

## WORKERS' MANAGEMENT IN BRITAIN

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This note offers a brief survey of workers' management in Britain today. While particular attention is paid to developments during the twelve months preceding September 1975, basic descriptive information is also provided. The report has two main sections. First we examine the nature and extent of concrete instances of workers' management in Britain. This is followed by a shorter discussion of recent developments in two other areas: government action and the recent conference of the Institute for Workers' Control.

### THE THREE MAIN TYPES

There exist today in Britain three main forms of workers' management: the long established industrial cooperatives registered under the Industrial and Provident Societies Legislation, common-ownership firms which are normally members of the Industrial Common Ownership Movement and the new worker cooperatives.<sup>1)</sup>

### LONG ESTABLISHED PRODUCER COOPERATIVES

Within the umbrella of the British Cooperative Movement there exist about eighteen producer cooperatives (PC<sub>s</sub>) many of which have been established for more than seventy years. While all belong to the official organ of the British Cooperative Movement the Cooperative Union, only about seven are members of the Cooperative Productive Federation (C.P.F.), a body formed in 1882 to help promote and defend the interests of PC<sub>s</sub>.

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<sup>1)</sup> Only types which include instances of formal provision for substantial employee participation in all decisions at all levels of the enterprise are examined. Hence we exclude examples which (i) provide only for limited participation (usually consultation) by employees and/or (ii) apply to a restricted set of issues (usually because the participatory scheme is confined to a particular level within the enterprise), (iii) do not have formalized/constitutional provision for substantial employee participation. A longer survey article, however, which the author is currently preparing for this journal, will consider these 'partial' participatory types. But, in the second section of this note, by looking at recent government action, we will examine important proposed developments concerning partial participatory types.

Most societies began for one of two principal reasons. Many were formed by retail societies (sometimes with the assistance of a trade union, sometimes by only the trade union) to provide a particular service or product for the retailers. Often this was the case in the printing industry and sometimes with clothing PCs. With footwear PCs, however — and also in the case of the oldest surviving PC, Walsall Lock, established in 1874 — PCs were formed in times of economic distress. Some were formed, for example, following the lockout in the boot and shoe trade of 1895. In other cases the impetus for formation came during or following a strike. Most British PCs continue to be concentrated in the Midlands region of England.

All long-established PCs are registered as Industrial and Provident Societies. For membership of a PC ownership of a minimum (and ordinarily a nominal) number of shares is legally required. Typically there are three classes of members: employees, other individuals (particularly former employee) and other societies (particularly retail societies, other PCs and trade unions). Only in exceptional cases do current employees own a majority of the share capital. In most cases, however, the vast majority of employees are members and often a majority of members are employees. More importantly, adherence to the Rochdale principle of »one member one vote« means that in many cases, particularly in the footwear industry, a majority of the committee of management are employees. In some cases all of the »board of directors« are employees.

A PC is constrained by law to paying a limited interest on share capital. This »limitation of purpose« follows from the very nature of bona-fide cooperatives societies. Shares remain at their nominal or par value but upon dissolution, the principle of 'disinterested devolution of the net assets' does not normally obtain. There are legal restrictions inhibiting a PC's ability to raise outside finance; for example preference shares cannot be issued. Relatively little use is made of permissible external capital sources, such as bank overdrafts. In practice most PCs rely on internal financing and on reserves that are largely collectively owned.

Most PCs distribute part of their net income (surplus) to employees as an annual bonus; other shares often go to customers, as a form of rebate and to capital owners. A unionship frequently prevails in PCs. Consequently, union rates of wages are usually observed, though with the emergence of earnings drift; the recognition of an externally determined rate of wages is less-and-less of a meaningful constraint on the ability for wage rates to be autonomously determined within a society.

At the end of 1973, the most recent date for which detailed data are available, 23 PCs existed.<sup>1)</sup> Almost half of these were printing societies with four PCs in both the clothing and footwear industries. Six of these societies had over 100 employees with one PC, Ideal Clothiers, employing over 600. All printing societies are tiny with none employing more than 100 and eight employing fewer than 30 people. Sales tend to show a similar size distribution; Ideal Clothiers has a turnover in

<sup>1)</sup> Since then, five societies, including one of the larger PCs, Kaycee Clothiers, have entered into voluntary liquidation.

excess of 1.3 million pounds; five other societies about 0.5 million pounds each, but at least eight societies recorded sales of less than 100,000 pounds.

