

LABOUR PARTY
CONSULTATION PAPER:
DEMOCRATIC PUBLIC
OWNERSHIP

Labour Party Consultation Paper: Democratic Public Ownership

Public ownership is back on the political agenda. Our 2017 manifesto – and its promises to nationalise energy, water, Royal Mail and the railways – played a key role in increasing Labour’s vote share, reflecting long-held and wide-spread support for public ownership of key parts of the economy.

Some may accuse us of looking to the past for solutions, but we have always been clear that public ownership of key services is about handing economic power back to workers, citizens and communities to a degree that has never been before.

Over the last forty years, our ability to shape our own lives has been eroded. The legacy of Thatcherism has left us at the mercy of market forces. Crucial services have been handed over to unaccountable and remote corporations. The dominance of the City remains seemingly unassailable: the influence of a few unscathed by the Financial Crisis they caused, even as the rest of us still grapple with its consequences.

Set against this backdrop, democratic public ownership is a chance for the biggest devolution of economic power the UK has ever seen – a way of putting people in control of their lives, not just after clocking off, but at work too. Giving people a direct say in decisions about working hours, wages, investment, new technology, and health and safety, promises to make people both more fulfilled and more secure.

But democratising economic decision-making is not just a political question – it is also a practical and economic necessity. Only by putting the essentials of life in the hands of those who use them and work in providing them can we unlock the potential of the grassroots knowledge often ignored by senior managers.

And if we are to meet the twin challenges of automation and climate change in a way that ensures that the benefits are shared and the most vulnerable are protected we will need the ability to plan and coordinate investment together.

Learning from past experiences in the UK – both positive and negative – will be crucial, as will looking to international examples of democratic decision-making in publicly owned organisations. Across the world people, governments and socialist movements have put into practice in different ways the principle of economic democracy: delivering it at this level is something Labour will put at the forefront of our mission to transform Britain.

Most important is to listen and learn from the experts on the ground, the experience of people on the frontline, and the ingenuity of every one of us – and that is the purpose of this consultation.

Labour wants to hear from constituency parties, trade unions, activists, campaigners, professional experts and users of public goods and services alike about how we transfer power into your hands, in order to deliver public services that will transform the lives of all of us who use and work in them.

John McDonnell MP, Shadow Chancellor of the Exchequer

Rebecca Long-Bailey MP, Shadow Secretary of State for Business, Energy and Industrial Strategy

The Return of Public Ownership

From the collapse of Carillion to the failures of the railway companies, Royal Mail, and the water and energy sectors, evidence of the inability of privatised solutions to deliver affordable, effective, and sustainable goods and services mounts by the day.

At the same time, there has been increasing public awareness – especially since the financial crisis ten years ago – that the economic system is tipped in favour of a few, prompting popular demands for public ownership.

Labour’s 2017 manifesto, *For the Many Not the Few*, pledged renationalisation of the railways, the energy system, the water system, and Royal Mail, as well as the establishment of a National Investment Bank and a network of regional development banks.ⁱ

The policy report to Shadow Chancellor, John McDonnell and Shadow Secretary of State for Business, Energy and Industrial Strategy, Rebecca Long-Bailey, *Alternative Models of Ownership*, lays out the case for increasing public, community and worker ownership as ways to combat inequality, political disenfranchisement, and underinvestment, as well as addressing the coming challenges of automation.ⁱⁱ

Statements by Jeremy Corbyn, John McDonnell and other Labour frontbenchers, have not only made the case for public ownership, but suggested more diverse and democratic forms of ownership that involve users, workers, and other stakeholders in governance structures. In the face of accelerating climate change, it is particularly critical that we create forms of public ownership that stimulate public engagement and involvement with the most important challenge of our era, and facilitate the planning and coordinated investment necessary to manage major social transition.

“Energy transition will depend on the initiative and ingenuity of the many to localise the production and consumption of energy.

“We need public ownership and democratic control to make that happen and use the skills and knowledge of the workforce and communities across the country.

Jeremy Corbyn

How do we enhance public participation, accountability and transparency in economic decision-making to achieve critical public policy

goals? This consultation considers vital questions about what new, democratic forms of public ownership might look like, hoping to stimulate debate within and beyond the Labour Party in the process.

