Mutual advantage? The future implications of mutualism for employment relations

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The UK has witnessed a huge growth in interest in mutuals over recent years. Although the broad aim of this mutualisation agenda is to increase corporate diversity more generally in both public and private sectors, the focus has to date been associated with the public service reform agenda.

Acas commissioned Professor Jonathan Michie, an expert in this developing area, and a member of the Acas Council to explore the implications of this agenda for employment relations. The paper provides clarity on the different terms such as social enterprises, employee ownership and co-operatives that are often used interchangeably under the mutual banner. The paper traces the history of the mutual organisation before addressing government policy on mutuals, and asking whether they are the future for public services. Michie then explores what transition might mean for employment relations, including the impact on HR knowledge and skills, employee voice, and the demands of managing employee owners.

The paper concludes with recommendations on how transition can be managed effectively and how the benefits of mutuals can be sustained in the long term.
**Introduction**

The UK has witnessed a huge growth in interest in mutuals as a corporate form since the coalition government took office in 2010. This built upon the work of the previous government with the creation of Foundation Trust hospitals as, in effect, mutual organisations, and the introduction of Co-operative Schools, amongst other pro-mutual measures. There are several reasons for this growth in interest in and support for the sector, each of which might lead to a significant increase in the size and significance of the mutual sector in Britain. The government agendas on the Big Society, localism and public sector reform all support a shift away from centrally provided public services towards greater local provision and a greater role for civil society. Mutualism is seen as one means of achieving coalition commitments for a rebalanced economy and greater corporate diversity. But the role of mutuals, and in particular employee ownership, is also being hailed as a way of introducing more ‘responsible capitalism’ to British business.

Mutuals in their various guises have had the support of both the left and right of the political spectrum, including the trade union movement. However, there remain significant tensions in the motivation and interpretation of the benefits of mutualism between the various players. In particular the trade union movement has reservations about the benefits of mutualising public services, both in terms of implications for service quality, and impact on the job security of their members and their pay and terms and conditions.

Employment relations are heavily influenced by the ownership structure, business model, and policies and practices of an organisation. It follows that any move towards a growth in mutuals is likely to have significant implications for employment relations both during the process of transition from one form to another, and in the management of employee relations once new organisations have been established.

This paper begins by exploring the origins and definition of ‘mutuals’. It then examines current government policies on mutuals, and asks if they are the future for public services before turning to the broader challenges and opportunities for this employment relations agenda.

**What is a mutual?**

There is often a lack of clarity regarding the various terms bandied about, including by government – mutuals, employee ownership, ‘John Lewis’ style public services, and so on. In this paper, the term ‘mutual’ is used to describe a business that is owned by its stakeholders to achieve a corporate purpose for its members, as distinct from companies that are owned by private investors to achieve financial returns. The typical forms are consumer co-operatives, friendly societies, mutual building societies, worker co-operatives and employee ownership which can vary depending on the proportion of the business owned by its employees, and in the form that this ownership takes, whether through employee share ownership or through a shareholder trust.
Mutuals are therefore distinct from charities, in that they are businesses that need to generate a surplus in order to be financially sustainable, to reinvest and to deliver on their corporate purposes. Unlike charities, mutuals seek to make profits. But unlike PLCs, the motivation for making profits is not to deliver financial returns to investors, but rather to deliver on the corporate purpose of the organisation with profits reinvested and returned to members whether through lower prices or improved services, as well as possibly through cash payments.

A mutual may be owned by its employees, its customers, its local community, or possibly some hybrid combination of the three. This hybrid model – of being owned by ‘members’ who represent all three ‘stakeholder interests’ – is the corporate form adopted for example by Foundation Trust Hospitals. These are ‘public benefit corporations’ – a type of company created under the Health and Social Care (Community Health and Standards) Act 2003, which was consolidated into the National Health Service Act 2006. They cannot be sold and may ultimately be returned to public ownership, should they fail. They have a Board of Governors (or Council of Governors) that represents the stakeholders, namely partner organisations, users, and staff. Foundation Trusts must act in the interests of all their stakeholders not just their employees.

