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The Challenge to Industrial Democracy in Britain

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Industrial democracy has never ranked very highly on the British political agenda. The extreme right, as represented by Thatcherism in the present-day United Kingdom, sees the very idea of controlling industry democratically as a violation of the unalienable right of private capital to dispose of its own property. Such hostility is mirrored by the extreme left in the view that any form of power sharing short of the workers' ownership of the means of production merely masks the continued exploitation of the dispossessed by the owners of private capital. Those politicians of a more pragmatic persuasion, who at least are prepared to enter the debating arena, are nonetheless confronted by the horns of the dilemma exposed at the two extremes. The pursuit of democratic jurisdiction over the production process by a participatory association of individuals is in principle irreconcilable with private capitalist enterprise, which is predicated upon ultimate managerial command-and-control for its optimal reproduction. The contradictory totality of industrial democracy, therefore, encompasses the reality (and potential) of both capitalist authority and democratic governance.

In capitalist democracies such as the United Kingdom, the individual-as-producer enters a world of work where the processes of command-and-control still appear to remain largely immune from democratic accountability. In this setting, workers are obliged to sell their labor power in order to subsist, and they are subsequently required to enter into an asymmetrical relationship of dependency and subordination with an employer. On the other hand, as Anthony Giddens reminds us,

power relations in social systems can be regarded as relations of autonomy and dependence; but no matter how imbalanced they may be in terms of power, actors in subordinate positions are never wholly dependent, and are often very adept at converting whatever resources they possess into some degree of control over the conditions of reproduction of the system. In all social systems there is a dialectic of control, such that there are normally continually shifting balances of resources, altering the overall distribution of power.
Managing Modern Capitalism

Accordingly, the subject of industrial democracy concerns this dialectic of control as it governs the extent to which workers exert power over the way decisions are made. Industrial democracy as it is understood here involves the factors that determine the degree of workers' participation in the decision-making processes of enterprises. Such a moving object is difficult to pin down conceptually but, at a simple level, industrial democracy can be visualized as a changing balance of power within a hierarchy of possibilities ranging from capitalist command-and-control at the apex to democratic self-government at the base.

Within these limits, workers will try to counter employer dominance through their own forms of organization, and in turn, employers attempt to shape worker organization and resistance. The changing boundaries of industrial democracy, therefore, reflect the dynamic patterns of conflict-and-accommodation within the labor process. As far as the subsequent analysis is concerned, the realm of industrial democracy is confined to codetermination, up to the limit of direct employee share ownership. Employee involvement schemes such as profit sharing, worker quality circles, and joint consultation are excluded from the discussion on the grounds that they merely comprise elements of managerial strategy designed to secure, more compliant and supportive responses from employees to managerial defined purposes and the achievement of managerial defined goals. In any case, profit-sharing itself is a "wholly individualized form of financial participation... intended to individualize management by introducing, among other things, a more flexible and participatory form of control at work."

The main theme of this chapter is the tension between the state, enterprise, and the process of codetermination. Of course, the state is not the only factor that operates as a constraint upon the unfettered behavior of private capital. But for reasons of simplicity and space, the discussion will concentrate on the economic, technological, and demographic factors that characterize the changing balance of power between capital and labor. It is not to underestimate the importance of these influences on the changing balance of power between capital and labor; but what follows seeks to isolate the state-enterprise interface as a critical determinant. The character, range, and detail of the state policy toward capital and labor constrain managerial prerogatives in varying degrees. For example, managers facing statutory regulations will have less freedom of maneuver than those operating in a more deregulated market. In addition, managerial power in competitive settings is constrained by the system of ownership in which it is embedded. Managers accountable to private shareholders, for instance, will develop different strategies toward the labor process than those accountable to the state or to workers as shareholders. The scale and content of the formal rights enjoyed by those who are managed act as another constraint upon managerial power: statutory rights of individual workers to safety at work, holidays, pensions, and job security, and bargaining rights of workers collectively to organize, to question managerial authority, and to strike. Finally, managerial autonomy is constrained by the informal degree of job control over the labor force.

Industrial Democracy in the U.K.

The initial decade

In the first decade after the war, Britain's relative decline was obscured by a number of factors. Among them were the needs of postwar reconstruction, the dislocation of major competitors, and the general slowdown in world trade engendered after 1948 under American hegemony. Indeed, in absolute terms, the 1960s witnessed rapid growth in the British economy.

Annual average growth rates of 3.5 percent between 1950 and 1955 and of 2.5 percent between 1955 and 1960 compared favorably with any major period in the past. Yet, by the late 1960s, the British economy was in serious difficulty and on the verge of a period of accelerated industrial decline. Growth rates and investment levels, though high by British standards, proved to be significantly lower than those achieved by its international competitors. Consequently, the ability of politicians to retain office by maintaining prosperity and high employment came under challenge for the first time since the interwar period.

In response, first Conservative and then Labour administrations entered the arena of industrial politics in the pursuit of global competitiveness. In doing so, politicians were confronted by the compromise legacies of the postwar settlement on which the recovery of the 1950s had been established. Since the bipartisanship settlement has been at issue now for nearly a generation, it is important
to outline its salient features. First, private capital was guaranteed the right to own and manage the commanding heights of the economy. Second, British governments from 1944 and on were morally committed to the maintenance of a high and stable level of employment and to the pursuit of rising living standards. Toward these ends, the state had a legitimately defined role to "manage" the economy by smoothing out the business cycle using stabilization policies and through the creation of a publicly owned sector of basic utilities. Third, workers were allowed the independence to organize and the freedom to strike through the retention of legal protection against civil damages afforded by the Trade Disputes Act of 1906. Fourth, both sides of industry agreed to sustain, through taxation on income, profits, wealth, and consumption, a system of health care and education available on the basis of need rather than the ability to pay. Finally, a social security safety net was created to ameliorate the involuntary effects of the business cycle.

