Labor Market Reform in the United Kingdom: From Thatcher to Blair

John T. Addison
University of South Carolina and University Birmingham (U.K.)
W. Stanley Siebert
University of Birmingham (U.K.)

The United Kingdom=s labor market reform experience, broadly defined, has attracted considerable attention in the United States for the main reason that it is the European counterfactual, having gone in an opposite direction from other European Union (EU) member states for most of the past two decades.[1] It is closer to the United States than any other Europan country, having followed the deregulatory path begun in that nation. Americans, long accustomed to seeing Europe=s problems as largely brought about by labor market rigidities, often look beyond their own experience to the U.K. for additional confirmation of the benefits of labor market flexibility and deregulation. Crudely put, in the transformation of Britain from the sick man of Europe to a vibrant economy, they have been that confirmation. Even if things are never that simple in practice, the fact that New Labour was to move cautiously after taking power in 1997 hints that something was radically wrong in the Britain of the 1970s and that many of the Thatcher reforms had, however grudgingly, gained widespread acceptance.

In this paper, we provide a review of the board labor market reforms instituted in Britain in the Thatcher and immediate post-Thatcher years, distinguishing between labor law reforms and the rest. A strong caveat is then entered in respect to recent initiatives

[1]A secondary but nonetheless important reason for U.S. interest in the British model is the partial privatization of the state pension scheme. Information on these innovations is available from the authors on request.

pursued by Britain=s new labour government, including the decision to return to the European fold in matters of EU social policy, which threaten to derail Britain=s progress. An evaluation of the Thatcher reforms and some assessment of the probably cost to Britain of New Labour=s policies precedes a brief summary.

Trade union law under successive conservative governments

Prior to the election of Margaret Thatcher in 1979, British trade unions enjoyed extensive immunities under the law.[2] Union power was widely believed to be excessive, a perception underscored by the defeat of the Heath government in the wake of the coal miners= strike and the subsequent turmoil of the Awinter of discontent,@ when public sector unions succeeded in disrupting many essential public services. Much of the blame for Britain=s economic malaise came to be attributed to an over-mighty union movement (see Addison and Burton, 1984); the union movement=s market power being buttressed by its close links with the Labour Party that it had helped found. In 1974/75 these links were instrumental in rolling back a series of rather modest union reforms implemented by the Heath administration under the ill-fated 1971 Industrial Relations Act.

Mrs. Thatcher embarked on a series of reforms that gathered momentum through time, and upon which her successor modestly built. Between 1980 and 1993, no less than six pieces of Acorrective@ legislation were passedCwe shall ignore the consolidations. There is no disagreement that their effect was to severely dent union bargaining power, even if the economic effects are necessarily more

[2]The legal immunities point requires some elaboration. In Britain there has never been a right to strike. Instead, since 1906, there has evolved a series of immunities for trade union actions undertaken Ain contemplation or furtherance of a trade dispute.@ These came in response to legal challenges by the courts. By 1979, these immunities covered inducement of breach of contract, interference with the performance of a contract, and even conspiracy/intimidation, inter al. Moreover, the definition of a trade dispute was sufficiently broad to encompass almost any type of industrial dispute.

controversial given the elusiveness of institutional variables in econometric analysis of labor market (especially macroeconomic) out comes.

The 1980 employment act

The main thrust of this first, tentative piece of legislation was to constrain industrial action by limiting Asecondary@ action and restricting picketing. The changes introduced in the former area were subtle but in general ensured that any secondary action causing other workers to break their contracts of employment (and which did not directly bring pressure on the primary employer) lost immunity. As far as picketing was concerned, this had to be restricted to the primary dispute, so that secondary picketing lost all immunity and was actionable in the courts.

Apart from these measures dealing with immunities, the 1980 Act also dealt with union recognition, individual rights to dissociate from a union, and other procedures that served to buttress union power. First, the statutory union recognition procedures established by the labour government in 1975 were abolished. Second, there was an extension of the permissible grounds to refuse to join a union in existing closed shops. And any new closed shop (or union membership agreement) had to be approved in secret ballot by at least 80 percent of those entitled to vote. Third, the existing procedure whereby unions could petition for an extension to third parties of Arecognized@ terms and conditions achieved under collective bargaining was repealed. The 1980 Act also made provision for funds to reimburse unions for secret ballots on industrial action and union elections, although these were ultimately to be phased out at the end of the reform interval.

The 1982 Employment Act

the 1980 Act had moved very cautiously in tacking union immunities. The 1982 Employment Act was more forthright. In order to attract immunity, a trade dispute now had to relate Awholly or mainly@ to terms and conditions issues, while the definition of a

trade dispute was further narrowed to cover only those disputes between workers and their employer. In other words, inter-union disputes and political strikes, as well as those not concerned with narrowly defined terms and conditions lost immunity.

More concretely, unions became financially liable to employers (and others directly affected) by unlawful industrial action. That is, where industrial action outside the new, narrowed immunities had been authorized or endorsed by a responsible person within the union, the union could be sued for damages or injunctions granted against unions.

Further restrictions were placed on the closed shop. Not only were all closed shop agreements to be subject to ballot every five years for their continuation, but also compensation was steeply increased for those individuals adjudged unreasonably dismissed by virtue of their non-membership of a union. Any dismissal for non-membership was unlawful where the closed shop had not been ratified by the workforce within the preceding five years.

Finally, contracts specifying that only union labor was to be employed, as well as industrial action designed to achieve this result, were outlawed.

The 1984 Trade Union Act

Although much of this legislation had to do with internal union elections and ballots for political funds, the 1984 Act also contained terms seeking to curb strikes, and thereby limit strike threat power. In particular, all unions were required to ballot members before engaging in industrial action. Absent such a ballot, the union automatically lost immunity in tort and could be sued directly for breach of contract.[3] The rules governing strike ballots were detailed, and exposed unions to potential (and actual) challenge in the courts.

[3]The costs of postal ballots were to be reimbursed by the Union Certification Officer, set up under previous pro-union legislation.

The internal union aspects of the legislation covered the election of union executive committees and continuation of political levies. Unions were required to hold secret ballots for the former once every five years, while union political funds had to be ratified every ten years.

The 1988 Employment Act

The main innovation of this legislation was that it gave individual union members the right to take their union to court where it was alleged that industrial action had not been the subject of a lawful ballot. To facilitate freedom of action in this regard, union members could not be disciplined for failing to participate in a strike. Specific damages were specified under the law in the event of such disciplinary actions by the union.[4]

The act also revisited the closed shop. The preexisting immunity enjoyed by industrial action to impose a closed shop was removed. And it became automatically unfair to dismiss an employee for non-membership of a union irrespective of whether or not the closed shop had been supported by ballot.

