



REBUILDING LONDON'S ECONOMY TOGETHER

The case for more co-operation

“ The London Co-operative Party is dedicated to increasing the size of the co-operative sector in London and we very much welcome this report advocating for a Co-operative Commission for London from Seema Malhotra MP.

Personally, I very much valued the opportunity to participate in, and hear from, representatives from across the London Co-operative sector at the roundtable event organised by Seema and her team last year. It is encouraging to see so many of the ideas and recommendations put forward by the London Co-operative Party and our colleagues in the co-operative movement in this report.

We look forward to continuing to work with Seema on this and seeing these recommendations implemented for the benefit of our City.”

- Ria Bernard, London Co-operative Party Council

“ Anyone who has worked for a co-operative, or lived in a co-operative, fully understands their many advantages. But the fact remains that most people remain unaware of the benefits of running businesses on a co-operative basis. This report sets out a short list of effective actions that would address this, and start to move the co-operative model of working and living centre stage. Setting up a London Co-operative Commission should happen as soon as possible.”

- Leonie Cooper AM, Labour & Co-operative Economy spokesperson for City Hall Labour

“ The Welsh Commission on Co-operatives and Mutuals provided excellent advice about how to grow the number of co-operative and mutuals businesses to help build a fairer economy in Wales. A similar approach could create a step change in London too. This proposal is perfectly timed to assist London’s economic recovery.”

- Derek Walker, Chief Executive of the Wales Co-operative Centre

“ During this Covid-19 crisis, London has shown that it is full of community spirit. It is important now that we support communities to continue to co-operate so that we can achieve a fair and sustainable economic recovery. Our co-operative values are more relevant now than ever, and a Co-operative Commission for London could help to embed them in London’s economy.”

- Stella Creasy MP, Co-op Party NEC member for London



Seema Malhotra MP

Labour & Co-op MP for Feltham and Heston

The UK is experiencing the worst recession of any major economy following the Covid crisis. GDP fell by 20% in the three months to June¹. Between March and June 2020, workforce jobs decreased in all regions of the UK, with the largest decrease in London at 104,000². At the same time, the number of people on zero hour contracts has risen to a record high of over 1 million³. There are clear signs emerging that our economy is becoming less resilient rather than more. Our nation needs economic measures which put people first.

Alongside this, the community response to COVID has been unprecedented, with local people and local authorities leading the response on the ground during COVID. This context brings a new imperative to rediscover a role for communities to work together in new ways to support the economic recovery. It brings an opportunity for revival of co-operative principles and values with the economic benefits that can bring.

The proposals for a London Co-operative Commission, which would be led by City Hall, as outlined in this report, bring together research undertaken over the last year. In 2019 we met with a range of co-operators to hear from them about their experiences in starting and developing co-operatives in London. We have also looked at the experience of Wales and Scotland in encouraging the development of co-operatives in recent decades and of local government and metro mayors in England.

With its [Owning the Future](#) initiative, the Co-operative Party highlights the fact that we are at a crossroads as we start to rebuild life after lockdown. Our economy was already facing significant challenges. Over the last 10 years, wages have stagnated or fallen while executive pay and shareholder dividends have continued to rise. The squeeze in earnings in both private and public sectors has had an impact on living standards.

More recent government increases to the headline rates of the minimum wage have failed to keep up with the cost of living, remaining at around 75% of the London Living Wage as recommended by the [Living Wage Commission](#) and based on what employees and their families need to live. IFS analysis shows low-income households “experienced five years of real income stagnation between 2013–14 and 2018–19” attributing this to falls in income from working-age benefits and

tax credits. Working-age benefits were frozen in cash terms, so the rise in inflation from 2016 reduced their value in real terms by 5%⁴. This inflation was caused in part by the drop in value of the pound following the decision to leave the EU.

The impact of Covid-19 on the households relying on these low incomes has varied widely. Some are “key workers” who have continued throughout, ensuring the vulnerable are cared for and that we are all able to buy the goods we need; some have been furloughed by employers. Many of those previously working on a freelance basis have found themselves unable to work and ineligible for government support. The same report from the IFS points out that “employees working in ‘shut-down sectors’, such as hospitality, were already almost twice as likely to be in poverty as other employees, and poverty rates were higher still for self-employed people working in these sectors. Cleaners and hairdressers stand out as groups with higher poverty rates than other workers who are unlikely to be able to work from home.”