**Employee ownership models**

The ‘John Lewis model’ has been held up by the previous labour government and the current coalition as the model for mutualisation. With this model, the business is kept in trust to operate in the interests of current and future employees where current employees share some of the financial success that they will have helped to deliver. The rest of the surplus is reinvested in the business, thereby supporting the interests of future employees as well as customers. Along with policies for openness and transparency, and consultation and participation, investing in the workforce as well as in the business can generate goodwill and commitment amongst the workforce towards the business, its ethos, and its customers. The intention is to create a ‘high commitment work system’ in which employees are motivated to innovate, go the extra mile, steward the company’s assets, and provide good quality service.

It is just one example of employee ownership, however, and indeed, if the government wishes public services to be delivered by ‘John Lewis style’ mutuals, then it would need to legislate – or otherwise arrange – for the organisations in question to be owned by trusts which will act in the interests of current and future employees. Arguably the use of the ‘John Lewis model’ is somewhat misleading when applied to the public sector given that John Lewis is a long established commercial firm, which sells products rather than services.

Employee ownership can also take the form of shares being owned directly by employees, rather than being held in trust on their behalf. However, many shareholder-owned companies have ‘employee share schemes’, where
the shareholdings of the employees combined amount to only a few per cent, and where the companies are clearly Public Limited Companies (PLCs) rather than mutuals. The Employee Ownership Association suggests that to describe an organisation as employee owned, employees must own at least 51% of the organisation (Bibby, 2009).

It can be argued that both these types of ownership have their own strengths and weaknesses. Whereas direct ownership might be seen to give employees a greater sense of personal ownership, some commentators argue that ownership in trust can provide a more meaningful voice in the governance of the organisation for the employees’ interests as a whole, and is also better able to guarantee the continuation of such ownership into the future. Such a guarantee may be important for a number of reasons. Potential productivity gains that may come from a feeling of ownership, for instance, can create a sense of commitment to the company and hence greater effort and innovation. But these effects may only be forthcoming if such ownership is believed to be a continuing feature of the company (Michie and Sheehan, 1999).

**Co-operatives**

A co-operative as defined by the International Co-operative Alliance is “an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprise”. Mutual forms include one-member one-vote worker co-operatives, where employees have perhaps a nominal ‘shareholding’ of one pound, but no shareholding along the lines described above. Then there are customer-owned mutuals, the most prominent of which is the Co-operative group – which owns the Co-operative shops, the Co-operative Bank, and so on – along with the member-owned building societies, the largest of which is the Nationwide.

**Social enterprises**

The term ‘social enterprise’ is used with even less clarity than most of the other terms, partly because the concept is generally used to depict a wide range of very different organisations – including charities, mutuals, and private firms that are seeking to deliver social goods. Generally, though, social enterprises refer to businesses that have a social purpose, rather than relating to any particular corporate form or style of ownership. The term is thus much broader than mutuals, in that social enterprises would include private companies and shareholder-owned companies.

Any number of examples might be given of social enterprises, so, for example, winners of the 2011 ‘Social Vision’ competition included: the Shaw Trust, which supports and helps disabled and disadvantaged people prepare for work, find jobs, and live more independently; and Bristol Wood Recycling, which aims to save resources from waste and provide affordable timber. (For the full listing, see the Social Enterprise Coalition, 2010.)

The current paper focuses on mutuals, and does not discuss non-mutual social enterprises, as this would be too diverse and diffuse a topic to try to address sensibly within a single discussion.
The history of mutual organisations

It is worth reflecting upon why mutual organisations were first created. Central to mutual organisations is the concept of trust. In the UK at least, corporate ownership has been dominated historically by private ownership owned either directly by an individual or family, or indirectly in the form of share ownership. The public limited company (PLC) dominates the large firm sector, although different forms of private ownership such as private equity also play a role. Alongside this dominance, though, has persisted a small but resilient mutual sector comprising consumer and producer co-operatives, mutual building societies, friendly societies and employee-owned businesses.

Historically, consumers were not always satisfied with the degree of trust they had in privately owned companies. Thus, the ‘Rochdale pioneers’ created co-operatives in food retailing so that consumers could feel able to trust the quality and safety of what was being provided by the companies that they, as members, themselves owned. These consumer co-operatives had no corporate purpose or objectives other than to provide good quality food to consumers. Any financial surplus they might make would be distributed to the members, so there was no incentive for directors or managers to attempt to boost profits at the expense of the quality of provision.

