Workers' Participation in Co-operatives

Role of Co-operatives in Industrial Democracy

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Readers of this Bulletin will probably have read more articles, and listened to more speeches, than the average citizen, and so will know that no matter how convincing the testimony, or how powerful the presentation of an argument, and no matter how influential the authority, no idea will be accepted by the general will of a community until its time has come.

A United States view is that the present economic cycle constitutes " one of those long-term secular turning-points marked by an underlying change in business beliefs." Certainly people in industry and commerce today are trying hard to formulate new relationships in the areas of management and production, even though they may not always find it easy to explain their motivations.

Of course, the attitudes that were relevant to the social protests of yesterday are inappropriate to today's affluent society, and the effects - on Co-operative consumer management, for example - of changes in attitudes and trends make it almost impossible to visualise the managerial shape of the Co-operative of tomorrow. So far, there remain still enough individuals holding directorships of Co-operative societies to provide a direct link of personal experience with the past, and so ensure that change is regulated by caution and that sound co-operative principles are not washed entirely away by detergent reforms. But we all know that the radical changes in organisation and method required to meet the needs of a modern market economy can so modify the essential character of the Co-operative system as to make the Rochdale Principles an anachronism unless we are prepared to rethink the basics of Co-operative purpose.

Industrial Democracy

There are two main streams of motivation and activity that are flowing into the delta of modern industrial democracy.

One is based on the notion of worker participation in the management of the employing enterprise. It derives from the growing feeling that all employees should be involved more closely in the decisions that affect their working lives. The idea has ripened within the EEC, where efforts are currently being made to harmonise company practice. Particularly in France, Western Germany and Scandinavia, an industrial system has been sought for many years, that, by changing workers' rights, could revitalise the economy. The EEC does not include Co-operative societies in its plans for worker participation, but it is the object of this article to anticipate how Co-operatives could be affected by modern trends, and, hopefully, to surmise what role they may play in the general advance of industrial democracy.

Trade unions - particularly in the United Kingdom - have not been enchanted by the notion of worker participation in industrial management. They do not trust employers of labour. They do not want to forfeit collective bargaining power, and they do not welcome the responsibilities for increased efficiency implicit in any depolarisation of industrial relations. After dragging their feet for a number of years, the UK trade unions - to retain their position of vantage in industrial relations - are now insisting on such a degree of participation (e.g. 50/50 worker/employer membership of company boards) as to amount virtually to the control of industry. Of course, the employers are resisting the TUC demands, but the real problem (if ever mentioned at all) is only spoken sotto voce - which is that, in fact, ordinary workers, as such, have little real desire to control industry. Nor, for that matter, has the TUC.

This brings us to the notion of "worker control". This is our second "mainstream" of industrial democratic activity - and is quite a different concept from worker participation. It springs from an entirely different source, and has a completely different objective.

Workers' Control is a political concept. The idea is for the workers to secure control of the means of industrial production, and so, by seizing consequent control of the economy, to attain political control of the state. So far, worker participation has been largely a matter of company reform, to be applied in the private enterprise, or "capitalist", sector of the economy, but the protagonists of worker control, by pointing to the "Co-operative Commonwealth" as a basic Co-operative objective, lay claim to the Co-operative system and to Co-operative institutions and seek to involve the Co-operative Movement in the social mechanics of their particular brand of company reform.

Two main problems here are not so much questions of the rights or wrongs of worker control, as such, but, first, of an implied neglect to consider the effect on the existing industrial relations of the Co-operative Movement itself, and second, of the disregard for the official position which the TUC has already assumed vis-à-vis worker participation. Another problem is that the terminology of co-operation has never been sufficiently explicit to protect the Co-operative Movement from such ideological inroads. Meanings and objectives have either been too loosely conceived, or have been taken too much for granted over the years. "Theory" has been derided by Co-operative "businessmen", and ideology has been left to outside thinkers who have been reluctant to circumscribe precisely the boundaries of the Co-operative system. One result of this neglect is that it no longer helps to claim that a Co-operative society is a body registered under the Industrial and Provident Societies Act. Companies with social objects, especially those with special worker-participation constitutions, now openly claim to be Co-operatives, and find support from within the Co-operative Movement.

