



HAL
open science

Worker co-operatives in the United Kingdom (A historical overview)

François Deblangy

► **To cite this version:**

François Deblangy. Worker co-operatives in the United Kingdom (A historical overview). THE WAY AHEAD: LINKING NEW RESEARCH ON CO-OPERATIVES AND THE SOCIAL ECONOMY WITH NEW PRACTICAL INITIATIVES, Nov 2019, Preston, United Kingdom. hal-03342670

HAL Id: hal-03342670

<https://hal.science/hal-03342670v1>

Submitted on 13 Sep 2021

HAL is a multi-disciplinary open access archive for the deposit and dissemination of scientific research documents, whether they are published or not. The documents may come from teaching and research institutions in France or abroad, or from public or private research centers.

L'archive ouverte pluridisciplinaire **HAL**, est destinée au dépôt et à la diffusion de documents scientifiques de niveau recherche, publiés ou non, émanant des établissements d'enseignement et de recherche français ou étrangers, des laboratoires publics ou privés.



University of Central Lancashire

Preston, 13 November 2019

François Deblangy

PhD student

Rouen University

Worker co-operatives in the United Kingdom:

(Slide 1) Historically, the British co-operative movement has always been dominated by consumers' co-operatives. For more than a century, what we called "co-operation" in the United Kingdom mainly referred to federations of people forming co-operative societies to buy affordable, quality essential products. They could expect to earn "dividends on purchase" and some would eventually have a say in the running of their local shops.

(Slide 2) Although the two large Co-operative Wholesale Societies started to manufacture their own goods as early as the 1870's, the workers there were still wage earners and the vast majority of them were not allowed to run for election to the management board. The very name of "worker co-operative" were hardly heard of before the second half of the 20th century. Major contributors to the co-operative literature in the UK wrote about "Industrial Co-operation" in "Producers' Co-operatives" or "Co-operative workshops" – that is workshops or factories jointly managed by some of the employees, outside members (mainly retired employees) and primarily co-operative retail societies themselves. Therefore I was not surprised – and rather more satisfied – to find two and a half pages dedicated to producers' co-operatives while scanning through the 440-page long *Century of Co-operation* by G.D.H. Cole, in which he claimed:

*"In effect, Industrial Co-operation among producers exists in Great Britain only as an adjunct to the Consumers' Movement, on which it entirely depends."*ⁱ

Some slow but steady progress was made and some fifteen years later, Arnold Bonner offered his readership clearer insight into the industrial co-operative movement with a dozen or so of pages out of 541ⁱⁱ – half of which described the ideological struggle between the consumers' and the producers' movement. This was back in 1961. And yet by the end of the 1970's, a revival of the co-operative ideals had already been initiated in the workplace. That is why the present paper will focus on that period, covering just over a decade, to find out what mix of circumstantial and structural elements allowed the birth and blossoming of hundreds of worker co-operatives

(Slide 3) As early as the 1970's, a wave of factory occupations was triggered to fight against the rising number of factory closures and industrial reorganisation or "rationalisation". The new gloomy economic context drastically changed the conditions of industrial conflict. More and more factory sit-ins had to be maintained for weeks or even months. The continuous illegal presence of workers in the factories, often demanding the "right to work" led to the transformation of many sit-ins into work-ins. Workers did not just block the production lines and locked the stocks. They seized and used them. That was the typical kind of workplace

experiment which induced some workers, and especially Trade-Union members to think: "why don't we just keep going this way?" Few of these occupations ended up with the creation of co-operatives mainly because of a lack of financial capacities and the poor financial health of British ailing industrial companies. But some did turn into co-operatives several months later, among which the most famous ones like *Triumph Motorcycles* in Meriden of *Kirkby Manufacturing and Engineering*.

(Slide 4) After the February 1974 general election, the Labour Party came back to power but failed to obtain a majority in the Parliament. To cope with this "hung" Parliament, Harold Wilson needed full back-up from the wide Labour movement and that is one of the reasons why radical ministers were appointed, such as Tony Benn. With his strong commitment to co-operative experimentation as Secretary of State for Industry, the labour government reluctantly decided to fund 3 large-scale worker co-operatives within 6 months, all born from the ashes of bankrupt private companies.

The worker co-operative movement was then gaining momentum thanks to positive advertising provided by the Institute for Workers' Control and Labour-affiliated think tanks. The most iconic one, the Fabian Society dedicated some of its publications to workers' participation in decision-making or self-management. In April 1976, they contributed to the Bullock Report of Enquiry on Industrial Democracy. (Slide 5) Despite the disappointing outcome of the final report, in November of the same year, a major milestone was passed with the enactment of the first law solely written to help worker-controlled enterprises develop. The funds made available were strictly limited but this act was the first to give a vague legal definition of a common ownership enterprise and the impetus had been given. The roots of the Industrial Common Ownership Movement date back to the early 1950's and the creation of the Scott Bader Commonwealth. Its aim was to promote and facilitate the setting-up of worker co-ops, most of which were limited by guarantee.

While the ICOM inspired more and more alternative business projects by providing model rules, advice and finance (almost exclusively through a fund established by the Scott Bader Commonwealth), the economic recession was hitting the United Kingdom, and especially the manufacturing sector. The second oil crisis of 1979 plunged the country into the "Bleak Years": from 1978 to 1988, the unemployment rate doubled from 4 to 8% and, more worryingly, the proportion of long-term unemployment almost doubled too from 23 to 40%. In the meantime, the number of trading worker co-operatives was multiplied by 7 from around 200 to nearly 1,500 ...