Given that mutuals account for only around five percent of economic activity in the UK, it might be thought that this would make it hard for them to gain the trust of consumers, having a seemingly idiosyncratic or antiquated ownership structure and business model. Perhaps appropriate – one might think – for ‘quirky’ businesses at the margins of economic activity, such as the Oxford Bicycle Co-operative, but unlikely to be trusted for major economic transactions. It is therefore interesting that the major transaction for most people in their lives is the loan they take out to buy a house, and yet consumers do indeed trust mutual building societies to undertake this business arrangement. The reason for this is that people put great importance on the need to be able to trust the motives and actions of the business with whom they will be dealing for the next thirty years, and which will have the right to repossess their house should they fall behind with their payments. Survey evidence of consumers consistently demonstrates this degree of trust – as reported and discussed in, for example, Cook et al. (2003). The fact that consumers place greater trust in mutual building societies than they do in private, shareholder-owned banks explains why consumers are not put off by what is, in today’s UK, a rather atypical business model.

The considerable growth of mutuals over the past few years has been in three main areas. Firstly, there are more than one hundred leisure services trusts, which have taken on the provision of leisure services from local councils (Mills, 2010). Secondly, 141 NHS Foundation Trusts have been created since 2004. And third, there has been the creation of more than 120 Co-operative Trust Schools.
Current government policy on mutuals

Support for mutuals is very much a shared political agenda albeit with some significant differences in rationale, scale and areas for implementation. In addition to the previous government’s initiatives, the coalition is committed to promoting and fostering the mutual sector in a number of areas. The coalition agreement pledged to promote greater corporate diversity in the financial services sector, promoting mutuals as a way of delivering on this objective. Michie and Llewellyn argue, for instance, that an obvious and simple way to support this pledge would have been to remutualise Northern Rock (2010). To date little action has been taken to deliver on this commitment, although Nick Clegg recently raised the issue of greater employee ownership in private sector organisations in his speech on ‘responsible capitalism’ (16th January 2012).

There are, though, other specific sectoral proposals, such as to mutualise the Post Office, to retain an employee ownership stake in any privatised Royal Mail and to promote greater supporter ownership of football clubs. More significantly, for the focus of this paper, there is the move to encourage the growth of mutuals to deliver public services, with the onus placed on current public sector workers to bring about such a change. The Comprehensive Spending Review proposed ‘a new right for public sector workers to form employee-owned cooperatives and mutuals to take over the services they deliver’ (HM Treasury, 2010, p. 35). In November 2010, Francis Maude announced a £10m fund to help mutuals reach investment readiness; an information line and web service for interested staff, provided by Local Partnerships, the Employee Ownership Association and Co-ops UK; and a ‘challenge group’ involving employee-ownership experts to investigate ways to improve legislation (Cabinet Office, 2010). The goal expressed by Maude was for up to one million of the UK’s 6 million public sector workers to be transferred into John Lewis style mutuals to deliver public services.

As part of this initiative the government is also keen to support mutual joint ventures, described by the Cabinet office as:

“... a particular mutual model in which employees have a stake along with one or more partner organisation. This can combine the improved productivity associated with employee ownership with additional expertise and capital investment.”

This model, pioneered by My Civil Service Pension (MyCSP), has however, increased perception in trade union circles that current government policy is aimed privatisation by the back door.

Closely linked to this reform agenda is the concept of ‘the Big Society’ whereby citizens are encouraged to become involved in delivering local services. If such a development were to occur, it would require a corporate vehicle, in which case a mutual incorporated for the benefit of the local community would seem to be an appropriate organisational form. And the same logic would apply to the localism agenda – if activities are to be undertaken locally, this will in many cases require a new corporate entity, and
a mutual operating for the benefit of the community may be an appropriate legal structure. Moreover, this would allow public assets to be ‘locked in’ for the benefit of the community, rather than being available to be sold off for personal financial gain.

An ‘asset lock in’ prevents the value that is built up in a business over time from being cashed in by the current employees or other owners, at any given point in time. This occurred for instance during the demutualisation of building societies, with current members, and directors and advisors, cashing in the value that had been built up by previous generations.

Are mutuals the future for public services?

