



scottish universities insight institute

mobilising knowledge for a better Scotland

Strengthening democracy at work and in our communities.

2013

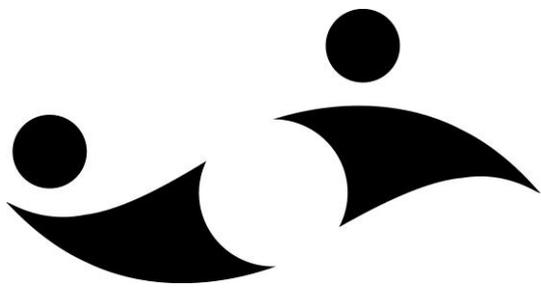
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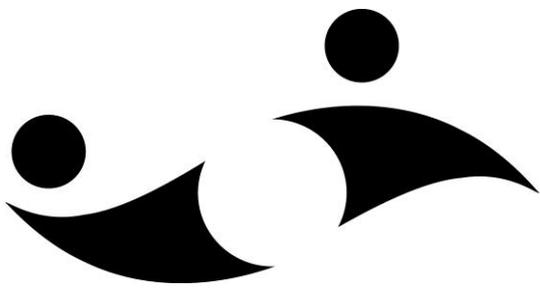
1. Executive Summary

1. Four workshops were held in 2013, three at SUII, one in the Scottish Parliament.
2. The themes of the SUII workshops were, respectively, employee ownership, employee voice and community ownership; the theme of the final workshop in Parliament was the policy implications of this work.
3. All the workshops attracted internationally recognized authorities on the respective subjects, and also significant practitioner input. This produced vigorous discussion and genuine knowledge transfer among the participants.
4. In addition, each workshop was combined with a visit to a relevant operating site, giving very useful input 'on the ground'.
5. The main conclusions were that:
 - a. Employees should be recognized as a qualifying community with a legitimate interest in the ownership of the businesses where they work; and that they should have the right to buy their employing companies when these companies are under threat of closure, in administration, or being sold.
 - b. The Employee Benefit Trust should be facilitated in its role of the major vehicle for implementing all-employee buyouts by removing tax disincentives.
 - c. The practicability, outstanding performance and attraction of all-employee buyouts should be more widely recognized, in particular by professional advisers, who in the great majority of cases do not offer the option to clients wishing to sell their companies. They should have the all-employee buyout as an option on the table in all cases.

1.1 Key Recommendations

1. Employees should be recognised in the community empowerment legislation (or separately) as having the right to buy the companies where they work. The major recommendation resulting from these workshops is that just as communities have been recognised in the creation of a right to buy community assets, the employees should be recognised as a community of people with a legitimate interest in the ownership of the institution where they work; that this links with the interests of the wider community in the businesses on which they depend for their economic health; and that consequently the right to buy their employing company or business should be extended to communities of employees. This should be the case in three situations: if an owner is closing a business; if a business is in administration; and if a business is put up for sale. In all these cases the employees should be given the right to buy the company or the business assets.

2. The use of employee benefit trusts should be facilitated in the tax system. There is a practicable way forward which is already widely used: the purchase of a company, or of business assets, on behalf of all the employees through an Employee Benefits Trust. Currently, the tax system is prejudiced against this method. It was understood that this may be addressed in the 2014 UK Budget. This is a key step.

