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Workers' Participation in Co-operatives: Implications for Consumer Societies?

John Gallacher

Thirty years ago, I was taught at the Co-operative College that consumer co-operation was the highest form and that it did not suffer from the defects of other lesser types which, at best, were modified forms of capitalism. I believed most of what I was taught then, so for many years I opposed the notion that employees should be allowed to become candidates for the board of directors. Historically, I regarded J. T. W. Mitchell. as a strong man and Sir William Maxwell as paternal if not weak. Life appears to consist of judgements revised and I certainly no longer believe in the consumer theory. In the beginning its relevance could not be doubted. Under present economic conditions in Britain it is old hat.

Consumers are now protected from those who own land, capital and enterprise by the existence of a market economy reinforced by a body of statute law which has grown to such dimensions that it is doubtful if the sternest critic of the capitalist system could recall the names of half the Acts of parliament designed to ensure a square deal for consumers. Most of this legislation was passed by conservative Governments.

The law protecting consumers from organised labour, whether in the professions or trades unions, is decidedly thin. In fact, there is now a genuine danger of giving associations of workers an over-privileged position at law which nullifies some of the gains which consumers have by statute. I am aware of the argument that everyone is a consumer. The point is that a sectional interest has a habit of overriding a general one, especially these days when most government is by pressure groups.

The role of trades unions in a planned economy is clear enough. They are part of the apparatus of government. In mixed economies they have no clearly defined duty apart from the general one of safeguarding their members. In the nationalised industries and public sector activities in Britain, trades unions are all powerful. Indeed, the total strength of organised labour in this country has grown with the extension of the public sector and the automatic recognition of trades unions flowing from it. Protection for consumers in the public sector is pathetic to the point of non-existence. There is a complaints procedure about service, but no participation in collective bargaining which determines a monopoly price.

In the competitive part of the market economy, organised labour is powerful because it can draw upon its strength in the public sector. Even so, consumers have the protection of the market and business has the risk of a profit and loss account. The portents are ominous, however, as legislation passed and pending gives powers to recognised trade unions which, if not used responsibly, are capable of wrecking the market economy sector and of defeating any Government which has lost the confidence of unions.

Worker Participation and Investment

It is against this background that the demand for worker participation should be assessed. Sociologists can doubtless tell us why, when organised labour is so strong, workers should want the added responsibility of a say in decision making. It revives one's belief in the view that man is an animal with a difference. We should encourage the concept of both worker participation and investment, the latter by way of 'self-investment' of pension funds and/or bonus on earnings taken in the form of shares. I am aware of the arguments against "too many eggs in one basket" and there are recent examples where the truth of this was shown to be relevant. Co-operative experience, however, indicates that provided suitable security exists a substantial measure of self-investment can be contemplated. In addition, provision for redundancy and preservation of

pension rights is so strong that former dangers are less. In the public sector, the risks normally associated with self-investment are almost non-existent and it is in the nationalised industries above all that the involvement of the worker as part owner is essential. Consumers should demand a say in the investment of public sector pension funds.

Participation will work better if there can be a major re-structuring of trades unions so that, in general, one union represents all the workers in the same firm and identifiable industries. Trades Union Congress policy at one time was to work towards industrial unionism, but this has been strangely muted in recent years. Employers' organisations are also in need of overhaul and Government should ask the Confederation of British Industry and Trades Union Congress to formulate plans. Worker participation cannot succeed in the face of trade union proliferation.

The effect of inflation on investment means that there is now no interest yield high enough to permit adequate funding for pension monies. This means massive special payments by employers if there is to be an adequate measure of inflation-proofing. Such additional payments are more justifiable if there has been a large measure of self-investment of the fund in the first place.

Consumer co-operatives in Britain are really co-partnership undertakings as pension funds represent a major part of the capital structure of most societies. This was not the conscious purpose of those who drafted the original trust deeds. Indeed, the decision to selfinvest was consumerist in origin, i.e., that money placed externally was likely to be used against the movement and as a result progress towards a co-operative Commonwealth would be impeded. A supporting reason was that as consumer members were contributing at least half of the fund they should also ensure that their portion was used for local society development. What no one foresaw was the decline in disposable surplus leading to lower rates of dividend and ultimately to reduced share capital in both absolute and real terms. Dividend stamps have given some temporary relief to the capital problem, but already the Co-operative Union has advised against excessive distribution of surplus by way of stamps in much the same fashion as it did concerning dividend on purchases. The Price code effectively punishes efficiency, so that the prospect of being allowed to earn more in order to plough back is dismal.