By the late 1950s, the outcome of this complex pattern of settlements, manifest in the form of welfare capitalism, was a remarkably even balance of power within industry. Strategic corporate decisions on location, investment, and the hiring and firing of workers were still made in the secrecy of the private boardroom. In the public sector, senior managers were answerable to ministers but not to any system of worker democracy which, though canvassed in the British labor movement in the 1930s, was not implemented in the Attlee government's postwar nationalization program. On the industrial relations front, overall employment was the order of the day, with skill shortages in expanding sectors. In such surroundings, the temporary absence of international competition in product markets had lessened the incentive to hold the line on prices and costs. But also, the material conditions of welfare capitalism led to the consolidation of tactical worker power, particularly at the point of production in manufacturing industry. Here, employers faced organized work groups that sought to establish a degree of formal and, where necessary, informal control over such items as local bonuses, manning levels, demarcation, overtime and the pace of work. This feature of industrial life came to be known as the "British disease" and began to precede the leadership of both parties. This is not the place to rehearse the debate over the validity of this diagnosis as the prime cause of Britain's enduring economic problem.\textsuperscript{14} Needless to say, the roots of manufacturing decline do not derive in their entirety from the activities of organized labor.\textsuperscript{15}

Notwithstanding, the important point to note here is that the distinctive characteristics of British trade union behavior created the perception of its being at the heart of the problem.\textsuperscript{16} For this reason, it is worth outlining briefly the peculiar qualities of the agency and structure of the British labor movement that distinguish it from independent labor organizations elsewhere. A key element is the historical continuity of the British labor movement.\textsuperscript{17} Unlike many trade union movements in continental Europe and Japan, British organized labor has never suffered outright physical annihilation. Also, the contemporary attributes of British trade unions can be linked to the emergence of the labor movement as a counterpart to the organic development of British capitalism. British labor's defensive strength

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derived initially from "the nature and timing of British industrialization and its nineteenth century dominance in the international system."\textsuperscript{18} As J. MacInnes observes,

British industrial relations were a direct product and central feature of the laissez-faire economic order. It was precisely the acceptance of both sides in industry of the separation of economics and politics and the legitimacy of conflict within the boundaries of the market system that produced both the absence of any substantial challenge to the system as a whole and the inability of either side to break out of the mutual distrust and conflict which characterized their approach to each other.\textsuperscript{19}

Throughout their existence, trade unions have devoted themselves mainly to the raising of wages and the improvement of working conditions. Both employers and unions have preferred to rely on free collective bargaining to achieve their ends, and the tradition of voluntarism, as it came to be known, created a low-trust, decentralized, and fragmented industrial relations system.\textsuperscript{20} A historical distrust for the law and judicial intervention has meant that

the traditional approach of British trade unions to collective power on the employee side has rested, and continues to rest, upon "self-help", in the sense of strength won through the efforts of the unions themselves, rather than rights, privileges and institutions established by the State through, for example, the legislator. In consequence, not only is the collective agreement an unenforceable agreement between the parties to its making, but there is also absent any notion that those parties are legally obliged to ensure adherence by their individual members to the norms of these agreements.\textsuperscript{21}

At the national level, the laissez-faire legacy combined with a "them-and-us" mentality was reflected in the weakness of the peak organizations of employers and workers. As Andrew Shonfield ruefully noted, "the striking thing in the British case is the extraordinary tenacity of older attitudes toward public power. Anything which smacked of a restless or over-energetic state, with ideas guiding the nation on the basis of a long view of its collective economic interests, was instinctively viewed with suspicion."\textsuperscript{22}

For this reason, British-based industrial capital has never been able to muster a position of influence to challenge the hegemony of City-based finance capital in determining economic strategy.\textsuperscript{23} In addition, the weakness of decentralized industrial capital has meant that endeavors by the state to coordinate capital in general have resulted in the government rather than associations of employers [playing] the leading role in devising employers' industrial relations
strategies. As will become apparent in the discussion to follow, this structural relationship explains a great deal about the origins and perpetuation of Britain's contest for power.25

Furthermore, the "grass-roots upwards" character of British collective labor organizations has militated against "co-ordination and control of the collective bargaining function" by the Trades Union Congress (TUC).26 Codetermination in the British context, therefore, relates almost exclusively to "the functions of shop stewards, which are based on custom and practice." This means that (collective joint regulation) is not guaranteed by law (and is not an achievement which you possess in black and white and can safely take home with you, but something which must be fought for and secured by daily vigilance and activity.27

In all, the British trade union movement has subscribed consistently to free collective bargaining as the chosen route to the achievement of industrial democracy by seeking "to oppose and influence the exercise of managerial power and to achieve de facto control over managerial decisions." The problem in the postwar period was that the voluntaristic tradition of collective self-determination conflicted with the political imperative of a commitment to full employment. In the absence of a policy mechanism to accommodate the enhanced market power of labor, the unrelenting, "unreformed" system of collective bargaining was bound to become a focus of attention. In passing, it is worth recording that British-based management did not escape at least some blame for its muggingp up attitude toward labor during the postwar inflationary boom. In 1940, as M. Poole points out, "the trade unions were in operation which served to advance the position of working people [but] the most common managerial response to this situation was not to encourage workers' participation in decision-making but rather to develop paternalistic human relations and personnel policies."28

As laid out for public view by liberal academics and journalists, the so-called British disease had three features: wage drift, restrictive practices, and unofficial action. Commentators highlighted the gap between national wage rates and local earnings in British manufacturing, which arose supposedly through the ability of workers at the point of production to increase their pay faster than the rate of growth of productivity. This capacity, in turn, derived from the ability of work groups to enforce bargaining rights (otherwise known as restrictive practices), which were defended by unofficial and unconstitutional strikes, that is, by concerted action without official approval and clearance and before all stages in the bureaucratic procedures had been exhausted. Such a "challenge from below" never gave manual workers, even in well-organized shops, the kind of job control enjoyed by middle-class groups such as doctors, lawyers, and top-salaried civil service and military personnel. Nor did it "content managerial control beyond these issues immediately relevant to job performance and the operation of payment systems." But it was sufficiently novel and extensive in its threat to managerial authority in manufacturing industry to draw the attention of politicians to the more even balance of power to be found there.