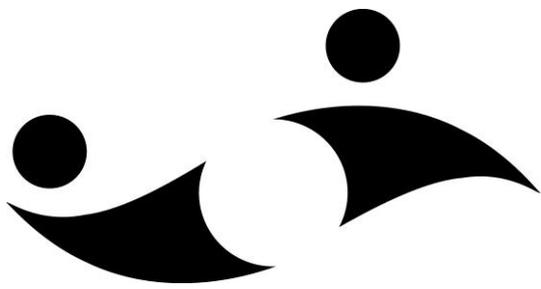


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3. Advisers should be incentivised to offer all-employee buyouts to their clients. It became clear that a key requirement is for the research to be better explained to and understood by advisers, especially lawyers and accountants. They are usually the first port of call for business owners who are thinking of retiring and want to sell their companies. At present an employee buyout is only very rarely put forward as an option. Once it is understood that an all-employee buyout at a fair price is perfectly practicable, and has been achieved by existing businesses since at least 1874; that employee-owned businesses with participative management outperform conventional companies economically; and that such businesses are thoroughly beneficial for the employees and their communities; once these points are understood, then many owners decide to sell to an all-employee buyout. But their advisers only very rarely offer them the option.

Employees should be recognised in legislation (or separately) as having the right to buy the companies where they work.



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2. Introduction

2.1 Context

The wider context for this conference was the Scottish Referendum on Independence due to be held in September 2014, and the ever-increasing interest in democracy, especially following the Middle Eastern experience first of the failure of the wars in Iraq and Afghanistan to facilitate meaningful democracy, and the burgeoning of the Arab Spring, with its mixed results.

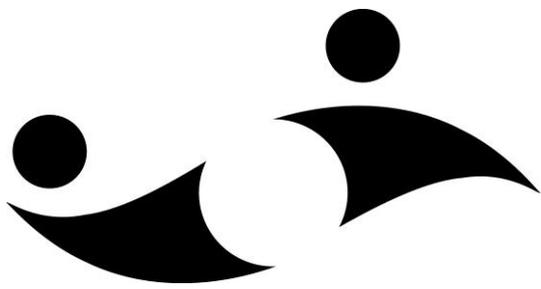
2.2 Objectives

The objective of the four workshops was to explore four different perspectives on the theory and practice of democracy at work and in our communities: employee voice at work; employee engagement within conventional companies; community ownership; and a review of policy implications following from the workshops.

The programme consisted of a series of four workshops between April and November 2013, each focusing on one of the perspectives. The first three took place at the SUII building in Glasgow, the final one in the Scottish Parliament in Edinburgh. Each of the first three workshops was combined with a visit to a relevant practising site, a design that proved highly effective.

The interlocking perspectives of the four workshops were as follows:

1. Workshop 1 focused on international and Scottish experience in **employee ownership**. The visit was to Tullis Russell, one of Scotland's outstanding employee owned businesses. The chairman and some of the elected representatives on the top elected body met with SUII participants for a full, open and detailed discussion of the role of democracy in the governance of the company. Next day the conference was opened by Professor David Ellerman, a distinguished thinker and ex World Bank economist, who gave an in-depth historical and philosophical account of the development of key ideas in employee-ownership, relating them to theories of human rights and the inalienability of labour. A number of speakers presented evidence from Scotland, the UK and internationally on the performance of employee owned companies, and a number of practitioners spoke about their own companies, stressing the role of democratic participation in their companies. The academic speakers were Gayle Broad and Linda Savory-Gordon, who spoke on the spillover effects on community participation from the large Algoma Steel employee buyout in Canada; Fred Freundlich on the association between worker-coop density and human longevity in the area of Mondragon in Spain; Gabriel Burdin on the economic and social benefits of worker coops in Uruguay; and Ron McQuaid on important new Scottish research on the performance of employee owned companies. The practitioner speakers were Fred Bowden (jun), MD of Woollard and Henry; Dick Philbrick, Chairman of Clansman Dynamics; Stephen Pennington, MD of Highland Home Carers; and Fred Bowden (sen) Chairman of Tullis Russell



