

CO-OPERATIVES UK



**CO-OPERATIVES FOR A
STRONGER, FAIRER, GREENER
EVERYDAY ECONOMY** 

1. INTRODUCTION

In this short paper we present new evidence and insights on the huge potential for co-operatives to contribute to a stronger, fairer and greener everyday economy.

Headline new insights are:

- 97% of all jobs in the UK co-operative sector are in the 'everyday economy'¹
- Co-operatives in the UK are more resilient than businesses generally and were five times less likely to cease trading in 2021
- Worker co-operatives tend to create more jobs than businesses generally

We also present an analysis of how national and local policymakers can help unlock co-operative potential, in part by building on inspiring and pioneering activity already taking place around the UK.

We end with a call on the Labour Party to include practical support for co-operative businesses in its economic strategy.



¹ Everyday economy sectors: Food production and processing, energy, education, hospitality and leisure, care, housing, retail and transport. Taken from 'the Everyday Economy' by Rachel Reeves MP

2. THE EVIDENCE

Co-operatives contribute more than £40 billion to the UK economy each year. While they are still few in number and little-understood, the evidence on their potential contribution to a stronger, fairer and greener everyday economy is increasingly compelling.

Co-operatives and the everyday economy

New analysis shows that co-operatives in the UK have a strong presence in 'everyday economy' sectors:

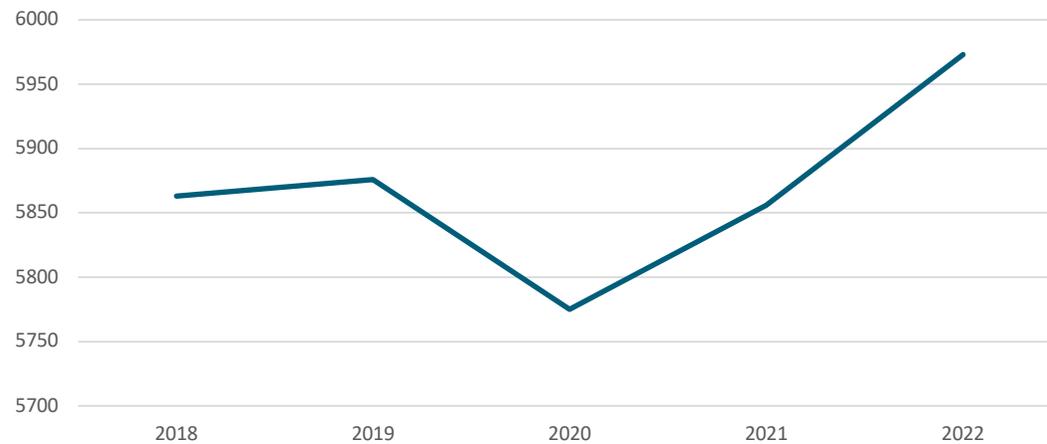
- 81% of UK co-operatives are in 'everyday economy' sectors
- 97% of all jobs in the UK co-operative sector (241,251 jobs) are in the everyday economy
- 98% of UK co-operative turnover is generated in the everyday economy

Co-operative resilience

Data from the UK and around the world repeatedly points to co-operatives being more resilient than businesses generally.

New data reinforces this conclusion. Official data showed a marked increase in UK businesses permanently closing in 2021. Yet UK co-operatives were five times less likely to close down in 2021 than UK businesses generally.² In 2020 co-operatives were four times less likely to close down.³

Recent growth in number of UK co-operatives in everyday economy sectors (2018-2022)



Latest data on five-year survival rates of new businesses in the UK reveals that new start co-operatives were almost twice as likely to survive to year five than new starts generally (2015-2020 cohort).⁴