The 1990 Employment Act

The hallmark of his legislation was that it closed a loophole in the 1982 Act pertaining to unofficial strikes. Previously, as we have seen, with the narrowing of immunities unions could be held liable for unprotected actions authorized by the unions. This left unofficial action (i.e., action not formally called by the union) protected, at least as far as union assets were concerned. The loophole was now closed by making unions liable for all their officials, whether or not the actions were in breach of union rules. The only way for unions to protect their assets was for the leadership to give written repudiation. The latter had to conform to the language of the statute and had to be given to each union member and affected employer. Unofficial

[4]In addition, the legislation established a new Commissioner for the Rights of Trade Union members to assist and finance dissident union members in actions against the union.

strikers could be summarily dismissed by their employersCand any action on behalf of such dismissed workers lost immunity.

The legislation also addressed the pre-entry closed shop. It became unlawful to refuse a person access to employment on grounds of non-membership of a union, or unwillingness to join, or to make payments in lieu of membership. Symmetrically, the employer could not refuse a worker employment on grounds of his or her membership of a union or unwillingness to disaffiliate from a union. The closed shop nevertheless remained lawful.

Finally, all secondary action was now deemed unlawful. Thus any sympathetic action and indirect action covering other than the employer in dispute could no longer attract immunity.

The 1993 Trade Union Reform and Employment Act

The last element in the Conservative reform agenda was less concerned with strike action than with union governance and security. That said, unions had new obligations in respect of ballots preceding industrial action. Employers had to be notified of the intention to hold a ballot, the date it would be held, and the outcome.[5] All industrial action ballots now had to be postal. As far as union security was concerned, union members now had to give written authorization for the dues checkoff every 3 years. In addition, individuals were to be free to join any union at the workplace. This clause was designed to override union procedures that had the effect of restricting competition among unionsCto so-called ABridlington rules.@

Finally, the Act removed the vestiges of statutory wage fixing machinery in the United Kingdom by abolishing the remaining Wages Councils and their statutory minimum pay rates. In 1986 (under the 1986 Wages Act), the government had earlier removed the power of these bodies to fix rates of pay for those under the age of 21 years.

---

[5]New union liabilities were added: any individual who could claim to have suffered Aa loss of goods or services@ could apply for an injunction against unprotected union actions. A separate Commissioner was appointed to advise on and finance litigation by members of the general public against unions.

The 1993 Act brought to a close a period of major union reform. The status quo has since changed following the election of a Labour government in May 1997. The changes in the law introduced by the new administration are discussed in section IV.

Other Labor Market Reforms

It would be a mistake to think that the reform labor law was the sole plank of the reform agenda of successive Conservative administrations. Paralleling the measures described above were a series of other actions geared to improving the efficiency of labor market operation.

An important factor behind Britain=s relatively favorable employment development (see section V) must have been the Thatcher administration=s policy of wholesale privatization, continued by Mr. Major. This change affected not only the formal collective bargaining structures of the successor privatized industries but also, and more fundamentally, it shook up cosy cartels. On a par with privatization, were other actions reducing government=s role in markets. These included a reduction in government employment, the privatization of pensions, the abolition of statutory wage fixing machinery and arrangements for extending collective agreements (noted earlier),[6] and last but by no means least, a considerable reduction in tax rates. All these changes were underscored by Mrs. Thatcher=s abolition of exchange controls from the very outset.

Attempts were also made to change the welfare state to increase work incentives, although their effectiveness is in question. It has been estimated that U.K. replacement rates for the unemployed (i.e., the value of nonwork benefits relative to the rewards from market work) are a Amiserly@ 38 percent (Nickell and Layard, 1997). In fact, replacement rates are particularly difficult to calculate in Britain because the unemployment can fall back not only

[6]One wage-fixing mechanism not considered earlier is the Fair Wage Resolution, which dates back to 1891. This Parliamentary resolution required government contractors to observe terms no less favorable than those obtaining under collective agreements. It was unceremoniously scrapped in 1983.

on unemployment insurance benefits but also unemployment assistance (Aincome support@), substantial assistance for housing costs (Ahousing benefit@), and also an expanding system of sickness and disability benefits. For a couple with a dependent spouse, martin (1996, Table 2) gives the U.K. replacement rate net levels. By contrast, the corresponding value for the U.S. is only 38 percent in the first year of unemployment, falling to 14 percent in the second and subsequent years. On Martin=s analysis, then, Britain is not particularly miserly toward the unemployed.

Nevertheless, attempts were made to increase the overall rigor of the benefit system. Here the prime example is the Restart Program, initiated in 1986, which required the unemployed to undergo mandatory counseling after six months without work and to validate their efforts to find work. Lehmann (1993) calculates that the Restart interview program accounted for some 35 percent of the decline in long-term unemployment between 1984 and 1990. Also, a youth Training Scheme was introduced, and those refusing to participate in it were excluded from receiving unemployment benefits, as were all those aged 16 to 17 years unless they received a place on the scheme. This is not a comment on the efficacy of youth training but, rather, to again underscore the rigor issue. Strikers were of course excluded from any form of state benefit and the benefits available to strikers= families were reduced in an amount proxying union strike benefits. And in 1996 the duration of unemployment insurance benefits was reduced from one year to six months. Those unemployed over six months would now have to rely on income support, with strict means testing.

Note, however, that shifting unemployment programs away from the contributory (insurance) principle toward the noncontributory means-tested (assistance) principle has contradictory effects. Means testing will put off some claimants, but for others the replacement rate is actually raised. This occurs because once an unemployed individual has exhausted his or her claim to insurance benefits, and fallen back on means-tested income support, it generally becomes sensible for the spouse to stop working too since benefits are reduced pound for pound by the spouse=s earnings. In other

words, any prospective new job has to pay more than income support (plus housing benefit) for the two rather than unemployment insurance for one (Field, 1996). The barrier to reemployment is thereby raised.

In fact, judged in terms of expenditure, welfare programs in Britain seem to have been administered rather leniently during successive Conservative administrations. The situation is depicted in Table 1. the second row of the table shows sickness and invalidity benefit programs. These schemes apply to those of working age who have been certified as incapable of work. But negotiating certification

Table 1: Developments in Social Security

Type of social security payment		Recipients, 1996 (millions)	Expenditure: Percent of Social Security budget	Expenditure: Ratio 1996/97 to 1982/83 (1997 prices)
Contributory	Retirement & widows pension	10.6	35%	1.3
	Sickness/Invalidity benefit	2.4	8	2.1
	Unemployment benefit*	0.4	1	0.4
Non-contributory (means tested)	Income support and jobseekers= allowance**	7.1	18	2.1
	Housing benefit	4.7	12	3.2
	Disability and careers benefits***	3.4	10	6.5
	Family credit	0.7	2	10.0
	Child Benefit	7.0	7	1.0
Total Social Security budget, 1996/97			**£ 92.8 billion**	**1.7**

Notes: * Unemployment benefit was retitled Jobseekers= Allowance in 1996, including both contributory and non-contributory claimants; the figure given is for the contributory element only.
** The figure for Jobseekers= Allowance is for the non-contributory claimants.
*** Including Severe Disablement Allowance, Attendance Allowance, Disability Living Allowance, and Invalid Care Allowance.