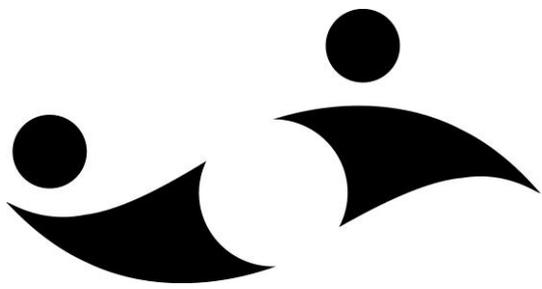
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2. The second workshop examined **employee voice** and participation in decision-making where there was no element of ownership. Around 25 participants from academia and industry convened for a conversation about employee voice. The leading employee voice scholars in the world presented and discussed their research. The session was launched with a keynote address entitled, 'The (Potential) Benefits of Employee Voice', delivered by Prof. John Budd, the Industrial Relations Land Grant Chair at the Carlson School of Management, University of Minnesota. Further presentations were delivered by Prof. Tony Dundun, Dr Stewart Johnstone and Prof. Andrew Pendleton. In the afternoon, the practitioners took centre stage, beginning with a presentation by Joe Dromey of the Involvement and Participation Association, a non-profit based in London whose mission is to promote employee voice in the workplace. The workshop concluded with a practitioner panel consisting of both employers' and employees' representatives discussing the importance of workplace democracy in the 21st century. The following day, on 17 July, 2013, the participants travelled by coach to New Lanark, a UNESCO World Heritage Site located just outside of Glasgow. They were joined by a cohort of post-graduate students at the University of St Andrews. The visit to New Lanark included a tour of the mill, followed by a presentation from Prof. Peter Ackers, a labour historian from the University of Loughborough. This was a fantastic conclusion of the two day event.

3. The focus of the third workshop was on the developing Scottish movement of **Community Ownership**. Around 40 delegates from industry, practice, policy, academia, journalism and activist organisations attended over two days. The first workshop was held at Neilston Development Trusts' community hub, The Bank. During interactive sessions, participants developed their understanding of community ownership in Croatia, Scotland, and the rest of the UK. This workshop focussed on the potential negative effects of community ownership, both in terms of financial liability and in terms of negative impact on community cohesion in some places. The final session involved all participants in setting out what measures needed to be considered to ensure the forthcoming Community Empowerment Bill was a success. These included considering how communities were defined to ensure equality, and how to monitor the impact of the new legislation. The day finished with a coach tour of Neilston's community owned wind farm. Day two was held at the SUII facility in Glasgow. The keynote speaker, Ghazala Mansuri – Lead Economist at the World Bank, was unable to attend due to Heathrow's closure in bad weather. The SUII staff arranged for a Skype connection and the keynote session went ahead very successfully. This workshop focused on the positive spillover effects of community ownership – in terms of the local economic multiplier and the potential to build human capital and civic participation. With participants from employee owned organisations attending, links between community and employee ownership were made.

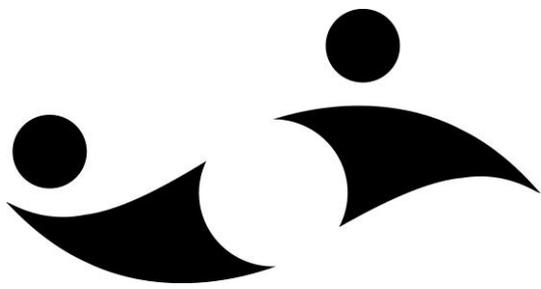
4. The objective of the fourth workshop, which was held in the Scottish Parliament, and opened by Chris Mackin, a distinguished practitioner/academic from the US, was to draw together the different strands and make recommendations to government on how to improve the functioning of workplace and community democracy in Scotland. The major recommendation for the short term



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was to include in the **Community Empowerment (Scotland) Bill**, at the time under consultation, a recognition that each business forms a community of people with a legitimate common interest in their employing company, and that such communities should be recognized for the purposes of community empowerment by having the Right to Buy extended to them, the asset in question being the business where they work, or its assets. In parallel with the terms for other communities, in the event that a business is up for sale, being closed, or in administration, the employees would have the right to buy.



