THE POST-WAR CONSENSUS

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The Third Labour Government 1945 - 1951

Introduction
The size of the Labour majority in the 1945 election (146 seats) gave it a mandate for the first time to carry out its election manifesto ‘Let Us Face the Future’. Six of the 20 members of Attlee’s cabinet were union sponsored.

The Labour government inherited the severe economic problems of the pre-war period with the added burden of the economic destabilisation of war. British exports in 1945 stood at a third of their already low 1939 level. A flurry of legislation covered three main areas - nationalisation and economic planning, social welfare and trade union law.

Nationalisation and Planning
Labour’s programme of nationalisation was extensive and bold. The coal, gas and electricity industries were taken into state control in 1947. When the National Coal Board was established in 1947, two trade union leaders were appointed to the Board - Walter Citrine of the TUC and Ebby Edwards of the National Union of Mineworkers. The transport infrastructure - railways, most wharves and docks, London’s buses and tubes, and later road haulage, were nationalised. The major, but ailing iron and steel industry was nationalised in 1950 as was the Bank of England in 1946. Several smaller industries and services like cables and telecommunications and parts of the hotel and catering trade were also in state hands by 1951. By then roughly 20% of the national economy was controlled by the state employing a workforce of over two million people. However, only decaying and unprofitable sectors were taken into state control in order, as Herbert Morrison put it, to ‘make possible the organisation of a more efficient industry’ in the interests of the nation as a whole. This and the fact that astronomical sums in compensation payments were given to the former owners (many of whom became leading figures on the Boards of Directors of their respective public corporation), helps explain why there was so little opposition to nationalisation (except in the case of iron and steel).

Many of the mechanisms of state planning and control had already been set up during the war. The object was to promote a healthy economy by increasing Britain’s gross domestic production and export potential. The means, via four civil service committees (manpower, materials, balance of payments and capital investment) fell far short of the aim, given the irreconcilable clash of interests between the profit motive of private capital and that of the common good. The clamour for de-control of the economy became the rallying cry of private industry, backed by the Tory Party and the Tory press. Labour’s economic plan, such as it was, was in tatters. The return to economic orthodoxy was also motivated by the government’s reliance on US aid in the form of the Marshall plan. The price for such aid was clearly stated by the Americans - Britain had to cut back on spending on welfare and had to de-control the economy in order to make the entire European market more favourable for American exports.
The Welfare State

From the 1930's onwards, Labour was the only party which made the extension of social benefits for all from 'the cradle to the grave' a top campaigning priority. Its achievement in government gave concrete expression to this in 1946 via the National Insurance Act, which provided for sickness and unemployment benefit for all who had paid the required national insurance contributions. The National Insurance (Industrial Injuries) Act, which insured all workers against workplace accidents - a measure for which the TUC had fought long and hard, and the National Health Service Act. The aim of the NHS was 'to promote the establishment ... of a comprehensive health service designed to secure improvement in the physical and mental health of the people' and weathering the storm of protest from the doctors' organisation, the British Medical Association, ensured that it would be free at the point of need. Labour resolutely opposed a means test because it took the view that the welfare state would be a non-starter unless its benefits were genuinely open to all. This principle of universality remained the cornerstone of Labour and the TUC's social policy for the next five decades.

1947: The Turning Point

1947 saw a very harsh winter, a fuel shortage and a financial crisis - the gravest since 1931. Labour embarked upon a series of 'austerity' measures which effectively transformed it from a party of reforming zeal into one of retrenchment and economic orthodoxy. An attempt was made to reduce the balance of payments deficit by cutting down on imports. This affected imported foodstuffs especially and meant a cut in the already meagre rationing still extant from the war. The 'black' market provided extra rations for those who could afford it. Domestic spending on social services was cut drastically and in 1948 the government introduced a wage freeze. The TUC assented to the wage freeze, but in so doing recognised that there would be strong opposition to this from the left- in particular from the Communist Party which had grown rapidly in membership and influence during the war.

