



**CO-OPERATIVES UK**

## Time to get serious

International lessons for developing public service mutuals

*Jonathan Bland*

“In different contexts the co-operative model can provide an effective and empowering mechanism for delivering public services.”



## Introduction

In the context of the UK coalition government's policies to promote public service mutuals, Co-operatives UK commissioned this short paper to look at some international experiences of public service delivery by co-operatives.

This paper identifies some key factors for success, learning lessons and questions that are relevant for the promotion of new co-operative models in the UK.

This paper examines the experience in Spain, Italy and Sweden. It identifies some key factors for success, learning lessons and questions that are relevant for the promotion of new co-operative models in the UK.

Special thanks go to Paloma Tarazona and Pepe Albors of FVECTA, Dorotea Daniele of DIESIS, and Ulf Karlsson of Gavle Coompanion for their help in providing information from Spain, Italy and Sweden.

## Executive summary

The UK coalition government has made the ambitious prediction that as many as one million people, one in six public sector employees, could be working in new mutual enterprises delivering public services by 2015.

This paper looks at international experience of co-operatives working in public services in order to draw out lessons for UK and devolved English services as this programme moves forward.

The key findings include:

- There are around 550 co-operative schools in Spain. Their success reflects links with a wider, successful co-operative business sector but also benefits from long-term thinking from the state. New co-operative schools, for example, are emerging, where the land is transferred as an asset, the co-operative finances the construction of the school and can then be awarded contracts for up to forty years.
- On the other hand, a change in state policy has helped to unravel a programme of residential care co-operatives formed by low-paid care staff in Valencia. Short contracts and a requirement to combine service delivery with the construction of new care homes worked to the disadvantage of these co-operatives as, relatively undercapitalised, they were not able to respond to the new service requirements.
- Over 7,000 co-operatives provide social care, health and employment services in Italy – arguably the most extensive and successful programme of mutualisation anywhere in the world. The co-operatives have grown from 650 in number in 1985 and now employ over 244,000 staff and close to 35,000 volunteers.
- The success of social co-operatives in Italy has come from creating a clear model, relatively straightforward to implement in the context of procurement, with reduced rates of taxation that has allowed staff and users to come together in co-operative enterprises in order to improve and innovate around the services on offer to people in need.
- In Sweden, 1,200 childcare co-operatives provide pre-school care for around 30,000 children. The co-ops, formed out of a mix of parent co-operatives and worker co-operatives, operate alongside local authorities, which still provide 80% of day care for children in Sweden.
- The state has helped to grow childcare co-operatives by investing in a national framework of co-operative business advice.

These are illustrative examples, suggesting how the mutual model can work in the delivery of high quality public services, engaging those involved, who work in and use services. As case studies, they should not be taken as conclusive. However, they do also suggest some key lessons – that, above all, success takes time and that without key ingredients there will be no success.

**Success takes time and without key ingredients there will be no success.**

These key ingredients include: specialist business support; clear co-operative and mutual models; participative governance of the new mutuals; organisational forms that can be recognised in procurement; long-term commissioning; solutions for taxation constraints when moving from state to becoming a non-state mutual; links to the wider co-operative and mutual business sector; and an openness to user involvement as well as employee ownership.

The UK policy context does not emerge particularly well from this comparison and this must form something of a reality check. However, it is early days for the new programme and, with political will, there is scope to accelerate action and to tackle obstacles that may arise.

## Spain: co-operatives schools and residential care

There are currently around 550 co-operatives schools in Spain<sup>1</sup>. The majority of them (96%) provide free state funded education and, in total, they represent about 15% of privately delivered but publicly funded education.

They arose to meet local needs and a desire for more plural approaches to education. The first co-operative schools were consumer co-operatives formed in Catalonia in the late 1960's and 1970's by parents who were dissatisfied with the education offered at that time, i.e. a fixed national curriculum taught in Castilian Spanish.

