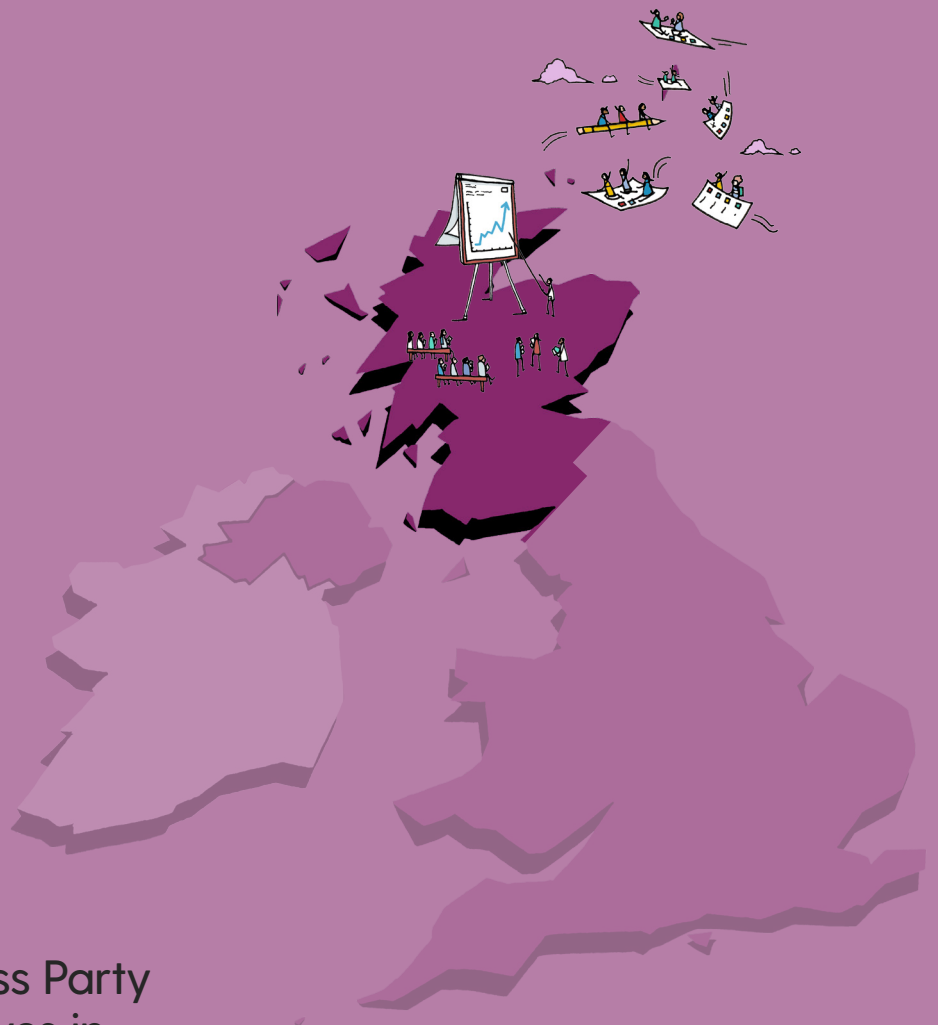




Revive and thrive

Why co-ops are pivotal to a fairer,
stronger Scotland



Produced for the Cross Party
Group on Co-operatives in
Scottish Parliament

Foreword

The Cross Party Group on Co-operatives at the Scottish Parliament seeks to highlight the huge contribution these businesses make to our community, society and economy.

In late 2019 the Cross Party Group decided to look at how the Scottish government and its agencies, including Co-operatives Development Scotland, are supporting co-operative development – and what more can be done. Then Covid-19 arrived and changed all our lives.

Amid the huge challenges of the pandemic, we can see many positives - including how people have come together to support the most vulnerable at a time of national crisis. Scottish co-operatives have been at the heart of that response because their members have shared values, understand partnership working and are embedded in communities. They are also flexible, resilient organisations capable of rising to the toughest challenges.

This report looks at how a range of Scottish co-operatives reacted to the pandemic to support the very different communities they serve and how they can play a central role in 'building back better'.

I want to thank all the co-operatives who helped with this report and shaped recommendations for future action – and also thank all Scottish co-operatives for the amazing work they do.

As we approach the next Scottish Parliament elections, I want policymakers to consider carefully how the next five years of the Scottish Parliament can do more to build a truly co-operative, inclusive and fair Scotland.

James Kelly MSP

Convenor of the Cross Party Group on Co-operatives in the Scottish Parliament

Part one: Fairer, stronger Scotland

This report highlights the success of co-ops in helping Scots weather the Covid-19 storm. It provides examples of small and large co-ops, from across the country, that are rising to the challenge of the pandemic.

Four case studies demonstrate the transformative effect co-operation and mutual aid have on communities. The report examines current levels of support for co-operative enterprise. It also makes six recommendations for how Scottish government, now and after the next election, can make Scotland the best place in the world to establish new co-ops and develop existing ones.

