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party

# **A PLAN FOR JOB RETENTION AND EMPLOYEE OWNERSHIP**

**OWNING<sup>THE</sup>  
FUTURE**



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# INTRODUCTION



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**F**or the recovery to be meaningful, it must be felt in every household – not just on the orderbooks of big companies or aggregated national growth statistics. We know that economies can grow on paper while most household incomes continue to stagnate or even shrink. We know because this has been our status quo for the last decade. Average wages have not grown in real terms and remain below their 2008 peak<sup>i</sup> and the number of people employed in insecure zero hours contracts has risen steadily since 2010.<sup>ii</sup>

And the impact of this has not been felt equally across society either. Gig workers on insecure contracts are much more likely to be between 16-30 years old (34%).<sup>iii</sup> There has been little meaningful change to the gender pay gap, with a far narrower gap for younger workers offset by a stubborn pay difference between women and men over 40.<sup>iv</sup> Disabled workers are paid on average 12% less than their non-disabled counterparts.<sup>v</sup> BAME young adults are 58% more likely to be unemployed than white young adults,<sup>vi</sup> and race inequality in the workplace means BME employees are less likely to be promoted than their white colleagues.<sup>vii</sup> Covid-19 has exacerbated these existing inequalities.

The UK's unemployment rate is already set to surge, with the Institute for Employment Studies already estimating that employment has fallen by 1.5 to 2 million during the first month of the crisis (on top of those furloughed under the Government scheme). Unemployment has a huge personal cost for those out of the job market, particularly during a period of downturn and recession as jobs become scarcer. The Resolution Foundation has already called the economic shutdown "bottom heavy" with the lowest socio-economic groups experiencing the hardest impact. Those already losing their jobs are the poorest in society – and are less likely to have any savings or qualifications.<sup>viii</sup>

For the wider economy, unemployment has a huge

cost in terms of unemployment benefits, health impacts associated with growing periods out of work, and lost revenue. There is also significant regional imbalance likely in patterns of unemployment across the country, with regions and communities already economically disadvantaged likely to be hardest hit and for the longest as entrenched inequalities takes people further and further from the jobs market.

As we develop strategies for recovery, it is time to reclaim the economy, so that everyone can have a say, a stake and a share of its rewards. Economic growth accompanied by poor social outcomes is not a path to success.

Jobs are key to achieving this – but not any job at any cost. A strong recovery will only happen if it is underpinned with strong foundations of decent labour rights, a wage you can live on, job security, and a say in your workplace.

The window is closing to protect existing jobs, and as businesses reopen, taking on the full staff salary burden and facing the imminent repayment deadlines for their Covid loans, that window gets ever smaller. We need protections for workers so that businesses don't have to make a choice between keeping staff on and repaying emergency loans, and for those businesses which can't or don't reopen their doors at all we need protections for workers that enables them to buyout their businesses and keep trading as employee-owners.

Because it isn't enough to return to the workplaces of before. The economy pre-Covid wasn't creating good enough jobs or paying people enough to live on. So when we retain, sustain and create jobs they must be better than before. Owning a stake in the workplace is a big step forwards – it helps to anchor jobs in the community and ensures workplaces are democratic and responsive to the needs of workers and their communities, not just shareholders and executives. ●

# WORKER BUYOUTS



**E**mployee buyouts show how self-help and co-operation can build resilience into our economy, saving productive businesses and providing an attractive option for business owners. As they transfer ownership to employees, there is a guarantee of the new owners taking a genuine interest in an enterprise's long-term success.

## A "right to own" for British workers

Where jobs and the local economy rely on one or two larger employers, particularly in manufacturing and industrial sectors, the collapse or downsizing of just one or two companies can have a disproportionate impact. There is a risk that this will be a pattern repeated across the country, with employers in every community closing their doors or reducing their headcount. Mass unemployment would have a scarring effect on those individuals as well as their local communities for decades into the future. That first step of preventing people becoming unemployed in the first place is crucial.

When businesses close or downsize in Italy, workers have the right, and financial support to back it up, to buyout all or part of the business and establish it as an employee-owned co-operative. This rescues the profitable parts of businesses, or even wholly profitable businesses where the margins are just too small to meet external investors' expectations.

Those facing the greatest deprivation are experiencing a far higher risk of exposure to Covid-19, and this tragically shows up in the case numbers and death figures. Deaths in the most deprived areas of England have been more than double those in the least deprived<sup>xii</sup>. Plotting Covid-19 mortality rates against levels of housing overcrowding shows a stark correlation<sup>xiii</sup>. You cannot socially distance in cramped accommodation.

## DEATHS IN THE MOST DEPRIVED AREAS OF ENGLAND HAVE BEEN MORE THAN DOUBLE THOSE IN THE LEAST DEPRIVED

Italy's Marcora Law was established over thirty years ago to divert the money spent on unemployment (such as benefits) into retaining jobs and continuing economic activity.

It does this by providing workers at risk of redundancy, when a business or part of a businesses is poised to shut down, with their unemployment benefits as a lump sum in advance to use as capital to buyout the business – as well as access to support and guidance to make it successful. Not only does this keep people in jobs and ensure businesses stay open and productive, it also means the economy can over time shift to a fairer, more democratic structure where employees have a say and a stake in their workplaces.

An example of how this has worked recently is Coop Fonderia Dante, which grew from Ferroli Spa's decision to close its foundry and assembly department, affecting 80 workers. The workers, unions and co-operative movement formed a group of workers. They contributed €900,000, CFI contributed €500,000 and the movement's





funds (in this case Legacoop) put in €270,000. After negotiation, feasibility studies and strategic planning, the co-operative started in 2017, a year after Ferrolí announced its decision

Between 2007 and 2013, €84 million were made available as capital to worker buyouts. This investment generated €473 million, with a financial return to the state up to 6 times the invested capital, saving and promoting more than 13,000 jobs with an average investment per employee of €13,200.<sup>ix</sup>

Given the likely surge and uneven distribution of unemployment rates as the UK exits lockdown, there should be a focus on anchoring jobs to the communities which need them. There needs to be emphasis on both job creation and improving job quality and security, so that the economy regrows sustainably and with greater resilience.

