to a trade union.[22] In the period 1978–1988, total union density dropped from 58.9% to 46.5%, with unions affiliated to the TUC seeing the largest decline, from 54.5% to 38.7%.[23] Membership data for individual unions at the time unsurprisingly show that those who suffered the largest loss of members were connected with manufacturing: the TGWU had nearly 2.1 million members in 1979, which had fallen to 1.3 million by 1989. By the end of the period of Conservative rule in 1997, union density in (mainly privately owned) British manufacturing firms was only 30% compared with 62% in the state-run sectors of Public Administration and 54% in Education.[24] It is difficult to accurately weight the factors behind the overall decline and patterns in union density. Undoubtedly, the decreasing number of workers employed in industry and the shift in employment patterns towards a growth in service industries and Small and Medium-sized Enterprises, and a growing trend towards part-time roles, particularly for women, were all important. At the same time, industries with traditionally high levels of unionisation or a Closed Shop – coal mining, the steel industry, dock workers and the newspaper and printing industries – were often dramatically reducing their workforce. It is no accident that during the decade, several unions in those sectors amalgamated to offset the pressure of falling membership (e.g. the General & Municipal Workers' Union with the Boilermakers' Union, the National Union of Seamen with the National Union of Railwaymen, and the Society of Graphical and Allied Trades with the

[20] Neil Millward and Mark Stevens, 'British Workplace Industrial Relations 1980–1984', *Policy Studies*, 7 (1987), pp. 50–65, at p. 64.
[21] Stephen Dunn and John Gennard, *The Closed Shop in British Industry* (Basingstoke, 1984).
[22] Importantly this indicates that the contraction in union membership cannot be simply attributed to rising unemployment, but also that fewer employees in work were choosing to join/re-join a union.
[23] Marsh, *The New Politics of British Trade Unionism*, p. 40.
[24] Department of Employment, *Labour Market Trends*, July 1998, p. 360.

National Graphical Association). However, union recognition by employers did not change significantly during the period, except for a few sectors, such as dock work and newspaper and printing, where the Closed Shop was dismantled with workers required to sign a no-strike agreement.

E5: Change by legislative design or by the confluence of macroeconomic effects?

While it is possible to see the emerging (and enduring) trends in British industrial relations during the 1980s, identifying the role that the Conservatives' new legislation played in them versus other socioeconomic variables is more difficult. Undoubtedly, many of the economic trends seen in the period, particularly the dramatic increase in unemployment and deindustrialisation, were caused – or greatly exacerbated – by the Government's experiment in Monetarist supply-side economic reforms in its first two years. An unanticipated side effect of implementing a Monetarist economic programme was to weaken the power of the trade unions and reduce the appetite of workers to strike for higher wages, given the greater threat of redundancy. Ministers certainly amplified this point: one of Thatcher's constant refrains to workers was not to 'price yourself out of a job'.

Thus, unsurprisingly, industrial relations experts are divided on the causes and effects of most of the observed trends. For instance, Disney argues that Conservative legislation was a response to – and not the cause of – weakening union power. He posits that changes in the composition of the workforce and the decline in traditional industries had less to do with the fall in union membership and density than with the major factors of inflation and real wage growth.[25] By contrast, Freeman and Pelletier's extensive econometric study of post-war density data concluded that the 'vast bulk of the observed 1980s decline in union density is due to the changed legal environment for industrial relations'.[26] Based on their study of the period, they attempted to calculate the effect on union density in the movement of key variables: a 1% increase in the legal index that represents a legal change in favour of the unions produced a statistically significant 1.3% increase in density. The debate is likely to continue, and it would be equally wrong to rely on a mono-causal explanation – be that legislation or a key macroeconomic variable – to explain the decline in union membership and density. Metcalf's more balanced assessment found a complex interaction of at least five factors at work: the

[25] Richard Disney, 'Explanation of the Decline in Trade Union Density in Britain: An Appraisal', *British Journal of Industrial Relations*, 28 (1990), pp. 165–77.
[26] Richard Freeman and Jeffrey Pelletier, 'The Impact of Industrial Relations Legislation on British Union Density', *British Journal of Industrial Relations*, 28 (1990), pp. 141–64.