Why co-ops are pivotal

In this moment of crisis, co-ops are a great way for Scots to:

1. Create decent new livelihoods

Worker co-ops are better at creating decent livelihoods compared to businesses generally.^{1 2} They have significantly lower pay ratios and share profits equitably among every worker.^{3 4} More democratic workplaces are also good for worker wellbeing,^{5 6 7} while mutual purpose and democratic governance also boosts performance and enriches culture.^{8 9} Furthermore, co-op start-ups in the UK and around the world are significantly more resilient than start-ups generally.^{10 11} And worker co-ops are more resilient and better at preserving decent livelihoods in downturns.^{12 13}

1 Worker co-ops in the UK create 35 percent more 'job' with every £1 of turnover than UK employers as whole, based on all worker co-ops we have the data for compared with government business statistics all UK employers

2 Virginie Pérotin (2015) ['What do we really know about worker co-operatives?'](#)

3 Ibid

4 Co-operatives UK (2018) ['Gender Pay Gap Report'](#)

5 National Centre for Employee Ownership (2017) ['Employee Ownership and Economic Well-Being'](#)

6 Coad & Binder (2014) ['Causal linkages between work and life satisfaction and their determinants in a structural VAR approach'](#)

7 Employee Ownership Association (2017) ['The Ownership Dividend'](#)

8 Virginie Pérotin (2012) ['The performance of worker co-operatives'](#)

9 Fathi Fakhfakh, Virginie Pérotin, Monica Gago (2011) ['Productivity, Capital and Labor in Labor-Managed and Conventional Firms'](#)

10 Co-operatives UK (2020) ['The Co-op Economy'](#)

11 Co-operatives UK (2019) ['Co-operative Business Survival'](#)

12 Virginie Pérotin (2012) ['The performance of worker co-operatives'](#)

13 EURICSE (2015) ['Cooperation in Italy during the crisis years'](#)

2. Keep viable jobs in their community

The conversion of an established business to mutual ownership enhances the security of viable jobs that would otherwise have been at greater risk.^{14 15} There is strong evidence that converted businesses are, on average, more resilient over the long term, compared with other businesses.^{16 17}

3. Breathe new life into local assets and enterprise

More than £150 million has been invested in otherwise threatened assets and enterprise through community shares since 2010.¹⁸ Community Shares is a form of crowdfunded equity financing that is unique to co-ops. It is found to significantly enhance the resilience and commercially self-sufficiency of community businesses. Community shares also give ordinary people and stake and a say in their local economy.¹⁹

4. Convert newfound community spirit into transformative social action

Co-ops remain what they have always been: vehicles for people to work together to meet common needs and aspirations. Across Scotland and the UK people are using co-ops to: develop affordable and eco-efficient housing; retrofit homes; deploy e-vehicle infrastructure; develop sustainable food systems; provide new and improved models of social care, and much more.

14 CECOP (2013) [Business Transfers to Employees under the Form of a Cooperative in Europe](#)

15 Vieta, Depedri & Carrano (2015) [The Italian Road to Recuperating Enterprises and the Legge Marcora Framework Italy's Worker Buyouts in Times of Crisis](#)

16 CECOP (2013) [Business Transfers to Employees under the Form of a Cooperative in Europe](#)

17 Vieta, Depedri & Carrano (2015) [The Italian Road to Recuperating Enterprises and the Legge Marcora Framework Italy's Worker Buyouts in Times of Crisis](#)

18 Community Shares Unit

19 Ibid

Part 2: Scottish co-ops during the pandemic

Four case studies

GreenCity Wholefoods, Glasgow

GreenCity Wholefoods, established in Glasgow in 1978, is a worker co-op and wholesale food distributor, run democratically by 54 employees. It treats customers, suppliers, the community and workers with fairness and respect.

Covid-19 hit GreenCity hard, especially when its restaurant and cafe customers closed en masse. Some of those businesses will not re-open, leaving the co-op with a bad debt burden of up to £160,000. Greencity drew on its strong cash reserves – an intrinsic part of the co-op model – while its ‘flat’ organisational structure gives everyone a genuine role in decision-making. Workers share the difficult decisions, are fully informed and truly in it together over the long term.

“The co-op model is strong and resilient. As a private company we would probably have gone under four or five times.”

Scott Erwin, GreenCity Wholefoods.

GreenCity has benefited from a shift in consumer behaviour and increased sales in the retailers it supplies. The worker co-op was already building its business with Scotland’s independent retailers, with double-digit growth forecast before the pandemic. GreenCity has always focused on local, cost-effective, sustainable and healthy food, so it benefited as people increasingly shopped local, turned to sustainable bulk buying and cooked at home.

Overall, sales dropped around eight per cent down during lockdown and 10 people (about 15 per cent of employees) were furloughed by summer 2020. But the doors remained open and goods continued to go out. Now GreenCity is building back, drawing on the deep institutional memory in its worker-community and the resilience inherent in the co-op model.