In effect, it presented politicians seeking industrial competitiveness a straightforward choice of strategy: to harness that balance of power behind a common task of industrial renewal or to challenge the distribution of power in industry and thereby restore the power of managers to manage. In practice, the dwindling competitiveness of an economy beset by such a "disease" then drew—over the next thirty years—two coherent but dissimilar responses. The first aimed to solve the weakness of British-based industrial capital without breaking the parameters of the postwar settlement. The second, associated with the Thatcher era,31 constitutes a deliberate recasting of the relationship between capital and labor in a "reassertion of a carrot and stick strategy similar to that employed by their predecessors in the Twenties."32

BRITISH CORPORATISM

That the first political initiative in response to economic decay was corporatist in character is not altogether surprising.33 British governments have long shown a propensity for what Keith Kinniburgh has called a corporate bias—a willingness to consult and negotiate with peak organizations of business and labor in the pursuit of national economic goals and general social stability. The bias was evident during World War I and was utilized to quell the labor unrest of the early 1920s. It reappeared in fuller form when the wartime coalition government mobilized Britain against fascism after 1940. It was then consolidated by the consultative structures installed as part of the historic compromise in the latter half of the 1940s. By the time Attlee's government left office in 1951, it was generally accepted in political circles that peak organizations of business and labor had "the right to take part in policy making: indeed that their approval of the relevant policy or program (was) a substantial reason for public confidence in it."34 The TUC—no less than the various employers' federations later to be united in the Confederation of British Industry—had "crossed the political threshold and become part of the extended state."35 The TUC saw itself, and was seen by others, as a "governing institution . . . an estate of the realm, even if it retained the customary habit of opposition to specific party governments."36

This embryonic corporatist system went into temporary abeyance in the early 1950s, when government economic policy succumbed again to the cult of equilibrium under the auspices of the Treasury.37 Conservative administrations in the 1950s were content to rely upon arm's length economic management, with aggregate demand and supply equated at full employment and the market set free. But when politicians became convinced that such a strategy was no longer sufficient, when at last they perceived the cost to themselves of economic decline, then the tradition of tripartite cooperation was there to be reactivated. The result was a steady stream of corporatist initiatives since successive administrations between 1962 and 1979. Only the Heath government broke rank and then just for a brief period. Otherwise, there emerged a series of institutional innovations to
enable politicians, business leaders and trade union bureaucrats to meet, discuss, agree, and fulfill policies of national economic reconstruction.

The first of these, and the longest lasting, was the National Economic Development Council (NEDC), which was founded by the Conservatives in 1962 with equal representation for business and labor. In the mid-1960s, the NEDC was the forum within which national economic planning was articulated. The most ambitious, the National Plan of 1965, which was indicative rather than prescriptive, concentrated on the rocks of the sterling crisis of 1966. The NEDC also encouraged the creation of tripartite "little Noddies" at the sectoral level. These sectoral working parties were utilized extensively in the late 1960s and again between 1974 and 1979 to pick industrial "winners" and to identify firms to which state funding should be directed. For the latter, state merchant banks in the form of the Industrial Reorganization Corporation in the 1960s and the National Enterprise Board from 1974 to 1979, superintended the funding of independent companies. On the boards of these corporate institutions, trade unionists and businesspeople sat with politicians to direct state funding and later to oversee the management of individual companies taken into public hands in the 1970s—firms as central to British industrial survival as Ferranti, Rolfs-Reoyce, and British Leyland. Senior trade unionists also sat in an executive capacity on the boards of tripartite bodies created with more specific remits to health and safety (as with the Health and Safety Executive, created in 1975); on training and manpower deployment (the Manpower Services Commission, which was created by the Heath government); and on arbitration as board members of the Advisory, Conciliation and Arbitration Service (ACAS). They also sat, in the 1960s at least, on the National Board for Prices and Incomes, charged with the administration of incomes policies.

At the heart of the corporatist strategy was an attempt to integrate working-class power into a generally accepted national project for greater competitiveness. As one of its constant preoccupations, the corporatist project sought the removal of the "barriers" to successful capital accumulation erected by informal work groups and their shop stewards. As official trade union representatives were drawn into the new tripartite structures, the policy that emerged was designed to undermine the unofficial strength of rank-and-file unionism in the workplace. In other words, as industrial democracy developed at the formal level, the distribution of class power at the point of production was supposed to move back from labor to capital. The general philosophy underlying this corporatist strategy was made explicit in the Report of the Donovan Commission published in 1968. That report spoke of the existence of two systems of industrial relations in British manufacturing industry: an official one, negotiated nationally between trade union officials and representatives of employed federations, to set minimum levels of wages and conditions, and an unofficial one at the plant level, negotiated informally between shop stewards and local management. The gap between the settlement levels at the two levels—that is, wage drift—was, as noted earlier, the most visible feature of the "British disease" and its resolution, according to Donovan, required a joint trade union-employer attempt to reestablish official control over the "anarchy" of unsupervised local negotiations.