Other popular fallacies have also emerged when concepts of Industrial Democracy have been considered in terms of Co-operative organisation and institutions. For example - whatever may be said in public speeches by Labour politicians - governments tend, in practice, to think of "worker Co-operatives" more as groups of organised workers who merely choose their jobs and appoint their bosses, rather than as free working-class citizens who are prepared, as partners, to undertake individually the responsibilities of mutually owning and jointly managing a viable commercial enterprise. Governments do this because they become involved only when large-scale capital is required beyond the reasonable capacity of worker-shareholders' capital subscription.

Another fallacy has been inherent in the attitudes of consumer Co-operative societies who have seen no need to encourage employee emancipation, or to risk consequential complications perhaps leading to a deterioration in relations with employees or trade unions. After all, it has been argued, employees, by and large, <u>do not want to participate in decision-making</u>. "So if the trade unions also do not want worker participation, and it is, in any case a matter that should concern only <u>companies</u> - why waste time on it, and go out of one's way to invite avoidable controversy?" But these co-operators have overlooked that <u>consumer</u> members seem hardly more inclined to want to participate in Co-operative management than do employees. We should also consider whether the structure of modern industry lends itself readily to debate through assemblies, and reflect on the extent to which such mass-participation any longer invokes or sustains a real conciousness of business partnership?

Co-operative productive societies, of course, are owned and controlled by their employees who are always immediately available, as a compact body of active members, for joint consultation, but a criticism of co-partnership in Co-operative organisation has been that worker-ownership reduces the mobility of capital and inhibits innovation and development. Here again, consumer societies have a parallel problem of withdrawable shareholdings, to say nothing of the fact that, in aggregate, over 60% of their loan capital is made up of their employees' superannuation funds.

Fallacies, moreover, have a habit of building up on one another, and the various misconceptions that have emerged about co-operative democracy have even brought into question the validity of the co-operative system as a whole in a market economy. This, in turn, has led to the formulation of an entirely false - but popularly held - notion from which most worker control misconceptions arise - the idea that Co-operation is, traditionally, primarily, fundamentally, and potentially, an industrial ambulance service. In a vague kind of way, there has long been a popular belief that co-operative associations don't need capital as other enterprises do. In recent instances, where workers in private enterprise factories, who were encouraged to form "workers' co-operatives" became confronted with the entrepreneurial realities of a market economy, they merely went to the government for financial aid because they were "co-operatives", which, incidentally, they weren't.

The Co-operative system employs precisely the same commercial technology as capitalism - where it differs is in the human relationships of its controlling organisation, and in the pattern of its social objectives. A "Co-operative" form of constitution can only indicate, it cannot regulate, human relationships, but it does provide the means for monitoring social objectives effectively. The technological criteria applicable to an evaluation of commercial operations may differ widely from the criteria of human relations by which social objectives are judged, but - because a co-operative operates freely in the open market without special subsidy or monopoly advantages - the concept of an industrial ambulance unit is entirely inappropriate.

The Co-operative Role

Perhaps the most important Co-operative concept that has given rise to misconceptions of Co-operative function and purpose is the "ultimate" objective of a "Co-operative Commonwealth" which is written into the Rules of the Co-operative Union. This rather loose term, however, has become, at best, an illusory image based on a number of misconceptions.

Firstly, the justification for the traditional Co-operative institutions, which emerged in a past era of social protest, is too often still regarded as continuingly self-evident - even though many years of arduous educational effort have failed to sharpen Co-operative morale. Co-operative development has come to be judged by the general public - as, in the event, it is also judged by Co-operative members themselves - purely in terms of commercial performance. Secondly, just because the economic role of the Co-operative system cannot be technically measured in precise capitalist terms, many Labour politicians and trade unionists have presumed that commercial criteria do not apply to co-operative trading in a market economy, and turn a blind eye to co-operative trading performance. Thirdly, it has been erroneously assumed that the consumer still attaches a special value to Co-operative service merely by reason of his being a partner in an organisation jointly owned and managed by its members. Arthur Sugden, however, has recently reminded us that "obsession with the mechanics of democratic control" has brought only a fractional and still declining response, even from co-operative activists.