macroeconomic climate, composition of the workforce, attitudes of employers, attitudes of the unions and employees, and the policy of the state, including legislative changes.[27]

Identifying the effect of industrial relations legislation in changing day-to-day behaviours on the part of unions and employers is equally challenging. This is particularly the case when trying to interpret and rationalise why strikes declined: trying to identify why a strike did not get called or failed to happen is akin to questioning why the fabled dog failed to bark. It seems logical to assume that the new legal requirement for unions to hold a secret ballot before calling a strike would have inhibited a significant number of potential strikes. The example of the Miners' Strike – held without a national ballot – and the risk to reputation and the union's funds (and those of its senior officers) would not have been lost on other union leaders. Moreover, holding a ballot clearly requires planning and time, which potentially provides additional time for 'cooling off' and more negotiations. In some cases, the leadership of the union in question (e.g. the NUM in Spring 1984) may have concluded that they would not have got the requisite mandate to call a strike, particularly at a time when the fear of unemployment was a powerful factor. By the end of the decade, McConnell and Takla – using Department of Employment legislation – concluded that the new legislation had 'an important effect' on reducing the number of strikes and the number of days lost, despite not being able to quantify it more precisely.[28]

Other changes to trade union behaviour are perhaps easier to link to the new legislation. The decline in picketing activity from the start of the first Thatcher government to the start of the Miners' Strike (which heavily skewed the data) is unlikely to have been greatly influenced by the new legislation (especially by the fairly mild 1980 Employment Act) but will have largely tracked the fall in the overall number of industrial strikes. As Millward and Stevens found, after the new picketing restrictions were on the statute books in the middle of the decade from 1984 to 1989, only 12% of all injunctions applied for by employers against unions related to illegal picketing.[29]

As previously noted, Closed Shop agreements were severely restricted in new legislation and ultimately rendered unlawful, but this was not until the 1988 and 1990 Employment Acts. Although the legislative changes undoubtedly accelerated the process, its decline was largely

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[27] David Metcalf, *Labour Legislation 1980–1990, Philosophy and Impact* (London, 1990).
[28] Sheena McConnell and Lina Takla, *Mrs Thatcher's Trade Union Legislation: Has it Reduced Strikes?* (London, 1990), p. 10.
[29] Millward and Stevens, 'British Workplace Industrial Relations', pp. 62–4.

a result of changes in the economic structure and technological advances. Changes in working practices, in particular in industries where it had been widespread, notably newspaper printing and publishing and dock work (with the abolition of the National Dock Labour Scheme in 1989), were also key to its decline.

A marked increase in legal actions brought by employers against unions and their members occurred during the 1980s. However, most that cited the new legislation were applications for injunctions. Over 90% of such injunctions were granted, and in nearly all cases, the unions typically complied and suspended their industrial action. Most injunctions were concentrated in a few sectors with a long history of troubled industrial relations, such as printing and newspaper publishing. As Marsh concludes, 'the indirect effect of the legislation may have been more important than the direct effect' with employers increasingly supporting the new legislation, not because they intended to use it, but because 'union leaders were circumspect in their preparations for industrial action…because if they did not take the steps required by the law, they were likely to be served with an injunction'.[30] This is not to say that the new legislation was responsible for immediately ushering in the new era of more reasonable industrial relations and 'New Realism' as was sometimes claimed. However, strikes became less frequent and pickets were used more cautiously, particularly by unions representing manual workers in manufacturing industries and the private sector.[31] Nonetheless, contemporary critics of the effects of the legislation, such as MacInnes,[32] highlighted the unions' ability to work around the new laws by using 'go slow' industrial action, overtime bans or walk-outs lasting less than three days that were excluded in the official strike statistics.

