Workers' Participation in Co-operatives

Workers In Retail Co-operatives

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A notable feature of British Co-operative development in the second half of the nineteenth century was the emergence of the idea of "consumers' Co-operation". Earlier ideas about Co-operation, most of which had developed prior to the practice of Co-operatives, had envisaged Co-operatives developing in such a way as to encapsulate completely the lives of their members. Thus any division between "producers" and "consumers" was unnecessary, indeed artificial. In the meantime, Co-operative organisations developed out of immediate needs, notably the need for the equitable and efficient distribution of consumer goods and the need for regular and well paid work. This twin development, distributive societies owned and controlled by their customers and productive societies owned and controlled by their workers, was generally seen as natural and welcome. The difficulty arose when the distributive societies and more especially their central trading federation, the Co-operative Wholesale Society, decided that in order to maintain and expand their "equitable and efficient distribution of consumer goods" it was desirable for them to undertake their own production. That in itself would have been acceptable to the champions of the independent productive societies had the "productive" workers in the distributive societies received some special status by way initially of receiving a bonus on their wages to parallel the dividend on purchases and ultimately also some representation on the ruling councils. This most of the distributive societies refused and indeed went even further by specifically prohibiting employees from holding office in their society.

Early Practice and Theory

This development was a fact by the time any theory was developed to justify it. British Co-operators have been generally true to their characteristically national distrust of theory and have put their faith in the actions as practical men. The earliest approach to a theoretical justification of consumers' Co-operation as such is provided by Beatrice Potter in her 1891 publication "The Co-operative Movement in Great Britain". As with all the supporters of consumers' co-operation the general thesis is that the consumer interest is the general interest and the consumers' co-operative can become the whole community. In addition the consumers' champions favour the utility theory of value rather than the labour theory of value upheld by their opponents.

Beatrice Potter reports a resolution passed at a quarterly meeting of the Rochdale Society in 1851 that "no paid officer be a member of the board, or a member of the board be a paid servant". She also reports a later addendum to the rules of the same society that "No servant of this society shall serve any office in the committee of management, nor be allowed to vote for any candidate for the committee of management, or be an auditor on any account whatsoever". This approach is justified by Beatrice Potter on the grounds of British constitutional custom, viz."that the official shall be the servant of the whole community, instead of the grateful adherent of the person or party to whom he owes his position".

In fact, practice was never as uniform as a reading of Beatrice Potter might suggest. Co-operators were subject to opposing pressures in relation to their employees which led to differing practices. The pressures tending to depress the workers' status were strong ones. Many Co-operators recognised the constitutional niceties enunciated by Beatrice Potter.

"We could not admit employees into our general committees to manage the business," said a Mr. Lord of Bromley in a debate at the 1907 Congress. Other pressures served to depress the economic condition as well as the political status of employees: they were after all servants of the society and servants were not as highly paid as their masters. And when those masters were highly skilled men doing strenuous manual work, the claims of shop assistants seemed less than justified. Further, it would seem that some late Victorian and Edwardian Co-operative leaders developed somewhat elevated ideas of their own social status. At the 1879 Congress Mr. Hemmings of Leicester stated that "he objected to making too much of working men". On a slightly cruder basis, some Co-operators may have seen their employees as competitors for the surplus income of their society. At a time when the level of dividend on purchases was seen as the primary measure of a society's success, employees should not be too generously treated. A diminished political status helped to maintain that economic depression.

On the other hand, pressures inherent in the Co-operative system worked to improve the worker's status. For all its business acumen and hard-headedness the late Victorian and Edwardian Co-operative Movement still retained the latent idealism of an earlier period which would be taken down from the shelf and polished ready for use from time to time. Thus speakers at Congress and other conferences, champions of the workers' interests, even the workers themselves were able to appeal to the "guilty consciences" of many Co-operators by reminding them of earlier aspirations. Even those unmoved by such appeals to history could be pursuaded by appeals to social solidarity and support for fellow trade-unionists. Lloyd Jones' thunderous reply to Mr. Hemmings' earlier quoted statement illustrates the approach well. "You speak of 'working men', but who are you? Are you shop-keepers? Are you members of the 'upper ten thousand'? What are you? What are we to do for the working man?