There are at least two potentially conflicting motivations behind the current proposals for this new approach to public service delivery. The first is to enhance employee commitment to their organisation and to its future, and hence to their work and to the quality of the goods and services they are providing. The other motivation is to cut costs so as to reduce public spending. However the recent All Party Parliamentary Group on Employee Ownership (APPG 2011) stated that “Although many employee-led mutuals report significant efficiencies, cost cutting alone should not be the prime motivator for seeking out mutual ownership”. This remains however a central concern amongst trade unions who see mutualisation as part of an ideological drive to shrink the state.

Trade unions such as Unison argue that there is no clear evidence that the mutual model will improve on levels of performance in the public sector. Indeed research on mutuals, and in particular employee ownership, is ambiguous about the benefits of this model over other organisational forms. In a literature review of existing evidence, Matrix Evidence (2010) found mixed evidence on the direct link between the ownership structure and commitment and engagement, performance and productivity. Evidence suggests that the benefits of employee ownership are more likely to be realised where management practices that encourage employee participation and a culture of ownership also exist. Where this is the case there is some evidence of greater employee commitment and job satisfaction and an increased propensity to innovate (Matrix 2010). At the same time, the APPG report suggests that employee engagement is intrinsically linked to and stimulated by the employee ownership dimension, and is not a management technique that can be bolted on to achieve the equivalent effect in non-mutuals. It also notes the importance of employees becoming not just technical owners but feeling like owners. And in its submission to the APPG the Department of Health stated “evidence shows that the use of employee led mutuals reduces absenteeism and increases productivity”.

Unison however, questions the assumption that mutuals will liberate workers to create more innovation, and allow them to provide a better service and work across boundaries (Unison 2011). Both Unison and the TUC argue that this is achievable within the structures of the public sector. The union movement also questions why this approach to improving efficiency and quality is not being applied with the same amount of rigour to the private sector, including the multinationals
already providing public services. This is not to say that the trade union movement is in complete opposition to the mutualisation agenda. Rather, it believes that there should be an approach based on a process of consultation and negotiation between service users, the workforce and the commissioning bodies to identify priorities, strategy and service implementation that best meets the needs of the community, within the context of restricted public resources (TUC 2011). Options around mutualisation should be one consideration in this agenda.

In order to address some of the concerns around the public service mutual model, the TUC is in the process of agreeing a Memorandum of Understanding with Co-operatives UK providing a set of principles governing the establishment and implementation of public service mutuals and co-operatives. The MoU will establish guidance under five key headings:

- Workforce engagement and consultation
- Commissioning of services
- Governance
- Safeguarding of assets
- Employment standards

While the Memorandum of Understanding cannot provide a sectoral agreement, the intention is to roll it out across a range of mutual organisations, employers and unions to form the basis of collective agreements on a case by case basis.

The scepticism on the part of the public sector trade unions towards this government agenda suggests that there is unlikely to be a swift or straightforward transition to a greater role for mutual models. Trade union and individual employee concerns over the impact on services and the terms and conditions of their members is arguably the first employment relations challenge to fall under this agenda. But the renewed interest in this area also provides some important opportunities including raising awareness of the fundamental role that employee involvement and participation can play in improving relationships at work, and organisational performance.

**Increasing mutuals in the public sector – the challenges**

There are a number of challenges to the mutualisation agenda in the public sector, not least the need for government to persuade and reassure those affected by the potential mutualisation of public services of the benefits of such a change. In addition to the issues involving transition are questions around the role of trade union recognition, the need to develop HR skills, and the thorny question of sustainability of mutuals dependent on public sector contracts.

**Managing the transition in the public sector**

Undoubtedly the first hurdle facing the expansion of the mutualisation agenda will be the need to address the key concerns of trade unions, their members and other employees over what a transition from public ownership would mean for pay, terms and conditions including, in particular, pensions and long term job security. There is some evidence that there is greater equality of income distribution in employee owned mutuals (Matrix 2010). However, trade
unions also point to evidence on the impact of outsourcing to the private sector where employment standards were “driven down in the race to reduce costs and make the contract to deliver services as cheap as possible” (Unite 2011). The removal of the two tier code, which extended coverage of public sector bargaining arrangements for new starters on public service contracts (Bach 2011) and an uncertainty over transfer of pension rights means that employees may be unwilling to support a transfer to a mutual model.

