

The Worker Co-operative Code of Governance

Bob Cannell

This article begins by suggesting that although consumer co-operatives in the UK have been successful businesses from the 1850s onwards, worker co-operatives have suffered from a lack of 'administrative discipline' and consequently have not yet reached their full potential. However, the article goes on to explain, in order to remedy this, a number of worker co-operatives have collaborated with Co-operatives^{UK} to produce a *Worker Co-operative Code of Governance*. This provides a guide to governing worker a co-operative democratically and managing its business effectively. The Code, launched in June 2008, is believed to be the first of its kind in the world. It has two elements – a short booklet giving a framework of good practice for worker co-operatives to follow and an online resource that will be built up over time by UK worker co-operatives themselves. The Code, it is suggested, is exactly what is needed to really strengthen and develop the worker co-operative sector in the UK.

In June this year, at Co-operative Congress 2008, we launched the Worker Co-operative Code of Governance. As it says on the cover, this is “the guide to running a successful (worker) co-operative business”.

A guide is necessary because we in the UK have at least 150 years experience of how **not** to govern worker co-operatives.

In 1894 Benjamin Jones listed hundreds of worker (or producer co-operatives as they were then known) co-operative ventures. Working people invested everything they owned in their flour mills, leather tanners, textile factories, cutlery workshops and a host of other businesses. Despite extensive good will and support, however, virtually none of them survived into the twentieth century as co-operatives. Most failed but many converted into normal investor-owned businesses. (Jones, 1894).

The reasons for this puzzled co-operators. At exactly the same time consumer-owned co-operatives were booming. By the 1890s, some 1,500 co-operative retail societies dominated the consumer economy throughout the UK. The producer co-operatives were supposed to be supplying them with their goods.

Many of the retail societies had lent and lost money in failed worker co-operative ventures. Indeed the situation was so bad that Beatrice Potter (not Beatrix) conducted a survey of producer co-operatives on behalf of the Co-operative Union. Her findings resulted in retail societies coming to rely on directly-owned factories and farms for their supplies – on the co-operative federation of co-operative wholesale societies and independent societies as opposed to relying on the former dream of a co-operative commonwealth of producer, wholesale and retail co-operatives.

Although Potter was ideologically opposed to

the 'individualist' school of co-operation (worker co-operatives) and went on, with her husband Sidney Webb) to persuade the Labour Party to favour the state ownership of industry, her conclusions are still chillingly accurate today – worker co-operatives, she said, fail due to a lack of collective discipline and authority. (Webb, 1891)

Yet the need to democratise enterprise, to gain popular control over the industries that bestride our planet and upon which we depend for our livelihoods, is such a pressing need as we enter an age where we so dominate the planet that we will either learn to co-operate or suffer severely as a species. Why have we not done it? Is it because we still do not know how?

All of the retail societies were based on the Rochdale principles. The Rochdale Pioneers did not invent consumer co-operatives. There had been many prior experiments, but none had taken off or been self-sustaining. The Pioneers brought together the best practices of co-operative governance from these early attempts.

Pete Senge describes a similar process at the birth of modern mass air travel, when technological best practice was brought together for the revolutionary Douglas DC3 'Dakota'. (Senge, 1990)

That mix of rules worked explosively and could easily be copied by other people for the price of a penny stamp. Consumer co-operatives went from zero to economic dominance in 30 years. 'Viral growth' to use a twenty-first century metaphor.

In the latter half of the twentieth century, worker co-operative successes in Mondragon and Emilia Romagna indicated that it was time to resurrect the idea of democratic control of enterprise by workers in the UK.¹

In the UK, nobody seemed to agree exactly

what a worker co-operative was, what they were for, or how they should be run. Some worker co-operatives were successful businesses. Others prioritised co-operative principles. Most struggled with both.

There are now around 400 worker co-operatives in the UK employing approximately 2,000 people in total. Most of them were founded since the 1970s when hippies saw worker co-operatives as a utopian alternative to working for 'the man'. Even the biggest are only SMEs and have not grown as they should.² UK worker co-operatives still suffer from a lack of administrative discipline.

So what is the problem? In a normal business the authority to give orders is taken for granted. Even in a consumer co-operative, members appoint a management team to run the business. In a worker co-operative, as in partnerships, there is no pre-ordained authority to manage. It has to be agreed collectively and democratically before progress can be made as a team.