Source: Department of Social Security (1997).

has proved to be quite easyCgiven the difficulty of defining capabilityCand the programs have doubled in real terms over the 14-year sample period. Similarly, income support doubled in value, and housing benefit tripled. The social security budget as a whole increased by 70 percent.

A more successful measure seems to have been the Family Credit program, expanded in 1988. Table 1 shows the growing relevance of Family Credit, which provides people in low-wage jobs with a cash benefit, and acts rather like the earned income tax credit in the U.S. The benefit is means tested on after-tax weekly income and is payable to those working more than 16 hours a week. The present Labour government has recently announced its intention to extend Family Credit (renaming it working Families Tax Credit) with effect from October 1999. Here at least we see a continuation of Conservative policies, tweaking the system to maintain incentives. Note, however, that the other Conservative strategy of lowering payroll taxes, and shifting them to commodity taxes, will not be followed by New Labour. Rather, the government will raise the threshold at which the national insurance contributions kick in and impose a single rate of 12.2 percent (rather than old 6 -10 percent range).

Finally, there were few changes to employment protection laws per se in Britain between 1979 and 1997. This country has long had few overt restrictions of this nature, and has always appeared the least regulated member state of the European Union (but see Section IV). Note, however, that this relative absence of employment protection legislation has to be evaluated in terms of Britain=s other labor market problems in the 1970s. As a practical matter, the principle change made to the employment protection system occurred in 1985, when coverage under unjust dismissals legislation was restricted to those with at least two years of tenure on the jobCpreviously just 6 months= service was required. Also, as we have seen, changes in labor law meant that those on unofficial strike were no longer protected from unjust dismissal. (For those on official strike the same applied, unless the employer had selectively

reemployed strikers within 3 months of the start of the industrial dispute.)

New Labour: déjà vu

We saw earlier that the 1993 Trade Union Reform and Employment Act brought to a close a period of significant union reform. Given the election of a (New) Labour government in May 1997, a somewhat extended legislative caveat is in order.

Prior to its election, New Labour had already signaled its intention to make some changes that would affect industrial relations practice and labor law. Thus, Mr. Blair promised to recognize unions at Government Communications Headquarters (GCHQ). (The previous administration had on security grounds banned employees at GCHQ from being represented by a union and also belonging to a union on security grounds). He also announced his intention to set up a Low Pay Commission, which would resurrect minimum wages. Perhaps most important of all, New Labour had promised to sign up to the European Asocial chapter,@ which as we shall see seeks to re-regulate labor markets at European level.

Surprisingly, little controversy was occasioned by these pronouncements, partly because of the weakness of her Majesty=s Opposition after its crushing electoral defeat. But, despite the soothing rhetoric, Mr. Blair=s industrial relations agenda is controversial because it threatens to undermine the Thatcher union reforms. This became apparent with the passage of the Employment Relations Act, which received the Royal Assent on July 27, 1997.[7]

[7]The Terms of the Act were foreshadowed in the White Paper, AFairness at Work@ (DTI, 1998).

The Act in essence seeks to establish compulsory unionism. It also addresses dismissals protection. Beginning with the former, the legislation establishes a new union recognition procedure for all employers with over 20 employees. Recognition of an independent union is mandatory if a majority of workers vote in favor, provided that this majority constitutes at least 40 percent f those eligible to vote. A standing bodyCthe Central Arbitration Committee (CAC)Chas first to determine whether the union(s) has 10 percent of the bargaining unit as its members. (Where two or more unions apply for recognition, they need to show that they are prepared to undertake Asingle-table bargaining@ if the employer wises it.) Alternatively, where 50 percent of the work force in the unit are union members to begin with, recognition can be awarded automatically without a ballot (The CAC may refuse to award recognition without a ballot if it considers that this would be in the interests of good industrial relations, or where it finds evidence that a significant number of union members to not wish the union to represent them for bargaining purposes.)

ARecognition@ means that the employer sets up a Amethod@ or procedure for collective bargaining that is acceptable to the CAC and the union(s). The subjects for bargaining are listed in general terms. They include pay, employment termination, discipline, union membership, and grievance and negotiation procedures. The Act lays down that the imposed method Awill have effect as if it were contained in a legally enforceable agreement made by the parties.@ This means that if the union believes the employer is failing to abide by the method, it can apply for a court order for specific performance. It is, therefore, to be left to the courts to decide whether, for example, a firm that makes a take-it-or-leave-it wage offer is breaking the agreement. Similarly, case law will have to flesh out the precise subjects for collective bargaining.

Also important are new limits on the employer=s freedom to dismiss striking workers. Those dismissed for taking part in an official strikeCthat otherwise obeys existing labor lawCcannot lawfully be dismissed for 8 weeks. Thereafter, dismissal will be fair

provided the employer has taken Aall reasonable steps@ to resolve the dispute. This is a major change because the legal status quo ante was that an employer could dismiss strikers without penalty unless the employer=s decision was motivated by anti-union animus.

Two other changes are worth mentioning. First, the Act weakens the pre-existing rather technical but essentially domestic balloting procedures before unions can go on strike. In particular, unions need no longer record the names of the workers they intend to ballot. The result is an erosion of the rules governing strike action. Second, the Act establishes a new right to be accompanied by a union official in company disciplinary interviews. This right can bring union officials in to any work place.

As noted earlier, the Act also increases dismissal costs. British law attenuates the hire-at-will principle by defining the grounds for unfair dismissal. But it sets upper limits on compensation that workers can claim under the law. Abstracting from additional and special awards, the ceiling on compensatory awards prior to the Act was about ^ 12,000. This is raised to ^50,000 under the Act. The costs to employers of this increase are controversial (see below). Suffice it to say here that the likely effect of such a large increase is to make employers more cautious in who they hire. Those most at riskCas with so much other European legislationCare individuals with skill deficits; most obviously, young and older workers.

Might not employers react by further recourse to other than open-ended contracts, termed rather sniffily Aatypical work@ by Europeans? Prior to the Act, the situation was that workers employed under fixed-term contracts of more than one year=s duration could waive their rights to unfair dismissal. The Act closes this loophole by prohibiting such waivers. Employers and workers will presumably now response by using temporary contracts of lesser durationCat least until this option is foreclosed.