The question was how to reestablish this control. Here, British governments went through a protracted and—for them—electorally painful learning process. As successive administrations pondered over the viability of reestablishing control by sharing it. Initial attempts were very rudimentary and involved nothing more than the establishment of wage norms that were not to be exceeded. There were a series of incomes policies in the 1960s and 1970s. Whenever these incomes policies were introduced, they were always initially successful, and then quickly became ineffective. Those of the 1960s, for example, did cut the rate of growth of wages back to 2 percent between July 1966 and July 1967. But thereafter their effectiveness was drowned in a wages explosion that boosted seasonally adjusted earnings by 8.8 percent in the next twelve months and by 13.6 percent in the first half of 1970 alone. An equivalent explosion in wage settlements accompanied the end of both the Heath and the Callaghan governments' incomes policies in the decade that followed. For though they were politically unpopular, and prompted strike action among the low-paid public sector workers who were directly affected by them, they never managed to confront the problem of shop-floor power to which they were a response. In practice, they were effective only over the industrially weak and failed to stop wage drift in those industries where it was most damaging to the international trading position and profit margins of British capitalism.

In response, the thrust of policy shifted to the pursuit of incomes policy with strings—to productivity bargaining—to the allowance of wage increases at or above the specified norm only in return for some genuine surrender of shop-floor power. Productivity agreements, as defined by the Labour government that introduced them in the mid-1960s, had to involve some or all of "increased flexibility in the use of manpower, the reduction in manpower, changes in working practices, the introduction of job evaluation schemes and changes in wage structure and the establishment of managerial control of overtime."38 In other words, the issues over which shop stewards had established some degree of control suddenly became concessions that had to be granted to win a wage settlement at or above the incomes policy norm. By the end of 1969, more than six million workers had signed agreements that met these specifications. As with incomes policy proper, however, the impact of government initiatives here varied with the degree of organization and militancy of workers. Productivity bargaining unabashedly hit the industrially weak, for to exploit productivity bargaining workers required a strong shop-floor organization, itself a monopoly of the higher paid sections of the working class. Indeed in its early stages (in 1967 and 1968) the policy was generally effective in holding down the movement in real wages, but thereafter its impact declined. Many productivity deals turned out to be bogus, plotted by management and workers as needed to forestall the effects of local labor scarcity. Many (especially among white-collar workers) actually strengthened shop-floor organization, by stimulating "restrictive practices" that could be sold and shop stewards to sell
them. In any case, hostility to productivity bargaining grew on the shop floor as the resulting intensification of effort and the strengthening of managerial controls were experienced. The opposition was further hardened as the associated doubling of unemployment between 1966 and 1969 undermined job security.

It is hardly surprising, then, that the Labour government, and the Conservative one that followed, should have gone further and attempted to change the legal rules under which shop stewards and work groups operated, to make illegal the tactics used in the pursuit of shop-floor power, particularly unofficial action and sympathy strikes. The Labour government’s attempts were limited, as spelled out in its 1969 White Paper, In Place of Strife. The government was given the authority to order “cooling-off periods” in unconstitutional strikes and to order compulsory ballots before strike action was taken. The Heath government’s Industrial Relations Act of 1971 went much further than In Place of Strife. It created a new National Industrial Relations Court to enforce collective agreements, to order cooling-off periods and strike ballots; and it created a new Code of Industrial Relations Practice, which banned unofficial and unconstitutional strikes, certain kinds of sympathy action, strikes for a closed shop and the blacking of goods. It also denied protection from civil damages to trade unions whose members were in breach of this code and, in this way, attempted to force official union bodies to police unofficial action.

In the space of a decade, the two systems of industrial relations that incomes policies had tried to “exorcise” into unity, and productivity bargaining had tried to “buy back” together, were now to be “ordered” together by the force of law. Yet another endeavor also failed: the 1969 legislative package included the “social contract” aimed at 51 percent of the UK workforce and the wave of strikes which peaked in 1972 had cost that year just under 24 million days lost production, compared to an annual average of less than six million a decade before.

Corporatism had really no choice but to rethink its strategies. Instead of attacking working-class power so overtly in the workplace, they set out to design a program that would trade working-class cooperation at the grass roots level for a much wider participation by official trade union leaders in the formulation of government policy. This representation was politically possible for the Labour party only, whose “social contract” (negotiated when the party was in opposition after 1974) gave British trade unions by 1975 more influence on the entire agenda of the British state than they had ever enjoyed before. The Labour government returned to office in 1974 promising “a fundamental and irreversible shift in the balance of wealth and power in favour of working people and their families.” This shift was to be achieved by the replacement of the 1971 Industrial Relations Act with new legislation extending worker and trade union rights, by the public ownership of large firms in the manufacturing sector, and by negotiation of planned agreements with those firms remaining in private hands—agreements on future company policy to be settled by negotiations between management, unions, and the state. The fundamental shift in class power was to be facilitated also by improvements in welfare provision and by the extension of formalized industrial democracy. The Labour government established the Bullock Commission to explore ways of introducing a system of institutionalized employee participation, by imposing worker-directors across industry as a whole and by giving direct aid to a number of worker cooperatives. Finally, the government proposed the abandonment of all forms of wage restraint and began instead a public negotiation with union officialdom on the balance of wage raises and tax cuts.

Right-wing thinkers were much alarmed in 1974 and 1975 about this extension of union power. Yet, in reality, the peak of union influence was as temporary as it was novel. Trade union leaders could not deliver voluntary wage restraint, and settlements of 30 percent and higher in the public and the private sectors in 1974 and 1975 sent inflation soaring, weakened the sterling, and deterred foreign investors. A sterling crisis in 1975, followed by a balance of payments crisis that took the Labour government to the International Monetary Fund in 1976, forced changes in policy. The Bullock Committee Report, which put forward proposals for a system of employee representation on boards of directors, was shelved after being greeted with almost universal disapproval from the still ascendant business community. The “social contract” ended in four years of tight wage restraint, rising unemployment, and continuing industrial stagnation. It also resulted in yet another explosion of industrial militancy—a winter of discontent—this time against a Labour government which had promised so much and delivered so little. Not surprisingly, it culminated in the electoral defeat of Labour, deserted by the votes of skilled workers with whom its wage restraint policies had dashed.