Why democratic public ownership

While there is clearly a desire in the UK and elsewhere around the world for public ownership, Labour has made it clear that we do not wish to return to the top-down political and managerial forms that dominated public ownership in the past.

Previous moves to successfully democratise and improve the economy employed a “Morrisonian” model: run by an autonomous, arms-length, appointed board (answerable to secretaries of state and the occasional Parliamentary committee) and designed to be largely independent of government control, worker representation, and democratic accountability.ⁱⁱⁱ

Part of the justification was the belief that public enterprises should be run primarily on commercial grounds and according to a private-sector ethos.^{iv} In many cases the model proved overly managerial and offered little in the way of participatory potential for workers or service users, with an emphasis on the importance of expert control. Across the entirety of the industries nationalised by the Attlee government, for instance, 80 per cent of the full-time board members were simply inherited from the era of private ownership.^v

Public utilities, services, and other enterprises were owned for the public, but the public itself had little say in how they were run and for what purpose. Economic democracy was confined to improving the pay and conditions of workers and providing cheaper services to working class families – though these were aspirations that were largely achieved, something which should not be underestimated.^{vi}

After the Second World War, the Nordic countries, Germany, Austria, and France, all introduced important “codetermination” principles, providing workers (and even consumers in some cases) with elected representation on company boards in both public and private corporations. In France, for example, board membership of Electricite de Gaz de France and Gaz de France comprised four government appointees, four from technical and expert groups (with two of these nominally representing the consumer interest), and four from trade unions.^{vii} Although over time, full time state officials and company executives were able to exert greater control over part-time elected officials, this board-level representation and the co-existence of works councils meant both a deeper level of economic democracy and greater public support for public corporations than in the UK.

Perhaps not unrelatedly, despite Thatcher’s privatisation agenda being generally unpopular, it was pushed through relatively quickly and without effective opposition. Although the nationalised industries performed much more effectively in productivity terms than their political opponents like to admit, they lacked the visible democratic accountability, scrutiny and broader public engagement that are critical if public organisations are to serve social needs and concerns.^{viii}

Four reasons for democratic public ownership

The responses to the political and economic challenges of today must include a process of genuine and increased democratic engagement and participation, especially in the economic sphere.

There are four principal reasons for this:

1) Involving workers, the public, and other stakeholders in economic decision-making has both societal and economic benefits.

Almost 100 years ago, the American philosopher John Dewey argued that marginalising the public from political participation and trusting representative elites to make the key decisions would produce greater inequalities and ignorance. This is not just because of the risk that said elites make decisions in their own interest, but because participation has individual psychological benefits of empowerment and self-development, as well as social benefits such as increased community cohesiveness and dialogue, increased civic participation and engagement, reduced inequality, and greater productivity.

2) Democratic participation can enhance the effectiveness of publicly owned enterprises by tapping into grassroots forms of knowledge from the direct experience of employees and users of public goods and services.

Active and broad-based participation of workers, community members, and other stakeholders can deliver better outcomes by utilising the practical knowledge of those groups regarding operating conditions on the ground.^x In the US, the UK, and elsewhere, there are examples where enterprises have achieved significant efficiencies by partnering with their workers and other stakeholders to stimulate innovation.

3) Economic democracy – and specifically the active exercise of individual worker and community member ownership rights – is a critical cornerstone (and pre-requisite) of genuine political democracy

There is an understanding among many political theorists that democracy cannot truly flourish in a society in which wealth, power, and decision-making is concentrated in a small elite group of private owners who appropriate the labour of the rest of the population largely for their own ends.^x In 1937, for instance, Dewey maintained that “unless democratic habits of thought and action are part of the fiber of a people, political democracy is insecure. It can not stand in isolation. It must be buttressed by the presence of democratic methods in all social relationships.”^{xi}

“Transforming the grid will require investment and planning on a scale that is simply not happening under the current system.

“To go green, we must take control of our energy

“We need public ownership and democratic control to make that happen and use the skills and knowledge of the workforce and communities across the country.”