In addition, the Act reduces from two years to one the qualifying period before employees on open-ended contracts are entitled to dismissals protection. This innovation and other limitations on freedom of contract under the new legislation share

the same pedigree as continental European practices. In this regard, it is surely symbolic that the Act gives the government power to extend by order employment rightsBsuch as dismissals and severance payBto workers who are not Agenuinely@ self-employed. How this will be decided is an pen question, but the attempt is an indication of the administrations distrust of markets and presumption that non-standard forms of employment are exploitative. More practically, the reforms seek to attenuate the market escape route.

By analogy with the sequence of Thatcher reforms, the Employment Relations Act may be but a first step in a rolling action plan. But if so, this development would be Thatcher in reverse. Mr. Blair has claimed that there will be no changes in labor law regarding secondary strikes and the closed shop. Be that as it may, this one piece of legislation will palpably increase union bargaining power.

We next comment on the two remaining pieces of New Labour legislation one purely domestic (the reintroduction of minimum wages) and the other determined by EU social policy (the Working Time Regulations). As was noted earlier, the last vestiges of Britain=s long-standing minimum wage machinery were abolished in 1993. That machinery operated not across-the-board but for certain wage council industriesCsuch as clothing, retail outlets, and hairdressingCand for which the minima differed. The new minimum wage by contrast will be national. It has been set at ^3.60 per hour, effective April 1990. All those aged 16-17 years and apprentices are exempt, while a special Adevelopment rate@ of ^3.0 an hour will apply to those aged 18-21 years. The development rate will also cover (for the first six months of their employment) those aged 22 years and above who are beginning a new job that offers accredited training. These terms approximate the recommendations of a special Low Pay Commission. It is estimated that some 2 million workers, or 9 percent of all employees, will benefit from the new national minimum wage. The degree of coverage is almost as high as in France (11 percent) and about twice that of the United States (5.1 percent) and the Netherlands (3.7 percent) (OECD, 1998, Table 2.4).

Interestingly, the minimum is close to the average of the wage council rates obtained in 1993, up rated by the movement of lowest decile earnings since then. That said, the impact will be much broader. Workers employed in the old wage council sectors make up only about two-fifths of those who will be covered by the national minimum (Metcalf, 1999). The Low Pay commission largely discounts the likelihood of disemployment effects, reflecting current orthodoxy distribution as sustainable. It concludes that the aggregate wage bill will rise by a Amanageable@ 0.6 percent (Low Pay commission, 1998). Nevertheless, it also estimates that the wages of workers affected by the minimum will increase by 30 percent (Low Pay Commission, Table 7.1). This amount is disturbingly large.

As for the new government=s Working Time Regulations, these came in to force on October 1, 1998, and are the outgrowth of two separate EU Directives on the protection of young people at work and the organization of working time. The stated aim of the former directive is Ato ensure that work done by adolescents is strictly regulated and protected under the conditions laid down and that adolescents are protected against economic exploitation...@ the goal of the latter directive is to Aimprove health and safety by introducing minimum rules for employees relating to daily and weekly rest periods, rest breaks, annual paid leave entitlements, the length of the working week, and night work.@ The Regulations implement both mandates. Their most significant requirements are: rest intervals of one day per week and 11 hours per day (estimated to affect 2.1 million workers); a maximum working week of 48 hours (affecting 27 million workersCalthough there is an opt-out provision, to be reviewed in November 2003); and paid annual leave of 3 weeks rising to 4 weeks in November 1999 (ultimately affecting 3 million workers). The economic effects of the Regulations will be examined below.

The Working Time Regulations are but the tip of a pan-European legislative iceberg, because Mr. Blair has decided to pt back in to mainstream EU social policy, thereby ending a period of two-

tract social Europe (1991-97) during which Britain was in principle insulated from some but by no means all such mandates.

To understand the situation prior to 1997Cand indeed the Working Time RegulationsCa brief history of EU social policy is required.[8] Active social policy in the EU dates back to 1974, when the European CommissionCthe body responsible for drafting Community legislationCput forward its first social action plan. This proposed legislation in a number of areas, including health and safety at work, minimum wages, the regulation of working hours, employee participation, and the hiring of contract labor.

It is conventional to treat the first action plan as ineffective because of the limited competence (i.e., constitutional authority) of the Community to legislate on matters of social policy contained in the treaty establishing the common marketCthe Treaty of RomeCand the need for unanimity in the council of Ministers where the final shape of Community policy is decided.[9] Certainly between 1974 and 1986 the Commission=s successes were overshadowed by its failures, and Mrs. Thatcher was able to wield a veto in the council of Ministers and thereby deflect the countervailing influence of European-level mandates on her reform agenda. Even so, Britain was forced to change its domestic law on equal pay and sex discrimination, introduce nontrivial legislation of the rights of workers affected by transfers of their undertakings, and amend its health and safety regulations in accord with European-level norms. But draft EU legislation on Aatypical work@ (covering fixed-term contracts, part-time work, and temporary work agencies), employee participation (including worker directors), hours regulation, and parental leave was successfully blocked.

---

[8]For a detailed discussion of the twists and turns of social policy in the EU, see Addison and Siebert (1997a, 1999) and Addison (1999).

[9]To facilitate exposition, we neglect the legislative function of the European Parliament. That role was trivial up to 1991 but has become more important since then as the result of the so-called Aco-decision@ procedure, introduced under the Treaty of Maastricht and expanded by the Treaty of Amsterdam.

The next stage of EU social policy followed on passage of the Single European Act (SEA) in 1986. This expanded the scope for majority voting in Council, its attraction to Mrs. Thatcher being that it would thereby speed up the process of European economic integration. She did not anticipate that the SEA would be used to support ambitious social policy. But, as it transpired, much social policy was subsequently to be based on majority voting, largely on the tortuous grounds of a health and safety treaty basis.[10] This next phase of social policy was delineated by the famous *social charter*.

The social charter was little more than a declaratory statement of the fundamental social rights of workers. It was not binding on its signatories; Mrs. Thatcher characteristically refused to endorse the document. Accompanying the social charter, however, was a far-reaching action program containing more than 20 mandates of varying intrusiveness that would indeed be binding on all member states, including Britain. They included a slew of health and safety regulations, measures seeking to restrict the use of atypical work, rules on collective dismissals, the provision of written contracts of employment, bans on child labor, limitations on the employment of pregnant workers, the regulation of working hours, a requirement that workers Aposted@ to another country were to receive host country terms and conditions of employment, and increased worker participation through the devise of European works councils.