As Spain made the transition to democracy after General Franco's dictatorship there was a boom in the growth of co-operatives schools. They were committed to teaching in the local native tongue and in a way that reflected the local culture and traditions, particularly in Catalonia, the Basque Country and in Valencia. Growth was boosted by a growing demand in urban areas as people moved from the country to cities. The creation of co-operative schools was a positive way to meet the demand that local authorities could not meet on their own.

The 1980's saw a second wave of growth, stemming from the political and social changes in Spain and a rise in unemployment among teachers. This resulted in a move to create new schools run by teachers as worker or employee led co-operatives. The motivations were to secure stable employment of the teachers involved but, above all, to be able to develop pedagogic methods and ways of running the schools which motivated the teachers and met local needs.<sup>2</sup>

Now, the majority of co-operative schools in Spain are based on employee-led models. While there are many local differences there are three characteristics which stand out. The commitment to:

1. teach in the local language and to promote the local culture;
2. meet local needs (in the Basque country and Valencia there are programmes of vocational training designed in partnership with local employers);
3. be inclusive; indeed some of the schools have specialised in providing education for those with special needs.<sup>3</sup>

1 There are 554 co-operatives who are members of National Union of Co-operative Schools (UECOE). [www.uecoe.es](http://www.uecoe.es) The over all number of schools is slightly higher as some are not affiliated to the Union but data about them is unavailable.

2 A good analysis of the development Spanish co-operative schools is given by Segura F.S in Cuadros de Pedagogía No 351 November 2005 pp50-53

3 Segura FS, and Pons Fuster MJ Cuadros de Pedagogia op cit p 61-65

For the past few years the co-operative schools sector has been relatively stable, with some mergers and consolidation, and some growth in new nursery schools. However, the sector may well see a further growth as a result of the current economic and political situation.

As a result of Spain's record national deficit, a number of regional governments have announced that they are no longer able to afford to build new schools and have started negotiating with local authorities to encourage alternative ways to create new provision. This has started in the Madrid region where land is given free to private providers who can finance the construction of new schools.

For co-operatives that wish to expand, this provides a huge opportunity and there are long-term contracts up to 40 years that come as part of the deal. In recognition of the social impact that co-operatives are seen to have, the regional government of Murcia will give co-operative models of provision first choice in developing new schools on this basis.

The co-operative schools do face challenges and are having to implement revenue cuts in line with a national 5% public sector pay cut. Like other public sector contractors they experience problems with late payments. However, they are financially strong enough to withstand these difficulties.

### Success factors for Spanish co-operative schools

A number of reasons for the success of co-operatives schools in Spain can be identified:<sup>4</sup>

#### A supportive environment for co-operatives

There is a well-developed co-operative sector in agriculture and retail in Spain and employee-led co-operative models are well developed. In total there are over 25,000 co-operatives in Spain, employing nearly 318,000 people.<sup>5</sup> The co-operative model goes back to before the Spanish Civil War. Following the demise of General Franco, the new Spanish Constitution specifically recognised the positive role that co-operatives have in encouraging democratic participation.

Over the past three decades there has been a series of pro-active Government policies to support worker co-operatives. At national level this has included reduced rates of corporation tax and a means for unemployed people to capitalise their unemployment benefit in a lump sum to finance new co-operative ventures (the "pago único" or one-off payment).

4 Analysis based on telephone interviews with: Paloma Tarazona and Pepe Albors of FVECTA the Valencian Federation of Worker's co-operatives in December 2010 and the author's 5 years experience of working for FVECTA

5 CEPES [www.cepes.es](http://www.cepes.es)

At regional level in Spain's 17 autonomous communities, there are specific co-operative laws that set the framework for how they operate. The regional governments have also funded promotional activities to raise awareness, training and development programmes, start-up grants and loans. These have been available and used by the co-operative schools.

### **The nature of the people and the service**

The teachers that now own and run most of the co-operatives schools are well educated and are in salaried positions that allow them to borrow against their future salaries to pay their co-operative membership fees. These membership fees then provide a capital base for the enterprise to develop and grow. This is important in relation to other sectors where pay levels are much lower.