1950-1

Labour's manifesto for the 1950 General Election, 'Let us Win Through Together', displayed the caution already evident in its post 1947 policies. Despite the extraordinarily high turn out (which at 84% remains a record), Labour's overall majority dwindled to five; although its share of the popular vote remained high at 46%. Hence it was just a matter of time before a fresh election was held to give Labour a more workable majority. But by 1951 when a new election was held, the tide had turned. Labour actually won more votes than the Tories but the result of boundary changes gave the latter an undeserved slim majority and secured their position as the party of government for the next thirteen years.

The Labour Government and the Trade Unions

The 1927 Trades Disputes and Trade Unions Act was repealed in 1946. The Labour Party's trade union membership rose dramatically since the 1946 Act restored 'contracting in' for purposes of payment of the political levy.

In general, the TUC was motivated by a commitment to maintaining Labour in power, and its uncritical attitude was bolstered by the continuance of the anti-
communism that the trade union leaders had already displayed before the war and now found little difficulty in sharing with the government. The rank-and-file opposition to the government’s austerity programme after 1947, identified as the work of communist militants, was interpreted as an attack not only on the government, but on the trade union leaders who tamely supported it. The TUC published two pamphlets, ‘Defend Democracy’ and ‘The Tactics of Disruption’; Communists were labelled as ‘abject and slavish agents of forces working incessantly to intensify social misery’ and calls were made to ban them from holding office in trade unions and trades councils. Several trades councils were de-registered for failing to toe this line, nine communist full-time officials were sacked from the Transport and General Workers Union (TGWU) and Bert Papworth, the busworkers’ leader, also lost his seat on the TUC General Council. There was a succession of strikes in various industries and Seven London dockers were prosecuted under Order 1305 in 1951. This and the invocation of the Emergency Powers Act marked the unprecedented use in peace time of the legal and repressive apparatus of the state.
The Welfare State and the ‘Post-war Consensus’

Introduction
The Labour government’s landslide victory in 1945 was very much about creating a new deal for ‘the boys back from the front’, giving them a sense that their country had been worth fighting for and would support and care for them in peacetime by offering them and their families the opportunity for jobs, homes, education, health and a standard of living of which they could be proud.

The 1944 Education Act was already on the statute book when Labour came to power. By raising the school-leaving age to 15 and later to 16, it was to give children chances that their parents never had – to carry their education on (if they passed the examination) into grammar school and even to university. It would open up opportunities for jobs, homes and lifestyles that the working-class parents of these children had only dreamed of.

Another 9 pieces of legislation were passed with strong support across the political parties before the decade was out.

Main legislative measures of the post-war Labour government
1945 Family Allowances Act
1946 National Insurance Act
1946 National Insurance (Industrial Injuries) Act
1946 National Health Service Act (implemented July 1948)
1947 Town and Country Planning Act
1947 New Towns Act
1948 National Assistance Act
1948 Children Act
1949 Housing Act

The Beveridge report
The architect of much of this reform was William Beveridge. His report: ‘Social Insurance and Allied Services’ was compiled as the war was at its height. In it he set out a plan to put an end to what he called the ‘Five giants’

- Want (today we would call it poverty),
- Disease,
- Ignorance,
- Squalor and
- Idleness (unemployment).

The centrepiece was a state-run system of compulsory insurance. Every worker would contribute to a scheme of national insurance, deducted through wages, helping to build up a fund that would pay out weekly benefits to those who were sick or unemployed or who suffered industrial injury.
The scheme would pay pensions at the end of a working life to employees and the self-employed. The idea was to support the worker and his family. Benefits were to be set at a level that enabled a man, his wife and child to survive.

There would be benefits for widows and an allowance for guardians of children without parents to care for them. A system of family allowances for the second child and subsequent children was intended to ensure that those with large families were not penalised. There was also to be a marriage grant, maternity grant and benefit, some specific training grants and a death grant.

The key feature was that people were eligible to receive these benefits and grants because they had contributed. Rich and poor ‘paid the stamp’ and could claim as of right because of this.