What are we to do for ourselves, sir, that is it?"

But as time passed, Co-operative employees became less willing to leave the question of their political status and economic condition to the chance of their employer's benevolence. There were already societies where employees were recognised as fellow-members of the society in all but their ability to act as committee-men. In such societies employees were quite likely to be found on education committees. The Bromley delegate to the 1907 Congress quoted earlier as saying that they could not think of allowing employees on their management committee went on to mention with some pride that contribution made by employees to his society to their education committee. Other societies seem to have gone even further and admitted employees on to their management committees. At that 1907 Congress it was mentioned that a member of the Central Board was an employee of the Ashton-under-Lyne Society and the gist of a speech from an Edmonton delegate suggests that employees there possessed full membership rights.

Trends in First Half Century

It does not seem likely, however, that such practices were very widespread. The growth of the Amalgamated Union of Co-operative Employees during the 1900's and its militancy in the 1910's - albeit immediately concerned with wages rather than political status - does not suggest widespread involvement of employees in retail co-operative government. By 1923 Professor Hall was suggesting that there were "about thirty" societies (out of over 1300) with employees on committees of management. The basis of their representation is not made clear and indeed it remains a continuing cause of confusion as to whether employees sit on management committee/boards of directors as members or employees of their societies. It seems that for a relatively short period up to the 1920's under the influence of Guild Socialist ideas, the National

Union of Distributive and Allied Workers (the successors of the AUCE) favoured the direct representation of workers on boards (a fixed number of employees elected by their fellow employees) but subsequently it and its successor USDAW, mounted a campaign for full membership rights for employees.

That compaign would not seem to have been totally successful but the trend over time has undoubtedly been for the representation of employees to increase. From the "about thirty" in 1923, NUDAW were claiming in 1930 that there were seventy-four societies with employee representation in some form or other. By 1939, G.D.H. Cole suggests there were "about eighty" which, significantly, "included very few of the Lancashire and Yorkshire towns, except the great cities". The 1940's would seem to have been a watershed since USDAW were claiming in 1948 that two hundred and eighteen societies had employees on boards. By 1953 the Co-operative Union Labour Adviser reported that "some two hundred and fifty" societies had employee-directors, although most societies limited the number to two. Ostergaard & Halsey's book "Power in Co-operatives" provided evidence for the view that employees were more likely to be permitted some Board representation in the bigger societies. In figures relating to 1955 they found that among one hundred societies with over twenty thousand members 21 barred employees from holding office, fifty-nine permitted a limited number (normally two) to serve on the Board, while twenty allowed unrestricted access (four doing so by rule, sixteen having no rule about employees holding office). On the other hand, among a sample of 165 societies with fewer than twenty thousand members, 68% totally barred employees from office, 24% allowed a limited number, and 8% allowed unrestricted access (1% by rule, 7% having no rule). By far the bulk of the societies permitting employee office-holding, whether restricted or unrestricted, did so on the basis of the employees being elected by the whole society electorate and not simply by other employees. Ostergaard and Halsey reported that they had no information on the total but that "at least nine" societies provided for the direct representation of employees. Of those that they name, only one survives as an independent society today.

In the last Twenty Years?

