

Usdaw's View on the Co-operative Movement after the Commission Report

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Introduction

The co-operative movement's traditional principles, values and goals are as relevant today as they have ever been.

The Co-op was formed to provide

- consumers with good quality products at fair prices
- empower consumers through the creation of democratic membership control of the Co-op
- provide employees with secure employment with good pay, terms and conditions

Usdaw understands the need for the co-operative movement to adopt methods to ensure business success. But the co-operative movement also needs to understand that a careful balance is required between delivering business success and adhering to co-operative values.

The Co-op's traditional values are compatible with strategies to revive the Co-op's business fortunes. In fact Co-op principles correctly utilised will assist in producing business success especially in sectors of the market where consumer trust in the product is essential.

Usdaw believes that the co-operative movement needs to closely re-examine its structure to ensure that all stakeholders are included in the decision making process. Democracy has always been a key co-operative value, we believe the co-operative movement needs to assess what measures can be taken to extend democracy to empower all stakeholders - consumers, members and **employees**.

Usdaw & the Co-op - a long history of partnership

Usdaw and the Co-op have had a long and largely positive relationship stretching back to 1891 when a group of co-operative employees in Manchester came together to form the Manchester District Co-operative Employees' Association, one of Usdaw's predecessors.

This positive relationship between the co-operative movement and Usdaw continues today. Usdaw is the main trade union representing the Co-op's workforce in retailing, funerals, travel, milk and distribution.

Our Union speaks from a position of authority on matters of concern to the Co-op. We speak on behalf of a key group of stakeholders in the co-operative movement - the employees. We believe we have a distinctive and valuable contribution to be made in the ongoing debate on the future direction of the co-operative movement.

The rise and decline of the Co-op

The co-operative movement has always been dominated by its retail operation since the days when the Rochdale Pioneers opened their first shop to sell wholesome unadulterated food at reasonable prices.

The food retail market in the nineteenth century was characterised by inadequate consumer protection resulting in overpricing and widespread adulteration of food. As a result by the end of the nineteenth century the co-operative movement enjoyed popularity and commercial success.

This success story continued into the twentieth century. From 1900 up to the start of the World War II the Co-op's share of the consumer market doubled. After the War the Co-op continued to be a major player in the retail sector but growth started to slow down. This slowdown was part of the motivation for the Commission set up by Hugh Gaitskill.

As the 1960s progressed it became clear that the Co-op was failing to respond to the market challenge from rival retailers. This situation continued in the 1970s and 1980s. In 1960 Co-op accounted for over 11 per cent of retail market. By the end of the 1980s this share fell to less than 5 per cent.

The Co-op - the best social employer?

The decline in the fortunes of the co-operative retail societies was not restricted to a loss in market share. In the last two decades the Co-op position as the premier social employer has been eroded as other retailers caught up with and overtook the Co-op in offering better terms and conditions to their workforce. Today many of the major retail employers offer higher wages than the Co-op.

In recent years co-operative retail employees have seen payment for Sunday working reduced from double time to single time. In addition some Bank Holidays such as Good Friday, Easter Monday, May Bank Holiday, Spring Bank Holiday and August Bank Holiday now only attract single time instead of double time.

The erosion of premium payments is a concern throughout the

retail sector. But the retail co-operatives are not merely responding to business pressures from rivals - the Co-op was among the first group of retail employers to erode premium payments.

Any strategies for the revival and success of the business must not be at the expense of the further erosion of the pay, terms and conditions of the workforce.

At the same time as looking at how the Co-op can regain its position as a major retail business the Movement needs to regain its position as a premier social employer on the High Street. If the Co-op fails to be a social employer then its usefulness as an alternative to private company retailers is questionable.

Co-op traditional values - a positive business image?

The decline of the Co-op is often greatly exaggerated. The Co-ops are currently enjoying success in specific sectors of the retail market. The local convenience stores and the stores in smaller market towns are proving to be winners.

Consumers are involved in different types of shopping. Consumers may be attracted to the large supermarket chains for bulk shopping. But some consumers for all their shopping, and all consumers for some of their shopping, wish to shop at smaller outlets run by retailers they can trust.

The Co-op's retail market appeal is based on this trust factor and not just on the "stack it high, sell it cheap" philosophy which allegedly rules in the retail marketplace.

Many observers may see the Co-op's image as old fashioned and out of date. But many consumers are increasingly looking for brands, produce and retailers they can trust. The Co-op brand name is long established, it is known as a name people can trust.