### **Networks and support**

Co-operatives are highly integrated into federative support networks. They operate in all of Spain's regions and nationally. For example in Valencia a co-operative school will usually be a member of FVECTA, the regional body for worker co-operatives, which in turn is connected into a regional federation of co-operatives, a national federation of worker co-operatives and a national body for the wider social economy. Through FVECTA, the school will also be a member of the national Union of Co-operative Schools (UECE). The importance of these networks is in the way they share and develop know-how in co-operative management, developing quite sophisticated approaches to training and development for the leadership and members of the co-operatives. In addition, they provide expert support, eg on legal issues, and lobby government on behalf of their members.

In Valencia and the Basque country some of the schools are also integrated into groups of co-operatives that work together as trading blocks.

### **Co-operative decline in residential care in Valencia**

In the mid 1990s there were about 10 relatively large and successful co-operatives managing elderly care homes. The local authorities owned the land and buildings and tendered out the contracts on a fixed term basis. The co-operatives started to expand, winning contracts and taking on staff and it looked like this would be the start of an important growth sector.

However, 15 years on only one of these business is still trading. This was the direct result of a change in policy, where service contracts were combined with the construction of new residential care homes. The co-operatives did not have sufficient access to capital and nearly all of them went out of business as the contracts were re-tendered on new terms. Low profit margins of around 3% and short contract lengths made it difficult for the co-operatives to borrow. The members, in contrast to the teachers in the education co-operatives, were in much lower paid jobs and could not raise capital themselves. The level of risk was too high and there was insufficient personal income to borrow against to capitalise the co-operatives.

While other forms of care co-operative continue, such as domiciliary care or attending to special needs, the capital issues experienced by the care homes in this sector provide an important lesson.<sup>6</sup>

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6 Interview with Paloma Tarazona op cit

## Italy: social co-operatives

There are over 7,000 social co-operatives in Italy that provide a range of essential social services and create employment opportunities for disadvantaged groups who are excluded from the labour market.

Italy has a large established co-operative sector, which has traditionally been strong in the north of the country.<sup>7</sup> The social co-operative model emerged in the 1970s and grew steadily throughout the 1980s against a backdrop of high employment. In 1991 a new law (381/91) created a specific legal framework for social co-operatives in Italy.

As their purpose they have “to pursue the general interest of the community in promoting human concerns and in the social integration of citizens.” The law defines two kinds of social co-operatives types: “a” and “b”:

- “Type a” co-operatives provide a variety social care, health, and educational services. The users of these services include the disabled, elderly and socially excluded.
- “Type b” co-operatives create employment for disadvantaged groups such as disabled, people with drug problems and ex- offenders. For this type, at least 30% of the members must be from a disadvantaged group.

The co-operatives have four categories of members:

1. workers who are paid by the co-operative;
2. service users and their families;
3. volunteers; and
4. funding members who put capital in the co-operative but are not directly involved in the co-operative’s activities.

**Women play a very significant role in the co-operatives and represent 71.2% of those working in the co-operatives.**

This potential for mixed membership can be a real strength, as it allows a range of stakeholders to be involved and support the co-operative, including local authorities. It is interesting to note that women play a very significant role in the co-operatives and represent 71.2% of those working in the co-operatives.<sup>8</sup>

7 The Emilia Romagna region in particular is held up as one of the most successful regions in the world for worker co-operatives

8 Data from Italian national social co-operative body CGM, [www.consorziocgm.org](http://www.consorziocgm.org) provided by Dorotea Daniele of Diesis [www.diesis.coop](http://www.diesis.coop)

The numbers and role of social co-operatives have grown impressively. In 1985 there were around 650 social co-operatives, today there are over 7,000<sup>9</sup>, and they have become a core element in the delivery of social care for many local authorities.

Co-operatives were seen as a way of improving service efficiency [and] less open to corruption and to the involvement of organised crime.