Jeremy Corbyn

4) **Economic democracy can empower groups and individuals that are otherwise excluded.**

Genuine economic democracy should involve workers in their own enterprises, but should not stop there. In the UK, the US, and other advanced economies, employees now make up less than half of the total population. While workers in some enterprises may have some participatory rights, retirees, students, the disabled, and the unemployed generally do not, as well as those who work elsewhere. And, of course, the natural world – from which so much is extracted and to which so much harm is done – has no representation at all. In other words, there are any number of things which are essential to us and our families' well-being over which we have no say in how they are produced. This is the democratic deficit of privatisation but also more broadly of an economy and society forged around private property rights rather than broader economic and social rights. New forms of democratic ownership should incorporate the users of public services as key stakeholders in the decision-making process.

Learning from history and existing practice

These ideas are well understood internationally in places where worker participation in ownership and management decision-making is commonplace in both public and private enterprises alike. As previously mentioned, in many European countries, for instance, a degree of worker participation is provided through “codetermination” approaches. Often, this provides workers (usually through the intermediation of a trade union) seats on a company's board of directors or supervisors. In addition to representation

on boards, collective bargaining mechanisms involving trade unions, or assemblies may provide opportunities for workers to more directly participate in managing enterprises. Lessons on increasing worker participation at multiple levels around both ownership and

In Cádiz, Spain, a participatory planning process (The Roundtable on the Energy Transition in Cádiz) concerning renewable energy transition has been set up, and involves the publicly owned utility, residents, politicians, workers, businesspeople, and other groups. It has led to the utility striving towards 100 percent renewable energy, a “social discount” for poorer residents, new economic development, public-public partnerships with neighboring municipalities, an online database of energy consumption patterns (in order to reduce waste), and popular education around energy issues. Lessons can also be drawn from the widely documented participatory governance effort in Porto Alegre, Brazil. Following the 1988 victory of the Workers' Party, the city instituted a participatory budgeting program enabling residents to make certain decisions regarding public spending. Subsequently, participatory budgeting has spread throughout Brazil and the world, and while often relatively marginal to the overall budget and planning process, it indicates not only that people can effectively participate, but that there is also a desire and hunger to do so.

management structures can also be learned from the cooperative sector (especially large, worker cooperative networks such as Mondragón in the Basque region of Spain).

In democratic publicly owned enterprises, however, the employed workforce is not the only group that should be able to exercise ownership rights and participate in decision-making around the organization's principles, values, and long-term strategic direction. Other key interests should also be represented. Here, lessons may be drawn from various "multi-stakeholder" processes emerging around the world, such as Community Action Agencies, Community Land Trusts, and Multi-stakeholder Cooperatives in the United States.

Such multi-stakeholder processes should likely not be limited to board representation where, experience suggests, worker and community representatives can easily be marginalized by full time executive and business appointees. Instead, principles of participatory planning – the involvement of workers in particular but other relevant communities – should inform the goals, methods, and practices of the enterprise.

Transparency and accountability are central to increasing participation. These are goals that are shared by many proposals to reform the governance structure of public enterprise but should go beyond the simple call for better oversight and reporting standards (and reject efforts to

In 1968, in the context of a powerful shop stewards network, the Institute for Workers' Control (IWC) was formed to "assist in the formation of workers' control groups dedicated to the development of democratic consciousness, to the winning of support for workers' control in all the existing organisations of labour, to the challenging of undemocratic actions wherever they may occur, and to the extension of democratic control over industry and the economy itself, by assisting the unification of workers' control groups into a national force in the socialist movement." The IWC helped reinvigorate ideas around worker participation and self-management as a wave of sit-ins, work-ins, strikes, and occupations swept the UK.