Therefore, the UK's post-Covid economic strategy should include a 'right to own' – in the form of a 'Marcora'-style rescue package for businesses at risk of closure to enable their employees to buyout and rebuild the business.

### **Coronavirus Business Interruption Loan (CBILs) write off plan**

There is a risk that businesses who have taken up CBILs find themselves unable to repay them, for example if business picks up more slowly than anticipated. This means a business could either fold, or that they may lay off staff once the furlough scheme is over in order to reduce outgoings and make loan repayments.

In order to retain jobs, keep businesses operating, and regrow a fairer economy, there should be an option for all or part of loans to be written off to firms which transition to asset-locked full or part employee ownership.

The statutory asset lock ensures that there is no backdoor – meaning that the firm cannot revert to private ownership, thus disenfranchising workers, once the loan has been written off. Asset locks are a means of ensuring co-operative capital is used to further the common interests of members rather than being appropriated for private gain. ●



# THE GIG ECONOMY →



**T**he co-operative movement emerged as a way to empower people who were being left behind. Much like when, 150 years ago, the self-employed garment workers and launderers came together to provide mutual support, the co-operative model continues to have much to offer in this area. Similarly, the work of trade unions to challenge this definition of self-employment is incredibly important, and the workers of the new gig economy should be able to organise and be represented in their daily working lives.

## Employment rights

Covid-19 has shone a light on the divide between workers – those who have a status as employees and those who are self-employed and find themselves further back in the queue. The Government's furlough support for self-employed workers came weeks after lockdown was announced and the design of the scheme means many lose out. As lockdown lifts, many self-employed workers will find themselves in a more precarious position, forced to choose between insecure work and safety – not to mention the many disabled freelancers, freelancers with caring responsibilities, and those who need to shield.

Employment law needs to be amended so that all working people benefit from the same decent employment rights and enjoy the same protections. This should include clear rules to prevent employers getting out of their employment responsibilities or misclassifying staff as self-employed.

## A voice for the self-employed

There are over five million self-employed people in the UK. The Government's £9 billion coronavirus support package has offered many a lifeline – but its design means many also miss out, such as those who have only recently started as self-employed or limited company directors who pay themselves in dividends.

Services work better when the people they impact

have a say in how they are designed, and workplaces are better when people have more control. Both during and post Covid-19, self-employed and freelance workers would be better represented in their workplaces and in policy making if they had a louder voice.

The rights of workers to trade union representation in the workplace must be enforced in every business – including those that rely

on a largely self-employed workforce. At a national level, the Department for Business, Energy and Industrial Strategy should identify how to create a voice for self-employed workers in business policy, regulation and commissioning, learning from the way in which the wider small business community has successfully become recognised.

## Agency workers

In many sectors, temping and employment agencies dominate the market, resulting in less secure work, little direct employment, and an erosion of working rights. The agency extracts fees and

**MANY SELF-EMPLOYED WORKERS WILL FIND THEMSELVES IN A MORE PRECARIOUS POSITION, FORCED TO CHOOSE BETWEEN INSECURE WORK AND SAFETY**

profits in the middle, leaving both the customer and the workers worse off. Loopholes which allow agency workers to be paid less than regular workers should be closed, and gangmaster licensing should be extended to agencies operating in high risk sectors.

During lockdown, many agency workers have fallen through the gaps<sup>c</sup> - perhaps the companies who contracted their agency has cancelled jobs, or the agency doesn't furlough all its staff - leaving a lack of clarity on how, if at all, they can access furlough support. With many sectors hardest hit relying heavily on agency workers, those workers are even more precarious as lockdown is lifted and government financial support is withdrawn.

Support should be given to agency workers to organise into co-operatives. And public procurement rules with respect to using employment and temping agencies should be amended so that only co-operative and not-for-profit models, as opposed to commercial for-profit agencies, can apply for public contracts.

### **Freelance co-operatives**

The government should play an active role in supporting self-employed workers who are organising themselves into co-operatives and starting service co-operatives, through improving access to start-up advice and investment, and ensuring that they have a level playing field to compete with big commercial enterprises. For example, the Link Psychology Co-operative in Preston is a consortium of self-employed educational psychologists who offer services to schools. Their co-operative model enables them to join forces to gain mutual benefits such as access

to administrative support, marketing services and training.

As the position of freelancers and self-employed workers becomes more precarious as lockdown lifts, there should be support for the development of mutual aid and insurance to help those self-employed workers who experience or are at risk of periods of unemployment. For example, 'Bread funds' in the Netherlands enable freelancers to pool the risk of periods of unemployment by creating funds into which freelancers can pay when they are working and then draw upon if they are not able to work.

### **Platform co-operation**

Through lockdown, many people have become increasingly reliant on apps and digital platforms - to order food or buy basics. These applications often rely on self-employed workers or employees operating on a zero-hour basis, who earn far less than the app developers. These digital platforms tend to have narrow ownership and push the risk onto providers and users of the platform, undermining traditional employment relationships and the rights that go with that.

### **Employment co-operatives**

The Department for Work and Pensions should explore the potential for employment co-operatives for people on benefits such as Job Seekers Allowance. This would mean that unemployed people would not lose out on the security of their benefits payments while they start out as self-employed workers, and enable them to access the collaboration, services and mutual support of the co-operative.



# ENDNOTES

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