As far as the number of employee-directors is concerned it would not seem that there has been any substantial increase in the last twenty years, although there seems to have been a substantial increase in the number of retired employees. In 1955, according to Ostergaard and Halsey's figures, "at least 15.6% of all board members" had an employee interest, i.e. they were present employees, past employees, or employees of other Co-operative organisations. In the ten largest societies, 52% of all board members had such an employee interest. There was a majority of employees on five of those boards. Some supplementary research in 1960 suggests that in societies of over twenty thousand membership 20.7% of board members were present employees and a further 14.6% retired employees or employees of other Co-operative organisations, making a total of 35.3% in all. The latest figures, those for 1974 published in the Report of the Working Party on Lay Leadership, show the proportions of board members as 16.6% present employees, 7.7% in other Co-operative employment, and 25.4% retired Co-operative employees, giving an overall total of 49.7%, with, the Report suggests, "a slight tendency for higher percentages (of employees) on the boards of large societies". There is clearly a considerable contrast between the figure of 15.6% of board members with an employee interest in 1955 and 49.7% in 1974, but the most obvious increase is in the numbers of retired employees since the 1960 figures, while not strictly comparable, suggest that present employees were then more significant than retired ones. The change is quite likely to be part of a general trend towards greater age among Co-operative activists and leaders. Otherwise the most important single explanation for any increase in the proportion of employees as board members must be the disappearance of smaller societies (seven hundred societies have disappeared in the last twenty years) which tended to prohibit employees from holding office.

The most common type of employee-director undoubtedly remains the man or woman serving on the board of a society which permits a certain maximum number of employees (usually two) to sit on the board providing they are elected by the majority of society members who care to vote. There is usually little danger of employee-nominees not getting their places on the board, however, since employees are customarily the best organised and biggest vote in contemporary retail societies. Many a non-employee director indeed will find it politic to count the employee vote if he is realistic about his chances of being elected. Further, in societies with no restriction on employee-directors it would seem (without widespread evidence to hand) that employees tend to become the majority of the board. It is one of the ironies of life that among the few examples of "worker control" in this country are some so-called "consumer co-operatives".

Managers rather than Rank and File

In reality, however, as has been pointed out by several observers, Co-operative employees on retail society boards tend to be managerial rather than "rank and file" personnel. Jack Bailey discovered in the 1950's that of the 1356 directors in a sample of one hundred and nineteen societies, two hundred and eighteen were employees. Of these employees eighty-six were branch managers and forty-three were departmental managers. Thus at least 59% of these employee-directors were clearly of "management" status. Only twenty-four were shop assistants, thirty-one were clerical and administrative workers, and thirty-four were "other grades" (both of the last categories being of indeterminate status). There seems no reason to suggest any change in the distribution of "managerial" and "rank and file" personnel among Co-operative employee-directors. If anything, the decline in the number of full-time "rank and file" employees over the past twenty years might lead us to expect an even higher proportion of "managerial" personnel. Such a phenomenon is not unique to the Co-operative Movement, of course. Flanders, Pomeranz and Woodward show in their book on the John Lewis Partnership ("Experiment in Industrial Democracy") that the majority of the Partnership's Central Council is made up of managerial personnel. During the 1960's, between seventy-seven and 86% of the elected councillors were such. It would seem that employees are no less deferential than lay members.

Problems and Prospects

Essentially, however, the problems of the status of employees in the British retail Co-operative have not been solved. The efforts of the trade unions have not gained their full membership rights in most societies, for in the majority of cases no more than two of them are permitted to sit on their society's board of directors. As members of the society, the argument for treating them as any other member is strong but the constitutional argument (which applies to civil servants and local government officers as well of course) above the special relationship that employees have with their society still seems to hold the greatest sway with lay members. The constitutional argument is strengthened in the minds of its supporters by the extreme apathy of the bulk of Co-operative members and the fear that the granting of full membership rights to employees would mean handing over entire control of the Society to the employees.

Of late, however, the argument seems to be shifting in a rather different direction and more voices have been heard urging that the special relationship that employees have with the society should be recognised by giving them a special constitutional position or even full partnership in the society. Such speculations, encouraged if not initiated by the wider debate about workers' participation, see some or even half of a society's Directors and other governing bodies being elected by and from the employees. In joint-stock companies, the argument runs that the worker's investment of his labour is just as valid a contribution to the company as the shareholder's capital and should receive recognition in the company's supervising body. In so far as the argument is an acceptable one, it must also be applicable to Co-operative societies. But in a Co-operative, the worker is also likely to be a shareholder and a customer. Are we prepared to accept the full logical implications of such an approach? Or is the "one member, one vote" approach preferable from the points of view of Co-operative principle, constitutional practice, and political expediency?