It’s common sense: co-ops help the country come together

It’s madness. We need to radically reduce the harm we’re currently inflicting on the natural world, while somehow living in a way that engenders widespread wellbeing. But the powers that be don’t seem up to this just now and our country is badly divided. We need to democratize our economy and work together. Co-ops are a proven, practical and liberating way to do just this. The next government must do all it can to unleash their potential. It’s common sense.

Co-ops: inclusive free enterprise

Co-ops demonstrate a different way of doing business and organizing resources. One that shares power, wealth and wellbeing broadly, which is absolutely essential as we adapt to life in increasingly narrow ecological constraints. They are a proven, pragmatic tool for people to work together and achieve their aspirations for better work, stronger communities and a more fulfilling, sustainable way of life.

What makes co-ops different is how they allow people to democratically own and control the things that really make a difference - like capital, organization and scale - so that these create real value for people and planet. They are one of the best tools we have for applying social responsibility, solidarity and democracy in a market setting.

Globally co-ops are a significant force, offering genuine alternatives to shareholder primacy, knee-jerk government, trickledown philanthropy and passive consumerism. The UK needs to be part of this!

What the evidence says…

- the autonomy and control co-ops give people in their livelihoods is likely to enhance their wellbeing
- co-ops are at least as productive as firms in general, if not more productive, with a causal link between worker control and enhanced commercial performance
- new co-ops are significantly more resilient than other start-ups
- co-ops are a proven tool for communities to achieve their economic, environmental and social aspirations
- by forming co-ops, small businesses and freelancers can boost their productivity, sustainability, market advantage and wellbeing

A ‘best-kept secret’

The co-op economy in the UK is diverse, well-established and growing. But by international comparisons it is small. With all that’s going for co-ops, why aren’t there more of them?

Co-ops are a ‘best-kept secret’. Research points to a debilitating lack of awareness, knowledge and knowhow in communities and among entrepreneurs, workers, businesses, and crucially, those who advise them.

What is more, co-op options often go against established cultures and norms of behaviour. So it’s all the more problematic that these options are not as ‘user-friendly’ as they could be. Not only does advice tend to push people down a different path, but incorporation is usually more costly and protracted, while co-op law is dysfunctional and lacks features our members say they’d find
useful. And being different, co-ops also have to contend with a challenging operating environment. Banks don’t respond well to their organizational and legal forms and they are often unduly disadvantaged in public and private sector procurement, due diligence and credit scoring.

Co-ops can also face distinct challenges in raising start-up and growth capital that go beyond those experienced by businesses generally. Government’s tax measures and enterprise finance programmes don’t respond adequately to this.

**What the next government could do**

The next government, of whatever political makeup, can set clear objectives and take practical steps to create the right conditions for people to form and develop successful co-ops. We urge action to:

- **Aim for 1 million employee and worker owners by 2030** – Provide funding for local awareness and support programmes to drive a major expansion in worker ownership and control of business through start-ups, as businesses evolve, and through conversions as part of planned succession. At the same time, extend the £3,600 income tax free allowance on bonuses for employees of trust-owned companies, to bonuses paid to members of worker co-ops. This will create a new tax incentive for people to adopt worker ownership from start-up or very early in their business’ evolution. See the Co-operatives UK and Employee Ownership Association ‘#1MillionOwners’ campaign.

- **Help communities take control of their local economies** - 25 per cent of the new UK Shared Prosperity Fund should be earmarked for community-led economic development, prioritizing the participation of communities in the most deprived parts of the UK. Co-ops have a very practical role to play in community economic development and they should feature prominently. See the Co-operatives UK, Locality and Plunkett ‘Communities in Charge’ campaign. Also, the next tranche of dormant assets could be used to establish ‘community wealth funds’, controlled by local communities in the most deprived parts of the UK.

- **Support high-impact co-op development** - Create a tax relief that exempts from corporation tax a percentage of any surplus that a co-op chooses to pay into an accredited co-operative development institution. Meanwhile, encourage LEPs and Combined Authorities to include support for co-op development in their Local Industrial Strategies, and when they do, ensure they have the funding to make an impact.

- **Improve the operating environment for co-ops and mutuals** - Pass primary legislation that includes some urgent updates and strategic reforms of co-op law. Priority should be given to giving co-operative societies the option of applying statutory status to their common, non-distributable capital. Societies should also be provided with a new equity instrument. At the same time, legislative responsibility for co-ops should be moved from HM Treasury to the Department for Business. Government could also adapt the Prudential Regulation Authority’s impact assessment for mutuals for Whitehall policymaking. And all public corporate data could be consolidated into a single, accessible online register, useable by banks and credit reference agencies, with data links to HMRC.

- **Support investment in co-ops and mutuals** - Establish criteria and a checking process that allows some co-operative societies to benefit from Social Investment Tax Relief. Also, create a new tax relief that exempts from corporation tax a percentage of any surplus that a co-operative pays into its non-distributable reserves. And support the British Business Bank to create a new equity-based impact investment fund that responds to the distinct nature of co-ops and other mutualls.
About Co-operatives UK
We are the non-party political association that works to unite, develop and promote co-ops. Visit us at www.uk.coop.

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About co-operatives
A co-op is a business that trades to benefit its members, who either work in it, trade with it or otherwise share in the social value it creates. The members share democratic ownership and control of the co-op. There are 7,215 co-ops in the UK contributing £37.7 billion to the economy each year, with 13.7 million members.

2 https://halshs.archives-ouvertes.fr/halshs-00838518/document
3 https://www.uk.coop/sites/default/files/uploads/attachments/co-operative_survival_1.pdf
4 For example, the success of community shares, especially in the context of social investment
5 For example, evidence of the benefits of farmer co-operation and freelancer co-operation