

Labour in Crisis? — Continued

"ALL CHANGE"

by

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"Events essentially external to the Co-operative Movement caused the change". This was Geoffrey Rhodes' judgement in his 1962 Co-operative College paper on the events immediately before 1917 which led to the Co-operative Congress decision to secure direct representation in Parliament for the Co-operative Movement, thus effectively launching the Co-operative Party and the Movement's subsequent political involvement.

The events which Geoffrey was referring to were, of course, the actions of the Lloyd George Government which adversely affected Co-operatives and, probably more important, his refusal to meet representatives of the Movement to discuss grievances, thereby reinforcing the feeling of political impotence that had been apparent in the previous few years. But the 'Events essentially external' were broader than those more immediate ones. Indeed, William Maxwell had used his Presidential Address at the Co-operative Congress twenty years before, in 1897, to advocate direct Co-operative representation in Parliament. Clearly the debate taking place then, and the political ferment, arose from the social and economic circumstances of the time and the new power put into the hands of ordinary people through the enfranchisement measures of 1867 and 1884.

The External Changes

In the same way, I believe the emergence of the SDP and the changes that have taken place in the Labour Party and the Trade Union and Co-operative Movements in recent times owe a great deal to the social and economic changes that have taken place since the last world war, and particularly during the 1960s and 70s. A few sociologists and others have commented on this but it will no doubt have to await the analyses of social and political historians before such a view commends itself to a wider public!

I shall deal with the changes themselves in a moment but will look first at what has brought them about. I think there are three major influences. First is the economic progress that has been made. By economic progress I mean not only greater wealth and improved living standards, but also the vast improvement in employment conditions and the development of our "consumer society" as it has been called. Second is the increased availability and volume of education. Third, is the development of television and, coming hard in its wake, the development of information

technology which, I have no doubt, will probably have an even more profound impact upon our lives than simple television.

Loss of Membership

The developments have been brought about partly as a result of the Labour and Co-operative Movements achieving their original objectives, and partly as a result of scientific discoveries. The irony is (although some would say it is inevitable) that the very achievement of many of the objectives has led to the decline of the forces that have brought them about. The Trade Unions, the Labour Party and the Co-operative Movement have been slow to adapt to the economic and social changes that they have helped to bring about — indeed, they have been very conservative. The non-ideological, non-idealistic and often totally self-interested infantry that formed the membership, the support and votes for the Movement of the past, has melted away at least from active membership and, particularly in the case of the Co-operative Movement, from any sort of membership, as the organisations have become increasingly irrelevant to their lives and aspirations.

“Ideological and Conservative”

This change has been reinforced by the active membership that remains often inevitably being more ideological and conservative and continuing to fight battles as though nothing in the world had changed since the turn of the century or, at least, since the 1920s. We see substantial elements of this in the miners' strike at the present time. The greatest force for the preservation of these movements is, sadly, sheer inertia, habit and loyalty which some of us would say was badly misplaced. The harsh truth is that much of the activity is a mere token anyway and a vestige of its former self.

Nowhere is this more true than in the Co-operative Movement as one thinks back and compares today's activities with the activities of Political and Education Committees and the work of the Auxiliaries as recently as twenty years ago, never mind as long as forty or sixty years ago. It is very easy to be sentimental and nostalgic about that and none of us is immune from occasional dreams of former glories. But for dreams to become reality they have to be relevant and meaningful to modern conditions.

Effects of Present Political Shake-out

It took twenty years, and more, for the Labour Party to get on to its feet. The debate about political affiliation in the Co-operative Movement went on for at least 20 years before 1917 and was still raging ten years after. Indeed, in 1928 a referendum in my own region (the North East) showed 266,000 against and only 181,000 in favour of having an alliance with a political party.

No doubt the present shake-out in the political system will take as long to work through. Next year we are to see those unions that have political funds balloting on whether to keep them, and, along with that, the affiliation to the Labour Party that invariably goes with it. Polling and other evidence suggests that a majority of trade unionists now do not support the Labour Party. In some unions it is a substantial majority. That would have been inconceivable only a relatively short time ago and the same view is reflected, I am sure, in the Co-operative Movement, certainly among the staff.

Renewal of Co-operative Debate on Neutrality

It seems likely, therefore, that the debate about political neutrality will be opened again. It has not been opened in the Co-operative Movement before now because it creates more bother than it is worth to those who are fighting to keep their trading heads above the water. They are happy to live with token support for Labour as long as it does not get in the way too much. A more fierce battle will be fought in the Trade Union Movement because more depends upon it and because the Government has brought it about in its recent trade union legislation.

But in my view, political neutrality for both the trade unions and, particularly, the Co-operative Movement makes a great deal of sense in our modern circumstances. To some extent it has been Labour Governments with their prices and incomes and other policies that upset their institutional backers that has brought this nearer, as well as the influences mentioned earlier.

Support for Co-operative Enterprise from Alliance

Both the Liberals and ourselves in the SDP have expressed solid support for Co-operative enterprise; the Liberals particularly in ICOM and the industrial Co-operative sphere. We attach very considerable importance to it and I should like to make a few comments about this and, I hope, demonstrate why it is a nonsense for the Co-operative Movement to weaken its links with us by continuing to associate with only one political party.

The SDP is firmly committed to the creation of a dynamic "third sector" of Co-operative, employee-owned enterprises. We believe Co-operatives can be innovative and job-creating. They combine collective endeavour with a high level of individual freedom — the source of a great deal of debate in the Movement's early days. Even the present Government has kept the Co-operative Development Agency and increased its funds and the number of enterprises has thrived in recent years.