The crisis has also had a disproportionate impact on those from ethnic minority backgrounds – a double hit on BAME communities which, a Public Health England report has concluded, are more likely to be diagnosed with Covid-19 and more likely to die from it. A BMG poll in April found that approximately 46 per cent of BAME people reported their household income had reduced as a result of coronavirus, compared to around 28 per cent of white British households. In their recent report⁵ the Social Metrics Commission found that nearly half (46%) of all Black⁶ households are in poverty, compared to just under one in five (19%) of white households. Supporting communities most affected needs a bottom up as well as top down response.

The last six months have also shown the tremendous willingness of people to help each other. NCVO has highlighted the work volunteers have done alongside health and social care services: “Volunteers have stood alongside NHS staff at Nightingale hospitals, volunteer ambulance crews are supporting 999 call-outs, thousands have been delivering medicines from pharmacies, driving patients to and from hospital or making phone calls to check on people isolating at home.” People have worked together through existing charities and community organisations or established new organisations from scratch to address problems in our society which pre-

dated Covid-19 but have been exacerbated by it.

Eight million people in the UK were struggling to put food on the table before lockdown. Food insecurity has quadrupled since, and volunteer-led food banks have been a lifeline for many. Groups have come together to support home-based learning and the wellbeing of children. With the fragilities of our economy exposed, community spirit has responded to adversity as it has so many times before in our history. As the Co-operative Party argues “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”

The official statistics won't tell the full story of the economic impact for a while yet – and more importantly it is far too early to tell how much “scarring” there will be i.e. long term impact as otherwise successful businesses fail. But the Resolution Foundation has highlighted the high risk of significant redundancies to come, adding to already high unemployment, and have urged firm action.⁷

A co-operative response

One of the most effective measures that could be taken to assist the recovery and improve resilience is to harness this new spirit of co-operation and joint working. The Greater Manchester Co-operative Commission has pointed to robust evidence “that compared with investor-owned businesses focussed on private gain, businesses that operate on a co-operative basis across many sectors bring something significantly different to a region” are:

- Less likely to fail (80% of co-operative businesses survive the notoriously challenging first five years, compared to 44% of other businesses)⁸
- More resilient in times of crisis⁹
- Can reduce inequalities of power and wealth and are better for workers (good employment), communities (building wealth, empowerment, involvement), consumers (ethical standards, quality) and small businesses (self-help, self-responsibility, self-worth)¹⁰

Studies have shown that 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. A recent opinion poll commissioned by the Co-operative Party¹¹ revealed a strong appetite for a different approach. Over two thirds of people want to give customers, communities and employees more of a say in how businesses and the economy are run. The majority of respondents believe that more businesses run as co-operatives, owned by customers, employees and/or communities instead of private shareholders would make the economy fairer.

But co-operation isn't just about economics, nor are the principles of co-operation confined to businesses formally constituted as co-operatives. The crisis has highlighted the importance of co-operation between people and organisations as essential to improving the resilience of our communities. Whether public, private or third sector the recovery and future social, economic and cultural development will be aided by greater adherence to co-operative principles: transparency, accountability, care for the community, long-termism, inclusive decision-making, protecting the environment and communities reducing inequality and celebrating diversity and inclusion.

There are existing programmes to encourage co-operative development – Hive is a business support programme from Co-operatives UK and the Co-operative Bank, for people wanting to start or grow co-operative and community enterprises across all sectors. It offers up to 12 days bespoke training for groups looking to either start up or expand, helping with the legal complexities unique to co-ops and the business plans all enterprises need, and also offers assistance for potential buyouts and conversions turning non-co-operative businesses into co-ops. Learning from Hive's successes and its challenges will be important. And the wider changes needed are more systemic. ●

Scale of the Co-operative and Mutual sector

- There are 300 employee owned enterprises in the UK, with 200,000 employee owners, the top 50 have a revenue of £22.7bn
- There are 118,000 workers and freelancers in UK's workers' co-operatives, with a turnover of £10.7bn
- The UK co-operative economy as a whole is c. 2% of UK GDP

But as a share of the overall economy, the sector lags far behind a number of other European countries:

- In Finland co-operatives contribute about 21% of GDP
- In Sweden the co-operative economy is worth c. 13% of GDP
- In Switzerland this figure is c. 16% of GDP
- Co-operatives contribute c. 10% of Italy's GDP

The Greater Manchester Co-op Commission

In launching the Greater Manchester Co-op Commission, Mayor Andy Burnham called on Greater Manchester to be the “most co-operative place in the UK” and the 42 recommendations included creating a Co-operative Zone with dedicated resource to offer advice and support for existing co-ops and those who wish to start or convert to a co-operative approach.