After the Second World War, Italian local authorities provided health and education services but not social care, and over time the traditional role of families providing support started to diminish. Voluntary organisations that often are linked to the Catholic Church provided help (and still do). However, as needs and expectations rose, the social co-operative model grew as a way of providing better care. The co-operatives were also seen as a way of improving service efficiency. In the south of Italy they were viewed as a model that is less open to corruption and to the involvement of organised crime.

**TABLE 1: Key data of social co-operatives in Italy**

Number of social co-operatives	7,363
Number of members	262,389
Employees	244,223
Work placements	30,626
Volunteers	34,626
Turnover	€6.4 Billion

The majority (59%) of the social co-operatives are “type a” and provide services. 32.8% are “type b” that integrate disadvantaged groups into employment. A further 4.3% are mixed models and 3.9% are consortia. Of the “type a” service co-operatives more than half operate in the care sector and 10% in health, providing services to minors and young people, the elderly disabled and mentally ill. The “type b” co-operatives actually employ 55.5% disadvantaged employees (compared to the minimum 30%), the largest groups of which are disabled people (46.3%) and people with drug problems (16%).<sup>10</sup>

Social co-operatives are permitted to distribute profits, subject to the following conditions: distributed profits are restricted to 80% of total profits and the profit per share is no higher than 2% of the rate on bonds issued by the Italian Post Office.

9 The most recent national statistics were published in 2005, (ISTAT)

10 The data quoted in the table is summary of national Italian Government ISTAT 2005 statistics provided by national social co-operative network CGM. Current numbers are probably greater but more up to date robust data is unavailable

The co-operatives do face challenges. The main one is recruiting senior managers, specifically people who are capable of good business management and who also understand and are committed to social objectives. The co-operatives are often perceived as offering insufficient status and salary levels.<sup>11</sup> Another issue is late or slow payment from public authorities, which means access to sufficient working capital is vital.

### **Success factors for the Italian social co-operatives**

An enabling framework exists in Italy, which has been important for the success of the social co-operatives. It involves the following elements:

#### **Clearly defined legal structure**

The law 381/91 created a clearly defined legal structure for the social co-operatives and has been a powerful facilitator for growth. It is flexible in terms of the range of activities that they can undertake to “pursue the general interest of the community in providing social services and integrating the disadvantaged”. It is also a clear and regulated legal form. It can benefit from tax and other incentives that recognise the social impact that accrues from this type of organisation.

#### **Pro-active procurement policies and partnership relations with local authorities**

The social co-operatives have strong and positive partnership relations with local authorities. They are often involved in joint planning of services with local authorities. When the law was passed, it gave the co-operatives a status as preferred providers in the procurement of local authority contracts. While this has subsequently been challenged, an exemption for “type b” integration co-operatives was agreed with the European Commission. This allows local authorities to enter into direct agreements with “type b” social co-operatives for contracts up to €300,000.<sup>12</sup>

#### **Taxation**

The social cooperatives pay reduced rates of corporation tax, and profits going into reserves are not taxed. The co-operatives charge a mix of nil rate or lower VAT, and the disadvantaged members of “type b” co-operatives are exempted from national insurance contributions. There are also tax exemptions for private donations to social co-operatives and non-profit organisations.

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11 This was one of the findings of the 2002 SEL study visit to Milan and still remains an issue. (Social Co-operatives in Italy, Lessons for the UK, Gosling P, SEL 2002). This booklet is still a useful introductory source of information in English on Italian Social co-operatives

12 The exemption was based on allowing local authorities to accept tenders for some contracts meeting a minimum requirement for the employment of disadvantaged people

## Finance

Members' capital is an important source of finance. An investor category of membership has allowed bodies like local authorities to support the development of the social co-operatives and to safeguard their success where there has been public sector investment (alongside the equivalent in some cases of an asset lock in the form of 'mandatory indivisible reserves'). They are also able to access finance from a number of external sources on positive terms. Through consortia (see below) the co-operatives are able to negotiate lower rates of interest than doing so individually.

There are also a number of specialist banks and funds. They include Italy's ethical bank, "Banca Etica," which specialises in supporting co-operatives and their consortia. At a regional level specialist funds have also been created to support the "type b" co-operatives.