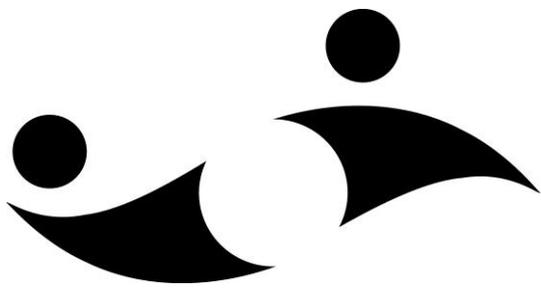
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3. Knowledge Resulting from the Programme

The results of this programme consisted first in gathering key international authorities on the subject under discussion, and combining their insights with 'on the ground' evidence from the visits and from the contributions of practitioners in Scotland. Clear conclusions resulted from this combination of research and practical experience.

1. The workplace plays a key role in life experience, and therefore in quality of life.
2. Work relationships are fundamental, but most workplaces are not structured democratically; employees are treated as servants rather than autonomous participants, and they are not acknowledged to have the right to information, influence or participation in the wealth they create.
3. Where greater participation is developed, through sharing information and through consultation processes in which the contributions of employees are appropriately acknowledged, both organisational effectiveness and the experience of working lives improve very significantly.
4. These improvements happen even if there is no element of employee ownership, but reach a peak where all the employees together control the company, appoint the leaders, and share by right in the wealth (or loss) created.
5. The experience of democracy at work does not simply improve economic performance and social experience, it also spreads thoroughly beneficial effects, both economic and in terms of community participation, into the local communities. Thus, the economic multiplier in the local communities is much higher than in the case of any other form of business; the wealth is spread more widely (counteracting at source the trend towards inequality); and a more positive participation in community activities is achieved.
6. There is indicative evidence from two studies that cardiovascular health in particular is improved with real democracy at work, resulting in reduced mortality.
7. Community ownership does not necessarily lead to community empowerment, several additional factors are needed, particularly community capacity and supportive legislation.
8. Democracy encourages diverse voices with the result that good democratic procedures are necessary to handle and resolve potential conflict.
9. Community ownership is difficult and each community makes mistakes: there is huge potential for the communities to learn good solutions from each other and from the experiences of employee owned organisations. This should be encouraged by closer links between the sectors.



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4. Outputs and Impact

The first output was the discussions that took place at the workshops, bringing together international authorities with Scottish academics and practitioners. The knowledge transfer that took place was significant.

The second output was the recommendations listed above.

- The programme team was invited to submit evidence on employee right to buy to the consultation on the Community Empowerment Bill.
- The team has submitted evidence on an employee right to buy to the Economy, Energy and Tourism Committee, Inquiry into Scotland's Economic Future Post-2014.
- The team has also been invited to submit evidence (in collaboration with Oxfam Scotland) on employee right to buy to the Working Together (Mather) Review: Progressive Workplace Policies in Scotland.

Many of the proceedings were digitally recorded and it is intended will be uploaded to YouTube for wider consumption.

4.1 Dissemination

As a result of the workshops, the organisers of the programme have been invited to speak at a number of conferences and events in the UK and abroad, and to contribute papers.

- David Erdal has presented on the themes of these workshops in Estonia, Yorkshire and Scotland.
- Andrew Timming was a main speaker at the CIPD's Voice and Values Conference at the LSE.
- Juliette Summers has presented on the themes at events on Scotland and England:
 - *Strengthening democracy in Scotland: an employee right to buy?* International Conference on Employee Ownership: Research & Practice, York April 2014
 - Invited expert witness (on community & employee ownership) at the Electoral Reform Society Scotland's public debate '*Reclaiming local democracy*' (Edinburgh, April 2014)
 - Invited speaker on employee right-to-buy, Edinburgh Green Party (March 2014)
 - Invited participant, as expert on employee ownership, to the SVCO economy roundtable (Edinburgh, December 2013)
 - Invited member of the GMB/UNITE working group on employee right to buy (ongoing).
 - Operation of the 'Strengthening Democracy' twitter feed (ongoing)