Mrs. Thatcher was forced from office in 1990, and although her successor, Mr. Major, was critical of EU social engineering, the tide had decisively turned. Rapid progress was made by the Commission in drafting legislation pursuant to the social charter=s action program. But drafting legislation is one thing, seeing it through to enactment is another. The stumbling block for the Commission remained the narrow constitutional authority for its measures, the

[10]Article 118A of the SEA provided that AMember states shall pay particular attention to encouraging improvements, especially in the working environment, as regards the health and safety of workers and shall set as their objective the harmonization of conditions in this area, while maintaining the improvements made.@

dominant thrust of the SEA no less than the Treaty of Rome being economic integration. If it wanted to avoid its legislative proposals being subject to unanimity in CouncilCand thereby run the risk of a British vetoBthe Commission more or less had to frame them in terms of a health and safety criterion which was limiting.

In the intergovernmental negotiations leading up to the revision of the Treaties establishing the Community, therefore, the Commission sought to increase its authority. Specifically it pressed for an extension of the reach of social policy while at the same time widening the scope of qualified majority voting. It proposed that a new *social chapter* be included in the new Treaty of Maastricht.

Continuing British opposition meant that a political compromise was necessary to save the wider Treaty, which was then signed in 1991. The formula chosen was to relegate the terms of what was to have been the social charter to a protocol appended to the treaty. Attached to this was an Agreement on Social Policy (ASP), which noted the intention of the other eleven member states to pursue a new route to social policy that specifically excluded the U.K. This process heralded the emergence of a two-track social Europe. The other track was the standard (and narrower) treaty route. The two tracks were effectively merged in 1997 with Mr. Blair=s announcement that Britain would opt back in.

What has Britain let itself in for? To answer this question, the terms of the ASP, and progress made under it, have first to be sketched. First, the ASP made two fundamental changes: it gave a clearer basis for legislation in specifying ten distinct areas of social policy, in no less than five of which majority voting would apply; and, second, it accorded the two sides of industry at European-levelCor *social partners* as they are knownCa crucial role in deciding EU policy. Organized labor and capital were now to be intimately involved in policy formulation at the highest levels. Not only had these special interest groups to be consulted by the Commission on the possible direction of policy, and subsequently on the content of any draft mandate, but they could also Atake over@ any legislation and reach

agreement between themselves on measures that would duly become binding across the EU.

After ratification of the Maastrick Treaty in 1993, the social partners were able to reach framework agreements on parental leave, part-time work, and, most recently, fixed-term contracts. In those cases where they were unable to reach agreement, the Commission duly advanced its own proposals. Under the ASP, the Commission secured legislation on European works councils and the burden of proof in gender discrimination cases. Furthermore, it is currently offering controversial draft legislation on mandatory systems of informing and consulting workers.

The Commission was also to use the standard treaty route prior to Britain=s return to the fold. It secured adoption in Council of the posted workers directive, the final substantive hangover from the social charter mentioned earlier, as well as updates to earlier Community legislation dealing with collective dismissals and workers= rights in the event of company transfers, inter al. (The social charter=s 1993 working time directive was applied to the U.K. during this interval. Mr. Major had abstained in the vote in Council on the measureCwhich then secured adoption in CouncilCannouncing that he would challenge its legal basis before the European Court of Justice. The Court dismissed the U.K.=s submission in November 1996. It was this decision that led to the Working Time Regulations, noted above.) In short, both the ASP and standard Treaty routes were used to attend to unfinished (social charter) business and to advance new proposals. The ASP was used to advance the more controversial legislation, while progress under the standard Treaty route benefitted from Mrs. Thatcher=s removal.

Within a month of the May 1997 election victory, New Labour formally announced its decision to accept the *social chapter*. This enabled a new treaty to be signed in October 1997. Under this Treaty of Amsterdam, the terms of the ASP were directly incorporated into the main body of the treaties establishing the Community, so that the ASP became a true social chapter after all. But there was a problem: implementation of the Treaty would only

follow on its ratification by each and every member state. This proved to be immaterial. The mechanism was to adopt ASP legislation on a whole-Community basis prior to ratification. Accordingly, even though the Treaty of Amsterdam did not come into force until May 1, 1999, by that time the U.K. was already subject to almost all of the ASP legislation**C**none of which it had had a hand in framing.

Two-track social Europe having ended, the issue thus turns on the future. Having secured all of its social charter legislation, the Commission is well poised to apply the balance of its (seemingly ever-expanding) social policy portfolio. It now has an unambiguous treaty basis for its actions social policy has been accorded equal billing with the goal of European economic integration, and a wide arrange of constituencies favoring further intervention are in place. All that is missing is an obliging set of economic aggregates. Once macroeconomic conditions improve, the scene is set for rapid dismissals, national systems of worker participation, and further regulation of temporary work and European works councils. And whatever the economic environment, the Commission will undoubtedly use another component of the new treaty**C**the so-called *employment chapter* to pursue ambitious manpower policies,[11] while also actively seeking to project an external dimension of the EU through lobbying for the insertion of labor standards in international trade agreements.

Amazingly, there has been no efficiency analysis of either the pan-European rules themselves**C**or of the corporatist vision that underpins EU social policy formation at the very time when analogous systems at national level are under challenge. Abstracting from the dubious notion of destructive competition (i.e., social

[11]The employment chapter sets guidelines on employment policy to be followed by member states, who are to draw up action plans to implement the priorities identified therein. The employment chapter, activated well in advance of ratification of the Treaty of Amsterdam, demonstrates that even economic adversity is grist to the activist Commission=s mill.

dumping), The Commission=s justification for social policy and its attempt to harmonize labor standards across the EU hasCby defaultCrested on equity considerations. This is problematic for two main reasons. First, the current social action program of the Commission calls on policy to anticipate and second-guess market forces whose role has been long-neglected in European social policy-making circles. Second, the least advantaged members of European society (the Aoutsiders@) do not seem to have been conspicuously well served at the national level by measures similar to those promoted by the Commission at European level(see Addison and Siebert, 1999). This is the broader context in which Mr. Blair=s decision is to be viewed.

More narrowly, because of its voluntaristic tradition and very different institutions from continental Europe, Britain is by definition more at risk than most other member states from the harmonization principle. A costing example will be given in the next section. Frankly, even if Mr. Blair had not embarked on his own domestic reforms, undercutting much of the Thatcher legacy, the U.K. would have been increasingly subject to the countervailing influence of European law. There are clear indications of his even prior to the closure of two-track social Europe. But the conjunction of the new government=s domestic reforms and the Treaty of Amsterdam mark a profound movement away from the deregulatory thrust imparted by Mrs. Thatcher.

Economic evaluation

It is difficult to evaluate with precision the economic effects of the measures taken by Mrs. Thatcher and her immediate successor. Optimally, each measure should receive individual scrutiny, but the incremental nature of union reform and its interaction with other institutional changes make this an impossible task. Naturally enough, we begin with the issue of declining union density and then trace some of its consequences before turning to the necessarily more opaque macroeconomic evidence. We have also to investigate the costs implied by New Labour=s reversal of past policy.