The point cannot be overstressed that it is by no means being suggested that the Co-operative system should not be awarded special government favour - what <u>is</u> being suggested is that this one particular reason - its assumed unique "democratic character" is not, in itself, a sufficiently valid reason for unquestioned patronage by the state. Upon the proposal for a Co-operative Development Agency being more closely examined by a Labour Government, for example, it has appeared, when the expenditure of public funds for such an Agency came to be justified, that the broad ideological concept of a "Co-operative Commonwealth" had had little, if any, serious consideration. The government seemed to be thinking of Co-operative development in terms of industrial production by a politically-committed organisation; radical politicians began to think of the Co-operative system in terms of large-scale industrial ambulance operations introduced into the private enterprise sector; whilst Co-operative societies themselves appeared to be visualising a Co-operative Development Agency merely as a means of adapting large-scale capital recruitment to the legal discipline of traditional Co-operative financial structure.

As this stage, flaws long embedded in Co-operative social thinking began to emerge as irrationalities in the politics of the proposed Co-operative Development Agency. Some Labour politicians began to look at the Co-operative Movement merely as a group of financial influential societies it might be politically expedient to support - if it could be done without too much trouble with the private enterprise sector. The more extreme socialists saw the Co-operative system - if backed by substantial public funds - as a convenient medium for seizing control of the economy. For them, therefore, "worker Co-operatives" were more attractive than consumer societies. Some co-operators, however, who for years had paid only lip service to Co-operative ideology, and so had stripped the Co-operative Movement of all defence against alien ideological invasion, began to have second thoughts about a Co-operative Development Agency, and wondered whether it might not be better, after all, to leave well alone, and let the politicians talk the whole thing into the ground.

Co-operation re-evaluated

Much discussion about Co-operative worker participation has been ineffectual, because precise immediate benefits in a capitalist economy are unclear, and future values difficult to define. Worker control in a State-socialist economy has no such inhibitions. "The first necessary thing is to include the Co-operative Movement in the national economy and harmonise its activity with the aims and tasks set by the people's government" says Dr. Kowalak of the Polish Co-operative Research Institute. But in the United Kingdom, many Co-operators are unconvinced that worker participation is interdependent with such concepts as the Co-operative Development Agency or the Co-operative Commonwealth - or, for that matter, with co-operative ideology generally. They prefer to look at worker participation in isolation merely as an employee-relations device, to see how it might be applied - immediately, specifically and advantageously - to the co-operative system. Unfortunately it is not quite so simple.

First, the foundation of our future policy on Co-operative worker participation must rest on our evaluation of the Co-operative prospect in terms of service to Co-operative members and the wider community. Second, we must re-affirm Co-operative commercial objectives in terms of the role Co-operation could fill in the economy, if it could expand to its full potential. Third, we must then look particularly for the benefits of worker participation - not merely to Co-operative employees, but to the Co-operative system as a whole. As an aside, it is interesting to note the increasing use of the word "partnership" in describing co-operative consumer/retailer relations, as, for instance, in the recently-published report of the Co-operative Consumer Protection Committee - because partnership is the key to all free co-operative relationships. Partnership is the essential basis of Co-operative association as practised by the members of producer Co-operative societies that are owned and controlled by the workers employed in them. Partnership is something rather different from the mere coming together of persons with some mutual interest or joint aim. If the aim be too narrow, the association can become constricted. If it be too broad, meaning can leak away. Partnership suggests a free association between thinking and informed equals, who are prepared, by shared experience and compromise, to enhance mutual relationship and multiply the fruits of fraternity. Many hesitate to re-evaluate, in specific terms, the co-operative system they have taken for granted for so long, yet they are surprised when others seem ready to deride Co-operation. Traditionally, appraisals of the Co-operative Movement have merely been exercises in statistical measurement - so many members, so many societies, such and such a volume of sales, etc.- but if we are to consider the Co-operative prospect in a modern economy our criteria must be based on expected performance in a future environment - not on a mere extrapolation of past routine records. The Co-operative system provides the national economy with a self-supporting industrial kernel that enables citizens to augment their freedoms to sustain themselves - not only with the essentials of life (food, clothing and shelter) but also with all other needs that contribute to the quality of life. Political concepts of conflict and autocracy can be eliminated, each area of Co-operative enterprise emerging from free initiatives and enthusiasms, in accordance with special talents, experience and resources freely contributed.

