co-operative party

OWNING THE FUTURE

THE CO-OPERATIVE PLAN FOR RECOVERY

CONTENTS

Introduction	2
Inequality, growth and shareholder primacy	4
Britain's productivity problem	6
Common decency	7
Co-operation can grow a fairer, more resilient economy	9
Policy solutions	11

INTRODUCTION

Anna Birley
Policy Officer

The last few months have shown us that we respond to crisis with kindness. Despite the pain and disruption that Covid-19 has caused, communities across the UK have responded not with conflict, but with co-operation. For every panic-bought toilet roll, there is a story of an elderly neighbour befriended, a donation to the local foodbank, a mutual aid volunteer delivering a prescription.

Recent research by Power to Change shows that 68% of us do not want the renewed sense of community spirit which has developed through lockdown to end[i] - but we are at a crossroads. This is a rare moment in history, a turning point where we can choose how we shape our future. Do we return to the divided economy and crippling austerity that characterised pre-Covid Britain? Or do we create something better, learning from our renewed spirit of solidarity to grow a better economy together?

Covid-19 has left in its wake huge loss of life, an economy brought to its knees by near total shutdown, livelihoods lost and a deep hole in public finances. It has revealed too how unprepared our economy was for any form of shock – laying bare the precariousness of work, how undervalued and underpaid many essential workers are, the extent of underfunding in health, social care and local government, and the severity of our housing crisis.

Meanwhile, in May shares in Amazon and Facebook hit an all-time high. Stock markets around the world have rallied, and Wall Street is flourishing as the Dow Jones has hit near record highs[ii]. US billionaires have increased their net worth by $485 billion over the ten weeks of the pandemic leading up to the end of May[iii] and private jet travel is booming.[iv]

There can be no return to business as usual. The moral case for change is crystal clear – we deserve an economy that works for everyone, not just a small number of shareholders and executives at the top. Everyone deserves a decent roof over their head, somewhere to call home. Everyone deserves to be able to put food on the table, and to earn a fair day's pay for a fair day's work. From dignity at work to a say in the decisions that affect us, we deserve better.

There is a strong economic case for change too. After every crisis there is a window of opportunity not just to recover but to fix the root causes of the crisis. While it is out of scope for this paper to dwell on our ecological breakdown and reducing risk of future pandemics, we can explore how our economy fared during the crisis, why it was particularly vulnerable to shock, and its prognosis for recovery.

Our economy was not in good shape before coronavirus took hold. Wages have decoupled from growth, leaving the majority of us behind while executive pay and shareholder dividends remain high and ever rising. The poorest households cannot afford the basics, and the "squeezed middle" are experiencing a fall in living standards. Communities across the country are feeling the pinch from the long and incomplete recovery from 2008's crash.

This growing inequality leaves our economy fragile and vulnerable to shock. While the economic effects of a pandemic and a global shutdown are unavoidable, its severity and longevity are not a foregone conclusion. History shows that growing inequality often precedes financial crashes, and that economies characterised by inequality grow slower and risk that weaker growth being short lived. So with the Bank of England predicting a recession three times as severe as the financial crisis of 2008, we must take steps now to limit its damage.

So we are faced with a choice: grow slower and crash sooner with our current broken model, or grow something better together. We have a responsibility to choose a more resilient economy which more fairly shares its rewards. To grow better, reducing

inequality has to be our new normal.

This is borne out in public opinion too – only 10% of people feel that the economy pre-coronavirus prioritised sharing wealth fairly, while 62% want this to be a feature of the economy when we rebuild it afterwards. In contrast, only 18% believe that profit maximisation should be given priority in the post-Covid economy[v].

Tackling inequality is easier said than done – the causes of inequality are structural and self-perpetuating. Some of these causes, like the entrenched inequality that excludes BAME people from the workplace or sees them disproportionately exposed to the virus, are rooted in discrimination, and don't have a straightforward economic answer.

But in terms of structural economic inequalities, our shareholder system means wealth and power are concentrated in a small and shrinking number of executives and company shareholders who make decisions in their own short-term gain, rather than in the long-term best interests of their company, community, workforce or environment. Rather than wait for the greater future rewards from investment in R&D and staff skills, they focus on immediate gains and short-term profit maximisation.

ONLY 10% OF PEOPLE FEEL THAT THE ECONOMY BEFORE CORONAVIRUS PRIORITISED SHARING WEALTH FAIRLY

This in turn impacts productivity – leaving us less productive than our neighbours. Productivity is what drives wage increases, so the losers are employees who feel the impact in their pay packet each month.

To break this cycle of short-termism, low productivity, low wages and rising inequality, we cannot simply patch it up or tweak at its edges. Instead we need to rewrite the rules governing the economy, and the values that underpin how businesses operate, so that we prevent short-term profit maximisation to the detriment of communities, widen ownership so that everyone has a say and a stake in the economy, reduce inequality, become more productive and increase wages for everybody – not just pay at the top.

The answer has been around for centuries. Co-operatives owned by their employees, customers and communities are a fairer way to do business, and economies characterised by a larger co—operative sector are more equitable, productive and accountable, with a narrower gap between the rich and poor. Instead of wealth being concentrated in the hands of a small percentage at the top, co-operative economies have a wider ownership base.

Co-operation is a human instinct – just as the explosion of mutual aid groups across the country proves, people are sociable and born to work together for mutual benefit[vi]. But in our economy, when self-interest is rewarded, and the rules stacked in favour of the accumulation of private wealth, co-operation struggles to compete. Co-operatives in the UK operate on an uneven playing field and the legal and regulatory odds are stacked against them – instead we need to put in place rules and institutions which nurture and embolden co-operation.