This led to development of the Lucas Plan, which originated from grassroots workers in Lucas Aerospace during the 1970s. Faced with the threat of closures and job losses, the Shop Stewards Combine Committee – a network that operated across the company's 17 sites – requested a meeting with the then Industry Minister, Tony Benn. Benn encouraged the workers to come up with their own alternative corporate plan in response: the result was a plan described at the time by the Financial Times in 1976 as "one of the most radical alternative plans ever drawn up by workers for their company." It featured a diversification strategy away from defence sectors (which accounted for over 50 per cent of the company's market); a very high level of detail and knowledge (six volumes of material that included detailed economic and market analysis as well as principles about how work could be re-organised along more cooperative and less hierarchical lines and detailed plans for training and skills enhancement of the workforce); and incredible innovation in coming up with new socially useful products (at the outset of the plan, the Committee sent a questionnaire around the workforce asking for ideas and received over 150 compared to just three from a request for advice and support from academic experts.)

corporatise public enterprises and run them purely on commercial lines). There are many lessons to be learned and best practices to be adopted from efforts to improve the transparency and accountability of public services, agencies, and enterprises using new online and digital tools (including social media, citizen journalism, database aggregators, etc.) that are being experimented with around the world.^{xii}

To facilitate participation and accountability in the most effective way, the principle of subsidiarity – generally, that decision-making should be devolved to the lowest level possible – may be relevant. There are indications from around the world that local publicly owned enterprises may be more responsive to citizen concerns and desires than larger institutions. Set against this, larger scale economic organization may be required in cases where a role for national government or other national bodies is central.

The Banco Popular in Costa Rica (BPDC), the country's third largest bank is now a hybrid publicly owned enterprise and consumer cooperative. The bank has a democratic assembly made up of 290 representatives selected (on the basis of representing various economic and social sectors) from among the bank's member-owners. Any worker holding a savings account for over a year receives an ownership share. The assembly, in turn, advises on the bank's strategic direction and selects four of the company's board members, with another three appointed by the government. BPDC is committed to a nationwide, popular consultative process when it comes to its strategic direction, requires 50 percent of board members to be women, and directs a portion of revenues to social projects through its Social Bank subsidiary. The bank has also become a leading financier of ecological sustainability in the country in conjunction with its 'triple bottom line' approach seeking economic, social, and environmental returns.

Bringing it all together

There will, of course, be no one-size-fits-all or "off the shelf" model of democratic public ownership that can be applied in all places and all times. The forms taken will inevitably diverge in line with the social needs and technical requirements of different places, activities, and sectors. It is likely too that the nature of public ownership changes over time as human society, the economy, and our relationship to the natural environment develop.

Democratic public ownership offers the opportunity to provide autonomy and devolve decision-making power to workers and users, neighbourhoods, towns, cities, and rural communities. But local autonomy should not be at the expense of a broader commitment to commonly agreed goals and principles at national and international levels. There will also still be a requirement for higher level strategic planning and integration of public services, particularly with regard to infrastructure and grid networks in areas as diverse as transport, energy, water, and healthcare.

While it is critical that public bodies have autonomy and genuine control in their operations and decision-making, they should at the same time be beholden to a broader set of commonly accepted values and norms. In other words, enterprises and local stakeholders should recognise their broader global responsibilities to promote democratic and sustainable societies. An important argument for public over private ownership in this sense is securing the common good against vested interests.^{xiii}

Potential tensions between forms of democratic participation and engagement with operational effectiveness are not unique to public enterprises. Debates about the merits of more hierarchical forms of management compared to flatter forms are alive and ongoing beyond the public sector.^{xiv} However, there is now widespread agreement that organisations tend to perform better where employees feel a sense of engagement and empowerment over their work, and are committed to shared values, not least because of the tacit knowledge that they bring to dealing with organisational problems. There is also considerable evidence that organisations where employees have some degree of ownership, particularly producer and worker cooperatives, also perform better than those without.^{xv}

Worker self-management must also be combined with other stakeholder representation and participation in management and governance structures. Within any structures, though, workers should have access to empowered trade unions, strong collective bargaining rights, progressive and enabling employment and training conditions (including clear career pathways and promotion opportunities), and a decision-making voice in the management and organisation of work.

