



Supporting Co-operative Enterprise

Agenda 2011

Final Paper

Introduction

The Scottish Co-op Party is a party of business. As a party which sits firmly within the Co-operative Movement with links to the Labour Movement, we are proud to promote the co-operative business model which we believe to be entirely superior to equity-based private business models and better in many respects than the current centralised models of services delivered by the state.

Any discussion about the co-operative business model has to be placed in the context of the extraordinary circumstances in the world economy. The failure of financial markets across the globe, requiring unprecedented intervention by government, calls into question the nature of the business models being used and suggests that models which provide stability, accountability and sound business practices are required. There can no doubt that while other models have been in melt down, credit unions, remaining building societies and the Co-operative Bank have been beacons of success.

We would argue that co-operative and mutual models have a long tradition of providing the key ingredients for business success including good governance and democratic accountability and are more successful in the long term. Government should take advantage of their new found power over the financial sector to insist on business models which give people real control over the management of our money.

The Scottish Co-op Party's 2003 Manifesto called for the establishment of a Scottish Co-operative Development Agency (CDA) to "develop the sector and realise its potential through the co-ordinated and focused approach of one single body". The CDA was established – and re-branded Co-operative Development Scotland (CDS) – during the second Labour-led Holyrood administration and is now a key agency in the economic development field having supported the setting up around 40 co-operative businesses.

Co-operative Development

CDS provides expertise, advice and information to the Movement while facilitating communication between various sectors. The establishment of CDS was a big step forward for co-operative enterprise in Scotland with genuine progress and commitment now being made in sharp contrast to the past.

Edinburgh Co-op Party Branch

"Co-operative development requires cross party understanding and support"

There is a broad consensus within the Co-operative Movement that Scottish Enterprise and Business Gateway do not understand the co-op model. There is also concern that CDS cannot fund co-operative businesses, including start-ups.

There is an argument that co-operative businesses require patient capital lending rather than venture capital lending of the kind which is looking for quick returns.

Consideration should be given to establishing a community mutual fund for co-op businesses, perhaps with a focus on start-ups, to assist with such areas as feasibility studies, business plans and start-up costs. For example, this would help community land trusts to develop as co-operatives which is currently problematic as the right to buy does not mean access to funds. Co-op businesses should not be required to change their rules to meet funding criteria.

CDS is responsible for promoting the benefits of co-operation in Scotland. There is still an enormous ignorance of the co-operative business model in Scotland despite the work being done by CDS and the Co-operative Education Trust Scotland (CETS). We are aware that CDS is working hard to ensure greater awareness within the enterprise networks and elsewhere. Despite the work of CETS, there is still a great deal of evangelisation of co-operative values required through the education system.

Co-operative education is about more than fairtrade tuck shops which, in turn, are about more than teaching children about international development. The co-op enterprise aspect needs to be understood. The next generation needs to understand the co-op model better and Business Education in schools should put more emphasis on co-ops. It should not be bolted on – co-operation should be in the mainstream curriculum. There is a need to forge links with organisations who determine the curriculum.

Teachers are not aware of co-operation and how it is taught and what is taught depends on where you are. Co-operation must be taught at teacher education colleges. Better knowledge should be acquired of co-op businesses in Europe and throughout the world.

Ayrshire Co-op Party Branch

“Mutualisation of community facilities is one area where opportunities for co-operative enterprise exist”

It should be recognised that co-operatives operate in various different industries and are disparate in nature. While Co-operation and Mutuality Scotland and Co-operatives^{UK} have done a great deal to promote co-operatives, there remains a need to bring the entire Movement together in common purpose.

Many parts of the Co-operative Movement were originally excluded from the remit of CDS on the basis that support exists elsewhere in government. We are extremely pleased that CDS choose to interpret their remit in a highly imaginative manner allowing them to work closely with the co-op housing sector, credit union movement and others. It would however be useful if a future Holyrood administration could address the anomaly of many parts of the Co-operative Movement being excluded from direct support from CDS.

Despite progress, the next government in Scotland must do more to encourage co-operative development. It should be recognised that there is now substantial cross party support for the co-operative business model.

Supporting Enterprise

Scottish Enterprise, in partnership with Highlands and Islands Enterprise, has been given responsibility for CDS and while Scottish Enterprise's attitude to co-operative development has greatly improved since the last Scottish Parliament elections, many in the Scottish Co-op Movement hope that in time CDS may be independent. The Co-operative Movement recognises that CDS have been creative in negotiating the narrow confines of Scottish Enterprise.

In countries where co-operative development is more successful than in Scotland – such as Italy – co-operative development is controlled by the Co-operative Movement and is independent of government. We believe this independence to be highly significant and would hope, in time, that co-operative development in Scotland could become equally independent.

Scotland's business support networks do not have a strong reputation in promoting co-operatives and could refer more business start up enquiries to CDS. Local authorities have been resistant to co-op solutions. There is a need to develop greater expertise in co-ops in local government. There is need for local government officers to specialise in co-ops.

CDS should raise its profile with relevant agencies such as legal services departments in local government. Local authorities should work jointly with CDS to provide co-operative solutions to the challenges facing those communities for which they have responsibility. Local authorities must become better engaged with the co-operative sector, seeking co-operative solutions for the challenges of local government.

Local authorities, with support from central government, should consider co-operative business models as a default alternative to businesses in transition where there is still viability.

Fife Co-op Party Branch

“The employee ownership model should be encouraged as it allows people with few skills to set up viable businesses”

The employee ownership model offers a particularly good alternative to workers who face their workplace being sold to multinational interests when family businesses go up for sale. Employee ownership should continue to be promoted by CDS, challenging the perceived association with privatisation and financial crisis. The Employee Ownership sector has the potential to enhance the rate of business start-up in the Scottish economy. Many people who lack the confidence or the capital to put their good business ideas into action can be supported by the co-op model.

While the approach of some key individuals in the trade union movement has been encouraging, the general attitude of the trade union movement has been lukewarm at best. There are serious problems with trade union misconceptions particularly within

healthcare provision. Much more work needs to be done to convince trade unionists that their working lives can benefit by moving away from the lacklustre state sector and greed-driven private equity sector and enjoy the benefits of working in thriving enterprises like their fellow workers in other countries.

Co-operation provides a model for proper community ownership in a number of areas from renewable energy schemes to care provision. The credit union sector continues to offer local communities a business model which allows communities, and individuals and families in communities, the potential to contribute to economic growth. Credit unions can now provide mortgages and pressure should be put on government to allow them to tap into the new mortgage liquidity schemes. Credit unions should be encouraged to take over the running of local post offices and other related community services.

It is important that CDS continues to work with the larger, well-established co-operative businesses so that their expertise and experience can be used to support co-operative development. Co-operation and Mutuality Scotland has a key role to play in the future development of the Movement in Scotland and should continue to work closer with the various sectors of the Movement such as credit unions. The Co-operative Movement, as a major player in a number of business sectors including retail, should do more to lobby government about a whole range of business and trading issues from town centre development to tackling anti-social behaviour.