For fair and sustainable recovery, we should create an economic framework which works for everyone and which rewards behaviours that reflect our values and which contribute to a wider common good. This means a bigger co-operative sector, but also the hard wiring of co-operative values and principles into the DNA of the wider economy. That means purposeful, values-driven businesses creating growth and jobs, it means the fruits of labour being more fairly shared, and markets working in the interests of consumers and employees rather than shareholders. ●

INEQUALITY, GROWTH AND SHAREHOLDER PRIMACY

"

Inequality has become the issue of the day. It is not just the large numbers in poverty; it is the evisceration of the middle, the increasing proportion of income that goes to the top. One startling statistic succeeds another: 8 men have as much wealth as the bottom 3.5 billion in the world. That there will be social, political, and economic consequences goes without saying.

Joseph Stiglitz, Professor of Economics at Columbia University[vii]

Over the last five years, the incomes for the richest fifth of the UK's population has increased by 4.7%. The poorest fifth, on the other hand, have seen their incomes fall by 1.6% over the same period[viii]. And wealth is even more unequally distributed. The Office for National Statistics calculated that the richest 10% of households hold 44% of all wealth, while the poorest 50% own just 9%[ix]. The five richest households in the UK have greater wealth than the bottom fifth of the population combined[x].

Beyond the statistics, this is a very real experience for hundreds of thousands of households – and more acutely so during this crisis. From families stuck in poor quality, cramped homes for weeks and months of lockdown, to nurses and cleaners bearing the brunt of risk of infection for some of the lowest pay, coronavirus has brought the extent of inequality in the UK into sharp focus.

While debate has raged over the Scottish Chief Medical Officer's visit to a second home, and Dominic Cummings' excursion to his family's estate in County Durham, many households are simply worrying about how they will afford their next supermarket trip or whether they'll be able to cover next month's rent. Food banks have reported a record spike in need, with the Trussell Trust reporting an 81% increase in demand for emergency food parcels during the last two weeks of March 2020 compared to the same period in 2019[xi].

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[xii]. Plotting Covid-19 mortality rates against levels of housing overcrowding shows a stark correlation[xiii]. You cannot socially distance in cramped accommodation.

The workers we rely on to take the greatest risks during this pandemic, keeping supermarkets open, nursing our sick and caring for our elderly, are most likely, by virtue of their professions, to be exposed to the virus – yet they are living in these areas of deprivation. Low pay forces key workers to take the virus back into the communities least well equipped to withstand it.

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

And it is important to acknowledge here that this does not affect all communities equally. BAME people are disproportionately more likely to live in these most deprived neighbourhoods, disproportionately represented in frontline jobs that put them at risk, disproportionately excluded from the corridors of power. Racial discrimination traps BAME workers in lower paid roles and occupations. Structural racism further exacerbates socioeconomic inequalities – and this is evident in the mortality figures in Public Health England's report.

Understanding the correlation between this inequality and economic growth has become a much greater focus of economists and policy makers in recent years. The politics of, and economic case for, redistribution have been thrust into the limelight by rockstar economists like Piketty and show no sign of going away.

The data is stark. The IMF found that not only is inequality harmful for growth, but that inequality also has a significant negative relationship with the duration of growth spells[xiv]. Put simply, this means unless we reduce inequality, we risk weak, short lived growth. This is borne out in history – rising US inequality preceded America's sub-prime crisis[xv] as did an increase in inequality before the Great Depression in 1929[xvi].

"If this is a fair reading of history, then inequality may have a direct bearing on the fragility of the financial system"[xvii] – meaning greater inequality increases the risk that any growth out of this recession will be short lived. Historically, crises have been preceded by growing inequality.

> *If Piketty is right, inequality trends are self-perpetuating as wealth begets wealth.*
>
> **Andy Haldane, Chief Economist at the Bank of England[xviii]**

The problem is that left unchecked, the situation will not change. In fact, it may continue to worsen. If, as some analyses show, corporate behaviour has tended towards "rent seeking", whereby corporations have sought to use their economic strength to extract a larger share of the existing wealth rather than generating new wealth[xix], then it will continue to concentrate further at the top.

As wealth accumulates with this ever-smaller group of corporations and individuals, ownership in the economy narrows and becomes less diverse. Ownership matters – just as who owns a business dictates in whose interest it is run, who owns the economy determines how it operates and how it distributes its rewards. "Wealth concentrated in the hands of a few reinforces institutional arrangements which keep sluicing pre-tax incomes upwards, often by enabling interlocking elites to create self-serving arrangements for themselves."[xx]

So, we have a situation where ownership and control of the economy sit in the hands of a small number of vested interests. And unfortunately for our economy, those companies suffer from "short termism"[xxi] or as the Chief Economist of the Bank of England puts it, corporate myopia[xxii].

Companies' problem is their unwillingness to defer gratification. The decisions that would yield larger gains in the long term, such as taking lower executive salaries or smaller bonuses in order to invest in the human capital of their staff, physical capital like new equipment, or intangible capital like research and development, are not being taken. Instead, executives and shareholders take home consistently high pay-outs, regardless of the performance and profitability of the company. Sometimes company profits can be negative but shareholders are still rewarded with dividend payments.[xxiii]

This comes back full circle to the issue of inequality. The economic casualties of an underinvestment in innovation and a national skills deficit are productivity and growth – not to mention the social and environmental costs. Short termism does not lend itself to solving the climate crisis, or investing in the wellbeing of employees or the communities in which firms operate.

And although many regulations were introduced after the 2008 crash, "aggressive risk-taking and moral hazard, which marked the foundations of the crisis, did not simply evaporate"[xxiv] – rather many have since been extended and socialised.