In 1979, the whole corporatist strategy was in tatters. The informal power of British workers in manufacturing industry had created a dilemma for governments that the extension of trade union rights at the national level could not solve. This informality had created a situation in which governments faced not just defensively powerful workers, but also extremely weak and vulnerable manufacturing capacity. In consequence, governments faced a particularly stark choice because if they tinkered with labor, the weakness of the industrial base would quickly intensify. Unless they were radical enough to challenge the hegemony of private capital, they would be forced to choose either to attack that working-class power directly (as Thatcherism was to do) or try to suborn it indirectly, by drawing national trade union leaders into a corporatist embrace. But that embrace was bound to be a brittle one. For, in the weak economic situation of the late 1970s, the capitalist side of the corporatist dialogue could make no concessions to labor without intensifying its own competitive difficulties. On the contrary, the survival of British-based capital depended on the intensification of the
work bargain and the shift of rewards from wages to profits. However, union leaders capitalizing to that were bound to lose their constituents, and those who refused would sooner or later lose their place in the corridors of power.

The collapse of corporatism in crisis—both by capitalist defections, like that of Ford UK in 1978, and by unofficial militancy sucking reluctant trade union leaders out of the negotiating chamber onto the picket line—was evidence of the extent to which the balance of class forces to which corporatism gave institutional expression was itself a central cause of the economic weakness that those institutions were created to overcome. The fragile competitive position of British capital in the 1970s did not allow for any extension of industrial democracy in any of the ways we defined it earlier. It did not allow alterations in the systems of ownership. It could not tolerate trade-union influenced state policy and it quite simply could not afford any extension of formal and informal worker rights. The corporatist initiatives failed in the end not because of any technical deficiencies in their design, but because the governments that introduced them failed to face up to those central facts.

THE REORIENTATION OF POLICY UNDER THATCHER

The social democratic philosophy that underlay labor corporatism in the 1960s and 1970s had never been without challenges. An early manifestation appeared in 1958 when a group of Conservative lawyers published A Giant's Strength, which drew attention to the "privileged" legal position enjoyed by organized labor under the 1906 Trade Disputes Act. Only mass unemployment, they claimed, had prevented the misuse of this privilege hitherto; and now, with full employment, the deleterious effects of the unions' superior legal position were there for all to see. The Tory lawyers called for a new trade union act and tougher penalties for strikers. This kind of thinking lay behind the ill-fated attempt of the Heath government to change industrial relations law in 1971, and, though defeated then by large-scale working-class militancy, it resurfaced as part of a much wider reexamination of postwar Conservatism under Margaret Thatcher after 1975. Thatcherism, as it has become known, is in its essentials merely the British version of that widespread retreat from Keynesianism and corporatism that has characterized right-wing political thought and action in most advanced capitalist countries since 1974. The reaction was given a particular edge in the United Kingdom because of the way in which Thatcher and her advisers linked the failure of the Keynesian compromise to a particularly virulent analysis of the British economy's deindustrialization, one that emphasized the problems of trade union power and the scope of government activity which the appeasement of trade unions required.

In company with conservative parties elsewhere, the Thatcherite strategy was cloaked initially by invoking monetarist theory to rationalize breaking with the postwar settlement. The Thatcher government soon retreated from monetarism as a technical economic argument, as the close relationship between money supply and inflation that they anticipated failed to materialize, but there was no withdrawal from the enthusiasm for market forces and the hostility to trade unionism with which monetarism is ideologically associated. By eschewing big government, abandoning the commitment to full employment and tolerating a dramatic fall in manufacturing output, Thatcherism set out to "make markets work better... by removing the impediments which prevent people and firms responding quickly to changing conditions and market demands. With a more flexible economy we can ultimately have more jobs and growth without inflation."41

In the pursuit of "flexibility," the Thatcher government resolutely cut back the social component of public expenditure, steadily auctioned off publicly owned enterprises to private hands, and stripped away welfare rights. Thatcherism also altered in significant ways the legal codes under which trade unions operated and successfully endured a prolonged series of strikes by its own employees in order to establish the right of unselected governments to command and control the labor process. Thatcherism has sought to reverse all of the tendencies toward industrial democracy that had been attempted in Britain since 1961 and to replace them with a more market-oriented economy and political system—a "popular capitalism"—in which workers as individuals are encouraged to "own capital" and to identify with managerial authority, rather than to seek to establish democratic rights against capital or to build protective walls against the exercise of capitalist power.

This reorientation of policy is visible in a number of places. It is evident at the national level in the retreat from corporatist institutions, many of which were simply shut down by the Conservatives after 1979 (as was the NEB, emasculated (the MSC), or downgraded in importance (which has been the fate of the NEDC). "Quango-closing" was an early preoccupation of the Thatcher government. So, too, was the diminution in the representation of the labor bureaucracy in the committees of the state. "Government-initiated contacts, personal meetings and contacts with the Prime Minister, measures of closeness between government policy-makers and political-makers, have all declined (for the trade unions) under the Conservatives. Resort to lobbying and protest activity, measures of distance between groups and policy-makers, have risen rapidly since 1979."42 Instead of being welcomed as labor lieutenants in a corporatist strategy of industrial renewal, the official trade union movement in Britain since 1979 has found itself steadily under attack.