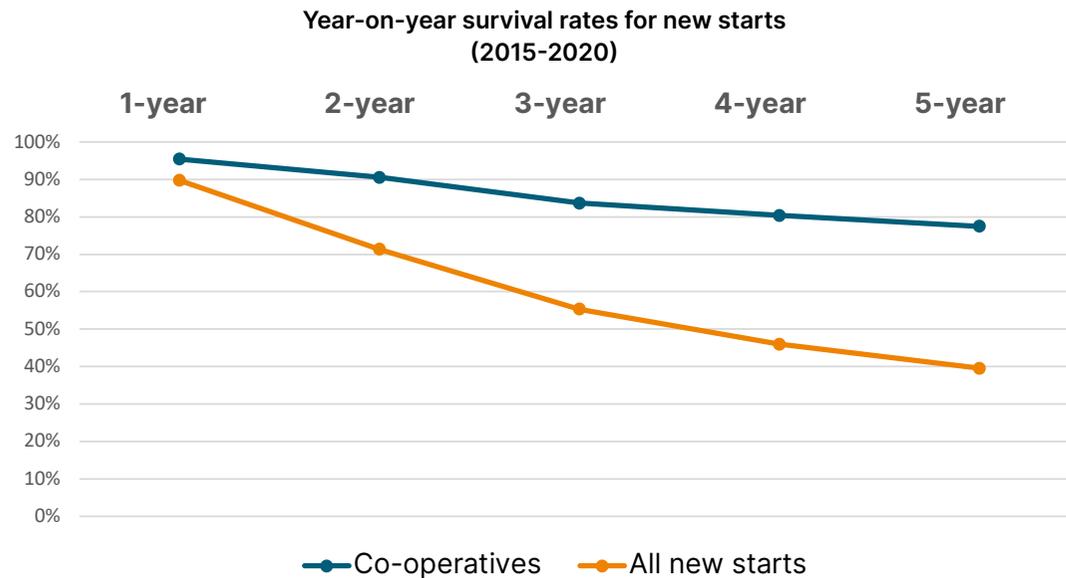
1.7%

% of co-operatives closing down in 2021

7.5%

% of businesses closing down in 2021

2 Co-op Economy open data compared with ONS data: <https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/bulletins/businessdemographyquarterlyexperimentalstatisticsuk/apriltojune2022>
3 Co-op Economy 2021: <https://www.uk.coop/resources/co-op-economy-report-2021>
4 Co-op Economy open data compared with ONS data: <https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/bulletins/businessdemography/2020>



- **Community investment:** Since 2012, more than 126,000 ordinary people have invested over £200 million in co-operatives that benefit their communities – often saving local assets and enterprise that would otherwise be lost.
- **Ambition:** Survey data (2021) suggests that small co-operatives are markedly more ambitious than small businesses generally, with 61% of small co-operatives expressing growth ambitions compared to 53% of other small businesses.⁶
- **Net zero:** On the eve of COP26, 66% of surveyed small co-operatives were taking action to decarbonise their business,⁷ compared with 13% of surveyed small businesses.⁸

Achieving more together

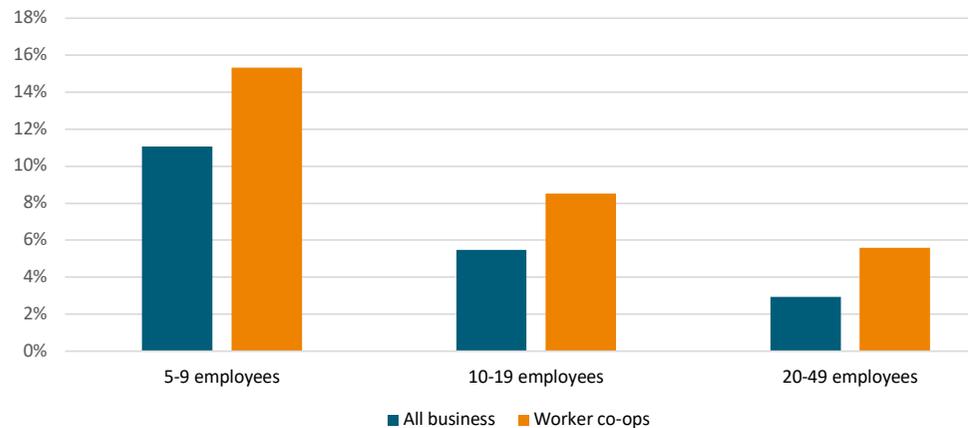
Co-operatives are proven vehicles for collective action, enabling people to achieve more together than they can on their own. The results speak for themselves:

- **Creating jobs:** While comparatively small in number, worker co-operatives in the UK have a greater propensity to create jobs than UK businesses generally. Proportionally they are much more likely to have 5-9, 10-19 and 20-49 employees.⁵

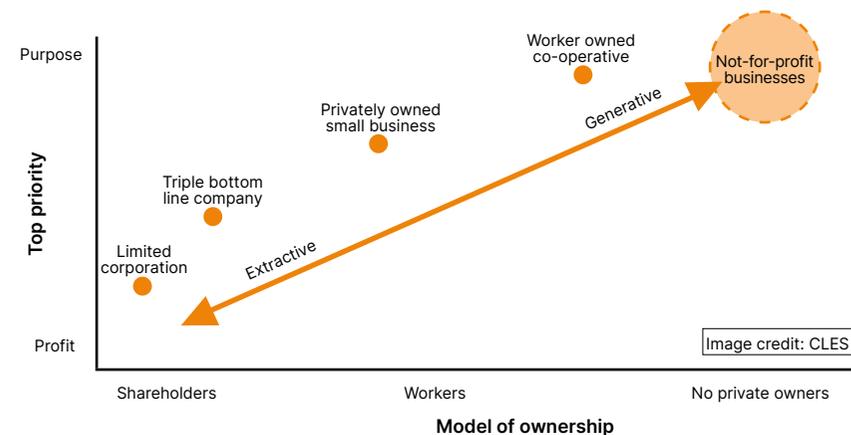
- **Saving viable jobs and businesses:** With the right support, workers and communities can band together to buy viable businesses when owners want to sell and then run them as co-operatives. In some cases workers can salvage decent livelihoods when businesses are closing down, by forming a ‘new’ co-operative that acquires viable parts of a business or its productive assets.

5 Data on the number of employees in co-operatives collected from official datasets (e.g. FCA Mutuals Register) and ONS data
 6 https://www.uk.coop/sites/default/files/2021-06/Ready_For_Whats_Next_3.pdf
 7 <https://www.uk.coop/resources/race-net-zero-role-co-ops-driving-climate-action-post-cop26>
 8 <https://www.britishchambers.org.uk/page/o2-bcc-survey-results>

Proportion of UK businesses and worker co-operatives employing 5-9, 10-19 and 20-49 people



Ownership and impact



Sharing power and wealth

By design, co-operatives share power and wealth through day-to-day activity. They do business with mutual and social purpose, including:

- Creating and sustaining rewarding, empowering livelihoods
- Meeting the needs of customers and communities
- Facilitating effective collective action to address significant challenges like the climate emergency and social injustice

All co-operatives either reinvest profits in their business or share them among workers, customers and communities. Their democratic governance helps them protect their purpose, respond to their members' needs and share value and benefit fairly.

The distributive power of co-operatives is borne out in the data in many ways. For example:

- **Pay ratios:** On average, UK co-operatives have smaller top-to-bottom and gender pay gaps than other UK businesses, with worker co-operatives performing particularly well in this regard (sometimes eliminating gaps altogether)^{9 10 11}

- **Democratising ownership:** 41% of community shares investors are women, in comparison to just 9% of angel investors – and 56% of people investing in a community share offer earn £35,000 or less¹²



9 Co-operatives UK 2019
 10 Perotin 2012
 11 Kruse 2016
 12 <https://www.uk.coop/resources/understanding-maturing-community-shares-market>

3. UNLOCKING CO-OPERATIVE POTENTIAL

By international comparisons the UK co-operative economy is small and growing slowly. Less than 1% of businesses in the UK are co-operatives. Germany's co-operative economy is four times bigger than the UK's, while France's is six times larger.¹³ In some highly developed countries the co-operative economy comprises a significant proportion of GDP: New Zealand (20%), Netherlands (18%), France (18%) and Finland (14%).¹⁴

In recent years, South Koreans have created 12 times more co-operatives per head of population than we in the UK have.¹⁵

Yet parts of the UK co-operative sector have experienced exponential growth. Investment in community shares (co-operative crowd-funding) has grown from zero to over £200 million in little more than a decade.

The untapped potential for co-operative growth in the UK is huge. Labour's more recent manifesto commitments to 'double the size of the co-operative sector' were necessarily ambitious but also demonstrably achievable.