If economic decision-making rests with a narrow cohort of impatient shareholders and company executives, we see a situation where profits are redistributed to themselves at the expense of reinvesting in growth or redistributing them to their workers in the form of increased wages. Company Law gives primacy to the interests of shareholders in company objectives and decision-making, meaning this impatient shareholder model is entrenched in our legal system.

The rules and institutions of our economy have been written for shareholder and privately owned business, rewarding the very structures which make them behave in a way which is detrimental to the wider economy and society. Organisations with more diverse ownership structures, which do not suffer from the same corporate myopia, have to swim against the current. Unless these rules are rewritten, and ownership and decision-making is widened, inequality will persist. ●

BRITAIN'S PRODUCTIVITY PROBLEM

> *Productivity isn't everything, but, in the long run, it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker.*

Paul Krugman, Professor of Economics and International Affairs Emeritus at Princeton University[xxv]

The economy doesn't just suffer a lack of equality – we measure up poorly on metrics concerning productivity too. The independent reported in 20117 that British workers were 27% less productive than their German counterparts[xxvi]. Since 2008, British productivity has essentially flatlined, running almost 20% below its pre-financial crash trend[xxvii].

This doesn't mean British workers are less hard working – it's that the structural problems in the economy mean their hard work counts for less. The very same top down shareholder primacy that creates and perpetuates inequality contributes to our productivity problem. Investment in human capital, from upskilling workers to rewarding employees for a firm's success, and investing in R&D and technology all help to improve productivity – but as we've explored, these require deferred gratification for shareholders and executives. At a micro level, short-termism holds back individual firms from leaping ahead of their rivals – at a macro level it creates an unproductive, unhealthy economy.

And low productivity in and of itself contributes further to inequality. The Bank of England's chief economist, Andy Haldane, recently said that "productivity is what pays for pay rises."[xxviii]

The co-operative movement knows from centuries of experience that inclusive business models and a democratic economy are the tonic for falling productivity. Companies and organisations in which employees have a real influence, and especially when this comes with a genuine ownership stake, are more productive than organisations where this is not the case.

In the States, the 'National Center for Employee Ownership' has analysed empirical studies on employee ownership, looking across 102 studies encompassing almost 57,000 firms – they have found that there is a positive and statistically significant relationship between firm performance and employee ownership[xxix].

And on a macroeconomic level too, the new Economic Democracy Index, measuring economies by the extent of workplace rights and collective ownership like co-operatives and credit unions, has found a clear correlation showing that economies where workers have a greater say and stake in their workplace are more productive[xxx].

Moreover, worker-owned and co-operative are more likely to survive. In Quebec, the survival rate for new co-operatives after five years was 62%, compared with just 35% for all businesses[xxxi]. Research also shows that American employee-owned firms were more likely to survive the last two economic recessions[xxxii]. Data from the Office for National Statistics reveals that the numbers in the UK are even more stark – twice as many co-operatives survive the difficult first five years as other businesses[xxxiii].

This is critical as we plan our post-Covid recovery. Employee ownership means better productivity, which means we will be able to recover what we're losing in terms of missed opportunities and lost output more quickly. But it also means a more resilient recovery, out from this pandemic and better prepared for, God forbid, the next. Co-operatives are more likely to weather the difficult economic period ahead and will provide more sustainable jobs. During periods of economic crisis, co-operative rescues of bankrupt or declining firms have shown themselves to be important sources of job creation and layoff prevention[xxxiv].

COMMON DECENCY

> *Ten years of austerity have put us in a place where we are not as resilient as we could have been in this crisis.*

Keir Starmer, Leader of the Labour Party[xxxv]

Behind this research and evidence, the way our economy works has a very human impact – and policy should be rooted in lived experience as much as academic theorising.

In the sixth richest economy on Earth, it should be a given that nobody goes hungry, that people get a fair day's pay for a fair day's work, and everyone has a secure and affordable place to call home. Basics such as food, dignity at work, and decent housing ought to be a given.

But these things that many of us take for granted seem further away than ever for millions.

Before the coronavirus crisis, children were going to school hungry – and during the lockdown with schools largely closed they stayed home hungry instead. The number of households with children going hungry doubled from the start of lockdown to the start of May. Before coronavirus even glimmered on horizons, more than eight million people in the UK had trouble putting food on the table[xxxvi]. During the Covid-19 lockdown, the number of adults who are food insecure in Britain has been estimated to have quadrupled, according to research by the Food Foundation[xxxvii].

A fair day's work may seem distant to the many furloughed workers – but despite unprecedented state subsidy of wages through the furlough scheme, 68% of households are reporting reduced income[xxxviii]. And, counterintuitively, while lower income households are seeing a much greater proportional drop in income, those lowest earners are spending even longer at work. Almost a third of workers earning under £1,450 a month are considered key workers, far higher than workers in higher income brackets[xxxix] and in many cases doing far more dangerous work.

Problems with pay and household income are not simply a symptom of Covid-19. In 2018-19, household income stagnated – and the year before it fell by 0.3%. As is too often the case, this impacted the poorest fifth of households particularly hard. After accounting for inflation, incomes for this group dropped 3% meaning the poorest were worse off in 2018-19 than 2014-15[xl]. This poverty is more likely to be experienced by BAME groups – Bank of England research shows that ethic minorities in the UK earn around 10% less than white workers[xli]. At the

same time, the rising cost of essentials like housing and childcare are putting household budgets under further strain.

And with nurses experiencing PPE shortages and unable to do their jobs safely and teachers' unions highlighting the risks to staff of reopening schools before precautions are in place, the concept of fairness in the workplace is lacking.