Some of the barriers to setting up as a co-operative are subtle and more likely to be by accident than design. In deciding whether to register as a co-operative society (with the FCA) rather than a registered company or limited liability partnership (both with Companies House), we were told that automated systems used by banks sometimes reject co-operative societies even though in theory these should also appear on the system, which means the co-operative society is unable to open a bank account.

The lack of public awareness around co-operatives is itself a significant barrier. Most people’s awareness of the co-operative brand is limited to the supermarket – and it requires a leap of imagination that it could also be the appropriate vehicle for their business start-up. Even for those aware of and interested in starting a co-operative told us they had found it difficult to locate helpful information. There is an urgent need for a clear information hub for such information such as a web platform or a collated page of information – which other organisations and mainstream business advice can all point to.

It was clear from our discussions with key players in the co-operative sector in London that some low-cost basic changes could make a big difference:

- Basic awareness raising through business support services, which often fail to mention the option of a co-operative structure
- Information hub for co-operatives and potential co-operators
- Broader programme of support for co-operatives and potential co-operators to help them overcome barriers, including developing co-operative aware accountancy services

Learning from other regions and nations

There is already a wealth of information on what can be done to support the development of co-operatives. The Wales Co-operative Centre was set up in 1982 by the Wales Trades Union Council specifically to offer a proactive response to large scale redundancies. Financial support from the Welsh Government has enabled it to develop wide-ranging expertise to support co-operatives and other social enterprises.

In July 2012 the Welsh Government decided to establish a Co-operative and Mutuals Commission. It reported in February 2014¹² with 24 key recommendations which were accepted by the Welsh Government. In 2015 the Commission was reconvened to undertake a review of the work done to implement the recommendations¹³. This concluded that clear progress had been made but that there was “a need to generate increasing engagement and ownership across Welsh Government departments and functions, at all levels, in order to maximise the potential of co-operatives and mutuals to realising the ambitions of Welsh Government.”

In 2004 the Scottish Government undertook detailed consultation and analysis of the work since the 1970s to support the formation, operation and growth efforts of co-operatives in Scotland, including examining what was being done elsewhere. This led in 2006 to the creation of the Co-operative Development Scotland (CDS) as subsidiary of Scottish Enterprise. In the last five years the number of employee and worker owned businesses operating in Scotland has trebled. CDS have been working on a ‘deal a month’ on average.

In July 2018, the Greater Manchester Combined Authority (GMCA) agreed to set up the Greater Manchester Co-operative Commission to ensure that the city-region stays at the forefront of co-operative development. The Commission reported in January 2020 and its 42 recommendations were accepted by the Mayor in full. Co-operatives UK has made proposals for how the report is taken forward and highlighted the importance of the Mayor establishing a unit tasked with leading its implementation, while recognising the role the sector itself needs to play and urging a partnership approach.

The Wales Co-operative Centre

As the UK’s largest co-operative development agency, the Wales Co-op Centre provides business support for social businesses and co-operatives; works with organisations to improve the use of digital technology for health and wellbeing; helps communities develop businesses or projects which value people and the environment as much as profit; and informs and influences Welsh public policy making to create a fairer economy.

In 2019-20, the Wales Co-op Centre has created 172 new jobs under its ‘Social Business Wales’ programme, helped 72 unemployed people find jobs in social businesses, created 26 new social businesses, registered 5 new social care co-ops, helped raised £1.2 million through community share schemes and supported 2500 in digital inclusion programmes.

