

The Social Guarantee and the case for common ownership

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A defining principle of the Social Guarantee is that services are delivered by a range of different organisations, from the nation state to neighbourhood cooperatives. This short paper lays out the reasoning for this approach and offers some clarity on what this might look like. It starts by looking at the problems with predominantly state run or privately run services. It then presents an alternative, pluralist model of service delivery and its benefits.

A fundamental factor contributing to the inequalities in our economy is who owns what. Homeowners watch the value of their properties climb while renters face increasing rents. People with financial assets watch stock markets soar as jobs become precarious and wages stagnate. Addressing these inequalities and ensuring that everyone has access to life's essential cannot be done without addressing the question of how wealth is generated and distributed.

Problems with state and private ownership

Recognising that people must have access to fundamental services is not a new idea. The welfare state was created on the assumption that, if the state distributed resources in a way that guaranteed a basic standard of living, that would benefit all of society. It improved people's lives dramatically. However, the top down model of uniform interventions was not well suited to some areas of service provision. For example, in housing, slum clearance saw families being relocated into tower blocks, destroying the fabric of tight-knit neighbourhoods. With the state owning and controlling all public services, the nuances of individual needs were often overlooked. This contributed to the subsequent paradigm shift to a market-led, small-state system in which successive governments privatised many state-owned institutions.

The UK is an outlier when it comes to the privatisation of public services. Between 1980 and 1996, it accounted for 40% of the total value of assets privatised across all OECD countries¹. This trend continued into the 2000s, first under Labour's Private Finance Initiative in which private companies were

engaged by the state to deliver public infrastructure, and then as the Coalition and Conservative governments continued to sell state assets in the name of austerity and 'balancing the books'².

The private firm now dominates service delivery in many sectors. For-profit companies are responsible for delivering our food, shelter, childcare, transport, digital services, and many other things which are essential to living a fulfilling life. The economic orthodoxy has been that the public sector is clunky, bureaucratic and inefficient whilst the private sector is dynamic, innovative and cost effective. This way of thinking has permeated the public sector with decades of outsourcing leading to governments, both national and local, entrusting the delivery of life's essentials to organisations whose success depends on generating profit. This has not led to the promised land of efficient, affordable services. Instead, people have been left with soaring prices and dwindling quality in many areas of need.

The broken promises of productivity

A key justification for privatisation is the belief that privately run organisations are inherently more productive. However, a review by Thomas Hanna of evidence from across the world has shown that there is no basis for this belief³. The way in which productivity is measured – by looking at the number of outputs created in relation to the number of inputs (typically measured by profits generated) – omits other elements of service delivery that matter. This is particularly true when considering essential services where both the quality of the output, and how those outputs are distributed, is often more important than the number of outputs (or the amounts of profit) generated. For example, reliable and accessible public transport networks are beneficial for both society and the economy. Yet, under the current, profit-driven model it is only viable for adequate services to operate in profitable areas. This has led to the erosion of bus services across the UK. Infrequent services and high fares prevent people from travelling to jobs, visiting family and even accessing medical services in many areas outside of city centres⁴.

Outsourcing of traditional public sector services has been rationalised by the claim that increasing productivity will raise wages and therefore personal wealth and wellbeing⁵. However, it is now broadly accepted by economists that wages are often determined by factors other than productivity. Minimum wages determined by public institutions are now recognised as a necessary policy to address the systemic undervaluing of labour by firms. Without them, due to the unequal bargaining power between labour and firms, companies can artificially keep wages down for low-waged work across the board⁶. Paying higher wages has also been shown to increase productivity of the workforce at times⁷ further evidencing a more complex relationship between productivity and wages than the orthodoxy assumes.

Wages aside, it is still necessary for for-profit firms to increase productivity to increase profits. However, when considering certain essential services, increasing productivity is often counterproductive. In industries which depend on relationships between workers and service users such as health care,

social care and education, services can be damaged by increasing productivity after a certain point. Caring for, or educating, more people in a set amount of time very quickly drives down the quality of that care. In addition to this, extracting profit takes money out of the system that could otherwise be spent on improving standards, while simultaneously putting a downward pressure on quality and wages.

Concentrations of power

A system based on one model of ownership concentrates power in the hands of a few⁸. This applies to privately owned and centrally planned economies alike. State monopolies can lead to a concentration of power among political elites, while the accumulation of private wealth leads to private firms and individuals wielding huge amounts of economic and political power. For example, during the pandemic, Amazon's market power and reach enabled it to capitalise on the crisis in a way that smaller shops and delivery services could not⁹. As small businesses are more regenerative – with staff and owners typically spending money within their communities – their loss leads to more money being extracted from local economies, rather than being retained and recirculated to local people and enterprises¹⁰.

Economic power easily translates into political power. The 'revolving door' between the City of London, big business and the government creates concerns about the influence of business over ministers. For example, the former Chancellor (now Health Secretary) Sajid Javid, an ex-banker, was given a role at JP Morgan upon resigning from the Treasury, while continuing to serve as an MP¹¹. Ministers retaining such tight links to business could jeopardise their independence, calling into question whether they are able to work in the public interest if that conflicts with business interests.