On the legal front, the first changes came under the Employment Act of 1980 when sympathy strikes were made illegal and protection against claims for civil damages was restricted to disputes with the immediate employer, or to secondary action focused exclusively on the direct consumers or suppliers of that employer. The 1980 act also cemented a code of practice that set a limit of six on the number of pickets legitimately able to enforce a strike call and made state funds available to finance union ballots on strikes, elections, and changes to union rules. The 1982 act then narrowed further the definition of a trade dispute, in which no claim for civil damages could be brought against the union, to ones between
workers and their employer "wholly or mainly" about terms and conditions of employment. In this way, the act outlawed strikes by workers not directly involved and strikes not immediately concerned with pay and conditions. The 1982 act also banned industrial action against nonunion companies and outlawed clauses in contracts requiring the use of union labor. Under its terms, employers could selectively dismiss striking workers without this being grounds for appeals of "unfair dismissal" to industrial tribunals.

These two acts brought the courts heavily into industrial disputes. The 1980s have witnessed the sequestration of union funds and fines for contempt of court or unions of print workers, seamen, and miners, levied by judges who have thereby effectively crippled the ability of the unions to pursue their disputes effectively. The sequestration of funds gathered extraordinary attention since legislation in 1974 also changed the rules for social security, removing entitlement to benefit from young and unmarried strikers (so pushing the burden of maintaining young strikers firmly onto the unions). This change was only one of a series that eroded rights to maternity leave, abolished the Fair Wages Resolution, and denied young workers the protection of the Wages Council system. The Conservative government is seriously considering the introduction of some form of "workfare," and it has already used a whole series of administrative measures to pressure the long-term unemployed and the young unemployed, into low-paid work. It has obliged public sector bodies to tender for services, taking always the lowest tender regardless of the terms and conditions of employment on offer by the company concerned. In these ways, union power has been eroded and the formal rights of the low paid seriously undermined. More policies of this kind can be expected to follow.46

The reassertion of capitalist control over the labor process, which lies at the heart of the Thatcherite solution to Britain's industrial decline, has been further facilitated by other features of Conservative policy since 1979. Perhaps the most important element has been the creation and toleration of high levels of unemployment. From 1979 to 1981, Thatcher presided over the most severe recession ever experienced by British industry, as 20 percent of manufacturing output and two million manufacturing jobs were lost forever. Unemployment rose to a peak of 3.3 million in September 1985. Although later forced down by stricter enforcement and massaged down by alterations in methods of counting (some 18 million of these since 1979), those without work in 1989 still numbered more than two million—and all this after seven years of credit-induced economic "recovery."

So the Thatcher government utilized restrictive legal sanctions and mass unemployment to erode the power of organized labor. It also used its own role as employer and as financier of the unemployed to the same end. It banned trade unions from the headquarters for military secrets and refused to accept unions there even in return for a co-disruption pledge. It intervened more and more in the area of youth employment, setting rates of pay through its youth training schemes, which had a generally depressive effect on unskilled and youth wages. It encouraged antiunion policies from its senior managerial figures in the manufacturing parts of the public sector, and it subjected its own civil servants to intensified managerial policies that were superintended by senior figures seconded from the private sector. The Thatcher government imposed tight cash limits on all government departments and public bodies, in effect, ran its own income policy in the public sector—trading wages for jobs and whittling away the size of both. In the case of the teachers, it even totally abandoned existing collective bargaining machinery and imposed its own settlement, in spite of prolonged industrial action by the teaching unions concerned.

The Thatcher government has thereby encouraged the private sector to assert its right to manage, by promoting a "law-abiding, free enterprise reconstruction" of Britain's social relations of production.44 It led the attack on trade union power by taking on its own unions—one by one—when it was ready. The Thatcher government did not only set out to shift class power decisively. It had its own private account to settle, particularly with the miners' union, and in averting the "Silverton Gates" defeat of 1972, it was prepared to tolerate prolonged industrial disruption (including a fifty-one-week miners' strike in 1984-85) and to spend eight billion pounds worth of taxpayers' money (not the least on the employment of up to 8,000 police officers in a national task force to break the miners' strike). All this opened the way to a sustained employers' offensive against working-class industrial power, an offensive already underway before 1979 but thereafter positively encouraged by Thatcher's determination, as she put it, "to direct a huge effort of National Will" to conquer the "British disease" once and for all. The style of assertion management encouraged by the Conservative government during the miners' strike was also successfully deployed in all the major public sector disputes of the early Thatcher years: those with steelworkers, health service employees, railwaymen, and teachers. The lead given by the government provoked employers in the private sector to follow suit. Indeed, "macho management," as it was then often known, "became a widespread feature of British industrial relations and an aggressive insistence on managers' right to manage and a sharp reduction in the area of the negotiable."45 This style of management was pioneered in the manufacturing part of the public sector, in cars and in steel, where "ironically, the fact that these companies are state-owned has probably encouraged a hard-line strategy, in order to win continued financial backing from the Thatcher government.46

The Thatcher government's strategic contribution, then, has been to create the market environment in which this offensive could yield more to the management by reducing the degree of worker resistance to the introduction of new techniques and permitting greater flexibility of labor. "Commercial pressures, and the changed balance of labor power, have brought the unilateral imposition of rationalization and speed-up (in the 1980s), regardless of union and especially shop stewards' pressure. The threat of closure has itself provided a potent sanction: workers have been offered the stark choice of co-operating with management or losing their jobs.47 There is evidence that this newfound managerial power has been used widely in British manufacturing industry in recent years to evoke "a
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higher intensity of labor effort and the introduction of more flexible forms of working.48

Apparently, and so far, the bulk of this additional flexibility has occurred within, and not between, grades, and so has not yet led either to the widespread deskilling and downgrading of labor or to a systematic creation of craft differentials. But even so, it is clear that "the threat of closure has ... provided employers with a powerful sanction in forcing through reorganization and speed-up in the face of union and steward resistance" and that "poor productivity and declining competitiveness have encouraged manufacturing firms to pursue radical programs of rationalization, involving more flexible use of labor, more intensive working, tighter disciplinary regulations, and hence a systematic assault on established custom and practice."49 Although its precise impact is hard to isolate, there can be no doubt that this "offensive" made a significant contribution to the 21 percent increase in manufacturing productivity achieved across British industry as a whole between 1982 and 1986. For some commentators it has threatened to achieve that successful diminution in shop-steward and work-group power which corporatist institutions had sought in vain before 1979.50 Whether the Thatchere strategy has thereby cured the "British disease," however, is still open to considerable doubt.51