A capital idea

All of these detailed studies have been commended far and wide. What hasn't happened is a Co-operative Commission for London which could usefully provide an analysis tailored to the London context in terms of the public institutions, the private sector and the economic context post-Covid19. Set up by the Mayor, it could be asked to make recommendations on the actions needed to support the development of co-operatives. In particular, the Commission should consider how best to develop leadership skills for co-operatives and for greater co-operation across all sectors in the London context. Such a programme could be integrated into wider education and skills development in the capital. It should cover community-based education and training to help people set up and run local co-operatives, help for entrepreneurs contemplating their first start-up or micro-business all the way up to established leaders.

It will be essential to balance the need for urgent action with the need for detailed long-term solutions. We think this should be made explicit by asking the Commission to produce an initial report by early March 2021 and to follow this up with a further review and report a year later. There are some important steps which don't need to wait for the Commission to meet and report. The key recommendations in Wales and Greater Manchester have been about cultural change: ensuring that the mainstream organisations understand co-operation and are able to help potential co-operators understand the options available and overcome barriers. The key change in Scotland has been providing support to new starts, transfer of businesses and further development of co-ops.

The [Economic Development Strategy for London](#) sets out Sadiq Khan's plans as Mayor to create a fairer, more inclusive city with an economy that works for all Londoners. It recognises that "public, private, voluntary, community and social enterprise sectors, including trade unions" all have a contribution to make. This itself has been a key step but must now go further. While this includes co-operators and potential co-operators, this contribution is not explicit. It is really important that the full range of choices and options are available to budding entrepreneurs as they formulate their ideas for the next generation of enterprises which will shape economic development in the capital.

During roundtables with young co-operatives, we were told that the best help in starting co-operatives was speaking to people with pre-existing experience in a co-operative, rather than professional "advisers" lacking that hands-on experience. Support networks among co-operatives could therefore be helpful and should be encouraged. The key change for business advisers should be ensuring that they are aware of alternative models and that they can be more successful - and where someone is interested in pursuing this, they can direct them to the right place to receive help and support.

The London Mutual Credit Union

LMCU is a credit union providing ethical and fair financial services to communities in south and central London. As a credit union, they are owned by their members, not shareholders, which enables them to focus on financial wellbeing and affordability, rather than profits.

Credit unions work to make high-quality finance accessible to all, at rates that are realistic and fair. They are democratic and accountable to their members and community, and their activities are overseen by a board of volunteers drawn from the membership.

LMCU is part of the global credit union movement which consists of almost 300 credit unions in the UK, serving over 1.3 million members.

The Mayor of London has established a £70m Good Growth Fund to support innovative, best practice regeneration activities, that enable:

- Londoners to actively participate in their local community and have a say in how their city is shaped
- Delivery of co-ordinated place-based strategies that welcome growth in a way that works with the physical character of London's many places
- Diverse and accessible local economies – from our high streets and town centres to industrial areas – to realise their full potential and making London a place of opportunity for all

There is great potential for this fund to support co-operative development. That this has not happened as much yet is almost certainly an accident rather than deliberate policy: most of the successful bids have been put forward by large organisations, predominantly geographically based bids from local authorities. Consideration should be given to creating a London-wide

Outlandish

Outlandish is a digital worker co-operative based in Finsbury Park, London. They work on technology that makes the world a fairer, better place - from apps and dashboards to monitoring tools.

They are owned by their members, and reinvest their profits into prototyping and developing new projects for social change. They are also co-founders of CoTech, the network of UK technology co-operatives that is increasing the depth and breadth of services for clients striving for positive change.

Tech co-ops often offer better value and greater innovation, thanks to their structure, culture and ethos.

proposal to promote co-operative development which could make a significant difference. This could be led by an existing significant player or incorporated into the London Economic Action Partnership (LEAP).

It is notable that while the London Growth Hub has an extensive resource library, information on co-operative options could not be found and was not even mentioned as an option to people seeking advice and information. There are plenty of ideas about how this could work and everyone we have talked to agreed that the emphasis should be on integrating action and support into the wider business support offer.

Some of the changes that could really make a difference require action by the UK Government and changes to legislation. But there are changes which could be implemented by the Greater London Authority and London Boroughs which would start to make the change both by providing grants to trailblazing projects but also by ensuring that existing funding is used in a way which takes account of broader social and economic objectives:

1. Support for the creation of co-operatives for agency workers
2. Including tender conditions around long-term sustainability, living wage and training
3. 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.
4. Support for the creation of platform co-operatives which offer shared ownership and collaboration through digital platforms
5. Inclusion of grant conditions that would require an equity stake to be given to the workers in an enterprise or which require grant recipients to introduce a "right of first refusal" to employees if they sell their business at some point in the future.