An alternative approach: common ownership

To overcome the problems arising from concentrations of wealth and power, it is necessary to decentralise economic decision making. Andrew Cumbers has developed a useful model of public ownership and control that moves away from the traditional private/public dichotomy¹². He defines public in the broader sense of 'common ownership' in order to accommodate a host of different forms of organisation that are owned collectively, but not necessarily by the state. This includes but isn't limited to: full and partial state-ownership; regional-state ownership; local/municipal ownership; and worker, producer and consumer cooperatives. These collectively owned organisations are not designed to accumulate wealth. Any gains generated can be channelled back into them to produce better quality services and improve the offer to workers through training and decent wages.

Under a Social Guarantee, these commonly owned firms would dominate public service provision. However, there would still be room for private firms to deliver services so long as all service providers shared enforceable public interest obligations. These would be established through a system of social

licensing¹³ that ensured all providers meet appropriate quality standards as well as social and environmental requirements. For private organisations, social licensing would mean that firms are only permitted to deliver essential services if they comply with conditions set by democratically controlled public bodies¹⁴. These could include measures to ensure more inclusive procurement policies, ecologically sustainable business plans, decent employment practices and caps on profits. This system would work to end the extractivist model of existing private providers and ensure that wealth is working in the public interest.

Human needs are varied and so are the services required to meet them. Different organisations are better suited to deliver certain types of services. For example, it may make sense for a state-owned firm to deliver and maintain a national rail network, but not a neighbourhood home care service. In this instance, a local worker cooperative in which staff understand the culture, issues and varied needs of their neighbours may make more sense. In all cases, social licensing could ensure democratic mechanisms that enable both workers and service users have a meaningful say into how that service is designed and delivered.

Decentralising power

Under this system, the decentralisation of economic power would happen in a variety of ways. Most obviously, through direct devolution of state power to local authorities and regions. Social licensing requirements could be set and enforced by national or local government as appropriate. It could require business leaders to participate in public engagement and more deliberative means of decision making and co-production, using methods such as citizens' juries¹⁵. Finally, more inclusive forms of ownership such as cooperatives and community run social enterprises would also increase opportunities for citizens to engage directly in shaping their economies through their businesses and employment activities.

The role of the state

Decentralisation of political and economic power are defining principles of the Social Guarantee, yet there are some risks involved. Moving service delivery to a local level could result in poorer regions struggling to deliver essential services and lead to a postcode lottery in which the quality of services, and therefore the life-chances of residents, vary widely across the country.

To prevent this, the national state plays an important role. Public money, raised through taxation and borrowing, must be distributed equitably to ensure that all regions have the necessary resources to deliver high quality public services. The system of social licensing described above would require any organisation receiving public funds to meet certain public interest obligations. These would guarantee that all service providers meet certain conditions regarding the quality of services, environmental sustainability,

employment standards and adequate levels of resident and service user engagement. In addition to standards set by the state, regions would be able to develop criteria specific to their area through democratic processes with their residents. The concept of social licensing and how it relates to the Social Guarantee will be explored in more depth in a future paper for this discussion series.

Potential benefits of common ownership

Delivering public services in this way could help to produce the following outcomes:

Shared ownership, shared benefits

Meeting fundamental needs through collective ownership would reduce the risks of diminishing quality and increasing cost caused by the privatised system described above. Decentralising ownership and economic decision making, and removing the profit motive, would give ordinary people genuine control over the services they depend on and ensure that the gains are shared by all.

Increased economic democracy

A diverse range of commonly owned organisations would act as a countervailing force against the tendency of systems to accumulate wealth and power at the top¹⁶. The provision of high quality, universal services can best be achieved through co-creation with service users and continual democratic discourse. This requires the devolution of power to local people and the development of institutions and organisations to support this, such as citizens' panels and assemblies. It also helps to strengthen institutions such as trade unions, professional associations and consumer groups to ensure that the voices of key stakeholders are heard and heeded.

A thriving planet

The dominance of private business has been a major factor in the ecological crisis we face. Within a market system, the environment is a secondary concern¹⁷. This has led to the depletion of natural resources and the generation of damaging amounts of pollution by industry¹⁸. To address this crisis, our economic systems have to become more regenerative and less wasteful. Common ownership, devolved power and shared public interest obligations can help to achieve that. Collectively provided services tend to be more amenable to pro-environmental policy and practice¹⁹. For example, a comprehensive public transport system is more sustainable than a multitude of privately owned vehicles.

We all need a healthy planet in order to live a fulfilling life. A move to an economy that focusses on meeting needs, as opposed to one focussed on profit extraction, can put environmental sustainability at the centre of all economic activity, whilst ensuring that people have what they need to thrive.

End Notes

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¹⁵Ibid

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¹⁸Ibid

¹⁹Gough, I. (2021). [Public services are more sustainable: the NHS example](#).