If a key component of a successful mutual organisation is the involvement and participation of its employees then it would seem crucial to consult with them on whether or not they wish to leave the public sector. According to the TUC and Unison, in a number of ballots run to test out the views of employees there has been an emphatic rejection of the idea of transferring out of the public sector to become a social enterprise. However, in some cases the decision has been made to go ahead regardless (TUC 2011, Unison 2011). It could well be that these decisions by senior management have been taken as a way in which to avoid redundancies and save jobs. However, there is a danger that top down decisions will have a negative impact on employee engagement and that many of the benefits that mutuals could offer would be sacrificed from the outset by a failure to listen to the views of the workforce. The transition to mutual status is by no means a quick one, even where there is support from the workforce. The APPG report found that the process generally took two to three years, and warned against unrealistic expectations by some new mutuals looking to complete transitions in a matter of months.

Developing HR skills and knowledge of employment relations

There are a number of challenges facing HR in the newly formed public service mutuals. First and foremost will be the loss of in-house HR expertise enjoyed whilst being part of a larger organisation. In the case of the leisure services trusts and the Co-operative Schools, for example, the employment contracts for the employees have been transferred from local government to the new bodies. It is perhaps instructive to look at the experience of the new round of Academy schools, where the loss of the previous HR capabilities within local government has resulted in a rise in conflicts and problems (TES, September 2011). Some newly formed mutuals will take the option to use the local authority, or other centralised support bodies that continue to provide this HR capability as a paid service. However, those dealing with HR issues in-house will still need to develop the knowledge and skills to negotiate effectively with experienced trade union officials and reps. Where no union is recognised they will need to develop new ways of working that support employee involvement, participation and representation.

Where inappropriate structures are put in place, and there is an absence of the necessary ownership culture, and a lack of the management and leadership skills appropriate for an employee-owned organisation amongst line-managers and middle managers there are likely to be increased levels of conflict.

Employee voice

The role of employee voice in mutuals will clearly depend on whether it is
a consumer or an employee-owned mutual. Where they are employee-owned the challenge is to translate that legal ownership into an ownership culture which allows for differing levels of involvement, representational structures, policies and practices. A balance has to be struck between the needs and interests of the directors and managers taking expedient decisions; and at the same time remaining accountable and inclusive of owner (employee) interests.

Such representational structures will generally include:

- having a vote on the membership of the relevant governing board or council;
- having the right to the sort of information that the owners of a company should properly expect; and
- participating in discussions and decisions as appropriate, both at the level of strategy through the AGM and other means, and at an operational level through team meetings.

None of this has any necessary implications for whether there should also be a trade union. Trade union membership may exist alongside other structures that are designed to give the employees their rightful voice as owners – as is the case in some existing mutuals. Thus, the trade union can be seen as representing the employees as employees, alongside the arrangements for employees to also have a ‘voice’ as owners. This has been the structure within Tullis Russell, for example, a medium sized global manufacturing business, where the dual representational structure for the workforce has worked well since the employee-ownership buyout. Indeed Erdal (2011) discusses how employees’ involvement in the decision making of the company contributed to a decision to support a long term internationalisation strategy that was seen to be in the interests of the company, even though certain aspects created conflicts for individual employees’ terms and conditions which the union needed to respond to. Interestingly, the latest research from the US suggests that employee-ownership schemes prove to be more successful in unionised workplaces than is the case in non-unionised ones (see McCarthy et al., in Carberry 2011).

Many of the employees who transfer out will be union members who will have worked in public services where there was trade union recognition and whose terms and conditions were decided by national bargaining. Staff who transfer should be covered by TUPE and retain their current terms and conditions at the time of transfer. In some cases trade unions may successfully negotiate trade union recognition and adherence to national collective bargaining and public service ethos. This happened for instance in the Your Healthcare (the spin out from Kingston PCT) agreement with Unison. In other cases, however, trade unions will have to seek recognition anew from each of the different mutual providers.

If the management of the new enterprises are resistant to union recognition, amongst a workforce accustomed to being represented by a union, membership may rise in response to what employees perceive as an attack on their rights. Applications for recognition could rise perhaps increasing the number of claims to the Central
Arbitration Committee (CAC), the independent body with statutory powers to adjudicate on applications relating to the recognition and derecognition of trade unions. But where recognition does exist trade unions are likely to be keen to address the potential differences in terms and conditions between employees transferring from public services and the newly employed workforce.