The recommendation by the Co-operative Union that societies remain within the state scheme to be established in 1978 under the Social Security Pensions Act of 1975 will, if implemented, relieve societies of the obligation to seek recognition from the Occupational Pensions Board. While no one can say what conditions the OPB will impose on exempt private schemes for recognition purposes, it seems likely that there will be restrictions on self-investment. It will be a dismal outlook for many societies if, as a condition of recognition, say, 50% of their pension funds had to be invested outside and at relatively short notice. Sale and lease back of selected freeholds would be one way to meet such requirement. The effect on trading surplus is obvious. In addition, the movement would then be working to create capital gains for those fortunate enough to hold life assurance policies. When the Sandilands committee has recommended granting capital allowances on commercial buildings, and a Chancellor of the Exchequer has at last acknowledged acceptance of this in principle, it would be tragic if societies were now forced to start leasing.

Evolution to Workers' Co-operatives?

Everyone accepts the necessity of improving the movement's share of trade. The results in this direction in 1974 and possibly also in 1975 are encouraging as are the figures showing that our relative investment in fixed assets is greater than that of our main competitors. We have a long way to go, however, to regain the 15% share we once had in food and the movement's non-food performance is still dismal. There are traces of cloud in the sky for multiple traders these days, so this is the time for advance. It will require the better use and conservation of existing capital as well as the ploughing back of surplus which hopefully we may be permitted to earn and have the capacity to achieve.

In modifying the consumer theory, the movement should simultaneously encourage worker interest so that it becomes a paramount factor in success. We have a life-time of defensive

thought and action to get over. No one seeing the evidence of the Co-operative Employers' Association to the National Federation Negotiating Committee can have any illusions that old habits die hard. It reads as though Holyoake and Neale had never lived while Mitchell ought to have been canonized. How long will it be necessary to play the game of wages negotiations with ourselves? Like the very costly exercise of selling to ourselves (which a single national federation as now proposed will perpetuate) superfluous collective bargaining must rank high in the list of sterile occupations even though we play it with compassionate fervour.

For many years the co-operative movement has looked askance at organisations of the John Lewis Partnership type. We dismissed these as being either phoney co-operatives or essays in paternalism. They may be either or both, but in an area of distribution which bears more than a passing resemblance to our own, the John Lewis Partnership and its Waitrose food subsidiary have performed well. Furthermore, both organisations are not infrequently praised when independent assessments are made by organisations representing consumers.

Do consumers still expect benefits from co-operatives above and beyond those normally offered by any successful firm in retailing? There are now many areas where we trade on price/service/quality alone. If we are to retain the benefits of self-financing it seems not improbable that we shall increasingly trade on a net price basis. This concept may need selling but the Swiss example is there to guide us. In any case, we may find future EEC legislation impinging on the issue of stamps as they are already prohibited in two member states.

All this leads me to accept the decline in general member interest, which is of long standing and about which we are powerless to do very much because it is a social phenomenon of the times. Organisations cannot exist in a vacuum, however, and I see the positive encouragement of employee participation as being both a logical and viable alternative to control by minorities of members. A change of outlook and even character will be required, so that eventually retail co-operatives will be employee-oriented societies of the co-partnership type in the first instance and gradually evolving as workers' co-operatives.

The wider implications of what is postulated here are that we should equate the demand for worker participation generally with the need to match increasing employee influence with added responsibility. If such became the norm over a wide sector of economic activity in Britain, we may yet reconcile the benefits of a mixed economy with worker satisfaction.

Some may say that I am none too deviously trying to find a different role for organisations of workers. This is not a primary purpose, but if it emerges as a natural consequence of changes in function and outlook, can it be denied that both the co-operative and trades union movements will then be closer to the ideals of Owenite Socialism which was their joint inspiration?

The Author

John Gallaher became Lord Gallacher in 1982 and died in January 2004. In his obituary of Lord Gallaher, Hurlston (2004) describes him as the "pillar of the co-operative movement". After being one of the first students at the Co-operative College following its move to Stanford Hall, near Loughborough, he was appointed assistant education secretary the Royal Arsenal Co-operative Society, followed by president of Enfield Highway Co-operative Society (1954-68); Secretary, International Co-operative Alliance (1963-67); and Parliamentary Secretary, Co-operative Union (1974-83).

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