We would want to see the Commission research and make recommendations along similar lines.

Plymouth Case Study

Plymouth's Labour & Co-operative Council pledged to double the size of their local co-operative economy. To achieve this, they have developed a strategic action plan which maps the existing sector and sets out the steps needed to double it by 2025. The report found that there were 23 co-operatives based in Plymouth in 2019, with a membership of over 9,500.

The action plan includes detail on finance, support and information that will support the sector to grow to 50 co-operatives with a target combined turnover of £40 million. Based on the existing sector, as well as the wider economic strategy of Plymouth, five strategic growth areas have been identified: the wellbeing economy, community owned infrastructure, worker owned tech and creative industries, cultural hubs, and municipal co-operation.

Summary of recommendations

Following our discussions with the sector as part of this research project and the change in the economic context post Covid-19, we recommend the following actions.

- The Mayor to establish a Co-operative Commission for London and task it with producing an initial report by early March 2021 and a follow up review and report a year later
- The Mayor to ensure at least one person with designated lead responsibility for promoting co-operatives and mutuals within each relevant agency especially the London Growth Hub
- Each London Council to designate someone within their economic development team as the lead /key contact for co-operatives and mutuals and to liaise with the Co-operative Commission for London
- London Recovery Board to consider how all agencies can work together to promote co-operation between all sectors as part of its discussions on the economic and social recovery of the capital and how it ensures a greener, more equal and better future.
- Department for Work and Pensions to ensure that work coaches are aware of co-operative options and include advice and support in setting up a co-operative in the support packages they put in place for clients who wish to pursue this option.
- Co-operatives UK and Hive to make resources available to the London Growth Hub, the Job Centres Plus network and individual councils so that everyone seeking business advice can have access to information and support (in particular through webinars etc) on how to establish a co-operative and the advantages this model brings. This would be to expand and share best practice and build a community of co-operators.

Seema Malhotra,
Labour & Co-operative Member of Parliament for Feltham and Heston

Annex

Seema Malhotra MP would like to thank the following for their contributions to this research project. The conclusions and recommendations of this report are those of the author alone.

Tal Michael, Researcher and former Chair of the Wales Co-op Party Council

Ian Adderley, Chair of the London Co-op Party Council

Ria Bernard, Secretary, London Co-operative Party

Anna Birley, Policy Officer, [Co-op Party](#)

Nathan Brown (Partner, [Cooperantics](#) LLP and Director, [Co-op Culture](#))

Mervyn Eastman, Founder member, Change AGENTS

Co-operative Collective The Older People's Co-operative Collective

Joe Fortune, General Secretary of the [Co-op Party](#)

Alex Hartley – London Community Energy Network / South East London Community Energy

Jessica Jacobs, Co-ops for London (Housing Co-op innovation)

Ed Mayo, former Secretary General, [Co-operatives UK](#)

Douglas Racionzer, [Hackney Co-operative Developments](#)

Greg Robbins, Sec [London Federation of Housing Co-ops](#)

Kayleigh Walsh, [Outlandish](#) & elected member of the UK Worker Co-op Council

Siôn Whellens, Principle Six LLP

The Co-operative Party in London

The Co-operative Party exists to promote co-operation and its application in all aspects of human endeavour. It is our fundamental belief that we can achieve more together than we can alone. We will promote alternatives that put co-operation at the heart of the economy, public services and public discourse. This is a mission that is as important today as it was over 100 years ago when the Party was founded.

Co-op Party Strategic Objectives, 2019-21

There are currently eight Labour & Co-operative Members of Parliament representing London Constituencies, eleven Labour & Co-operative Assembly Members and many hundreds of Labour & Co-operative councillors.

Around the country, there are many more co-op MPs, peers and councillors, as well as Labour & Co-operative metro mayors, Members of Scottish Parliament and the Welsh Senedd. Co-operative representatives frequently raise the contribution of co-operative and mutual businesses to the UK economy.

You can find out more at <https://party.coop/>

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