The post-war era has not been a good one for long-established PCs. The number of societies has fallen by more than half from its post war high of 48 in 1948. Recently the pace of attrition has been accelerating; as recently as 1965 there were 35 societies, today only 18 survive. Moreover, no new PCs have been registered under the Industrial and Provident Societies Legislation during the last twenty years. For the traditional industries — printing, footwear and clothing — no new societies have been formed since the 1930's. As part of this process of decline the withering-away of the role of the C.P.F. has undoubtedly played a part. Historically, the C.P.F. acted as a central guiding force within the PC movement: it was a successful trade association and had effective educational and propaganda arms. Now it is a gallant craft with only one member. This Federal body has become little more than a trade association run by one man. The inability of the C.P.F. to function as an instrument of cohesion for the remaining craft riding the stormy seas has become a dark cloud threatening the outlook for PCs.

#### INDUSTRIAL COMMON OWNERSHIP MOVEMENT (ICOM)

The Industrial Common Ownership Movement (ICOM) exists to promote, help and coordinate firms which are exclusively owned and controlled by all those who work within them. In September 1975 there were thirteen Member Companies in ICOM and at least twelve Associate Members (which are moving towards full membership). In addition, four new common-ownership firms had recently been founded, and two of these have applied for ICOM membership.

About half the ICOM member firms were originally conventional capitalist enterprises which later converted to common ownership. The remainder have been established with a common ownership structure from the start. Sometimes the origin of firms in this latter category was a work-in or redundancy situation; often there has been close cooperation with concerned trade unions.

Current members of ICOM are characterized by one of the following forms of common ownership all of which involve registration under the Companies Acts: (i) a two tier system where all shares are held in common by a democratically controlled holding company of which all employees can be members, (ii) a system where shares are issued to all employees at regular intervals, so that long term employees have the greater share, (iii) single-tier 'loan stock' based companies, which have no shares at all, but ownership and control is equally in the hands of all employees from the start. Most ICOM firms, particularly the earlier members, favored the first form, only one firm has adopted the second form and it is only some of the most recent ICOM members that have adopted the third form.<sup>1)</sup>

<sup>1)</sup> It should be noted that it is perfectly feasible for ICOM firms to register as co-operative societies under the Industrial and Provident Societies Legislation — the legislation under which the long established worker cooperatives are registered — without violating basic ICOM tenets. However, only one ICOM firm has, in fact, chosen to do so.

Diverse types of organization characterize ICOM firms. In some, there is direct and regular discussion on a basis of one employee one vote of all issues by the whole workforce. In others, various types of representative systems exist. All firms have a 'social purpose' written into their constitutions, to which part of their trading surplus is donated and some holding companies are registered as charities. Often enterprises constitutionally limit the maximum differentials that can arise in the internal wage structure to differences narrower than in comparable conventional firms.

ICOM firms operate in various industries. The two largest<sup>1)</sup> firms, Scott Bader and Bewley Cafes (each with about 400 employees), respectively manufacture bulk chemical and plastic intermediaries and operate shops with cafes. Other enterprises include: a manufacturer of outdoor furniture, a jewelry retail and repair firm, a building and contracting enterprise and a builder of industrial mobile units.

The thirteen Member Companies employ about 1200 employees. If we exclude Scott Bader and Bewley Cafes though, most ICOM members are tiny; nine firms employ between 5 and 45 employees for an aggregate employment of 200. A similar picture prevails when we look at sales. Aggregate sales were estimated at 15 million pounds. But Scott Bader accounts for about 12 million pounds of this.

Though small in absolute size, ICOM has recently grown quite rapidly. Started in 1958 by Ernest Bader, (founder of the Scott Bader Commonwealth which was established in 1951), and originally called the Society for Democratic Intergration in Industry (Demintry), by 1965 ICOM had added three Member Companies with ICOM members employing about 400. Two more firms joined before 1970 but the most rapid growth has taken place during the last five years in which period seven new Member Companies were added. There has been only one ICOM fatality Rowen Engineering (Glasgow). The growth promoted by Industrial Common Ownership Finance Ltd., a revolving loan fund which receives loans from companies and individuals and makes loans to prospective and existing common ownership ventures in need of capital. Currently it has over 50,000 pounds of loan capital available and eight loans have been made to new and existing Member Companies. Finally, the recent decision of the political committee of the London Cooperative Society to affiliate to ICOM as an associate member is an interesting development which should act as a further stimulus to the growth of ICOM.

### NEW WORKER COOPERATIVES

During the last few months a third wing has been added to the British Workers' Management scene. Three new workers' cooperatives have been established — Kirkby Manufacturing and Engineers (January 1975), Meriden Motorcycle (March) and most recently the Scottish

<sup>1)</sup> The largest common-ownership company, the Lohn Lewis Partnership, with about 25,000 employees and a turnover of more than 250 million pounds is neither a Member Company nor an Associate member of ICOM.