The bigger supermarket retailers are often in a position to undercut Co-op prices. The Co-op certainly needs to examine how it can compete by offering more competitive prices but we need to recognise the areas where the Co-op is a market leader.

The Co-op is enjoying success in the convenience and market town sectors due to an old fashioned, underrated and yet very valuable commodity - consumer trust.

The Co-op - UK's biggest farmer

The importance of consumer trust in the product and the producers is becoming increasingly important in food production. The Co-op is the UK's biggest farmer and as a result is ideally positioned to satisfy consumer demand for good quality healthy produce.

In the era of increasing consumer concern over genetically modified foods one of the original aims of the Co-op - to provide unadulterated products to the consumer- has come of age again.

The BSE crisis, GM foods, salmonella are among many issues which have heightened consumer awareness over food products and increased demand for food products of guaranteed origin and quality. Increasingly consumers are concerned not just with the price of products but also with the quality and purity of the product.

It is noteworthy that in this era of growing consumer concern the Co-op has maintained its position as the biggest farmer in the UK. The early decision by CWS Agriculture not to take part in GM scientific trials is a useful illustration of how the co-operative movement is tuned into and can respond to consumer concerns.

It is significant that the co-operative movement has recorded successes in other areas of business where a high value is placed on consumer trust such as funerals, banking and holidays.

Extending Co-operative democracy - empowering all the stakeholders

We need a fresh look at the co-operative approach and assess whether there are ways to deepen and broaden the application of co-operative principles.

We have already identified our Union's concerns that co-operative employees have often paid a heavy price for the Co-op's loss of retail market share. The Co-op needs to ensure that all stakeholders - consumers, members and **employees** - are being treated fairly.

The case for empowering employees as legitimate stakeholders in the Co-op is based not just on the consistent application of co-operative principles it is also about building a more successful business.

The business case for employer-employee partnership

The business case for greater involvement of employees in the decision making process, for a real and meaningful partnership, is understood and accepted by some of the biggest employers in the country.

The evidence collated by a number of different agencies is increasingly compelling. Various research projects have identified the benefits of partnership in terms of lower labour turnover, lower levels of absenteeism, an increased competitive edge, higher productivity and good industrial relations.

These findings have been drawn from research by a range of organisations - the Industrial Participation Association (IPA), British Social Attitudes Survey, the London School of Economics Centre for Economic Performance, the Department of Trade and Industry and the Government's Workplace Employee Relations Survey.

The employees need a bigger say in the running of the co-operative movement. We are not seeking to turn the co-operative movement into a workers co-operative but there is room for a stronger voice for employees.

No one can deny that the Co-op will need to take tough business decisions. No employee will welcome or like many of these decisions but often what has hurt most is the way these decisions have been taken or announced.

Employees often feel disenfranchised and alienated from the decision making process in the Co-op family of businesses. While this alienation is many ways inevitable in a private company this should not be the case in an organisation built on Co-operative values.

The position of employees in the present Co-op structure

Many societies when quizzed about the involvement of employees in the decision making structures will point to the presence of a number of employees on their leading bodies. It is useful to take a closer look at this involvement.

Many co-operative societies do make reference to the involvement of employees on the leading committees but on closer examination these rules are usually intended to **restrict** the numbers of employees on boards etc. There are usually no guaranteed or reserved seats for employees.

Co-operative society rules often state that only up to a third of seats can be held by employees. The voting for any employees on the board is open to all members of the society and not just to employees. These restrictions do not create employee seats. Any reference to employee reps on the boards is a misnomer.

There are exceptions to this pattern of Board composition. The Midlands Co-operative Society has reserved seats for employees on the Central and Regional Boards. Only employees can stand for these seats.

Only through such employee representation will the Co-op achieve its full potential by tapping into the expertise and knowledge of the shop floor workers.

Usdaw is not proposing that the co-operative movement turn itself into a workers co-operative but there is a strong case for

employees to be given a more powerful stronger voice in the Co-op's decision making structures.

Udshaw urged the Co-operative Commission to look at employee representation on the boards of societies. We very much welcomed Section 31.2 of the Co-operative Commission's Report which stated: "Employees should be recognised as important stakeholders and should be encouraged to participate actively in the society's internal democracy via a reserved employee member constituency with at least two seats on the Board". Now we need to see progress in implementing this important recommendation.

Bill Connor is Udshaw General Secretary