

Worker ownership and the Scottish economy

September 2017

1 Introductory remarks

- 1.1 Co-operatives UK welcomes the Members' Business, motion S5M-07165 in the name of Richard Leonard MSP, Importance of Worker Ownership to the Scottish Economy, scheduled for Thursday 28 September in the Scottish Parliament. We encourage MSPs from all parties to participate and to back an agenda for broadening economic ownership in Scotland.
- 1.2 This paper provides a quick overview of how we think worker ownership can contribute to the Scottish Government's Inclusive Growth and Fair Work agendas. This comes in the context of very welcome announcements concerning employee ownership and Community Wealth Building in the 2017-18 Programme for Government.

2 About Co-operatives UK

- 2.1 Co-operatives UK is the network for Britain's thousands of co-operatives. We actively campaign on behalf of the 560 co-operatives in Scotland, from community owned enterprises to farmer controlled businesses, which together contribute £2.5 billion to the Scottish economy. Find out more at www.uk.coop.
- 2.2 We are proud to provide the secretariat to the **Cross Party Group on Co-operatives** in the Scottish Parliament. The next meeting of **the CPG will consider the inclusive economic benefits of worker ownership** and how the model can be supported through new policy, with expert input from the co-operative and employee owned sector. This meeting of the CPG is on **24 October, 18.00 to 19.45, Committee Room 6**. We encourage all MSPs interested in this topic to attend.

3 Worker ownership in Scotland

- 3.1 Worker ownership is a broad term that encompasses firms that identify as 'employee owned', others that identify as and meet the definition of 'worker owned co-operatives' and also importantly 'freelancer co-operatives'. There are at least 115 worker-owned businesses in Scotland, including 51 that are 'employee owned businesses', 35 worker owned co-operatives and 29 freelancer co-operatives. This accounts for more than 7,000 workers and a combined turnover of almost £1 billion.¹
- 3.2 Co-operatives UK takes the view that while giving employees a beneficial ownership stake in business is a very good thing, the positive impacts of doing so are maximised when the workforce also has a significant degree of collective influence in the running of their business as well.

* For more on freelancer co-operatives see the report '[Self-organising for the self-employed](#)' by the Federation of Small Business and the Royal Society of Arts

¹ Combination of Co-operatives UK and Co-operative Development Scotland databases

4 What contributions can worker ownership make?

- 4.1 Worker ownership can support the Inclusive Growth agenda in a number of ways. It can reduce income inequalities through flatter pay structures and profit sharing, asset wealth inequalities by sharing business ownership more broadly and power inequalities when more participative governance models are used. Participatory worker ownership and control also gives people opportunities to develop skills, boosts life chances and improves social mobility. The more businesses are owned, controlled and purposed towards benefitting workers the less likely they are to contribute to in-work poverty. And worker ownership contributes to 'economic place' by keeping control of business, capital and jobs local, while being a key tool for Community Wealth Building.
- 4.2 Worker ownership can also support the Fair Work agenda in a number of crucial regards. The links between co-operative worker ownership, workplace democracy, employee voice and commitment are fundamental. Meanwhile, workers sharing in the profits they helped to generate contributes significantly to fair remuneration. Plus the more workers can participate in decisions about how to balance their remuneration against other needs of the business, the fairer the outcome can be judged to be, even in cases of pay restraint. And evidence suggests productivity gets a boost from workers having beneficial ownership and meaningful control.

5 Policy options

Employee buyouts

- 5.1 We're greatly encouraged that the Scottish Government has announced it will "investigate the scope" to expand existing support for employee ownership. Policymakers should consider how to support the financing of employee buyouts as part of planned business succession, including how Scottish Government could catalyse public, private, social and community investment into them. It should also ensure invaluable professional support for this succession route continues through Co-operative Development Scotland.

Grass roots development

- 5.2 There is also scope to support the grass roots development of new worker owned firms. This should be seen as an important aspect of Community Economic Development. We believe the Scottish Government should develop a Scottish programme of Community Economic Development as part of it's recently announced Community Wealth Building agenda.

Freelancer co-operatives

- 5.3 The Scottish Government should ensure the outputs from its ongoing review of the Collaborative Economy include mechanisms to support the development of freelancer co-operatives in Scotland, making use of the possibilities of genuinely collaborative online platforms.

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