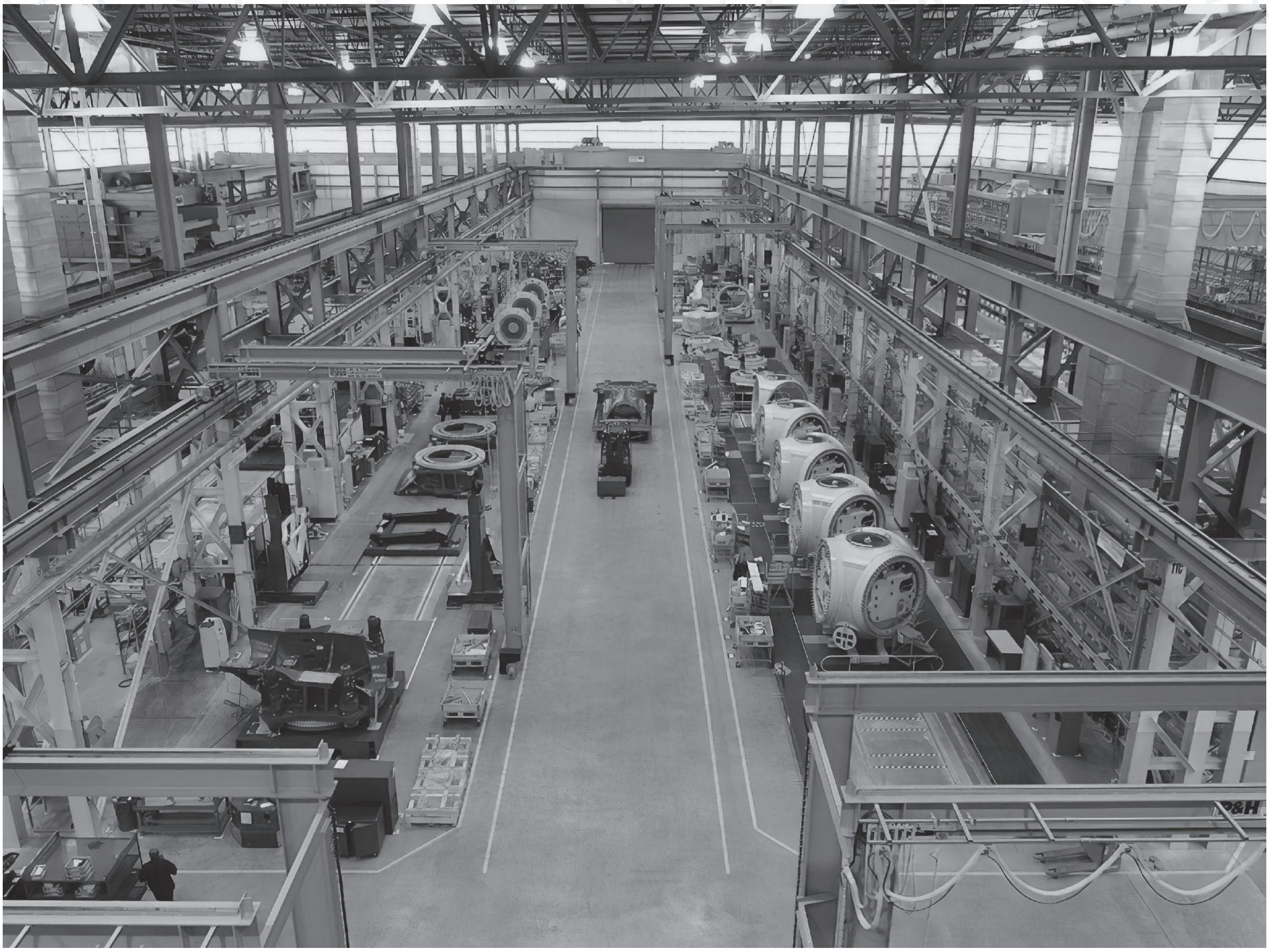
However, the holes in the safety net which was designed to catch and support those who couldn't make ends meet are growing, as austerity continues to erode public services. Government cuts are forcing councils to close services that people rely on to make their depleted budgets add up, and low pay and welfare reforms are leaving many households in poverty.

This impact is not felt equally in every region. Too many regions of the UK have not benefitted from the economic growth that London and the South East have enjoyed. Economic and political power have become increasingly concentrated in the capital, creating an unequal country where opportunities and wealth are stacked in favour of those living and working within the M25.

It is astounding how ill-prepared our economy was for a crisis. We are facing the deepest recession in 300 years[xlii]. Our sluggish growth, low productivity, stagnant wages and entrenched inequality have left the economy vulnerable to shock, so it is no wonder that coronavirus has pushed us over the precipice. Unless we change the way it operates this recession will be longer and deeper.

The concern now is that this fragility will prevent our economy from regrowing. Given our economy is characterised by the very things that will prevent long term, sustainable growth – the economic argument for rebuilding differently has never been stronger. We must learn from the mistakes made after 2010. And more importantly, given the vast impact that deprivation is having on so many people, there is a clear moral imperative to do better and build back fairer.

In doing so, a fairer economy must be more attuned to its communities, it must share power as well as redistributing wealth, and it must be grounded in co-operative values. We have a slim opportunity to build a new consensus, born from our renewed embrace of community co-operation. This won't come about by chance: it requires proactive intervention to widen ownership, change the way economic rewards are distributed, and shift the balance of power. ⬢



CO-OPERATION CAN GROW A FAIRER, MORE RESILIENT ECONOMY

> *History teaches us that man is essentially a co-operative being.*
>
> **Tine de Moor, Professor at Utrecht University[xliii]**

There is some renewed consensus in British politics – beyond Thursday evening clapping there is an unease about the extent of underfunding of the NHS and a renewed appreciation for essential workers from nurses and carers to retail workers and teachers. There is some excitement from people about a future involving more walking and cycling, or at least some pleasure gained from the quietness and clean air of streets without their usual traffic.