Daily News (May).<sup>1)</sup> In each case the cooperative was established after the proposed closure of the productive unit and usually there was active union involvement in the transformation process. The most novel and interesting feature of these developments, however, is the partial funding of these enterprises by the government. In the case of Meriden this consisted of: a grant of 750,000 pounds, a 4.2 million pound loan for fifteen years at 10% interest and 8 million pounds in export credits for motor bikes and spare parts produced by the cooperative but to be received by the former owner of Meriden, Norton Villiers Triumph, since Meriden output will be sold through the NVT distribution network.

In each case, workers do not have complete control though provision exists for majority control by employees with power normally residing with former shop-stewards. At Meriden there is presently a nine man board. Eight are worker directors elected through trade union machinery to represent the eight unions in the cooperative; the other director is an official of the Transport and General Workers Union and was elected by all members of the cooperative. The intention, however, is to have a 12-man board, with two of the remaining members representing local management and the government. The managing director will be the other, ex-officio, member of the board.<sup>2)</sup> At the Scottish Daily News, six of the ten members of the board are elected by the employees. Completing the board are representatives of investors and management.

Primarily because of government funding each of these cooperatives has received considerable attention in the national press. Much of this has been of a critical kind. (A good example is the lead editorial »A Questionable Judgement« in *The Times*, January 7, following the precedent-setting provision of state financial assistance to the Kirkby Cooperative). The main argument made by critics is that sales forecasts were usually so overwhelmingly unfavorable that irrespective of the organizational structure of the enterprise, prospects for commercial success, were sufficiently remote as not to warrant substantial investment of public money in new plant and equipment. Indeed, the new secretary for Industry, Mr. Varley,<sup>3)</sup> has recently reassessed the market prospects for the British motor bike industry and because of the gloomy outlook decided not to provide additional help and even rescinded export credits promised earlier. Consequently NVT announced its intention to put the subsidiary which owns the Meriden factory into liquidation. The prospects for survival of this member of the newest branch of the

<sup>1)</sup> There have also been numerous 'sit-ins' and 'work-ins,' which did not result in the establishment of legally-recognized workers' cooperatives. In one case, that of the former Imperial Typewriters (Hull) plant, the situation remains unresolved. Occupied since January, when the owners, Litton Industries, announced a decision to close the factory, a company called New Harmony has just been registered by the workers. It plans to manufacture office equipment.

<sup>2)</sup> As is the case with the two-tier ICOM firms, most of which are registered under the Company Acts, Meriden has a dual structure — it has both a holding and an operating company. Shares of the holding company are held by trustees. But, because the trustees are required to act in accord with the wishes of the members of the cooperative, real power rests with the operating company and hence the board of directors.

<sup>3)</sup> In June, Mr. Varley replaced Mr. Benn the minister primarily responsible for the initial funding of these new worker cooperatives and a strong advocate of workers' self management. Mr. Benn is also the member of the government most closely associated with early versions of the Industry Bill and the Cooperative Development Agency, as discussed later.

workers' selfmanagement movement in Britain, without substantial government assistance, are not great. And dark clouds loom on the horizon for the Scottish Daily News which has been experiencing sales difficulties of its own.

## OTHER DEVELOPMENTS

### Government Action

One indication of the Labour government's active interest in industrial democracy was shown in the discussion of new workers' cooperatives, when government funding of these enterprises was mentioned. There are four other examples of government involvement. First there is the new Industry Bill.

The implications for workers' self management of the amended Industry Bill (June 1975) differ substantially from those of the original bill. There remain, however, two basic parts to the bill — provisions for disclosure of information and the establishment of a National Enterprise Board (N. E. B.). Originally, the Minister of Industry was empowered to demand information from companies and then duty bound to pass on the information to relevant trade unions. Information could have been demanded about matters such as intended acquisition or disposal of fixed assets (that is about intentions concerning mergers, closures, takeovers and investment plans) and was to be used to formulate long-term planning agreements between the minister and companies. Responding to pressure from the business community, which feared loss of confidentiality, the amended bill now says that it is *desirable* for companies to provide information to the government and trade unions, though reserve powers exist for compulsory provision of information. Hence, by and large, instead of mandatory comprehensive planning agreements the new bill is suggesting that consultation among unions, companies and the government on proposed long-term plans is advisable. In the original bill, one function of the N. E. B. was the promotion of industrial democracy in enterprises it controlled. Amendments to the bill have subsequently deleted this provision. Further, in view of the likely limited funding of the N.E.B. (1 billion pounds?) there is unlikely to be a marked extension of public ownership under the terms of the new bill.