Our starting point, then, is the pronounced fall in union density. In 1980, 54 percent of the labor force were union members, but by 1995 union density was just 32 percent. Some observers have argued that changes in the law Aexplain@ almost all of this decline (e.g., Freeman and Pelletier, 1990, for the 1980-86 period). A more refined explanation builds on the finding that most of the decline reflects a failure on the part of unions to organize establishments founded in the 1980s (Disney et al., 1995). This latter finding allows us to infer that compositional factors were less important than has often been alleged, and accordingly elevates the importance of labor law[12] (Brown, 1997). But it still leaves open the question of the endogeneity of the laws and hence the causation issue. In particular, were Conservative governments merely following public opinion, and their precursors ignoring it?

In any event, what have been the consequences of union decline? The inescapable conclusion is that there has been a reduction in the Adisadvantages of unionism.@ Thus, for example, productivity growth was actually higher in unionized than in nonunionized plants in the 1980s, even if their productivity levels remained lower (Oulton, 1990). Interestingly, there are also signs that productivity growth was highest of all in plants that rid themselves of the closed shop and either partially or totally withdrew their recognition from unions (Gregg, Machin, and Metcalf, 1993).

Corporate profitability for its part improved markedly in British companies after 1981. This improvement has also been linked empirically to union decline (Haskel, 1993). It has even been reported that, in 1990 at least, union effects on profitability were no longer negative other than in closed shop situations (Machin and Stewart,

[12]Al alternative argument is that the decline in the U.K. was less anomalous from a comparative perspectiveCit was common to most industrialized nations, including those more favorably disposed to unionismBthan the decline in the coverage of collective bargaining (which fell from 83 percent to 48 percent between 1980 and 1994). This alternative view would again accord changes in British labor law a dominant role; this time via the elimination of extension agreements and the abolition of statutory wage fixing machinery.

1996). Whether or not this is the case, the broader result again seems to be one of a decline in the negative effects of unions on profitability during the 1980s. But the obdurate effects of the closed shops are illustrative in union excesses and remind us that, despite the law having sought to eliminate the closed shop, reports of its demise may have been exaggerated (Addison and Siebert, 1997b).

As far as investment is concerned, the evidence is sparse. But the negative effects of unions on this outcome measure, where observed, again seem to have grown less pronounced in the 1980s (Metcalf, 1994).

There is some debate over the course of the union-non-union differential over the 1980s according to the data set being examined. (Full data for the 1990s is not yet available.) Most estimates, however, do point to a fall in the union premium during the 1980s, and there is also evidence of lower wage growth in unionized than nonunionized plants over this interval. The pronounced fall in union density amplifies these results. Also, the data contain the suggestion that the differential may have fallen most in traditional closed shop settings, leading some observers to attribute the major part of the downward movement in the differential the conjunction of this result and the decline of the closed shop (e.g., Steward, 1995). The latter result can be used to buttress the importance of legislation**C**namely, the attack on the closed shop**C**but the extent of the decline in the closed shop remains controversial.[13]

To be sure, there was also a profound (tenfold) drop in strikes after 1979. The legislation documented at the beginning of this paper has clearly increased the costs of strikes to unions. But strikes are best viewed as bargaining failures. A union with strike threat power should not need to go on strike to secure its ends. Strike threat power should instead be associated with wage outcomes and

[13]The most recent data from the 1998 Workplace Employment Relations Survey indicate that in 22 percent of work places with union members, management Astrongly recommends@ union membership (Cully et al., 1999, p. 89). On this evidence, therefore, the closed shop is still widespread.

degree of union control over the working environment. Legal changes that increase the costs of strikes to unions, and thereby weaken their strike threat power, should be manifested in eroding union pay differentials, and improvements in productivity growth, profitability, and investment; namely, the factors considered in strike activity over this interval,[14] but also little suggestion of any decline in strikes for a given level of unemployment.

[14]Such as the reduction in multiunionism and the decline of sectors with traditionally high strike frequency (e.g., coalmining).

We earlier noted that an important goal of labor market reform under Conservative administrations was to increase work incentives by reducing the unemployment benefit rate and applying the work test with greater stringency. Blanchflower and Freeman (1994) argue that the incentive to work versus remaining unemployed sharply increased in the 1980s across the board. If this were the case, such stronger incentives accompanied by the decline in union density should have reduced equilibrium unemployment. Yet there is no real indication of this, certainly up to the early 1990s. (The experience since then has not been carefully analyzed and this is precisely the interval during which the relative record of the U.K. has improved most.)[15]

Even if the British unemployment record has not been stellar for much of the period since 1980, a more reliable measure of labor supply developments, however, might be provided by the employment-population ratio. Here, the evidence presents a much more optimistic picture. First, the employment-population rate has historically been higher in the U.K. than in OECD-Europe: 67.0 percent versus 60.6 percent in 1983 (OECD, 1997, p. 163). Second, it has recorded some improvement since the 1980s, rising to 71.2 percent in 1998. By contrast, the OECD-Europe rate has continued to stagnate, standing at 60.1 percent in 1998 (OECD, 1999, p. 225). The U.K. position is thus much closer to that of the United States (73.8 percent in 1998).

Yet it is unemployment that grabs the headlines and some accounting for the stubborn persistence of unemployment over the Thatcher years and into the 1990s is required. There is no shortage of

[15]Between 1984 and 1996 unemployment in the U.K. averaged 8.8 percent; corresponding values for the United States and OECD-Europe were 6.3 and 9.5 percent, respectively. However, by 1998 the U.K. rate had fallen to 6.2 percent, while the OECD-Europe value continued to stagnate at 9.7 percent (OECD, 1997, p. 4; OECD, 1999, p. 19). Although long-term unemployment remains a stubborn problemC33 percent of the U.K. unemployed have been jobless for more than a year, compared with 47.6 percent in OECD-Europe and just 6.3 percent in the United StatesCthe current situation still represents very real improvement over the 1980s.

explanations, including Ainsider-power@ and the argument that the type of measures adopted by successive Conservative administrations might be expected to have their greatest impact shifted against the unskilled at a rate that has exceeded the supply shift away from unskilled work, tending on balance t raise the equilibrium unemployment rate as well as widening the wage distribution (Nickell,1997).

On this view, improving work incentives is not enough; the skill structure of the workforce has also to be attended to. Nickell conjectures that other European nations, and in particular, Germany, have fared better than the U.K. in this regard because they have a more skilled workforce, particularly in the lower regions of the ability range.

While we would agree that Conservative administrations focused more on getting people back into workCagain, not particularly successfully in our viewCthan on retraining them, at issue is whether state-supported training measures work. Frankly, the U.S. evidence does not encourage a sanguine view of the efficacy of such measures. Nevertheless, as we have argued, the EU employment chapter portends greater subventions on unproved, expensive manpower programs. Although we are all agreed on the long-term solution of improved primary and secondary education, there are no easy answers for tackling the current unemployment problem. As far as the training option is concerned, even the much vaunted German model seems less of an exemplar than in the past, while that country=s unemployment problem among the less-skilled is real and has been exacerbated by relative wage rigidity.