The state has found a way to solve, albeit temporarily, many of the problems it had previously washed its hands of – rough sleepers were found hotel beds and vulnerable people had essential food delivered to their doors. And communities rediscovered what they could achieve by working together to help each other, from volunteers collecting prescriptions and doing grocery shopping for neighbours in self-isolation, to community pubs repurposing to deliver meals to their elderly customers.

The challenge now is to build on this new consensus. As we open up and look to reboot the economy, it is under threat by the status quo. We cannot risk it being a temporary blip of co-operation – we need to shift it to a structural change in the way our economy distributes its rewards.

In this mission, there is one thing already in our favour: that humankind is by nature co-operative. A hopeful application of history shows us that people have always worked together for their mutual benefit, that the common good is as much a driver of human behaviour as self-interest, that humans are instinctively co-operators.

Human development is a long tale of co-operation. For a long time now, we have been building institutions which enable us to work together and which focus on creating the conditions for long term co-operation. This is true whether we look at the macro, with the formation of nation states, and then their co-operation, especially through the last century, through international institutions such as the EU and UN designed to bring peace, shared prosperity and collective decision-making – or the micro with the bottom up bubble of co-operative societies, common pasture land or workers organising into unions[xliv]. Today, our hopes are pinned on the outcomes of unprecedented co-operation between the world's scientists, not racing each other to find a vaccine but working together to develop one faster.

Our task now is to give this co-operation institutional support before it is defeated. It is our responsibility to protect it, to co-operate, and to grow together.

Co-operation provides an antidote to many of the economy's failings. The original co-operative and mutual societies were created as a way for ordinary people to come together to provide mutual self-help for their members – from good quality affordable food to fair rewards for their labour and protection against sickness and unemployment.

> *In situations where each individual has an incentive to be selfish, how can cooperation ever develop?*
>
> **Robert Axelrod, Professor of Political Science and Public Policy at the University of Michigan[xlv]**

While the country is a very different place to when the Co operative Party was founded a century ago, the solutions offered by co operatives are as pertinent and important today as they were then. By existing to provide a service for their members rather than generate profits for external shareholders, co-operative and mutual enterprises are the key to creating an economy that puts people before profit. And conversely a larger co operative sector is a sign and measure of a different kind of economy emerging, where purpose and participation are valued above profit maximisation.

However, the levels of co-operation seen in political institutions is not necessarily reflected in the economic ones. In the UK, the co-operative sector is worth £37.7 billion to the economy each year – which although laudable is a small proportion of the UK's economy which remains dominated by private interests. This isn't to say that a larger co-operative sector isn't possible. In Italy, co-operatives are worth an estimated €36.5 billion. In Norway, more than 40% of people are co-operative members. Seven in ten people in Quebec, Canada, are co-operative members. 90% of Japanese farmers belong to a co-operative and co-operatives account for 36.4% of all retail sales in Denmark[xlvi].

> *The benefits of corporate diversity need to be recognised and such diversity promoted. This would create greater systemic resilience.*
>
> **Jonathan Michie, University of Oxford, and Linda Lobao, the Ohio State University[xlvi]**

What is missing in the UK is a framework in which co-operatives can thrive. The shareholder model is deeply embedded in the foundations of the British economy.

Company Law gives primacy to the interests of shareholders when defining the objectives of a company and how it makes decisions[xlviii]. Meanwhile co-operative growth and expansion are hindered by this legislative and regulatory framework that is designed for privately-owned businesses. Despite the success of member finance and community share offers in financing community energy, co-operative pubs and other projects and enterprises, co-operatives' unique structure means they are often excluded from traditional investment methods.

But if, as the Chief Economist of the Bank of England moots this "shareholder model may, ironically, have contributed to unfair shares"[xlix] then it is in our collective and economic interest to reform it. Our unfair shareholder system, characterised by deep inequality and centralised, short-term decision making, is holding us back from sustainable growth – not to mention its huge human and ecological costs. So the step towards exploring different forms of ownership, governance and doing business is a natural one.

Nobel economist Elinor Ostrom says that "designing institutions to force (or nudge) entirely self-interested individuals to achieve better outcomes has been the major goal posited by policy analysts for governments to accomplish for much of the past century. Extensive empirical research leads me to argue that instead, a core goal of public policy should be to facilitate the development of institutions that bring out the best in humans"[l].

She draws the distinction between advocates for a central authority such as a state to manage the 'commons' versus advocates for private individuals to pursue "their own self interests within a set of well-defined property rights.[li]" Instead, she suggests that there is an alternative way, that individuals can and do self-organise, co-operate and work for the group's mutual benefit – if only the right rules and institutions exist to enable it.

Given we know that humans are hardwired to co-operate, and that this is evident not just in political institutions and civic society but in economies around the world – it is clear that if the UK is to follow suit then it needs a new framework for economic activity. Our current shareholder model, rewarding the same short-term decisions that are damaging it, is broken. With the right rules and institutions in place, co-operation offers hope for a different way of doing business.

To achieve this, we cannot tweak around the edges. We need to rewrite the rules governing the economy, so that they reflect our values and so that they facilitate the creation of institutions that bring out the best in people. Shareholder primacy must make way for corporate diversity, where there is a level playing field for businesses with different ownership structures and where the behaviours that we value are rewarded. Corporate governance reform must ensure long-term decision making, that puts social and environmental considerations on an equal footing with profits.

