

# FOCUS

## DIRECT LABOUR — THE TORY BILL

Tucked away somewhat obscurely in the already highly contentious *Local Government, Planning and Land Bill*, are the Tory government's long expected proposals for curbing local authority Direct Labour Organisations (DLOs).

Since their origins in the late 19th century the DLOs have never been far from the centre of political controversy, their fortunes closely linked to the effective strength of the labour movement at local, as well as national, level.

Looking at the building industry it is not hard to see why. The most important client to the industry has long been the state sector. Any encroachment on this lucrative and traditionally dependable market is resisted as a matter of course by private capital. At the



same time the conditions for the industry's workers have remained comparatively poor and unstable, stimulating the unions to fight for better alternatives, of which direct labour has been seen to be a key objective. Finally, there is the ideological significance of a form of public ownership more susceptible than any other at the present time to local popular political and union pressures. The DLOs operate as a significant, if minority, presence alongside, and often directly in competition with, private capital.

Since the early 1970s, the struggle around the DLO issue has been particularly fierce. Prompted on the union side by the threat from Labour only subcontracting then mounting unemployment, it has been amplified by council tenants suffering from an alarming increase in construction defects and declining maintenance services. For the private employers the spur has been economic, with the still developing recession, and then a fundamental political response to the public criticism of their performance which was itself being increasingly reflected in the policy of the Labour Party.

The awareness of impending legislation from the 1974 Labour government to extend DLO operations led to the formation of a National Federation of Building Trade Employers (NFBTE) defence committee which made the discrediting of existing DLOs a prime target.

By 1976 this campaign had drawn into alliance not only a whole range of extreme right wing pressure groups but had established intimate links with the Conservative Party whose funds are the beneficiary of large donations from major contracting groups. The resulting massive campaign has been characterised by distortion and the use of sophisticated propaganda techniques and produced a significant popular mobilisation in its support. It successfully united a very diverse industry at the employer level which includes a large proportion of very small firms as well as the well known giants, and it even claimed some support from the large non-unionised sector of the industry's workforce. Particular success was achieved in getting the active

support of local ratepayers groups. It scored its first major success in 1977 when the Labour government abandoned the Freeson Bill as a condition of the Lib-Lab pact. This was followed by the partial defeat of government attempts to restore previously existing DLO rights, apparently overlooked in the local government restructuring of 1974.

By 1978 when the Labour Party published its pamphlet *Building Britain's Future* advocating limited nationalisation and decasualisation measures, the private employers clearly had the upper hand. Despite the relative moderation of Labour's proposals the move to extend DLOs was forced onto the defensive. The debate was cleverly manoeuvred into sophisticated areas of accounting theory and productivity measurement, on which the NFBTE deployed the hired skills of leading academics and the prestigious Economic Intelligence Unit.

A key text in this context was the report published by the Chartered Institute of Public Finance and Accounting (CIPFA) which firmly legitimised these very narrow terms of reference as well as indicating the defensive thinking of some local authority managers by this time. The essential recommendation of the report was that DLOs should be organised on quasi-commercial trading lines, measuring

performance by notional profitability. So effective was the private employers campaign by this stage that the Labour Party too was to incorporate the CIPFA proposals in part in its policy. The by-now sanctified CIPFA recommendations are firmly embedded in the Tory Bill now before Parliament, and provide a formidable structure to the unconcealed punitive intentions of the Tories.

The main provisions for the Bill are as follows:

- a requirement for local authorities to put all building contracts, above a value to be determined by the Secretary of State, out to 'competitive' tender.
- the valuation of DLO contracts by tender rates and the publication of profit and loss accounts.
- the demonstration by DLOs of their annual return on capital employed, with the Secretary of State empowered to enforce closure on DLOs which fail to achieve a rate of return above a level to be decided by him.
- the control of any financial surpluses by the Secretary of State.

There can be no doubt that the Bill represents a serious threat to the DLO system. Even if desired, a comparison with private contractors on these terms would be either impossible or fraudulent with the constraints already imposed on DLOs regarding workload, local government finance procedures, conditions of employment and pay. But the defence of the DLO system which must take place cannot ignore the effectiveness of the employers campaign which preceded this Bill.

Alongside the publicity war around the shortcomings of the contracting system and the established record of the DLOs on quality and working conditions (see the impressive Direct Labour Collective publication *Building With Direct Labour*) fresh thinking is needed on the unrealised potential of the DLO system. For instance, the management structure and the technical division of labour within most DLOs, like the nationalised industries, remains very similar to private sector models. In the absence of comparable financial incentives, the negative effect of these structures on initiative and output can be even more marked in the public sector. Similarly, in opposing the introduction of inappropriate 'commercial' accounting systems the case for improved methods of running DLOs must be faced. The efficient use of resources in this sector, as in any other, must be given a popular social interpretation that can offer a credible alternative to capitalist orthodoxy and around which the demand for an extension of the DLO system can grow.