In assessing the Thatcher years, we finally run through a number of other aggregative outcomes, while cautioning that the time frame of extant studies is very short for exercises of this type. Comparing the decade of the 1980s with the 1970s, Blanchflower and Freeman (1994) suggest that the reform measures may have succeeded in decreasing U.K. inflation and unit labor costs, and in increasing economic growth, relative to other OECD nations. They

also detect some domestic improvement in the speed of employment adjustment and in the responsiveness of wages to local conditions.

That said, they choose to emphasize two other findings. First, they find no improvement in the responsiveness of the real wage to its underlying determinants. Second, they argue that the concatenation of reduced escape rates from unemployment (for men if not women) and sharply increased wage inequality is scarcely indicative of a better functioning labor market. Given that their sample period is 1979-90, they accept that the measures may not have had time to work, but add (tongue firmly in cheek): AJust wait until the middle 1990s and we will all be praising the labor market reforms for setting the precondition for the British economic miracle@ (Blanchflower and Freeman, 1994, p. 75). The recent performance of the U.K. economic aggregates may indeed lead some to that very conclusion. A more balanced interpretation, however, would be that the Thatcher reforms have been quite successful given the margin of Britain=s performance deficit, and that they were not predicated on an incorrect understanding of market operation.

To be sure, judged at the domestic level, there remain problems. These are manifested in widening wage differentials, just as in the United States. A nontrivial part of the increase in wage inequality in the U.K. can formally be attributed to the decline of unionism and the removal of statutory wage fixing machinery (Machin, 1997). But this should not be taken to imply that minimum wages need to be resurrected, or that union decline needs to be reversed. Both institutional developments have opened by the prospects of efficiency gains by freeing up markets to outsiders and fostering experimentation. Arguably, the U.K. has been much more successful than its European neighbors in this regard. More generally, however, widening differentials do indicate that Britain has a low-skill problem, but the phenomenon of demand shifts against the less skilled is hardly confined to Britain. To repeat, the facts of the matter are that we have very little guidance as to the appropriate short-term policy response to this problem.

We conclude with some indicative cost estimates of New Labour=s reforms. The cost estimates and their underlying assumptions are given in Table 2. to scale these estimates, the total U.K. wage bill of ^420 billion has to be borne in mind. Thus, the ^2.3 billion cost to employers of the Working Time RegulationsCthe official estimateCamounts to approximately 0.5 percent of the wage bill. Aggregating over the three measures for which we have explicit costs, the officially-estimated addition to the wage bill is 1.1 percent, and considerably more than that if we sum across the Minford-Haldenby (1999) estimates.

The Working Time Regulations and the higher dismissal costs can be regarded as a tax, whereas the national minimum wage and

Table 2: Estimated Costs to Employers of New Labour=s Reforms

Measure	Cost to Employer	Source of Estimate	Remarks
Working Time Regulations	^2.3 billion per year	DTI (1998b), Appendix E	Main cost is ^1.2 billion for extra daily and weekly rest periods for 2 million workers, where it is assumed that the firm will pay for half the reduced hours. A further cost is ^0.87 billion for paid annual leave of 4 weeks for some 3 million workers; that is, about ^300 per worker per Year all of which the firm is assumed to pay. The 48-hour maximum working week is estimated to cost little, because most persons working more than 48 hours will be able to continue doing so, given the opt-out provisions.
Stricter unfair dismissal rules	a) ^0.2 billion per year	Minford and Haldenby (1999), p. 8	Court compensation averages ^2,500. Average compensation will become about ^10,000 if it rises in the same proportion as the increase in maximum compensation (i.e., from ^12,000 to ^50,000). Applying this increase to the 30,000 unfair dismissal cases per year settled in favor of workers gives the estimate. The calculation ignores management time costs, and cases which do not come to the courts attention.
	b) zero	DTI (1999), p. 26	Only 100 cases per year currently result in a maximum award, on which basis the increase in the limit is assumed to have little effect.

Trade Union recognition	a) 1 million new members	Minford and Haldenby (1999) p. 13	According to a Confederation of British Industry survey, about 10 percent of firms employing 200-499 workers expect a claim for union recognition (about 1,200 firms in all). Applying these proportions to employees in businesses in these size categories, and adjusting for existing union density, gives the estimated change in union membership.
	b) 1,000 new recognitions after 3 years	CTI (1999), p. 6	ACAS heard 900 recognition cases a year in the 1970s, and is involved in 100 cases a year. A figure of 500 cases a year is therefore taken as a reference point for the new Act, with about 350 of these resulting in recognition in the early years.
National Minimum Wage	a) 0.6 percent increase in average wages	Low Pay Commission (1998), p. 33	Estimate is derived from current earnings distributions, assuming no change in employment for affected groups, and no spillover effect on wages distribution.
	b) 1.9 percent increase in average wages	Minford and Haldenby (1999), p. 18	Estimate is derived from a general equilibrium macro-model, allowing for unemployment and spillover effects.

mandatory union membership laws will increase wage inflexibility and act as a floor to the wage distribution. Taxes combined with wage floors should have disemployment effects, according to conventional economic analysis. Minford and Haldenby (1998) calculate that the tax increase is equal to one percentage point hike in employers= national insurance (i.e., social security) contributions, while the minimum wage is equivalent to a two-percentage point increase in unemployment benefits. When these effects are combined with the authors= estimates of the increase in union membership, it is predicted that unemployment will rise by one million over a four-year interval. This figure seems on the high side. Nevertheless, the standard unemployment treatments of Scarpetta (1996) and Nickell (1997), based on data for a panel of OECD countries 9183093, show positive and statistically significant associations between unemployment, taxes, union density, and unemployment benefit replacement rates, holding other things constant. In short, the empirical basis for expecting definite disemployment consequences from new Labour=s labor market reforms is firm. Even if there is room for disagreement over the estimate of 1 million more unemployed, a large rise in joblessness is to be expected.

Concluding remarks

The Thatcher years saw a material change in the operation of the manufacturing sector of the British economy, with effects on performance (e.g., improvements in productivity, employment, and ultimately unemployment) that are only now becoming clear. Deregulatory competition policy facilitated removal of many of the long-seated problems of the British economy of the 1970s. The perception of the U.K. as the Asick man of Europe@ has given way to a certain grudging respect for the decentralized and deregulated British model. That the U.K. cannot be characterized as the most successful member of the EU is less than surprising given the scale of the performance deficit when Mrs. Thatcher took office. Elements of that deficitCcompensating disadvantages, as it wereCstill remain. As a case in point, we identified the poor skill level of its labor force. But

the transformation is evident, even if the precise contribution of the labor market and other reforms is empirically elusiveCnecessarily so given their vintage and covariation with macroeconomic policies. Nevertheless, we have been able to trace some tangible indications of a decline in the disadvantages of unionism and further, to associate the union reforms with improvements in some economic aggregates.

