SUBMISSION FROM DAVID ERDAL

1. There is understandable and well-advised hesitation about transferring local government services into the hands of companies in the private sector, which are purely profit driven.

2. However, there are benefits, primarily in dynamism and customer-centred innovation, from transferring service delivery into employee-owned businesses and/or worker cooperatives.

3. I helped Highland Home Carers in Inverness and Stewartry Care in Dumfriesshire transfer from conventional to employee ownership. While the latter took time to resolve its top-management difficulties, both are now extremely well functioning service-deliverers. This is a model that could and should be replicated across any public services suitable for transfer to a benign corporate form.

4. Broader evidence, especially from the US, shows that companies with substantial employee ownership and managed in a participative style outperform conventional companies in many ways: they are significantly more productive; they create more jobs; the jobs are more stable; they survive better in difficult times; they grow faster; they provide more training.

5. In addition there are substantial community benefits: the profits are all either retained in the business or fed out into the local economy, creating a much stronger multiplier effect than a conventional company; the feedback from the local community is taken on board actively, since the employee-owners are members of the community and there is a direct feedback loop; to the extent that there is any distribution of profit, it tends to spread the wealth widely, as opposed to conventional large corporations, which pass all the wealth created to financial institutions in the City, exacerbating the gap between rich and poor.

6. One pilot study in Italy found that there is a link between the density of worker cooperatives and the health, particularly the cardio-vascular health, of the community. That study is currently being replicated on a larger scale in Guipuzcoa in Spain. The hypothesized causal factor is the lowering of physiological stress when each person is an active partner in the business, informed, acknowledged, and able to influence the course of events in his or her work.

7. It is not surprising that employee-owned John Lewis provides year after year better service than its conventionally-owned competitors, whose target is to generate cash for the financial institutions that own them. This same factor can benefit the dynamism and service-delivery of local government services.

David Erdal
Ex Chairman of Tullis Russell, ex CEO of Baxi Partnership, Hon Senior Research Fellow, University of St Andrews School of Management.