Co-operatives are both the journey and destination. Co-operative enterprise and community businesses, through their ownership and governance, are a fairer way to do business. Rather than simply extracting profit, they benefit the communities, consumers and employees with which they interact. The actions of co-operatives and community business through this crisis demonstrate the kind of economy we aspire to – one where business and social responsibility go hand-in-hand.

But more than this, co-operative economies where everyone has a stake and a say are fairer, more productive and more responsive to the needs of their communities. From Italy's Emilia Romagna to the Basque Country's Mondragon, economies dominated by co-operatives rather than private interests see lower socio-economic inequality.

In our current economic context, this is especially important. Lower inequality should pave the way for stronger, more sustainable growth. It will hardwire resilience and job quality into the fabric of the economy, reuniting enterprise with the communities in which it operates.

POLICY SOLUTIONS

Each of these themes will be explored in more detail over the coming weeks. Each week, we will publish a new chapter, sharing policy proposals from co-operative growth and worker ownership to tax justice and democratic public ownership. Together, these form the toolkit we need to repair our economy – not simply patching up the damage done by Covid-19 but fixing the problems at the heart of an unfair, inequitable system.

1. A plan for co-operative expansion

This means a far bigger co-operative sector – with both a larger number of co-operative businesses owned and run by consumers, employees and/or communities, and a larger market share for co-operatives.

But it also means instilling co-operative values, as well as the features of co-operatives that make them different, into those businesses which remain privately- or shareholder-owned. Transparency, accountability, care for the community, long-termism and inclusive decision-making should be the basis of the rules that govern our economy so that we distribute the economy's rewards more fairly, protect the environment and communities, and prevent myopic corporate decision-making.

2. A plan for job retention and employee ownership

Jobs should lead our plans for economic recovery, but with a focus on quality as well as quantity – higher wages, more say and job security. There can be no return to a situation where low unemployment figures mask growing in-work poverty, or where a job can be exported abroad when a business finds a cheaper home for its factory or warehouse.

Workers should have a far greater stake and say in their workplaces – through a greater emphasis on employee ownership as well as reforms to corporate governance that gives them a place on company boards. Hard won rights such as the right to organise, parental leave, sick pay and holiday should be at the heart of how companies do business – even (or especially!) in new "gig economy" industries where these are being eroded.

And furthermore, at a time where unemployment is predicted to rise by 2 million, worker ownership helps to promote long term job creation and retention – in a one member one vote workplace, employees are unlikely to vote themselves out of a job, instead decisions are focused on financial stability rather than short term profit maximisation. Workers whose jobs are at risk as firms close down should be empowered and supported to buyout their businesses. And firms who choose to transition to employee ownership should also be rewarded, with their Coronavirus Business Interruption Loan Scheme loans written off if they transition to asset-locked employee ownership.

3. A plan for a co-operative green new deal

Co-operative ownership should be at the heart of tackling the climate crisis, with common democratic ownership embedded in the green technologies of the future. Wind and sun are, after all, not private property so the power that they generate should not be captured for purely private gain.

4. A plan for fair tax

It isn't right that many businesses don't contribute their fair share of tax – and that some of them are looking to the taxpayer for support now, at a time of crisis. While no employee should pay for the sins of their employers, and it is right that we protect those jobs, we should also expect better from those businesses in the future. Our new economic settlement must plug the holes in our tax rules so that everyone pays their fair share.

5. A plan for an alternative financial services sector

Our financial sector needs attention too. British banking is dominated by four large banks: Barclays, Lloyds, HSBC and the Royal Bank of Scotland (RBS) provide 70% of current accounts despite the wave of eye-catching digital challengers, and new rules designed to loosen the big four banks' stranglehold and boost competition are having a limited impact. The lack of choice and diversity mean very few customers switch, and there remain many people without current accounts at all. 1.7 million people don't have access to banking of any kind, and 40% of households have less than £100 in savings.

Beyond personal banking, high street banks were not performing for businesses either and reluctant to lend to SMEs. And during coronavirus, despite large cash injections from Government the rate of lending has remained slow.

Alternatives already exist – credit unions and community development finance institutions (CDFIs) which provide accessible and affordable banking, and building societies which exist to provide a service for their members rather than create wealth for external shareholders.

Germany, for example, has thousands of individual banks across the country, including over 400 local savings banks (Sparkassen), each independently and locally managed, as well as 1,000 co-operative banks, owned by their members and run on the principle of one member one vote.

6. A plan for a place-based economy

The ownership and control of companies has a crucial impact on the places in which they are owned and operate[lii]. Local economies matter and it is clear that a future economy must address this. Rebalancing the economy cannot be achieved from the top down – every region needs to lead the economic regeneration and growth itself. This means meaningful decentralisation and a degree of fiscal devolution, with decision-making going beyond the town hall to the communities affected.

7. A plan for democratic public ownership

And finally, we need accountability in the public utilities and transport networks that we rely on. Privatisation has proven itself a failed experiment that has injected the same corporate myopia that characterises the world of business into the decisions made about the vital everyday services from clean running water to the bus to work.