However, it is hard to argue – as MacInnes[33] – that the Thatcherite reforms did not improve British industrial relations over the decade. From the perspective of management, the right to manage was significantly boosted. While strike-free agreements were still rare, there were fewer strikes and less frequent picketing by the end of the decade. Industrial productivity, particularly as measured in terms of output per operative hour in manufacturing, improved significantly during the decade.[34] Some of this was attributable to greater flexibility in the workforce and reduced headcount, and to the introduction of new technology and processes

[30] Marsh, *Implementing Thatcherite Policies*, p. 39.
[31] Some commentators were enthusiastic about a new era of industrial relations. For example, see Philip Bassett, *Strike Free*, *New Industrial Relations in Britain* (London, 1986).
[32] John MacInnes, *Thatcherism at Work* (Milton Keynes, 1987), p. 108.
[33] Ibid.
[34] Metcalf, *Labour Legislation*, p. 48.

(some of which had previously been resisted by the unions). The unions still retained their traditional role in collective bargaining, and despite the fall in union density, the coverage of collective bargaining remained constant, and few employers moved to derecognise unions in the workplace. Negotiations became more focused on wage settlement and productivity agreements and less on some of the more arcane disputes about 'washing up time' in factories or 'winding time' in the mines. By the 1990s, and in recognition of their changing role, many unions had diversified their benefits and services to members besides negotiating terms and conditions of employment, with 78% offering financial and tax advice and the majority offering discounts on financial services such as loans, car insurance, credit cards and travel services.[35]

E6: The end of corporatism and the tripartite system

While the Conservatives' legislative programme successfully degraded the 'hard' powers of the unions to strike, to picket and for the leadership to call a politically motivated strike without the agreement of most of their members, they were also successful in degrading their 'soft' power. The belief that the unions represented one of the three estates and should be consulted and listened to by governments of both parties had been a central tenet of the post-war consensus accepted by most senior Conservatives. Apart from NEDDY – itself a creation of an earlier Conservative Government – the status of the unions was not enshrined in law, but through tradition and custom. As such, it did not require legislation to alter it. However, the Thatcherites – despite some speeches to the contrary when in opposition before the 1979 election – had no desire to perpetuate this relationship. Even the first meeting with Len Murray of the TUC at No. 10 after the 1979 election was carefully choreographed to draw a line under the old ways of back-door meetings with the TUC and late-night 'beer and sandwiches' negotiations: the Government was no longer prepared to be a supplicant before the unions. As previously detailed, contacts between the Government and the unions continued, but at a less senior level, and Thatcher rarely attended NEDDY, whose meetings decreased from monthly to quarterly, although it was not abolished until after Thatcher left power. Industrial relations issues in nationalised industries were projected by the Government as being a matter for the management of those businesses and not the Government, which was, as is clear from the archival evidence, entirely disingenuous. However, by the end of the 1980s, the cultural and political importance of the unions had undoubtedly been reduced: union leaders who had been at least as well-known as many Cabinet Ministers in the 1970s were no longer household

[35] Dorey, *Trade Unions and Industrial Relations*, p. 55.

names. There was also a decline in the media coverage of unions and industrial relations, and with it, a diminished importance of the labour (or industrial) correspondent as a key role in national newspapers.[36] The gradual erosion of the importance of the unions and the wilful degrading of their soft power cannot be underestimated.

[36] See Nick Jones, 'The Lost Tribe: What Happened to Fleet Street's Industrial Correspondents?', *Tribune* (9 May 2023). Available at https://tribunemag.co.uk/2023/05/the-lost-tribe-what-happened-to-fleet-streets-industrial-correspondents.

Conclusion: Trade Union reform – Unexpected Thatcherite statecraft?