(Slide 6) As a consequence of national budget cuts under the new Thatcher government, local authorities at the county or city level decided to draw up their own strategy against rising unemployment and poverty rates. From then onwards, the action of supportive, radical decision-makers within local authorities was more decisive than ever before. For example, in 1984, the Tyne Wear county council provided a worker co-operative named *Printers Inc.* with up to £17,000 in grants and loans to help them through their start-up phase. Sometimes, local government officials got involved personally. In Skelmersdale, the then Labour leader of Lancashire County Council Louise Ellman was the initiator and company secretary of two co-operative workshops launched in the late 1970's after the closure of the Courtaulds factory. Most of the financial backing was indirect thoughⁱⁱⁱ.

From 1978, the Co-operative Development Agency Act allowed the creation of an advisory, promotional and research body with funds of £ 300,000 a year (which equal to around £1.7 million nowadays) and a chairman appointed by the government. This was interpreted as a symbol of ideological sympathy for the co-operative ideals but fell far short of meeting the needs for financial assistance. The very same year, the Inner Urban Areas Act was passed and this is when the number of worker co-operatives truly skyrocketed. Local authorities had the opportunity to make grants and loans to help people create common ownership enterprises. Many of them used available funds to establish local Co-operative Development Agencies, rent offices and hire business staff. In 1981, there were around 30 local CDAs. By 1984, their number had risen to over 80 and the efficiency of their daily input could be measured by the number of co-operative projects which materialized during the 1980's.

The number of worker co-operatives kept on rising until the beginning of the 1990s but by 1984, the growth rate of their number had already reached its peak. (*Slide 7*) 1984 is also the year the Finance Act guaranteed tax reliefs for capital gains, leading to a boom in Employee Share Ownership Schemes. Profit-sharing and employee share ownership thus became the new be-all and end-all of the Conservative "workplace democracy" program. In a survey carried out in 1989 on a sample of 356 companies, two thirds of them operated at least one type of scheme. This same analysis also pointed out that these schemes benefited primarily senior and middle managers in big manufacturing companies^{iv}.

In early 1990, the Co-operative Development Agency was dissolved. Over its 12 years of existence, only £3 M have been spent by the central government and not a single penny could be directly granted to any worker co-operative. Local CDAs lived on but their number dramatically shrunk as did city councils' financial resources. One way to support workplace democracy could have been to start experiencing workers' participation in the management of public companies but privatisations were more fashionable at the time and still is obviously.

As a conclusion, I would just like to point out a few salient trends in today's British "labour market" and economy which I think could help us understand why the last economic downturn has not (yet) resulted in a new co-operative high tide:

The following graphs expound the development of self-employment and insecure forms of employment in the UK:

1. (*Slide 8*) This curve indicates the evolution of job creation in the UK during the 10 years from 2007 to 2017. These bars compare the contribution of employee jobs and self-employment jobs in the total stock of jobs created or cut. The number of self-employment jobs has never decreased. It has even risen by hundreds thousands since 2010. For 5 years from 2009 to 2014 it was the only source of job creation in the country.
2. (*Slide 9*) This graph shows that self-employment has also become something of a middle-class feature. Since the beginning of the century, the number of self-employed with a higher education increased by around 80% and those with a degree or equivalent by 150%.
3. (*Slide 10*) And last thing, but not least, these people are truly going "on their own".

Of course, this individualisation of working lives, combined with the development of insecure, on demand labour contracts deals a hard blow to the co-operative ideal of people uniting to

provide socially useful services and organise independently and democratically their work-life balance.

(Slide 11) Now the most important questions I will endeavour to answer in the near future are: What is the impact of industrial and economic policy on the development of workplace democracy and especially worker co-operatives? What can governments or, most likely, local authorities do to help them grow? What legal and socio-economic environment do they need to thrive?

This kind of concern implies practical as well as methodological issues such as: how are we supposed to assess precisely this impact? What outcome measures are the most relevant? And this questions our relationship to wealth (both economic and social), its creation and sharing.

ⁱ George Douglas Howard Cole, *A Century of Co-operation*, London: George & Allen Unwin, 1944, p. 395

ⁱⁱ Arnold Bonner, *British Co-operation. The history, principles, and organisation of the British co-operative movement*, Manchester: Co-operative Union Ltd., 1961; other books published in the end of the 19th century did mention the early forms of producers' co-operation but pointed out their limited adherence to co-operative principles and workers' participation (see Beatrice Potter, *The Co-operative Movement in Great Britain*, Londres: Swan Sonnenschein & Co., 1904 [First edited 1891], 260 p.; and Benjamin Jones, *Co-operative Production*, Oxford: Clarendon Press, 1894, 839 p.)

ⁱⁱⁱ For example, the 1976 Industrial Common Ownership Act allowed to "make grants to any relevant body [...] for the purpose of assisting the body to provide advice about the organisation of common ownership enterprises and co-operative enterprises; [...]"

^{iv} Leslie Baddon, Laurie Hunter, Jeff Hyman, John Leopold, Harvie Ramsay, *People's Capitalism? A Critical Analysis of Profit-sharing and Employee Share Ownership*, Londres: Routledge & Kegan Paul, 1989, 322 p.