Of legal necessity, however, the capital structure of a Co-operative Movement operates as a closed system of membership security. This means that operational expansion is essentially bound to membership expansion if the Co-operative character of the system is to be preserved. Many are the devices that have been experimented with by co-operative accountants in efforts to surmount this barrier, but only with limited success.

Development Bonds are probably the most interesting device for capital recruitment so far, but the proportion of Development Fund Capital to total working capital reflects the lack of real conviction on the part of Co-operative members that the Co-operative really needs more capital.

The only practical possibility for Co-operative development is for the community at large to enter into free partnership with the Co-operative sector. Some Co-operative societies have seen fit to invest limited surplus funds in local authority or government loans, but the only body that could provide an adequate flow of counter-investment would, of course, be a Co-operative Development Agency.

Co-operation and the State

What has all this to do with worker participation?

The fact is that worker participation, in a Co-operative Movement, is not an employee-relations expedience, it is a moral right. For the Co-operative system to play its full part in the national economy, it must entirely close its ranks, and all who are in any way associated with Co-operative operations must be fully and equally involved as members. Governments (and trade unions) tend to overlook that the rewards of Co-operative investment are measured by the usage of Co-operative services. Profits are distributed on the value of turnover, in addition to the payment of interest on capital. And Co-operation offers a unique membership security in that Co-operatives are required by law to accept such statutory regulation of their financial operations as will ensure the maintenance of their Co-operative character. Indeed, shareholdings in co-operative concerns have a fiscal quality comparable to national savings or other freely contributed public funds.

There are four basic elements in the organisation of a Co-operative system that would be necessary if meaningful community support was to be expected:

1. A working definition of "Co-operative development";

2. Formulation of viable commercial objectives essential to the operation of a Co-operative system in a market economy;

3. Clarification of the role of the Co-operative system in overall industrial development; and

4. Determination of a precise and convincing role for worker participation in the improvement of the Co-operative system.

Finally, it may be useful to consider the contribution Co-operative co-partnership could make in determining the nature, extent and form of worker participation that would be appropriate to Co-operatives generally.

Co-operative development, considered as a "Rochdale" concept, would not mean financial expansion in capitalist terms (even though such might be involved). It would mean functional expansion - that is, extension of usage by individuals. But this concept also presumes simultaneous advance in all areas of co-operative opportunity. This must be expected to lead to ultimate consolidation into a Co-operative "Commonwealth".

The Co-operative system at the moment is regulated by law as to its method and form of organisation, but, so far, the state has taken no social account of market performance in a competitive economy, which has been the exclusive responsibility of the Co-operative associations themselves. A stable, balanced and viable Co-operative system, however, regulated by government financial support - but allowed to "float" in a competitive market environment - could constitute a barometer of market trends and act as a fulchrum of market forces.

Worker participation

It is an anachronism that a modern Co-operative society, arising from the practical application of Rochdale Principles, should employ hired labour. It is also an anomaly that any Co-operative organisation should rely on the efforts of workers who have not the same membership rights as "user" shareholders. Shareholders are often not required by society rule to make an equitable contribution to capital (judged according to the society's trading need) and yet may withdraw capital, often on demand, even though the Co-operative does not have access to a free capital market.

Worker participation, in Co-operative terms, should mean full opportunity for the exercise, by employees, of complete equality of democratic rights with shareholders who may not be gainfully employed within the enterprise. The Co-operative system is improved where all discrimination between voluntary service and paid service is eliminated, and the strength of human relations of the co-operative structure as a whole is evenly distributed throughout the organisation.

Worker participation could make additional and identifiable contributions to co-operative development -

1. by offering resistance to the polarisation of industrial relations (such as is manifested, for example, by the existence of a Co-operative Employers' Association.)

2. By weakening, and finally eliminating, financial boundaries between various areas of Co-operative operation, e.g. distributive (consumer) and

productive (individual worker), rural (agricultural) and urban (housing), and by creating a cohesion, a new spirit of purpose, and sense of partnership between all Co-operative Movements in a general advance towards a Co-operative commonwealth. In consumer-orientated Co-operation, the cohesive force can only be political - in worker-orientated co-operation, the cohesive force is much stronger and more stable - the force of creation.