As we have seen, while the introduction of new legislation to reduce the power and influence of the trade unions was a cumulative and step-by-step process, it was not the execution of a detailed blueprint – or even a coherent approach – developed in opposition. Even in 1980, 'it was far from certain how things would develop'[1] and the problem of compliance weighed heavily on the minds of ministers, particularly given their experience under Heath. There is no doubt that there were powerful forces within the Conservative Party that wanted to curb the power of the unions, and that Thatcher herself instinctively disliked trade unions. Not only did she have little knowledge of or insight into the institution, but trade unionism also ran counter to all her personal and political beliefs about collectivism and her dislike of large, powerful institutions. Moreover, it coincided with her political judgment and pragmatism that curbing their power would remove a powerful constraint on the operation of the free market. Crucially, Thatcher was one of the first senior Conservative politicians to identify that reducing the power of the trade unions could be popular with the public and with trade unionists. Her advisers, such as Hoskyns and Sherman, had first articulated this, but particularly after the winter of 1978/79, Thatcher sensed that public opinion had changed, and the policy area traditionally viewed by Conservatives as their 'Achilles' Heel' could be transformed into a vote-winner. As Tebbit would later observe, thereafter the Conservatives' legislative plans would deliberately run just behind the direction and momentum of public opinion.

Perhaps one of the most remarkable results of the Conservatives' trade union reforms and the reassertion of the authority of Government in relation to industrial relations was its contribution to the Party's image of governing competence. As early as 1986, in a very prescient article on Thatcher's new statecraft, Bulpitt[2] identified industrial relations as a key plank of her 'governing competence'. This involved:

> the 'hiving off' of responsibilities (including controls) from the centre, the 'peripheralisation' of the problems stemming from the macroeconomic policies…and the attempts to increase the influence of local, citizens, consumers and union members over their respective institutions.

[1] Marsh, *Implementing Thatcherite Policies*, p. 35.
[2] Jim Bulpitt, 'The Discipline of the New Democracy: Mrs Thatcher's Domestic Statecraft', *Political Studies*, 34 (1986), pp. 19–39.

During their early years in power – a phase Bulpitt characterised as 'government by apprentices' – the Thatcherites appeared to engage in 'an experiment in government survival',[3] and despite abandoning its Monetarism experiment (described by Bulpitt as a 'modest little economic theory'),[4] the Government's refusal to reflate and its increasing reliance on the Public Sector Borrowing Requirement (PSBR) as the main economic regulator, meant that control of wage settlements in the public sector and nationalised industries was achieved without the need for an incomes policy. Furthermore, by the end of the first term, the policy of privatisation that had initially received little emphasis had come to the fore. Thatcherites justified this internally at the time, as much on grounds of statecraft as it was on economic grounds, through 'reducing the load on the Cabinet'.[5] The best evidence of Bulpitt's criterion of successful statecraft derived from 'peripheralisation' of macroeconomic problems was the Conservatives' ability to offload responsibility and blame for unemployment onto the unions. At a stroke, they disproved the old political belief that no government would ever be re-elected with unemployment over a million: in 1983, the Conservatives were re-elected on a manifesto committed to more radical changes for the unions and nationalised industries with a landslide victory, despite unemployment peaking at over three million.

It is remarkable that the Conservatives, in a single term, transformed what had been a fractured and uncertain policy area into the cornerstone of their new statecraft. Even on the eve of the 1979 election, industrial relations were an area in which the failing Callaghan administration still achieved more favourable polling, and for many commentators and politicians (including several pessimistic Conservatives) it would be the rock on which the next Conservative Government would founder. While an increasing number of Neo-Liberal economists, including Samuel Brittan, were echoing Hayek's warnings about the dangers of trade union power, many Conservatives and politicians from other parties were also increasingly influenced by the government overload and electoral expectations thesis as articulated by Anthony King and Samuel Brittan in the mid-1970s. When King cited the effect of incorporating overly powerful interest groups into the policy-making process that created a series of dependency relationships that rendered Britain ungovernable, the most obvious of these groups was the trade union movement. Writing in 1975,[6] King gloomily provided an extended comparison of the fate of the Government versus the Miners in 1926 and 1974: 'The Baldwin Government did not fall:

[3] Ibid., p. 34.
[4] Ibid., p. 31.
[5] Ibid., p. 37.
[6] Anthony King, 'Overload: Problems of Governing in the 1970s', *Political Studies*, 23 (1975), pp. 284–96.