Alternatively, the new mutuals may seek to create alternative channels for employee voice and there will be the challenge of how to empower employees to become more involved in the decision making processes of the company. Parfetss, a medium sized retail business, based in the North West of England battled with the most effective way to involve employees, many of whom were in comparatively low skilled work, in the new employee owned structure. Some employees were simply not interested in being more involved, others found the consultative meetings too big, or too long, and saw elections for the central council as ‘popularity contest’ (Davies, 2009). However, these views did vary across the company with some employees previously uninterested in the changes becoming more supportive over time. As Davies, aptly puts it, transferring out of established hierarchies can be disconcerting for all involved.

When the organisation is performing well, however, the successful arrangements for employee ‘voice’ may come to be taken for granted. But if the continual effort that is a necessary condition for such arrangements to operate successfully is not sustained, or if economic difficulties put the decision makers under pressures not previously encountered, then it is possible that those arrangements for employee voice will fail to deliver what is required. Without any alternative arrangements such as trade union representation, the results may be detrimental to employee interests, employment relations, and ultimately to the continued success of the organisation.

Managing employees who own the company

One fundamental question for newly formed mutuals will be how to effectively manage employees who are also the owners. It is of course vital to have the appropriate organisational arrangements including transparency about where duties, responsibilities and boundaries lie for decision making, consultation and accountability. Where problems emerge in employee-owned businesses regarding the managing of employees, it is often at the level of middle management. And in the case of mutuals, it may be particularly difficult for line-managers and middle managers who have operated all their working lives in privately owned or shareholder-owned companies to transfer into one that is employee-owned where the requirements are quite different. The need to share information, consult with those one is managing, and encourage their participation in decision-making are skills that line-managers may or may not have practiced in some private-sector firms.

There is an additional problem that can arise particularly in ‘social enterprises’, where the senior managers may consider that everyone involved in the enterprise should be politically and emotionally committed to the purpose and aims of the organisation, and should thus behave accordingly. This can lead to individual employee rights being overlooked or
even sacrificed in the drive to deliver the social purpose. Such an attitude – that everyone should simply pull together to achieve the common aims - is likely to put a strain on employment relations and potentially lead to a breach of employment rights.

**Innovation and organisational change**

If the employees collectively own the organisation, or at least have a significant ownership stake, and if this is buttressed by policies of engagement and participation that make a reality of that ownership in practice, then opportunities to improve efficiency and work organisation can be used for the benefit of the whole organisation. This could mean that workers are much more likely to suggest changes to their roles, and working practices because this would involve employees being reassigned as appropriate, and with the necessary training and other support being provided. Thus, companies that combine employee ownership with participation in decision making, which such ownership enables, are able to create a more innovative organisational culture than is possible in a shareholder-owned firm. In a different form of ownership employees may be less forthcoming with new ideas because of the fear of making their posts redundant.

**Making benefits sustainable**

A separate question is how the sustainability of the new arrangements for public services can be guaranteed. The need for public assets to be ‘asset locked’ is referred to above, but there is also the question of how to ‘lock in’ the corporate purpose of delivering good quality public services, rather than a financial return to external investors. Key to this will be the tendering process. Once the initial contract is up for renewal, how will the mutual be able to win the subsequent contract, for instance in the face of the large multinational that may have greater scope to reduce costs during the tendering process? One option would be to allow the mutual character of the service deliverer to be recognised as a positive aspect of the service provision within the tendering process criteria, so that appropriate recognition of this value could be made when evaluating rival bids. An emphasis on both employment relations and genuine engagement with the service users might form part of the selection criteria.

The challenge is how the potential for greater innovation and improved quality of outcomes can be delivered in practice. These potential benefits will not follow automatically, simply or cheaply however. To realise them requires appropriate policies and practices being applied and implemented on a sustained basis. And from the outset, it requires advice and training on what structures to adopt, on the type of policies and practices to implement, and on how to create and maintain the necessary ownership culture. And this access to advice needs to begin early in the transition process. Evidence to the APPG revealed that the transition from public ownership to mutual status was not an easy one and often cited as a concern was “a lack of access to genuinely expert support and advice, and a budget to cover the cost of that advice” (APPG 2011).