For those who had not paid enough contributions or were not contributing to the national insurance scheme, there was a second tier of provision, National Assistance. The financial side of this (later renamed Supplementary Benefit and, later still, Income Support) was meant to be a supplement to the main scheme rather than to be central. The main scheme was universal – everyone had a right to it based on contributions. Only if supplementary help was needed did the ‘means test’ come into play, enquiring into your savings and your circumstances – who lived with whom, who was dependent on whom, and so on.

Alongside these financial security provisions for all, there would be universal access to education and to health services. These would be funded from taxation and would be free at the point of use. Again everyone in work would pay, but in this case, since taxation increased with increasing income, the rich would pay more.

The package overall gave meaning to the proud boast that the welfare state provided care for everyone – protection ‘from cradle to grave’.

For it all to happen, however, there had to be full employment. The government would give top priority to the rebuilding of a strong, peacetime economy and the redeployment of troops into civilian work. Only if the workers were in work would they be contributing to the scheme.

Problems with Implementation

Writing a report is one thing – getting it implemented as policy is another and there were a number of departures from the blueprint when the Labour government came to steering the legislation through parliament.

One was a move to greater generosity in setting up pensions immediately rather than being phased in over a period of 20 years to allow people to build up their contributions as recommended by Beveridge.

All the other changes were less generous. Marriage grants and training grants for self-employed people and those who had never been employed were discarded. Unemployment benefit was not to be indefinite but to last only for 30 weeks.

Most importantly of all the level of all the payments from the contributory scheme, including pension payments, fell below the minimum needed for subsistence. The result was that National Assistance – and its associated means testing – over the years became more important, rather than less important as Beveridge had intended.
The Post-war Consensus

The post-war consensus is a name given by historians to an era in British political history which lasted from the end of World War II in 1945 to the election of Margaret Thatcher as Prime Minister of the United Kingdom in 1979.

The foundations of the post-war consensus can be traced to the reports of William Beveridge, who in 1942 formulated the concept of a more comprehensive welfare state in the United Kingdom. Shortly after the surrender of Germany in May 1945, a general election was held in the UK. The result was a landslide victory for the Labour Party, whose leader was Clement Attlee. The policies undertaken and implemented by this Labour government laid the base of the consensus. The Conservative Party accepted many of these changes and promised not to reverse them in its 1947 Industrial Charter.

The post-war consensus can be characterised as a belief in Keynesian economics, a mixed economy with the nationalisation of major industries, the establishment of the National Health Service and the creation of the modern welfare state in Britain. The policies were instituted by all governments (both Labour and Conservative) in the post-war period.

However, pressure was put on the Post-war consensus with the 1973 oil shock and the three-day week, further complicated by industrial unrest (particularly in the coal-mining industry) which led to an energy crisis, and in early 1976 expectations that inflation and the double deficit would get worse precipitated a Sterling crisis, and by October the pound had fallen by almost 25% against the U.S. dollar. At this point the Bank of England had exhausted its foreign reserves trying to prop up the currency, and as a result the Callaghan government felt forced to ask the IMF for a £2.3 billion loan, then the largest that the IMF had ever made. In return the IMF demanded massive spending cuts and a tightening of the money supply, signaling a lull in Keynesian economics in Britain until a revival in the wake of the Credit Crunch of 2008. Callaghan reinforced this message in his speech to the Labour Party Conference at the height of the crisis, saying:

We used to think that you could spend your way out of a recession and increase employment by cutting taxes and boosting government spending. I tell you in all candour that that option no longer exists, and in so far as it ever did exist, it only worked on each occasion since the war by injecting a bigger dose of inflation into the economy, followed by a higher level of unemployment as the next step.

Yet despite this, some elements of the post-war consensus continued. However, in the 1970s the consensus was increasingly seen by those on the right wing as being the cause of the UK’s relative economic decline. Believers in New Right political beliefs saw their ideology as the solution to Britain’s economic dilemmas in the 1970s. When the Conservative Party won the 1979 general election, they implemented New Right ideas and brought the post-war consensus to an end.
Trade Union Experience: 1940 to 1997

Background
The period from 1940 to the 1990s traces the British trade union movement through up to its peak of membership in the 1970s through the anti-union moments of the 80s and 90s.