We need to ensure that the voice of customers, staff and the taxpayer are at the heart of how these industries are run, and that services are shaped around the interests of the people who use and work in them. And rather than our bus tickets and water bills paying the dividends of distant shareholders, we should all benefit. ●

ENDNOTES

i '12 Community organisations launch platform to unleash new wave of community activism', Power to Change (27 May 2020) https://www.powertochange.org.uk/news/12-community-organisations-launch-platform-unleash-new-wave-community-activism/

ii 'Why are Stocks Soaring in the Middle of a Pandemic?', Foreign Policy (29 May 2020) https://foreignpolicy.com/2020/05/29/stock-market-rally-coronavirus-pandemic/

iii Saloni Sardana, 'US billionaires have increased their net worth by $485 billion during the last 10 weeks of the pandemic, report says', Markets Insider (29 May 2020) https://markets.businessinsider.com/news/stocks/us-billionaires-add-485-billion-net-worth-during-pandemic-report-2020-5-1029263947

iv Rupert Neate, 'Wealthy turning to private jets to escape coronavirus outbreak', The Guardian (2 March 2020) https://www.theguardian.com/business/2020/mar/02/wealthy-private-jets-escape-coronavirus-outbreak

v Co-op Party polling: https://party.coop/2020/06/09/new-polling-shows-that-people-want-an-economy-that-shares-wealth-more-fairly/

vi Rutger Bergman, 'Humankind: a Hopeful History', Bloomsbury Publishing (May 2020)

vii Joseph Stiglitz, 'Wealth and Inequality in the Twenty-First Century', speech at the International Economic Association World Congress (June 2017) https://www8.gsb.columbia.edu/faculty/jstiglitz/sites/jstiglitz/files/Wealth%20and%20Income%20Inequality%20in%20the%20Twenty-First%20Century.pdf

viii 'The Scale of Economic Inequality in the UK', the Equality Trust https://www.equalitytrust.org.uk/scale-economic-inequality-uk

ix 'Wealth in Great Britain Wave 5: 2015 to 2016, Office for National Statistics (February 2018) https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/wealthingreatbritainwave5/2014to2016

x 'Challenging extreme economic inequality', Oxfam https://www.oxfam.org.uk/what-we-do/issues-we-work-on/poverty-in-the-uk/challenging-extreme-economic-inequality

xi 'Food Banks report record spike in need as coalition of anti-poverty charities call for strong lifeline to be thrown to anyone who needs it', the Trussell Trust (1 May 2020) https://www.trusselltrust.org/2020/05/01/coalition-call/

xii 'Deaths involving COVID-19 by local area and socioeconomic deprivation: deaths occurring between 1 March and 17 April 2020', Office for National Statistics (1 May 2020) https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/eathsinvolvingcovid19bylocalareasanddeprivation/deathsoccurringbetween1marchand17april

xiii Nathaniel Barker, 'The housing pandemic: four graphs showing the link between COVID-19 deaths and the housing crisis', Inside Housing (29 May 2020) https://www.insidehousing.co.uk/insight/insight/the-housing-pandemic-four-graphs-showing-the-link-between-covid-19-deaths-and-the-housing-crisis-66562

xiv Jonathan D. Ostry, Andrew Berg and Charalambos G. Tsangarides, 'Redistribution, Inequality and Growth', International Monetary Fund (February 2014) https://www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf

xv Raghuram G. Rajan, 'Fault Lines: How hidden fractures still threaten the world economy', Princeton University Press (2010)

xvi Michael Kumhof, Romain Ranciere, and Pablo Winant, 'Inequality, Leverage and Crises', American Economic Review (2015) https://pubs.aeaweb.org/doi/pdfplus/10.1257/aer.20110683

xvii Andy Haldane, 'Unfair Shares', Remarks given at the Bristol Festival of Ideas (21 May 2014) https://www.bankofengland.co.uk/-/media/boe/files/speech/2014/unfair-shares

xviii Andy Haldane, 'Unfair Shares', Remarks given at the Bristol Festival of Ideas (21 May 2014) https://www.bankofengland.co.uk/-/media/boe/files/speech/2014/unfair-shares

xix Jonathan Michie and Linda Lobao, 'Ownership, control and economic outcomes', Cambridge Journal of Regions, (November 2012) https://academic.oup.com/cjres/article/5/3/307/478940

xx Robert H. Wade, 'The Piketty phenomenon and the future of inequality', real-world economics review, World Economics Association (7 October 2014) http://www.paecon.net/PAEReview/issue69/whole69.pdf

xxi John Kay, 'The Kay review of UK equity markets and long-term decision making: Final Report' (July 2012) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/253454/bis-12-917-kay-review-of-equity-markets-final-report.pdf

xxii Andy Haldane, 'Unfair Shares', Remarks given at the Bristol Festival of Ideas (21 May 2014) https://www.bankofengland.co.uk/-/media/boe/files/speech/2014/unfair-shares

xxiii Andy Haldane, 'Unfair Shares', Remarks given at the Bristol Festival of Ideas (21 May 2014) https://www.bankofengland.co.uk/-/media/boe/files/speech/2014/unfair-shares

xxiv Carolina Alves and Farwa Sia, 'COVID-19: how the UK's economic model contributes towards a mismanagement of the crisis', London School of Economics blog (30 March 2020) https://blogs.lse.ac.uk/politicsandpolicy/covid-19-and-economic-models/

xxv Paul Krugman, 'The Age of Diminishing Expectations', MIT Press (1990)

xxvi Ben Chapman, 'UK workers are 27% less productive than German counterparts, says British business leaders', the Independent (11 July 2017) https://www.independent.co.uk/news/business/news/uk-workers-less-productive-germany-business-france-american-sir-charlie-mayfield-john-lewis-be-the-a7834921.html

xxvii Andy Haldane, 'The UK's Productivity Problem: Hub no Spokes' Speech given at the Academy of Social Sciences annual lecture (28 June 20018), chart 3 https://www.bankofengland.co.uk/-/media/boe/files/speech/2018/the-uks-productivity-problem-hub-no-spokes-speech-by-andy-haldane

xxviii Andy Haldane, 'Pay Power', Speech given at the Acas 'Future of Work' conference (10 October 2018) https://www.bankofengland.co.uk/-/media/boe/files/speech/2018/pay-power-speech-by-andy-haldane