There is a further question about how professional experts with the relevant technical skills manage and run an organisation effectively while also allowing genuine democratic citizen engagement. An organisation, and indeed sector, should be run by the people who have the experience, skills, knowledge, and competence to do this. However, this is always a collective learning process and is done best where the considerable diverse knowledges of the workforce and citizenry are brought together to inform the decision-making process. This requires not just appointing specialists and experts to manage and work in public enterprises but dedicated and sustained education and training programmes that invest resources in meeting the labour needs of the organisation and the sector, providing job opportunities and the labour force of the future. A key failing of privatisation everywhere is the cutback in employment and training and a broader lack of investment in human resources: not just failing to deliver in the present, but with no vision of preparing the common ground for the future.

All public organisations should, therefore, have a regulatory commitment to ongoing training and education of managers, employees, user groups, and residents, including dedicated apprenticeship and graduate training schemes, including in the practice of managing organisations delivering services for the public good. Once again, there is considerable evidence to suggest that greater “co-production” of public services – the involvement of citizens in how public services are produced – does produce beneficial effects in terms of performance, as well as making public services more accountable to citizens and enhancing people’s sense of ownership and support.^{xvi}

With thanks to principal contributors Professor Andrew Cumbers (University of Glasgow) and Thomas M. Hanna (The Democracy Collaborative)

Consultation Questions

Governance and operations

Long-term decision-making, for example about major investment decisions or strategy, may need to be made in a different forum to day-to-day decisions about rotas or shift patterns. This group of questions seeks to clarify which decisions should be made where and by whom.

1. What core democratic principles should underpin the governance and operation of a publicly-owned company (eg. a regional water authority, publicly owned rail company, etc)?
 - a. Who should be making long-term and strategic decisions about how publicly-owned companies are run?
 - b. How do we make publicly-owned companies run as well and efficiently as possible on a day-to-day basis?
 - c. Are the answers to the above different and, if so, why?
2. Is localism always best?
 - a. Should decisions be made at the most local level wherever possible?
 - b. What considerations and circumstances make higher-level coordination and decision-making necessary?
 - c. How do we do both of these democratically?
3. What works best where?
 - a. Is the best governance structure the same for all public bodies? What are the arguments for and against having a uniform structure?
 - b. How do we decide which structures to use where?
4. How should different layers of management relate to each other eg. how do decisions taken locally feed into national decision-making?

Democratic principles

These questions look at how the interests of workers and other stakeholders can be represented at each level of management in the most appropriate, effective and democratic way.

1. What should be the roles of different stakeholders including workers, users, citizens, and other interested parties (e.g. environmental organisations)?
 - a. How should workers be represented in governance bodies?
 - b. How should public service users be represented in governance bodies?

- c. How should citizens be represented in governance bodies?
 - d. What other stakeholders (eg. NGOs, third party voluntary organisations) should be represented in governance bodies and through what mechanism?
 - e. What should be the role of trade unions in the governance structures of publicly owned companies?
 - f. What are the relative importance of each of the above groups?
2. What type of democracy is appropriate when?
 - a. What role should be played by different forms of democracy in management structures? When is it right to involve everyone in a decision and when do we need to elect people to positions?
 - b. How should governance structures of publicly-owned companies involve existing democratic institutions, such as local councils?
 - c. How can the public engage and interact with management of publicly-owned companies?
 - d. What kinds of bodies and assemblies might enhance democratic accountability?
 3. What is the best size of decision-making body at each level (eg. national, regional, local, workplace)?

Ensuring full engagement

It is not enough to put power in the hands of public service workers and users unless we also make sure they engage everyone. This series of questions considers how we ensure maximum participation and accountability.

1. What training or other forms of enabling support would enable genuinely democratic structures to function with legitimacy?
 - a. How can we enable genuine democratic participation?
 - b. How should support be provided?
 - c. What level of funding would be needed?
2. What transparency rules should be applied to publicly owned companies?
3. Where and when should governance bodies meet?
 - a. How do we decide where to hold meetings of governing bodies of publicly-owned companies?
 - b. How frequently should different bodies at each management layer meet?

- c. What role should be given to online decision-making?
- d. What tools or models can be used to increase engagement and minimise exclusion?

Wider policy objectives

Public services need to function within a wider framework of economic and social policies. This series of questions considers how the specific needs of the public body are combined with the need for it to function within the public sector and context of society as a whole.