Very much at issue, however, is the sustainability of the economic improvements made given recent political changes within Britain. The issues are twofold. First, there is the question of the impact of domestic changes in trade union law under the Employment Relations Act. We have noted some alarming estimates of the disemployment cost resulting from the implied growth in union power, inter al. Second, there is the issue of the effects of pan-European labor market mandates, even prior to Britain=s decision to sign on to the EU social chapter. We have noted the limitations of EU social policy in general, and illustrated the particular dangers from harmonization faced by the U.K. with its very different institutions. If it is true that there is now a sentiment in post-Thatcher Britain, no less than in continental Europe, for a so-called Amiddle way,@ with a social policy differentiated from the classic Anglo-American model, it is alarming that the solution has taken the form of harmonization. The conditions necessary for a viable and hence competitive social model, in which the choices are transparent and where tradeoffs reflect the existence of a common value system, may exist at nation-state level but patently not at European level. Against this backdrop, it is hard to resist the conclusion that the Thatcher inheritance is being squandered.

References

Addison, John T. (1999). AThe End of Two-Track Social Europe.@ Unpublished Paper, University of South Carolina.

Addison, John T., and Burton, John. (1984). *Trade Unions and Society: Some Lessons of the British Experience.* Vancouver, B.C.: The Fraser Institute.

Addison, John T., and Siebert, W. Stanley. (1999). ARegulating European Labour MarketsCMore Costs than Benefits?@ Hobart Paper No. 137. London: Institute of Economic Affairs.

Addison, John T., and Siebert, W. Stanley. (1997a). *Labour Markets in EuropeCIssues of Harmonization and Regulation.* London and New York: The Dryden Press.

Addison, John T., and Siebert, W. Stanley. (1997b). AThe Process of Labour market Reform in the United Kingdom.@ In Fazil Mihlar, ed., *Unions and Right to Work LawsCThe Global Evidence of Their Impact on Employment*. Vancouver, B.C.: The Fraser Institute, 105-136.

Blanchflower, David G., and Freeman, Richard B. (1994). ADid Mrs. Thatcher=s Reforms Change British Labour Market Performance?@ In Ray Barrell, ed., *The U.K. Labour Market: Comparative Aspects of Institutional Developments*. Cambridge, England: Cambridge University Press, 51-92.

Brown, William; Deakin, Simon and Ryan, Paul. (1997). AThe Effects of British Industrial Relations Legislation, 1979-97.@ *National Institute Economic Review 161* (July): 69-83.

Cully, Mark; Woodland, Stephen; O=Reilly, Andrew and Dix, Gill. (1999). *Britain at Work: As Depicted by the 1998 Workplace Employee Relations Survey*. London and New York: Routledge.

Department of Social Security. (1997). *Social Security Statistics 1997*. London: HMSO.

DTI. (1998a). AFair Deal at Work.@ London: HMSO, Cm 3968.

DTI. (1998b). AMeasures to Implement Provisions of the EC Directive on the Organization of Working Time and the Protection of Young People at Work,@ URN 98/645. London: Department of Trade and Industry.

DTI. (1999). AThe Employment Relations Bill: Regulatory Impact Assessment.@ London: Department of Trade and Industry.

Disney, Richard; Gosling, Amanda, and Machin, Stephen. (1995). ABritish Unions in Decline: Determinants of the 1980's Fall in Union Recognition.@ *British Journal of Industrial Relations 48* (April): 403-419.

Field, Frank. (1996). *How to Pay for the Future: Building a Stakeholders= Welfare*. London: Institute of Community Studies.

Freeman, Richard B., and Pelletier, Jeffrey. (1990). AThe Impact of Industrial Relations Legislation on British Union Density.@ *British Journal of Industrial Relations 29* (July): 141-164.

Gregg, Paul; Machin, Stephen and Metcalf, David. (1993). ASignals and Cycles: Productivity Growth and Changes in Union Status in British Companies.@ *Economic Journal 103* (July): 894-907.

Haskel, Jonathan. (1993). AWhy Did U.K. Manufacturing Profitability Rise Over the 1980's?@ *Empirica 20*: 51-67.

Lehmann, Hartmut. (1993). AThe Effectiveness of the Restart Programme and the enterprise Allowance Scheme.@ Centre for

Economic Performance Discussion Paper 139, London School of Economics.
Low Pay Commission. (1998). *The National Minimum Wage: First Report of the Low Pay Commission*. London: The Stationery Office, Cm 3976, June.

Machin, Stephen. (1997). AThe Decline of labour Market Institutions and the Rise in Wage Inequality in Britain.@ *European Economic Review 41* (April): 647-657.

Metcalf, Stephen and Steward, Mark. (1996). ATrade Unions and Financial Performance.@ *Oxford Economic Papers 48* (April): 213-241.

Metcalf, David. (1994). AThe Low Pay Commission and the national Minimum Wage.@ *Economic Journal 109* (February), F46-F66.

Minford, Patrick, and Haldenby, Andrew. (1999). AThe Price of FairnessCThe Cost of the Proposed Labour Market Reforms.@ London: Centre for Policy Studies.

Nickell, Stephen. (1997). AStructural Changes and the British Labour Market.@ In Horst Siebert, ed., *Structural Change and Labour Market FlexibilityCExperience in Selected OECD Economies*. Tübingen: Mohr Siebeck, 3-28.

Nickell, Stephen, and Layard, Richard. (1997). ALabour Market Institutions and Economic Performance.@ Labour Market Consequences of Technical and Structural Change Discussion Paper 23, Oxford University Institute of Economics and Statistics.

OECD. (1997). *Employment Outlook*. Paris: Organisation for Economic Co-operation and Development, July.

OECD. (1998). *Employment Outlook*. Paris: Organisation for Economic Co-operation and Development, July.

OECD. (1999). *Employment Outlook*. Paris: Organisation for Economic Co-operation and Development, July.

Oulton, Nicholas. (1990). ALabour Productivity in U.K. Manufacturing in the 1970s and 1980s.@ *National Institute Economic Review* 132 (May), 71-91.

Scarpetta, Stefano. (1996). AAssessing the Role of Labour Market Policies and Institutional Settings on Unemployment: A Cross-Country Analysis.@ *OECD Economic Studies 26*, 43-98.

Stewart, Mark B. (1995). AUnion Wage Differentials in an Era of Declining Unionization.@ *Oxford Bulletin of Economics and Statistics 57*, May, 143-164.