INDUSTRIAL DEMOCRACY UNDER ATTACK

In sum, industrial democracy in its general sense has been steadily under attack in Thatcherite Britain. State policy toward the industrial relations system has been devoted to the individualization of the workforce.52 The balance of private and public ownership has been shifted in favor of private capital. The formal rights of individual workers to organize, bargain, and strike have been whittled away. The informal safeguards given by workgroups and shop stewards at the point of production have suffered at the hands of a sustained and determined employers' offensive. As MacInnes concludes,

Employee involvement has become a matter of "communications" (which is probably a euphemism for "leadership") and financial participation. Productivity has been bought by higher wage increases. ... Individual performance and reward has been emphasized at the expense of collective and collaborative result. Training and research and development remain underfunded. ... Unfettered market forces might produce higher labor productivity in a sweatshop using simple technology. They are less likely to produce the working relationships needed to motivate and coordinate labor in the era of microelectronic technology.53

Industrial Democracy in the U.K.

But the weakness of the prevailing outlook needs to be qualified in three ways: by noting the residual defensive strength of organized labor and the persistence of democratic aspirations within the opposition to Thatcherism; by the resilience of many prefigurative forms of workers' self-management; and, somewhat surprisingly, in the Thatchereite encouragement of novel forms of industrial democracy.

In the first place, at the turn of the first Thatcherite decade, it is by no means clear that, at least within its own frame of reference, the latest Conservative interregnum has achieved a decisive shift in the balance of power between capital and labor. It is not at all obvious that the Thatchereite offensive has broken the power of organized labor in the United Kingdom. Besides, at the sharp end of industrial relations, there remains a "strong preference to achieve productivity improvements by working through trade union channels rather than obliterating them."54 In any case, big capital does not need to be convinced of the need to take into account the "human resource" aspect, even if this necessitates dealing with organized labor through plant level collective bargaining.55 It is fair to propose that, regardless of the material and ideological onslaught carried out by the Thatchereite regime against the virtues of consensus, its proponents continue to advocate that "[tripsarism] represented and still represents a necessary attempt to secure a consensus—or at least an understanding on how to tackle important economic questions which cannot be satisfactorily dealt with by any one interest group."56

Among private employers outside the print industry (where the print unions had established a particularly strong hold on the work process because of the uniquely perishable character of the commodity they produced) antinomism is likely to be found more among small and new employers than among large and established ones. For "the majority of established employers have not adopted such tough tactics, but have [instead] exploited the weakening of trade union bargaining power within a framework of continued trade union rights."57 In these firms, the power of shop stewards has not been broken by direct confrontation, or bypassed by direct appeals to the workers, as definitely happened at the state-owned British Leyland. Instead, the power of shop stewards has been co-opted in a joint venture sold to workers through sophisticated communications, underpinned by fear of job loss and negotiated in place in deals struck with workplace representatives. Across British industry in the 1980s, the dominant managerial response to the conditions created by the Thatchereite government has not been an attempt "to destroy shop steward organization, but rather to mould it into a particular form, intentionally or not [combining] to exaggerate certain tendencies, present in the earlier shop steward model, toward centralization, formalization and professionalization of shop stewards and their organizations."58

What seems to be the main outcome of the overall strategy is a greater degree of labor paternalism, in which a pool or reserve of unorganized and low-paid workers surrounds an aristocratic core of fairly safe, "skilled" labor.59 Of course, gender and ethnicite figure in the breakdown of the segments: The core is predominantly Anglo-Saxon, middle-aged, and male. For the remainder, the
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toleration of a high and stable level of unemployment has facilitated the emergence of a poverty-stricken underclass, which serves as a daily reminder to those in peripheral work of the rapidly disintegrating "Beveridge" safety net. Yet what informal power remains at the point of production has still guaranteed substantial real wage increases for core workers. It is reasonable to suggest that mass unemployment and severe structural change may have put organized labor in the core area of the labor market on the defensive, but their capacity to resist themselves is hardly diminished, and this indicates that Thatcherite attacks on industrial democracy in this area have had little or no permanent effect.

Second, the idea and ideal of industrial democracy has not entirely vanished from the British labor movement. Left-wing elements within the Labour party continue to advocate an alternative economic strategy to which extensive trade union and worker rights are central, and they, at least, are continuing to examine the scale of radicalism that such a program would require to break free of the contradictions that defeated Labour party corporatism in the 1970s. Although their analyses and prescriptions are rejected by more moderate elements within the Labour party leadership, the official Labour program still offers extensive proposals for public ownership, worker participation and the extension of bargaining rights. And right-wing Labour think tanks, not least the Fabian Society, continue to encourage proposals on industrial democracy that go beyond the limited Bullock reforms on worker-directors to advocate the involvement of workers in industrial decisionmaking below level board, through elected joint-councils at the plant and enterprise level.50

There remain pockets of prefigurative industrial organization whose existence it is important to record. Worker cooperatives did not vanish from Britain in the 1980s. The much-publicized worker cooperatives supported by the Labour government in 1974 and 1975 (at the Scottish Daily Express, the Meriden motorcycle plant, and at Kirkby Engineering) have now gone, and the equally famous attempt by shop stewards at Lucas Aerospace to formulate an alternative nonmilitary corporate strategy also is the end came to nought.61 Nothing remains now of the experiments that were started in 1968 with worker directors at British Steel and at the Pons office a decade later.62 But small cooperative ventures do still flourish in many parts of British industry. Some were established before the Thatcher government came to power. The Co-operative Development Agency reported in 1980 that there were a total of 363 co-operatives, of which 175 were in manufacturing and 151 in service industries.64