Lavora, a national employment creation agency, has invested in co-operatives that take over public service contracts that create employment opportunities for disadvantaged people. In some cases Lavora has acted in the role of a venture capitalist creating joint companies with the co-operatives, which the co-operatives later buy out. Some of this has been financed with monies confiscated from the mafia.

## A strong organisational model

The membership base of the co-operatives provides them with strength. Although not all the co-operatives do so, being able to combine the interests of employees, service users, volunteers and investors can contribute to success of the business. The culture and governance of these co-operatives is highly participative, using that engagement to promote higher efficiency and productivity than comparable state or private providers.

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However, the most important feature is the way that the co-operatives are organised in consortia and federative bodies. The philosophy of the social co-operatives can be described as "small is beautiful, but in a big way". The co-operatives maintain their local connections and human scale but to be effective in the market place they group together in consortia.

The consortia help to develop and sustain the management expertise of the co-operatives and in particular help with tendering for public contracts. They also provide support on practical issues such as HR, costing and financial planning, training and the development of new projects. They also are able to negotiate collective discounted interest rates on loans from financial institutions. The consortia may even act as guarantors for bank loans or for contract delivery.

The consortia play a fundamental role in the strategic growth of the co-operatives, supporting, advising and sometimes directly participating in the development of new business opportunities. They help the co-operatives to grow, maintain their local nexus and not over extend themselves financially or organisationally.

In turn, the consortia are linked together in national federative bodies. The most significant of these is called CGM, which brings together 78 territorial consortia, involving over 1,000 individual co-operatives turning over €1.2b.

As well as representing the interests of the members at national level, CGM develops practical initiatives to support its members. One of these is a trade mark called "Welfare Italia". Behind the mark is a philosophy based on "global community, quality, and capacity to attract new resources". CGM's aim is to "promote organisations developing democratic welfare, capable of involving citizens and other profit and non profit actors".<sup>13</sup> Community health services such as dentistry and radiography are being delivered under this brand.

## Sweden - children's day care co-operatives

In Sweden there are around 1,200 co-operatives providing pre-school day care for about 30,000 children, representing about 7% of total provision. The majority of day care in Sweden is still done directly by local authorities (80%) but the co-operatives play an important role in boosting capacity and increasing choice for parents. The co-operatives include both parent and employee-led models and are established under a legal framework for economic associations.<sup>14</sup>

**TABLE 2: Preschool day nursery provision in Sweden (2009)**

Type of provision	Number	Number of children	% of day care
Local authority	7,280	362,990	81.4
Parents co-operatives	910	20,635	4.6
Worker co-operatives	320	9,302	2.1
Other independent providers (private companies, churches etc)	1,356	53,1350	11.7

Co-operative provision of children's day care<sup>15</sup> developed in Sweden in the 1980s as a response to the growing demand for services and the inability of local authorities to provide sufficient capacity. In Sweden, local authorities have a duty to provide a day care service to families living in their area within three months of receiving an application from a resident. When they were unable to cope with the demand, it left many families with problems, particularly working mothers who wanted to continue their careers or enter the labour market.

The response was that parents started to organise themselves and started up co-operative pre-schools. The first day care co-operatives were parent-led co-operatives, where the parents hired the staff but also put in considerable voluntary effort themselves, not just in the governance of the enterprise but with a wide range of practical tasks including things such as preparing food and cleaning.

These were followed by a growth in employee-owned co-operatives, where the motivation for establishing the co-operative was often to create stable employment with like-minded people or the desire to use a particular pedagogical approach or common methodology. This has often been when employees had been working for a municipality that had failed to support their ideas on improving care.

14 Information on Sweden's day care co-operatives was by provided by Ulf Karlsson, Gavle Coompanion. The author also undertook a study visit which included day-care co-operatives in Gothenborg and Stockholm in 1995.