xxix 'Research on Employee Ownership', National Center for Employee Ownership (July 2019) https://www.nceo.org/article/research-employee-ownership

xxx Adrian Bua, 'Why workers' rights are good for the economy', New Economics Foundation (29 January 2018) https://neweconomics.org/2018/01/workers-rights-good-economy

xxxi Sara Stephens, 'Worker Cooperatives: Performance and Success Factors', Co-opLaw https://www.co-oplaw.org/special-topics/worker-cooperatives-performance-and-success-factors/

xxxii Fidan Ana Kurtulus and Douglas L. Kruse, 'How did employee ownership firms weather the last two recessions?: Employee ownership, employment stability, and firm survival in the United States: 1999-2011', Upjohn Press (2017) https://research.upjohn.org/up_press/241/

xxxiii Shannon Rieger, 'Reducing Economic Inequality through Democratic Worker-Ownership', the Century Foundation (10 August 2016) https://tcf.org/content/report/reducing-economic-inequality-democratic-worker-ownership/?session=1

xxxiv Stephen C. Smith and Jonathan Rothbaum, 'Co-operatives in a Global Economy: Key economic issues, recent trends and potential for development', Institute for the Study of Labor (September 2013) http://ftp.iza.org/pp68.pdf

xxxv Laurenz Gehrke, 'UK Labour Leader blames 10 years of austerity for coronavirus crisis', Politico (7 May 2020) https://www.politico.eu/article/uk-labour-leader-blames-10-years-of-austerity-for-coronavirus-crisis-keir-starmer/

xxxvi 'Food wates and hunger in the UK', FareShare https://fareshare.org.uk/what-we-do/hunger-food-waste/

xxxvii Rachel Loopstra, 'Vulnerability to food insecurity since the COVID-19 lockdown: preliminary report', Kings College London (14 April 2020) https://foodfoundation.org.uk/wp-content/uploads/2020/04/Report_COVID19FoodInsecurity-final.pdf

xxxviii Torsten Bell, 'An Economic Battleplan', Resolution Foundation event (30 April 2020), slide 3 https://www.resolutionfoundation.org/events/an-economic-battleplan/

xxxix Katie Spenser, 'Coronavirus: Britons increase TV and cooking time in lockdown – but lowest earners spend even longer at work', Sky News (27 May 2020) https://news.sky.com/story/coronavirus-britons-increase-tv-and-cooking-time-in-lockdown-but-lowest-earners-spend-even-longer-at-work-11995420

xl Adam Corlett, 'New data shows households were struggling even before coronavirus', Resolution Foundation (26 march 2020) https://www.resolutionfoundation.org/comment/new-data-shows-households-were-struggling-even-before-coronavirus/

xli Olesya Dmitracova, 'Ethnic minorities in UK earn 10% less than white workers, Bank of England research shows', the Independent (21 october 2019) https://www.independent.co.uk/news/business/news/ethnic-minority-pay-gap-uk-bank-of-england-research-bame-a9165071.html

xlii Chris Giles, 'BoE warns UK set to enter worst recession for 300 years', Financial Times (7 May 2020) https://www.ft.com/content/734e604b-93d9-43a6-a6ec-19e8b22dad3c

xliii Prof. Tine De Moor, 'Homo Cooperans. Institutions for collective action and the compassionate society', inaugural lecture at the University of Utrecht (22 November 2018) https://issuu.com/humanitiesuu/docs/gw_moor-tine_de_oratie_en_definitie

xliv *ibid.*

xlv Robert Axelrod, 'The Evolution of Cooperation', Basic Books Inc. Publishers (1984) http://www-personal.umich.edu/~axe/Axelrod_Evol_of_Coop_excerpts.pdf

xlvi Jay Walljasper, 'How is Italy reinventing the co-op?', OpenLearn (6 February 2017) https://www.open.edu/openlearn/money-business/business-strategy-studies/how-italy-reinventing-the-co-op

xlvii Jonathan Michie and Linda Lobao, 'Ownership, control and economic outcomes', Cambridge Journal of Regions, (November 2012) https://academic.oup.com/cjres/article/5/3/307/478940

xlviii Andy Haldane, 'Unfair Shares', Remarks given at the Bristol Festival of Ideas (21 May 2014) https://www.bankofengland.co.uk/-/media/boe/files/speech/2014/unfair-shares

xlix Andy Haldane, 'Unfair Shares', Remarks given at the Bristol Festival of Ideas (21 May 2014) https://www.bankofengland.co.uk/-/media/boe/files/speech/2014/unfair-shares

l Elinor Ostrom, 'Beyond markets and states: polycentric governance of complex economic systems', Nobel Prize lecture (8 December 2009) https://www.nobelprize.org/uploads/2018/06/ostrom_lecture.pdf

li Elinor Ostrom, 'Governing the Commons', Cambridge University Press (1990)

lii Jonathan Michie and Linda Lobao, 'Ownership, control and economic outcomes', Cambridge Journal of Regions, (November 2012) https://academic.oup.com/cjres/article/5/3/307/478940

OWNING THE FUTURE

Unit 13, 83 Crampton
Street, London SE17 3BU

020 7367 4150

mail@party.coop
@CoopParty
www.party.coop

Co-operative Party Limited is a registered Society under the Co-operative and Community Benefit Societies Act 2014. Registered no. 30027R.

Promoted by Joe Fortune on behalf of the Co-operative Party, both at Unit 13, 83 Crampton Street, London SE17 3BQ. Printed by Solopress, 9 Stock Road, Southend-on-Sea SS2 5QF.

co-operative party

coop