This challenge was recognised to some extent at least with the creation of Foundation Trust Hospitals, where resources were provided by government to enable the new organisations to pay
for the necessary advice and training. If the new ‘mutuals’ are established without such funding there is a danger that the potential will not be realised, and the taxpayers and consumers of the services in question will not benefit from the great improvements in productivity and service quality that could otherwise be delivered.

Conclusions

The structure and aims of mutual organisations offer significant potential for promoting innovation at work, and for improving the quality of the goods and services provided, through enhanced employee commitment. Similarly, if customers and local communities become more involved with and committed to the success of their organisations, these positive effects can be reinforced. There is a growing body of evidence on how such objectives can be turned into reality. The mutual model presents potential benefits for a wide range of organisational types, and yet perhaps the most contested issues remain regarding the potential mutualisation of public services.

A review of the evidence suggests that to realise this potential in the specific context of the ‘right to provide’ public services, particular measures and policies will be required. There needs to be:

- workforce consultation and trade union engagement at the outset of proposals for a transition to mutual status;
- an asset-lock to ensure that assets continue to be used for the benefit of the community into the future;
- consideration of ownership structures which give a stake and a voice to consumers of the services and the local community, as well as to the employees;
- development of appropriate governance arrangements and institutions to give effective voice to the above members, along with action to deliver an ownership culture, with appropriate policies and practices thought through;
- resources committed for the necessary advice and training to be provided, with this being from those with practical experience of the sector and with a commitment to making it a success;
- investment in leadership and management skills for HR; and
- trade union involvement where a recognised trade union exists, or effective channels for employee voice.

Creating a new ‘ownership culture’, developing appropriate management practices, and creating policies for participation and engagement that actually work are all complex and time consuming. Yet without these features, any change of ownership structure and business model is almost bound to create employment relations difficulties, along with the concomitant damage that such difficulties are likely to cause to the health of these new enterprises or transferred services, and thus to the quality of the goods or services they are able to provide.
This in turn may lead these new organisations to lose their contracts over time, with these being won by the various large companies – domestic and foreign – that already operate in these sectors. The ability to achieve good employment relations with greater staff engagement and improved organisational performance and effectiveness will therefore be fundamental to the success of these aspirations for public services and localism, as well as to allay the concerns of those who remain more sceptical of the expansion of the sector.

Footnote

Useful organisations and contacts

The following organisations have experience in – and commitment to – making mutual organisations operate effectively, and may be able to provide advice.

The Co-operative Group: the UK’s main mutual organisation, which owns the Co-operative shops and the Co-operative Bank, has established a service to provide advice to those interested in the possibility of establishing new mutuals to provide public services – see The Co-operative (2011).

The Employee Ownership Association is in effect the trade association for the employee-owned sector.

Mutuo brings together the Co-operative Group, the Employee Ownership Association and the other key organisations within the sector, such as the Building Societies Association.

The Oxford Centre for Mutual and Employee-owned Business provides research and training in mutualism, including residential courses for leaders of employee-owned organisations.

Further reading


Oxford Centre for Mutual and Employee-owned Business (2010), A Mutual Health Service, University of Oxford, describes the scope for employee ownership within the health service

Oxford Centre for Mutual and Employee-owned Business (2011), The Mutuals Yearbook, University of Oxford, provides a detailed description of the whole mutual sector in the UK

The Co-operative (2011), Public Service Mutuals with The Co-operative, Co-operative Group Limited, Manchester

References


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We answer your questions, give you the facts you need and talk through your options. You can then make informed decisions. Contact us to keep on top of what employment rights legislation means in practice – before it gets on top of you. Call our helpline 08457 47 47 47 or visit our website www.acas.org.uk.

We advise and guide
We give you practical know-how on setting up and keeping good relations in your organisation. Look at our publications on the website or ask our helpline to put you in touch with your local Acas adviser. Our Equality Direct helpline 08456 00 34 44 advises on equality issues, such as discrimination.

We train
From a two-hour session on the key points of new legislation or employing people to courses specially designed for people in your organisation, we offer training to suit you. Look on the website www.acas.org.uk/training for what is coming up in your area and to book a place or call our Customer Services Team on 08457 38 37 36.

We work with you
We offer hands-on practical help and support to tackle issues in your organisation with you. This might be through one of our well-known problem-solving services. Or a programme we have worked out together to put your organisation firmly on track for effective employment relations. You will meet your Acas adviser and discuss exactly what is needed before giving any go-ahead.