Democratic team-working is such a novel way of behaving for most people that it constantly breaks down and has to be repaired. People in worker co-operatives in the UK seem to lack the belief and patience to permit democracy to prevail. They often try to take over, but simply run into opposition from their peers. So the typical UK worker co-operative is disabled by unresolved disagreement.

Some worker owners have gone down the employee ownership route. Here the business is owned by a trust which appoints professional executive managers to run the business on behalf of its employee shareholders, who have deliberately limited democratic rights to prevent them demutualising. However this has not prevented some executives of employee owned businesses from gaining control of the business at the expense of their erstwhile employee shareholders.³

Whilst resolving the problem of 'administrative discipline', this indirect and partial democracy does not get to the heart of the problem. The success of employee owned businesses such as John Lewis and Ove Arup is undeniable. But our project is to enable real direct democratic control by workers

By trial and error, many UK co-operatives have found good ways to get out of this trap, but none have the full package. Hence in 2006, a number of worker co-operative members worked with Co-operatives^{UK} and started writing

down in one document the lessons which have been so painfully learned over the last 150 years. Our advantage is that we, unlike the Rochdale Pioneers, have the experience of the whole world to use.

We started by combining the best parts of private sector, voluntary sector and other co-operative codes of governance such as the consumer society *Code of Best Practice*, with the key parts of the 2005 International Cooperative Alliance CICOPA world definition of worker co-operatives.⁴

We then added our own decades of practical experience of managing worker co-operatives, and hung the whole from the seven ICA co-operative principles by which all co-operatives, regardless of type, should operate.

The Code provides a framework of good practice that helps members of worker co-operatives to govern their co-operative democratically and to manage their businesses successfully. If all the sections of the code are fulfilled we believe this will be the result.

What next?

There are two parts to the *Worker Co-operative Code of Governance*. There is a short booklet that briefly covers every aspect of good governance and management of a democratic worker-owned business. It is a bit longer than the Rochdale principles but the problem of democratic employee control is much more complicated. It is a lot shorter than the *Code of Best Practice* drawn up by consumer co-operatives in 2005.

The document will be sent to every worker co-operative and will be made available to individual members of those co-operatives. "This is what you should expect from your co-operative and this is what you should be doing" is the message. "How you do it is up to you, so long as you choose a democratic method." The Code is the framework. No more going it alone.

In addition to the booklet is the website – www.workercode.coop – which is intended to become the core of a worker co-operative website where worker co-operative members can click through into a range of resources – case studies, example documents, audit checklists, contacts and links to help them implement each section.

For example, for Principle 1.2 – "Your

co-operative should agree the rights and responsibilities of its members (a member job description or similar)” – people can view Suma’s Member Job Description.

Just as the 1844 Pioneers had the newly invented penny postage service (started 1840), so we have the internet to communicate our principles. The Code will be the core of a dedicated website whereby worker co-operative members can assist each other in gaining the skills necessary to democratically govern their businesses. We will be using the huge potential of web2, social networking – the communication of choice for younger people in the twenty-first century – to spread this message.

The Code will develop and change as worker co-operative members contribute and comments, just as the original Rochdale

principles developed in use.

But as far as we know, the UK *Worker Co-operative Code of Governance* is the first concise document to bring together the fundamentals of good worker co-operative governance. The website and supporting resources are available to co-operatives across the world, the social networking channels will link worker co-operative members wherever there is a shared language, and by using easily accessed internet text translation tools, even where there is not.

Principle 6, co-operation among co-operatives, is our secret weapon. If we can make this work, the potential is awesome. Will UK worker co-operatives grow in the same way as did consumer co-operatives. Will 2008 be our 1844?

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References

Jones, Benjamin (1894) *Co-operative Production*. Reprinted 1968. Augustus M Kelley: New York.
Senge, Pete (1990) *The Fifth Discipline*. Random house: London.
Webb, Beatrice (1891) *The Co-operative Movement in Great Britain*. Swan Sonnenschein: London.

Notes

- 1 See www.mcc.es or http://www.gnn.tv/articles/2384/A_Market_Without_Capitalists
- 2 Suma, for example, one of the UK’s largest worker co-operatives, only has 120 members.
- 3 See <http://www.uk.initiativesofchange.org/people/1916.html>
- 4 See http://www.cecop.coop/IMG/pdf/Declaration_approved_by_ICA_EN.pdf