15 Figures in the table above from the Swedish Agency for Education <http://s.coop/14pt>

The two different types of co-operatives have their own specific characteristics and challenges and can differ a lot in terms of organisation. In the parental co-operative the parents are the owners of the company. Each parent has a personal interest in the nursery working well for having their own children there. The challenge is to keep the standard of quality constant and core values going over the long term, as each parent leaves the co-operative when their children no longer need the service. As new parents join they may not be aware of the history of the company or its core values. For the staff-led co-operatives, the workers own the company but they may not have business experience and areas such as marketing can be an issue.

**Staff have the incentive to work hard and have the satisfaction of being able to put new ideas into practice more easily than in a local authority run nursery.**

In both types there are strong reasons for people to be more engaged with the nursery. Staff have the incentive to work hard and have the satisfaction of being able to put new ideas into practice more easily than in a local authority run nursery. They also have the choice of how to use any profits they make, which in a state run nursery would just go back to the municipality.

Recent years have seen a trend toward a reduction in parent-led co-operatives and an increase in employee-led ones, possibly suggesting that they may be more resilient over time. Moreover, it should be noted that the employee-led co-operatives look after a greater proportion of children in relation to their numbers.<sup>16</sup>

**TABLE 3: Change in co-operative provision 2004-2009**

Type of Co-operative	Year	Numbers	Children	% of day care
Parent Co-operative	2004	986	21,168	5.8
	2009	910	20,635	4.6
Employee Co-operative	2004	233	6,814	1.9
	2009	320	9,302	2.1

One of the problems that the co-operatives have experienced is with municipality “top up-funding” for service provision and in a perceived imbalance in the criteria applied to them, versus state run provision. In Sweden there is a maximum fee to parents for preschool services. The fee is the same regardless of whether the service is provided by a public body or by a co-operative or other independent provider.

For one child this is about £115, for a second child £75 and a third £40. The rest of the costs of the service are covered by taxes. The co-operative is not allowed to charge more and receives an additional payment per child from the municipality. The amount can differ between municipalities or in relation to the age of the children being cared for, but should not vary between the cost base of public and private provision.

However, this has not always worked perfectly. In the early days co-operatives reported they were not receiving the correct amounts from municipalities and that currently different (lower) criteria for facilities are being applied to state run centres than co-operative ones.

### **Factors for success**

An important factor in supporting the growth of the childcare co-operatives has been the help and advice given by specialist co-operative development agencies. The conventional providers of business support did not have the knowledge or experience to assist groups who wished to establish co-operatives using the law for economic associations, with its specific characteristics (they were used to helping people start up as sole traders or companies).

In response, the Swedish Government made a decision to finance specialist co-operative development agencies. These agencies grew up in different ways in different parts of Sweden, and then federated into a national support body, which in 2006 decided to work under the name of Coompanion.

The Coompanion network of support agencies is funded centrally by the Swedish Government Agency for Economic and Regional Growth, with an annual budget of just under £4m, which is distributed to the regions on a per capita basis, and is then matched with regional funding and with other sources of finance. The specialist advisers have played an important role in the development of new co-operatives and the continuing success of existing ones.

There is also a national association of independent preschools (FFSO) which provides a range of services including courses, legal support and networking. It also campaigns on behalf of the co-operatives which have not been given the correct level of municipality funding.

### **Co-operative schools in Sweden**

There are also some schools that are organised as co-operatives in Sweden. At the end of 2006 there were nearly 100 co-operative schools. Like the Swedish co-operative nurseries they register under the law for economic associations. Established under the Swedish free schools system, they provide an alternative, value-based option for staff, pupils and other stakeholders who want to provide "not for profit education" and serve their communities. A significant proportion (over 1/3) are Montessori Schools and in some cases the schools have been created to preserve specialist provision.

The co-operative schools stand out for the way they embrace the democratic participation of the stakeholders involved, not just in the formal governance but through a culture engagement of learners and staff in the day to day decision making and operation of the school.<sup>17</sup>

### **International models for co-operative schools**

Research by the Co-operative College has identified the following models for co-operative schools, drawing on the experience of Sweden, Spain and the UK.