3. By changing the general attitude of workers towards democracy from one in which rights and powers are asserted to one in which they are shared. This could only lead to the raising and maintenance of standards in production and service - not only by stimulating the growth of individual crafts, but in giving new meaning to the broader technologies of a scientific age

Above all these considerations, however, there yet arises a most important - indeed a vital - matter concerning worker participation and the Co-operative system. Indeed, it would be no exaggeration to say that it could be a matter affecting the very survival of the Co-operative Movement as we know it today. No one who has read the EEC Green Paper on "Employee Participation and Company Structure" (20.11.75) could fail to be struck by the fact that no consideration whatever has been given to Co-operative trading enterprises or institutions. "If progress is to be made towards a European Community in the real sense of the words" says the EEC, "a common market for companies is an essential part of the basic structure which must be created".

Discussing the United Kingdom position, few companies with special arrangements for worker participation are overlooked. Glacier Metal is mentioned, for example, as well as well-known worker control publications, and reference is made to Scott Bader, Landsmans' Co-ownership, Kalamazoo, and the John Lewis Partnership, which, incidentally, are described as "voluntary experiments not generally regarded as particularly instructive precedents for legislation in relation to limited liability companies in general". To argue with the EEC about the validity of such statements - regarded purely at their face value - would be to miss the point entirely. The fact is that the EEC Green Paper especially describes "the corporation with limited liability and a share capital" as "the typical form adopted by the majority of the common market members for the most important industrial and commercial enterprises". In other words - there is no other "typical form" that need be considered.

Should any doubt remain in the reader's mind as to the reality or importance of the fact that the Co-operative system is not even beginning to be considered in prospective worker-participation legislation, let us turn to the constitution of the British Labour Government's Committee of Inquiry on Industrial Democracy which held its first meeting on 12 December under the chairmanship of Sir Alan Bullock of Oxford University. A company chairman, a solicitor, two bankers, a government official, an academic, two trades union secretaries, the TUC economic committee secretary and a trade association president, are the members. It is true that the Committee's terms of reference relate to "Industrial democracy in the control of companies" but one would have thought that the Co-operative industrial system would have come to mind immediately where a Labour or trade union authority was proposing to apply industrial democracy in such a new field on such a scale.

For some years, the consumer Co-operative Movement has applied itself vigorously to the attempt to consolidate its activities. But the CWS - whatever other criticisms might be levelled at it - has never deviated one iota from strict constitutional principles in its organisation, and yet is developing complex commercial relationships with the community of companies in this country in several areas - but most remarkably in the field of finance.

It is not being suggested merely that worker participation in Co-operative societies, as such, should be included in an enquiry about industrial democracy in companies. But the fact is that the Co-operative Movement is not being taken sufficiently seriously as a democratic model. And this is largely because we ourselves have not up-dated our ultimate co-operative aims and objectives. If the government asks us, for example, what we have to say about a Co-operative Development Agency - we should have a complete picture of what we have to offer the community - we should not expect the government to prepare a consultative document for us. A paucity of ideas in Co-operative principle in a modern commercial setting is an open invitation to alien and dubious political interests to shout their own ideas out loudly "on our behalf".

This essay began with the implication that the time for worker participation had come - but as finally we now throw open the door of industrial democracy to explore the untended garden of our own "Co-operative Commonwealth", are we not finding the bright blooms of yesterday's innovation and experience being choked by the weeds of today's neglect, expedience, and dubious motive? Nothing less than a Grand Conference of all the Co-operative Movements - consumer, agricultural housing and industrial, linking together with the TUC and the government, to discuss a Co-operative Development Agency, would, in effect, create a new and real Co-operative Commonwealth. And only Co-operative development born of full internal unity and service to the community could generate the necessary power to put Co-operation back where it belongs - in the vanguard of tomorrow's participatory economy.

So far as Co-operation is concerned - worker participation and member participation are one. Co-operation - the ultimate free socialist commonwealth - permits no second-class co-operators. All for each - and each for all.