The government is considering the establishment of a Cooperative Development Agency which might aid established and proposed cooperatives in several ways, including: (i) providing a central pool of technical expertise, such as legal and accountancy skills, (ii) acting as a funding agency, (iii) acting as a trading association. Deliberations on the optimal structure for the proposed agency probably include consultations with the Cooperative Union, the C.P.F. and ICOM. Documents setting out the views of the various interested parties on this issue

have already begun to appear. The Co-operative Party, for example, probably differs from other groups in arguing that one appropriate function of this agency would be »... to make finance available to *consumer* cooperative societies at something less than the market rate...«<sup>1)</sup>

At the local government level, the local authority of Cumbria has appointed Britain's first local government official whose job is specifically to help the development of workers' cooperatives. The first task of Mr. Jack Miller, the industrial officer for common ownership, has been to try to raise up to 10,000 pounds for a proposed 12 man engineering cooperative. There is speculation that similar officers may be appointed elsewhere, notably for the Tyne and Wear Local Authority.

Last of all, and potentially the most significant development in the political arena, in early August it was announced that a committee of inquiry was to be set up advise the government on the matter of putting workers on boards of directors. The committee has been instructed to report within a year and given the following terms of reference:

Accepting the need for a radical extension of industrial democracy in the control of companies by means of representation on boards of directors and accepting the essential role of trade union organizations in this process, to consider how such an extension can best be achieved, taking into account in particular the proposals of the Trades Union Congress' report on industrial democracy as well as experience in Britain, the EEC, and other countries. Having regard to the interests of the national economy, employees, investors and consumers, to analyze the implications of such representation for the efficient management of companies and for company law.

An additional task of the Committee is to examine the role of employees in decision-making in nationalized industries. In general the move has received wide-spread support but criticism has also been forthcoming. Most criticism takes one or more of the three following tasks: (i) opposition to the integral role that unions will have in the scheme and the central attention that must be paid to the T.U.C. report. (This dissent comes from several quarters and includes some unions who oppose the notion of Trade Union directors because of the alleged »role-conflict« caused by union officials also acting as worker-directors and those who argue that unions as presently structured in Britain are unsuitable agents to be used in extending industrial democracy) (ii) opposition to concentration at the top level of decision making, thereby ignoring possibilities for the advancement of industrial democracy at more decentralized (and more appropriate, it is sometimes also argued) levels of decision-making within enterprises (iii) opposition to the separate study of the nationalized industries.

<sup>1)</sup> See *Industrial Democracy and Social Ownership*, Co-operative Party Document, (London, Co-operative Union, 1974), p. 19, emphasis added.

### Conference of the Institute for Workers' Control (I.W.C.)

The Tenth National Conference of the I.W.C. was held July 19—20, 1975, at Sheffield, with about 600 people of a predominantly rank and file nature in attendance. During this two day period, the basic organizing principle followed was that of plenary sessions alternating with three tiers of seminars. Strategic Problem seminars covered subjects including Workers' Control of Finance, Workers' Cooperatives and Participation versus Control; there were eight Strategic Problem seminars. About a dozen Industry seminars were held; they ranged from Aerospace to Construction and from Docks to Local Government. Diverse topics were also covered under the nine Special Problem seminars and sessions were devoted to Combine Committees, Education and Women's Rights. Few (if any) seminars were conventionally academic in the sense of most of the time being lent to the presentation of prepared papers and their discussion by selected discussants. Rather, panel chairmen, who included Ernie Robert, Allister Mackie, (Co-chairman of the Scottish Daily News Cooperative) and Joe McCarthy, typically made brief introductory remarks in which certain information was relayed and important issues identified. Thereafter all delegates were invited to participate in the general discussion. For example, in the Workers' Cooperatives seminar, co-chaired by Alistair Mackie and Richard Fletcher, Mackie began by mentioning various problems encountered by the Scottish Daily News Cooperative both in the setting-up and starting phases. Later, Fletcher, a member of the London Cooperative Political Committee, in trying to glean lessons from the experiences of long-established producer cooperatives, stressed the vital role professional expertise must play if new and viable workers' cooperatives were to be established. In the general discussion that ensued particular attention was paid to the best means of promoting workers' cooperatives and the practical problems experienced by them.

The main plenary session was devoted to discussion on »The Way Forward for Workers' Control — what do we do now?« The principal speaker at the session was the former Minister of Industry, Mr. A. Wedgwood-Benn. In order to combat Britain's biggest economic crisis since 1931 he proposed that, instead of adopting a strategy of trying to make British capitalism work again by neutralizing the countervailing power of trade unions, a radical industrial policy should be adopted. The keynotes of this radical policy would be, as in the Labour Party Manifesto of 1974, the nationalisation of the commanding heights of the British economy coupled with a rapid extension of industrial democracy. To achieve these inter-related objectives, he argued, it was essential for workers to make use of their existing political base, — the trade unions and the Labour Party. The need for industrial democracy must be first advanced at the shop floor level and later funnelled through these existing institutions to produce policies designed to achieve the goal of workers' self-management.

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