- Parent-led co-operatives – where parents are the key membership group, and have often established a co-operative school as a means of ensuring continuity of provision for their community when a school is threatened by closure, e.g. in rural areas.
- Parent/community co-operatives – with parents and local community organisations as the key stakeholder groups. Again, often as a means of securing provision in rural areas.
- Pupil/staff co-operatives – with pupils and staff as the key stakeholder groups, combining to enable specialist provision.
- Staff (teaching and non-teaching) led co-operatives – essentially worker co-operative models, with staff as the stakeholder group, providing safeguards for and continuity of employment.
- Co-operative led model – where the traditional co-operative movement itself is the lead stakeholder group, setting up a school to promote a distinct co-operative perspective closely linked to co-operative business and vocational training.<sup>18</sup>

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17 Research on European Schools, Co-operative College, unpublished

18 *ibid*

## Common themes, lessons and questions

The examples outlined show that in different contexts the co-operative model can provide an effective and empowering mechanism for delivering public services where service users, employees and the wider community can have direct control of how services are delivered.

Co-operatives can be instrumental in developing provision, offering wider choice, engaging and involving users, improving quality and creating opportunity in the communities in which they operate.

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However in all three cases, the growth of co-operatives has occurred within a wider enabling environment where national and regional governments and local authorities have developed patient and pro-active promotional measures and the co-operatives themselves develop organisational models and support structures that facilitate their growth. Success takes time and it takes an enabling environment.

Some of the key ingredients that emerge include: specialist business support; clear co-operative and mutual models; participative governance of the new mutuals; organisational forms that can be recognised in procurement; long-term commissioning; solutions for taxation constraints when moving from state to becoming a non-state mutual; links to the wider co-operative and mutual business sector; and an openness to user involvement as well as employee ownership,

Overall, the main features of these environments can be grouped under the following five headings. For each heading it is worth posing the question: what more might be done to support public service mutuals for UK-wide and 'devolved' English services?

### Enabling legal and fiscal frameworks

In Spain and Italy there is a very clearly defined legal framework for co-operatives and in Sweden a law for economic associations that is suitable for co-operatives. They offer people and communities a clear option for organising services. In Italy and Spain these laws have been linked to targeted promotional and support measures through tax incentives and development funding which have had a significant impact of growth.

- In the UK, there is an array of different models and some risk therefore that core elements of being a mutual or a co-operative could be watered down or lost in favour of quasi-mutual private enterprises. There is also still work to do to make it more straightforward to form a co-operative or mutual. There may also be a case for exploring the potential for intelligent tax or other incentives to encourage the capitalisation of public service co-operatives and mutuals, for example through bond issues or co-investment in shares.

### **Positive approaches to commissioning and procurement**

In general, the co-operatives have positive relationships with the local authorities that commission their services. In Italy this extends to the co-planning of services and the use of social criteria which enable the co-operatives to use their value-based competitive advantage. The way that services are contracted out is a fundamental factor for success or failure. The dangers of bundling contracts into very large sizes that include significant investment in capital assets is illustrated in the case of the Valencian care homes. The Swedish day care co-operatives complain of unfair treatment in contrast to in-house provision. In Spain and Italy having sufficient working capital to cover lengthy delays in payment has been essential.

- In the UK, there has already been considerable effort to open up commissioning and procurement to new third sector and social enterprise providers. However, the approach around spin-offs has been less developed and it would help to explore options for long-term transition contracts and models that have characteristics that can be recognised explicitly in procurement. It would also be helpful to explore the case for a level playing field on taxation for state-run services and their direct spin-offs, with the introduction of compensating mechanisms or tax concessions around the use of public service mutuals.

### **Access to capital**

Money is the motor that drives all business growth. Access to capital has been a vital ingredient in all three international examples. In Spain measures like the “pago-unico”, start-up grants and loans at discounted rates of interest have been important, and in Italy the models of co-operative organisation help facilitate this. Specialist funders and funds are important. Fiscal incentives play a role in both countries, encouraging investment in co-operatives and incentivising the establishment of reserves that mean the co-operatives have sufficient working capital. Members are a very significant source of finance: both employees and investor members, such as local authorities.