To unlock the potential for co-operatives to make a more significant contribution to the UK economy, the following long-standing challenges must be overcome:

- Awareness and practical understating of co-operatives in communities and among potential entrepreneurs and businesses, and those who advise them, is far too low
- Mainstream business support does not cater to people exploring or adopting a co-operative model
- Neither business finance markets nor government enterprise finance schemes cater to co-operatives
- The corporate framework for co-operatives is not as enabling as it should be
- Many large private service providers, such as high street banks, mistreat and under-serve co-operatives in their policies and processes
- In some cases, government disincentivises people from choosing a co-operative option

Current initiatives

True to our self-help ethos, we in the co-operative sector are working hard to address these barriers. Using private and charitable funding we provide access to specialist co-operative business support and have created a wholesale co-operative equity investment programme. These initiatives have a positive impact, but there is a limit to what we can achieve without proactive action from national and local policymakers.

Across the UK, Labour is already taking practical action to address some of these challenges. Arguably, the most significant recent development is Co-operate Islington – a new partnership between Islington Borough Council and the local co-operative community. With council funding that proportionally dwarfs anything else going on in the UK, the aim is to establish a new co-operative development agency. An explicit objective is to empower marginalised and disadvantaged communities by helping them explore and adopt co-operative options for work, living and social action.

Meanwhile, the new South Yorkshire Ownership Hub is a partnership between the combined authority, Co-operatives UK and the Employee Ownership Association. This programme supports workers and entrepreneurs to explore and adopt co-operative models at key junctures. A key focus is on changing the local business support ecosystem, so that worker co-operative options are explored more often. Ownership Hubs in other major cities will be announced soon.

13 <https://coopseurope.coop/power-cooperation-%E2%80%93-cooperatives-europe-key-figures-2015>

14 <https://www.un.org/esa/socdev/documents/2014/coopsegm/grace.pdf>

15 <https://coop.exchange/blog/d8bf329f-c512-11ea-b711-06ceb0bf34bd/the-number-of-cooperatives-in-south-korea-has-exploded>

4. RECOMMENDATIONS FOR A LABOUR GOVERNMENT

While great things are starting to happen locally, there remains a huge role for national government in unlocking the potential for co-operatives. Co-operatives UK makes five recommendations for any future Labour government targeting co-operative growth:

- 1. Co-operative development:** Ensure every local area has the resources and support it needs to introduce effective co-operative development initiatives. The focus should be on 'pre-technical' development (outreach into communities, cultural change, support for exploration of options, co-operative skills, team development), scale-up support tailored to ambitious co-operatives, and finance solutions for start-up (e.g. small start-up grants) and growth (e.g. wholesale equity investment), where necessary backed up by national institutions like the British Business Bank.
- 2. Co-operative buyouts, rescues and restructures:** Develop and resource a national action plan for co-operative buyouts, rescues and restructures. This should bring together specialist advisors, trade unions and workers, and specialist funders and investors. A priority should be designing legislation that gives a co-operative formed by the workers in a business a preferential right to bid for the business, or its assets, if their jobs are put at risk because of sale, divestment, closure or insolvency. Furthermore, an existing employee buyout tax relief should be amended so that it incentivises the sale of a business to its employees using the more democratic and cost-effective worker co-operative model.
- 3. Co-operative law:** Undertake a wholesale review and reform of the Co-operative and Community Benefit Societies Act and the mutual societies registry function.
- 4. Supporting co-operative investment through tax:** Introduce a corporation tax relief on surpluses that a co-operative pays into its non-distributable reserves or into an accredited co-operative development institution. And revamp Social Investment Tax Relief as a tool for incentivising private wealth to be invested in co-operatives and the broader democratic and purposeful economy.
- 5. Competition law and co-operation:** Review and reform competition law, so that it is more enabling of co-operation between businesses, where this enables the transition to net zero, adds economic or social value, or counterbalances dominant market power.

CO-OPERATIVES UK

Co-operatives UK Limited
Holyoake House
Hanover Street
Manchester
M60 0AS

0161 214 1750
info@uk.coop
www.uk.coop

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