on the contrary, its authority, and the authority of government generally was strengthened' whereas Heath found himself with 'a vastly increased number of dependency relationships' so that his handling of the dispute could 'only be understood in terms of [his] determination to maintain Stage III of [his] incomes policy'. For King, the main difference between the two disputes lay in the increased range of responsibilities placed on governments, coupled with the vastly increased number of dependency relationships in which government was involved – 'not only involved but involved in a way that it was dependent on others, not others on it'.[7] For King, these problems were not just confined to Heath's recent defeat at the hands of the miners. They had been a feature of all governments 'since about 1959' when 'not only do parties in office increasingly fail to do the things they said they were going to do: they increasingly do things that they pledged themselves specifically not to do'[8] and as 'successive governments have discovered, all incomes policies, whether labelled "voluntary" or "compulsory" are in fact voluntary' and unenforceable as 'everybody's interest is nobody's interest'.[9] This was surely the conclusion from the collapse of Labour's Social Contract under Callaghan, despite the fact that for a brief time it had formed part of Wilson's claim that Labour represented the natural party of government. For their part, King concluded, all governments had failed to achieve all their economic aims of the post-war consensus: a high rate of growth, stable prices, a surplus on the balance of payments and a reduction in industrial unrest. Indeed, the only exception, he averred, had been the maintenance of full employment, which by 1975 he correctly identified was 'at risk'. Such had been the expansion of the public sector, and with it, the increased burdens placed on government 'in an era of incomes policy, investment policy, prices policy and regional policy, no government, even if it wanted to…could permit the management of the nationalised industries to "get on with its work"'.[10] King was unsure of possible solutions, suggesting that 'one could try either to decrease government's reach or to increase its grasp'.[11]

It was already abundantly clear to the Conservatives before the 1979 election that they would never be able to impose or maintain an incomes policy – voluntary or statutory. Although Monetarism provided a method of tackling the most important economic problem of the time, inflation, it also offered, in Bulpitt's phrase, 'a superb (or lethal) piece of statecraft'. It provided 'a technique for taking certain decisions out of politics' through its targeting of one economic

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[7] Ibid., p. 291.
[8] Ibid., p. 285.
[9] Ibid., p. 287.
[10] Ibid.
[11] Ibid., p. 295.

variable, the money supply, which itself was controlled through the amount of government expenditure that was not covered by tax income, the PSBR. The theory considered that inflation could be controlled by governments acting on their own without engaging in 'difficult and dangerous bargaining' with vested interest groups such as trade unions and employers. Thus, 'economic management was depoliticised' and politicians were given far greater autonomy from these groups. The post-war Keynesian commitment to full employment was effectively withdrawn (although for obvious political reasons this was not explicitly stated at the time). Although Monetarism proved to be a short-lived and unsuccessful economic strategy, it provided the Conservatives with an 'arm's length anti-corporatist' governing template. With no incomes policy, there was no need for a *modus vivendi* with the unions. Nicholas Ridley's views, when in opposition – which could previously have been dismissed as those of a maverick – now became workable: 'this turned on its head the perceived problem that the Tories could not work with the unions. Perhaps the answer lay not in working with them, but in determining to beat them.'[12] Tebbit later reflected that the 'right answer' to the perennial question asked on the campaign doorstep in 1979 – 'What if the trade unions leaders will not talk to Mrs Thatcher if she was the Prime Minister?' – was 'so what, who cares?'[13] Other Conservative policies, notably the privatisation of nationalised industries, particularly during the second and third administrations, inserted more distance between the Government and the unions in many industries where union densities had been traditionally high. The extensive programme of industrial relations reform by the Conservatives during the 1980s was overlaid on a movement that was already much weaker than perceived at the time, and which continued to weaken economically with decreasing membership and declining public opinion compared with the height of its tripartite powers.

[12] Williamson, *Conservative Economic Policymaking*, p. 189.
[13] Tebbit, *Upwardly Mobile*, p. 193.

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