- In the UK, there should be a review of sources of finance for public service mutuals, looking at:
  - how suitable are the current sources of finance available for co-operative and mutual start-up and expansion to meet the potential scale for growth?
  - is there sufficient capital available on the right terms?
  - are there appropriate mechanisms for member investment in employee-based co-operatives?

### Successful organisational models

The international co-operative examples have developed solid business models that have endured over time. The forms of organisation and management are important. In Italy the involvement of different categories of members has provided strength and in Italy the use of consortia has been fundamental to their success. In the UK, while there is a very well established retail co-operative sector, there is relatively little experience of employee-led co-operatives operating in public service markets. But overseas, if models had been restricted to employee-only, this would have significantly restricted growth over time.

- In the UK, the programme of work on public service mutuals ought to recognise explicitly the opportunity for a) mixed models with employee and user ownership and b) user-led models that employ staff – as well as the current focus on employee-owned co-operatives and mutuals.
- There should be an exploration of the potential to develop rapid and effective consortia-based models of growth.

### Specialist business support

In all three countries, the co-operatives have been closely linked into support structures that are able to provide specialist support and learning.

**Provision of the right kind of specialist business support and knowledge in all three countries was a common factor for success.**

The federative membership bodies and consortia have built know-how through peer learning and the accumulation of knowledge and experience of a membership that literally owns them. This goes well beyond what can be met through conventional business advice and includes support elements such as training around participative models of governance. This provision of the right kind of specialist business support and knowledge in all three countries was a common factor for success.

- In the UK, there should be a funded programme of high quality specialist business support on offer to all would-be public service mutuals.

In conclusion there should be an urgent, but considered, debate around these questions and further analysis of the critical success factors and risks involved in the promotion of co-operative public service models in the UK. The UK policy context does not emerge particularly well from the comparison with these pioneer countries and this must form something of a reality check.

However, it is early days for the new programme and the political will appears to be in place to make a success of it. If so, there can be moves to accelerate action and to tackle obstacles that may arise. Looking at experience from other countries provides a starting point.

## Co-operatives UK

Co-operatives UK works to promote, develop and unite co-operative enterprises. It has a unique role as a trade association for co-operatives and its campaigns for co-operation, such as Co-operatives Fortnight, bring together all those with a passion and interest in co-operative action.

Any organisation supportive of co-operation and mutuality can join and there are many opportunities online for individuals to connect to the latest co-operative news, innovations and campaigns. All members benefit from specialist services and the chance to network with other co-operatives.

[www.uk.coop](http://www.uk.coop)

### THE AUTHOR

Jonathan Bland is an international expert on co-operatives, social enterprise and social innovation. He has 30 years experience in the field as an entrepreneur and a leader. He studied co-operatives for his MSc (Econ) at the University of Wales in the early 1980's and then established an employee-led co-operative in Cardiff.

He has worked as a co-operative business advisor and trainer in London. Jonathan spent five years living and working in Spain where he created and managed a number of major European development programmes for the Valencian Federation of Worker Co-operatives (FVECTA). During this time he gained extensive of the social economy across Europe.

On his return to the UK he was the founding CEO of Social Enterprise London and the Social Enterprise Coalition and led the UK social enterprise movement until 2009. In 2010 he founded Social Business International, a consultancy specialising in social enterprise and social innovation that is based in the UK and Finland. ([www.socialbusinessint.com](http://www.socialbusinessint.com)).

In the context of the UK Coalition Government's policies to promote public service mutuals, *Time to get serious: international lessons for developing public service mutuals* examines the experience in Spain, Italy and Sweden. It identifies some key factors for success, learning lessons and questions that are relevant for the development of new co-operative models in the UK.

Co-operatives UK Limited  
Holyoake House  
Hanover Street  
Manchester M60 0AS  
Tel: 0161 246 2900  
[www.uk.coop](http://www.uk.coop)

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