1. How should democratic governance structures and decisions about them reflect wider concerns?
 - a. Who should set the principal objectives of a public company and how?
 - b. How can public ownership help deal with the threat of climate change?
 - c. How should broader public policy objectives (climate change, social inclusion etc) be incorporated into the governance of public companies?
 - d. How can we manage potential conflicts between different objectives (eg. long term investment, reducing bills, efficiency and sustainability etc)?
 - e. How can the relevant structures cope with planning for long-term change (see above)?

ⁱ “For the Many Not the Few: 2017 Labour Party Manifesto,” *Labour Party*, 2017.

ⁱⁱ “Alternative Models of Ownership,” *Labour Party*, 2017.

ⁱⁱⁱ After Herbert Morrison, the Minister in charge of the nationalisation programme. See Andrew Cumbers, *Reclaiming Public Ownership: Making Space for Economic Democracy* (London, Zed, 2012) for a critique of this older form.

^{iv} Jim Tomlinson, *Democratic Socialism and Economic Policy 1945-51* (Cambridge: Cambridge University Press, 1997).

^v *Ibid.*

^{vi} Jim Tomlinson, “A Failed Experiment? Public Ownership and Narratives of Post-War Britain,” *Labour History Review*, 73 (2008).

^{vii} The comparison of UK and French post war nationalisations is written up in more depth in: Andrew Cumbers, “A Tale of Two Nationalisations: Experiences of Post 1945 Public Ownership in the UK and France Compared,” *International Journal of Public Policy* (forthcoming).

^{viii} There is now quite a volume of evidence that public enterprises, including the British nationalised entities between 1945 and 1979, perform as well if not better than their private counterparts in the same sectors (see: Thomas M. Hanna, *Our Common Wealth: The Return of Public Ownership in the United States* (Manchester: Manchester University Press, 2018)).

^{ix} As Harvard professor Archon Fung puts it, “well-conceived forms of participatory- and deliberative-democratic governance can address some of the technical and democratic deficits of hierarchical bureaucracies that are insulated from public scrutiny and control. As an alternative to reshaping public provision into market forms...participatory-democratic forms offer distinct advantages on the dimensions of accountability, control, and

even innovation.” See: Archon Fung, *Empowered Participation: Reinventing Urban Democracy* (Princeton: Princeton University Press, 2004).

^x See, for example: Robert Dahl, *A Preface to Economic Democracy* (Oakland: University of California Press, 1985).

^{xi} John Dewey, “Democracy and Educational Administration,” *School and Society* 45 (1937). More recently, Harvard professor Jane Mansbridge wrote in 1983 that “without an extensive program of decentralization and workplace democracy, few people are likely to have the political experiences necessary for understanding their interests. See: Jane Mansbridge, *Beyond Adversary Democracy* (New York, NY: Basic Books, 1983).

^{xii} See, for instance, some of the case studies at: <https://participedia.net/en>

^{xiii} Who gets to decide what is the common good is a question that has bedevilled philosophers for centuries. There are no easy answers, but what is critical is a commitment to democratic processes and institutions that try to offset any tendency for decision-making power to concentrate in few hands. One obvious place to start in terms of what has been agreed “in common” as critical for the future development of human society and the planet are the 17 sustainable development goals agreed by the 193 countries of the United Nations of which the then Conservative Government of the UK was a signatory. These goals commit the UK among other things to addressing climate change, tackling poverty and inequality, providing sustainable production and consumption, promoting peace and justice, and promoting gender equality. Publicly owned enterprises should, at a minimum, provide annual reports which address how their strategies are realising these values.

^{xiv} For a useful window on this debate, see the discussion between two eminent UK management professors in: Gordon Pearson and Martin Parker, “Management or organizing? A dialogue,” *Business and Society Review*, 113 (2008).

^{xv} See, for instance: Joseph R. Blasi, Douglas L. Kruse, and Richard B. Freeman, *Having A Stake: Evidence and Implications for Broad-based Employee Stock Ownership and Profit Sharing* (Washington, D.C.: Third Way, February 1, 2017).

^{xvi} See for example the review by Tony Bovaird, “Beyond Engagement and Participation: User and Community Coproduction of Public Services,” *Public Administration Review* September-October (2007).