These have been augmented by cooperatives that were established in the 1980s under the Job Creation programs of the Manpower Services Commission which funded the creation of enterprise workshops, the majority of which have been run as co-operatives or have been working toward co-operative status.65 Indeed, in the 1980s recession proved to be a major stimulus for local and regional ventures in producer co-operatives (in Wales, for example, the number of worker cooperatives registered with the Welsh Co-operative and Development Training Centre rose from eleven in 1980 to fifty-nine in 1984).66 and many of the cooperatives were helped by finance from the local enterprise boards set up by radical Labour local councils. The Greater London Enterprise Board was particularly active here, siding, for example, the Lithosphere printing cooperative, with one million pounds a year annual turnover and thirty-five staff.67 Although cooperatives still constitute a minor element in the economic structure, they do provide an exemplar of potential development for organization and practice by a "breaking of the link between external ownership and control."68

Finally, the idea of industrial democracy is kept alive by elements of the Thatcherite program. The Conservatives have been keen to spread industrial ownership widely through the community—by encouraging the sale of company shares to workers and by giving tax relief to profit-sharing schemes of a limited kind. The Thatcherite project has sought to redefine industrial democracy as popular capitalism—encouraging people to see themselves as owners and consumers in a market-oriented world and to abandon any sense of themselves as producers with rights against capital. The reality of economic life in Thatcherite Britain has denied real access to effective capital—ownership for all but the privileged few, and has restricted its scale to the token ownership of shares by a minority of those fortunate enough still to be in work. But such a strident assertion of popular capitalism at least keeps alive the idea that industry must be answerable to the people, and that is a theme on which a revitalized left could well build in the 1990s. In addition, the Thatcher government's encouragement of Employee Share Ownership Plans (ESOP) contain within them the potential for transforming the connection between ownership and control. As presently constituted, the ESOPs—already operational in Britain (only just over a dozen in early 1989)—all comprise a minority shareholding by the workforce. The biggest so far, the privatized municipal bus company, Yorkshire Rider, was formed by a management buyout of the eight executive directors, who took 51 percent of the equity, while an ESOP bought the remaining equity on behalf of the 3,500 staff. Whereas the current motivation behind ESOPs is, in the words of Norman Tebbit, former chairman of the Conservative Party, "turning workers into capitalists by the wider spread of capital ownership,"69 the possibilities for workforce participation in the decision-making process of 100 percent worker-owned enterprises have been recognized by the Labour party in its plans for "social ownership."

FUTURE PROSPECTS

In conclusion, both the theory and practice of industrial democracy in Britain remain intact. The present government has set its face against any extension of trade union participation in decision-making at the company level and in economic policymaking at the national level. Moreover, the Thatcher government vigorously opposed draft EEC legislation on industrial democracy both in the form of reforms to Company Law (the Fifth Directive) and in the rights of workers in larger companies to information and consultation (the Vredeling Proposal).70 However, Thatcherism has kept alive and encouraged notions of
worker ownership, and its political opponents continue to advocate more extensive equalizations of power in industry and the state. Whether such an equalization ever occurs, of course, will depend on the balance of political and economic forces in post-Thatcherite Britain. As of the early 1980s, the paramours of industrial democracy in the United Kingdom are sufficiently restrictive to be regarded as at most "partial participation," with the ultimate right of sanction in the decision-making process remaining firmly in the hands of capitalist management. 3

Nevertheless, participatory incorporation, which is "built on the assumption that managements might well have no involved (in the process of decision making)" does not represent the politically feasible outer limit of industrial democracy, even though this is a common opinion among British managers. 4 Such backwardness persists from a failure to grasp that, under modern capitalism, managers "must to some degree seek a co-operative relation with labour in order to harness labour's creative and productive powers. Hence strategies for controlling labour cannot rely solely on seeking effort intensification through increased supervision or other coercive means." 5 Furthermore, unlike its successful capitaist competions, the Thatcher administration perseveres with a blind faith in the absolute virtues of the free market and eschews the idea that "social peace, worker commitment and high and flexible qualifications have properties of collective goods; they tend to be under-supplied if their production and protection is left to the voluntaristic decisions of rational individuals." 6

Still, the social forces for the achievement of industrial democracy remain in abundance, and whether the Thatcheries like it or not, 1992 will signal profound changes in the labor process. In this context, the British electorate itself will soon be confronted by the choice of either persevering with the Thatcherite free-market exemplar of the trickle-down, sweatshop economy, or opting for the potential for the creation of a "level playing field" implied by becoming a full member of the Single European Market. In the meantime, British workers may yet awaken to "the economic limitations (notably in the area of employment), as well as the potential, of traditional collective bargaining as an instrument for continuing the historic advance of industrial democracy into the 21st century." 7

Notes


Industrial Democracy in the U.K.


49K. Hyman, The Political Economy of Industrial Relations, 171.


51P. Nolan and P. Margison, "Skating on Thin Ice? David Metcalf on Trade Unions and Productivity," British Journal of Industrial Relations, 28 (1990), and Nolan, "Walking on Water?"


53Mueller, Thatcherism at Work, 135.


55L. Terry, "How Do We Know if Shop Stewards Are Getting Weaker?" British Journal of Industrial Relations, 24 (1986).


58Ibid.


64B. Brannen, Authority and Participation in Industry (London: Batsford, 1983), 133.

65Ibid., 134.

66Poole, Toward a New Industrial Democracy, 102.


69 The Economist (12 November 1988), 131.
70 MacInnes, Thatcherism at Work, 54.
73 Marginson, "Labour and the Modern Corporation: Mutual Interest or Control?", 90.