The Future for Producer Co-operatives

At long last, the image of producer Co-operatives is emerging from the pall under which it was cast by the unfortunate failures of the mid-seventies instigated by Tony Benn — Kirkby, Meriden and the Scottish

Daily News. It is to be hoped we can move further away from this stereotype of industrial failure, if we have more employee buy-outs where closures are due to poor management or the rationalisation of branches of larger undertakings.

Co-operatives taking over parts of the public sector would be a better option than the Conservative policy of privatisation. They would give employees a much bigger stake in the future of the enterprise, redistribute wealth and provide a much more equitable and socially desirable type of enterprise.

The employee-owned sector is growing faster in the UK than elsewhere in the European Community — in the middle of 1982, four new producer Co-operatives were being registered every week. We want to see Co-operatives develop as a significant part of the UK economy. Large scale industrial Co-operatives need a new devolved framework in which to expand and prosper.

Co-operative Support Organisations —

Our first priority will be to develop strong Co-operative support organisations, offering a range of services, along the lines of the Caja Laboral Popular in Spain, or people's saving bank, which has helped to foster the Mondragon group of Co-operatives. The Caja provides up to 75 per cent of the finance for new Co-operatives with the remainder provided by the employees themselves and the state at low interest. Nowhere else in Europe are financial resources and management expertise so effectively combined for the development of Co-operatives.

The kind of support agency we envisage would be similar to the small firms investment company proposed in the SDP's Industrial Strategy White Paper with specific powers to give matching grants for employees' investment in their own companies, to make available loans at preferential rates of interest and to provide a loan guarantee scheme for commercial investment in employee-owned enterprises.

- And Government Support

Government support should be given to Co-operatives on at least equal terms with conventionally-owned companies. The conventional company structure should not be seen to be the only one available to people starting up new businesses. It is ludicrous that Co-operatives are currently at a tax disadvantage compared to companies when issuing bonus shares to employee-members.

Also, as part of this strategy, although not immediately Co-operative in character, the SDP would like to see a new form of incorporation for small firms, giving them the benefit of corporate personality and limited liability

but exempting them from many of the obligations of Companies Act companies. Such a company could be an incorporated partnership with no share capital but a personal obligation on members to contribute up to a specified limit in the event of insolvency.

Creating this sort of new framework will enable more radical innovations to take place, particularly leading towards Co-operative enterprises. It should also be possible, when a company is facing closure or liquidation, for the employees concerned to be given the first option to buy the whole or part of the enterprise. Employees should be enabled to rent a failed company from the receiver or liquidator. This would help revive companies which have failed as a result of incompetent management, rather than through adverse market conditions.

The SDP supported the management buy-out of the National Freight Corporation, although this was not, strictly speaking, a Co-operative and was financed by the commercial banks, most of the managers and a substantial number of employees. It has, however, a number of characteristics that are closely akin to Co-operative enterprises.

Encouragement through Tax Reliefs

Tax reliefs to promote incentives to set up co-operatives could include relief from income tax to members of Co-operatives in respect of their contribution to the enterprise's capital, in the same way as pension contributions are treated; relief from a proportion of corporation tax during a start-up period; and enabling employees who are made redundant to claim up to six months unemployment pay in advance for investment in a new Co-operative. The employee option to buy could be encouraged by offering relief from capital transfer tax or capital gains tax for sellers of share-holdings to employee-owners.

In our policy document, 'Industrial Democracy', the SDP makes three specific proposals along these lines to make employee share-ownership attractive. Standard rate personal income tax relief, up to a limit of, say, £3,000, would be available on interest payments on loans raised to buy shares. Shares bought under schemes up to this value would be exempt from capital gains tax provided they are held for a minimum period (say three years). No standard rate income tax or investment surcharge would be levied on dividend income from these holdings.

I believe there is also scope for substantially more work to be done by the national and local Co-operative Development Agencies and would like to see more resources and expertise devoted to this.

Towards a "Third Force"

I think this amounts to one of the most comprehensive package ever put forward by a British political party in favour of a real 'third force', largely Co-operative sector.

The existing Movement would be putting its head in the sand were it to ignore all this and the goodwill towards Co-operative enterprise that exists within the Alliance. Of course, I would like to think we more accurately reflect the views and aspirations of people in our contemporary society than do our former colleagues in the Labour Party. In the longer term we shall have to wait for the verdict of the social and political historians I mentioned earlier and, in the short term, the views of the electorate, before we know whether I am right.

Note of the Author

IAN WRIGGLESWORTH has been a Member of Parliament since February 1974. He was a founder member of the Council for Social Democracy and the SDP and resigned the Labour Whip in March 1981. Since then he has sat as a Social Democrat and in June 1983 was re-elected SDP Member for Stockton South. He is now SDP spokesman on trade and industry and economic affairs.

He has worked for the Midland Bank; for the National Union of Teachers; as Head of Research for the Co-operative Party; and for National Giro-bank, the Post Office Banking Service.

His Parliamentary career has included service as Parliamentary Private Secretary to the Rt Hon Roy Jenkins MP, Home Secretary, from November 1974 to November 1976.

Ian Wrigglesworth was a Director of the South Suburban Co-operative Society in the early 1970's and a Director of the former Workers Travel Association Ltd. He is currently Vice Chairman of the Anglo-Hong Kong Parliamentary Group and is a Divisional Director of Smiths Industries plc.