1940-1951
From an early point in the war, Labour became part of the Coalition Government, and in turn drew on its support from within the trade union movement to organise for war production. Key to this was the appointment of TGWU leader, Bevin as Minister of Labour. Industrial conscription, so fiercely resisted during the First World War, played a significant role in the arrangements promoted by Bevin. In agreement with trade unions, labour was variously directed to the mines, construction, munitions and other key industries, and commitment given to no strikes. In return, the government committed to price controls, food rationing and subsidies, together with the promotion of trade union recognition and collective bargaining.

The relationship was not always smooth, communist members initially opposed the war, there was much criticism of establishment ‘inefficiency’, and in the mines in 1942 and 1944 there were strikes in protest against increases in accidents and the ineffectiveness of state control in the face of poor private management of the mines. In engineering and the aircraft industries, there was a re-emergence of the shop stewards movement, who, recognised and responsive were effective in taking up members’ problems. Between 1938 and 1944 union membership increased from 6-8m – a growing proportion of whom were women, whose numbers in the workforce had doubled.

The nationalisation of key industries and reforming legislation of the post-war years was welcomed by trade unionists, who saw them as fair response to the poor management practices in many industries, and their own role in the crisis affected by war. Nationalisation covered 20% of productive industry. Its management involved some retired trade union officials, but made no real provision for organised workers’ control.

The continued facility, via tripartite arrangements, to involve trade unions in discussions on national matters encouraged unions to accept appeals for voluntary wage restraint. The General Council and leading member unions recommended expulsion of communist members who organised against this – although unions such as the AEU and the miners’ unions with large communist memberships chose not to take up the recommendations. The conflict of approach was to resurface in the 1970s.
1951-1970s

With membership at 9.5m in 1951, more than half the occupied workforce was a member of a trade union. By the 1960s there were some marked changes in the structure of union membership, as traditional industries declined, and the proportion of women and white-collar workers increased. The focus for trade union activity also changed, as welfare reforms eroded concentration on welfare issues. Full employment and wage restraint went hand in hand with changes in the organisation of production, wage claims and demarcation disputes – many of them unofficial. The situation was such that the government set up a Royal Commission in 1965 to investigate the industrial relations situation. Its report in 1968, the Donovan Report, recommended more strenuous commitment to arbitration and conciliation. Barbara Castle’s white paper In Place of Strife, unsuccessful at the time, was a portent of things to come – its recommendations, among others, included pre strike ballots. The strained relationship between unions and employers did not get better, and in 1969 when Ford workers struck over parity with other car workers, Ford threatened to pull out of Britain. Between 1968-74 trade union membership rose 15%. Rising prices and taxation, a decline in living standards, and recurrent disputes also characterised the period. In 1971 the Heath government introduced the Industrial Relations Act in an attempt to control trade unions. It was eventually abandoned as the TUC successfully carried out a policy of non-co-operation. Labour governments’ approach to the worsening situation was the 1975 Employment Protection Act (grievances could be taken to Tribunals) and the Social Contract. Neither of these adequately addressed the mounting problems of manufacturing decline, inflation and industrial conflict.

1970s – 1990s

The flexibilisation of the workforce was one of the cornerstones of government policy after 1979. In this trade unions presented a problem as they marked the interface between individual workers and freedom of operation that private enterprise needed to be ‘efficient’ and competitive. The institutions and protective policies associated with ‘corporatism’ were progressively dismantled – from Economic Development Councils to the minimum wage boards. From 1980, successive legislation made secondary picketing illegal, introduced strike ballots and abolished the closed shop. Trade unions were depicted as ‘dinosaurs’ (out of date and unnecessary), and a series of protracted and bitter disputes (Shah 1983, the miners 1984/5, GCHQ, 1986 ‘Fortress’ Wapping) helped to reinforce the governments’ position.

In these circumstances, and with heavy unemployment, trade union membership declined to 7m, and the tendency to merger and amalgamation accelerated. Reflecting on the changed situation, and the experience of union movements abroad, the 1990s saw movements to revitalise the approach to protecting workers’ interests through ‘new unionism’, an approach that focuses more on organising and participation than on ‘services’.