Concern for the wider community, another core co-operative principle, has also been evident during the pandemic, with GreenCity helping to get food to those who really needed it. The worker co-op continues to lead the way in sustainable approaches, including package-free products.

GreenCity also believes food shortages during the pandemic show a need for shorter, local supply chains, with farmers and wholesalers working together; rather than global supply chains dominated by a handful of big players. Where they existed, these shorter, local supply chains have remained strong. Now the focus is on giving back, with GreenCity keen to support the wider co-operative community. It champions peer-to-peer training and networking to support newer co-ops; to help build the co-op family.

The Crunchy Carrot, Dunbar

This community-run shop in Dunbar, East Lothian, was set up in November 2019 and has 600 members. It supplied 15 to 20 weekly veg boxes before the pandemic, rising to 350 during the early stages of lockdown, when the premises were closed and the business adapted to a delivery only model.

Local demand for food was fulfilled thanks to strong, responsive and well-established local supply chains with mills and farms. This meant deliveries were guaranteed to vulnerable customers, who were identified early during lockdown.

“We showed that local supply chains can be very responsive and work very well; we managed to supply pretty much everything due to our relationship with mills and farms.”

Hannah Ewan, The Crunchy Carrot

Stronger connections have been forged within the local community and economy. Crunchy Carrot provided Dunbar Community Bakery with a vital route to market by offering the bakery's products in its delivery boxes. It now also has better links with the local food bank and other community organisations – and the co-op says more local people are showing a real interest in changing careers to work in community food.

Although box deliveries have reduced as people go back to normal shopping patterns, the Crunchy Carrot has retained a core of new customers. The business is also imbedded in a community which saw it respond in a time of acute need.

West Whitlawburn Housing Co-op, South Lanarkshire

West Whitlawburn Housing Co-op was formed in 1989, when tenants decided to try to turn around their “rundown, dilapidated and unattractive” council estate in Cambuslang, South Lanarkshire. It looks after 633 properties and has since spent £50 million-plus on improvements.

The co-op’s relationship with tenants was vital during lockdown. It identified those who needed help quickly, especially those most vulnerable – whether through health, finances or simply because they needed food and other items delivered. Lockdown was a shock to the system and it took time for the co-op’s collective approach to adjust to new ways of working. However, it soon settled down to support tenants in two vital areas; providing food parcels and helping with benefits.

“There was a level of trust, built up over 30 years working in a small area. We benefited from that long-term relationship and that experience. Local authorities found it harder because they didn’t necessarily have that same relationship, or a snapshot of what was going on in a particular block or stairwell.”

Stephanie McPeake, West Whitlawburn Housing Co-op

Changed circumstances meant people who had not previously needed to access benefits had concerns over paying rent and bills. The co-op set up two food parcel deliveries per week, helped by contacts at FareShare, which redistributes quality surplus food to vulnerable people. It also identified residents’ need for hot meals. Before the pandemic, the co-op delivered 15 to 20 food parcels per month. Between April and August that rose to around 600 per month – almost 3,400 food parcels and hot meals in total. The co-op, supported by South Lanarkshire Council, also issued around 500 energy vouchers to people worried about bills.

Regular phone calls were made to those who needed support, ensuring tenants knew about arrangements for prescriptions and essentials. The support also ensured regular contact with the most vulnerable. Tenants appreciated the financial, practical and emotional support, with numerous positive comments flooding in. The strong community spirit has proved even stronger through lockdown. West Whitlawburn Co-op coped in a crisis and could do so again.

West Highland Free Press, Isle of Skye

The West Highland Free Press (WHFP) is a campaigning newspaper based on the Isle of Skye. Founded in 1972, it became worker-owned in 2009. The co-op sold up to 5,000 copies per week before the pandemic and has nine worker-owners; eight having been at the paper for a decade or more.

Covid-19 made an already challenging time for local media even tougher. WHFP continued publishing for four weeks before sales and advertising revenue dried up, forcing the newspaper to move online-only. All staff bar one were furloughed. With the worker co-op's future thrown into doubt its worth to the community was demonstrated through an online survey which generated more than 600 responses. Subsequently, an enlarged WHFP team returned and the physical paper re-emerged in August (2020).

“Having an informed, accurate local media rooted in the community was really important. Our footprint is here; we are part of this community.”
Keith Mackenzie, Editor, West Highland Free Press

During the pandemic, WHFP covered a significant story as 10 residents of Home Farm Nursing Home in Portree, Skye, died from Covid-19. The national media was criticised for its intrusive approach. The approach from WHFP was in stark contrast. As those running the paper live in the community it covers, WHFP covered the story with empathy and the support and trust of local people. Those who died had been well loved and well known in Skye and made genuine contributions to the island.

Covid-19 has shown WHFP's worker owners that it is up to them to drive the paper on. They will, because they believe in the newspaper and its mission in the community.

Part 3: How scottish government supports co-op development

Co-operative Development Scotland

Co-operative Development Scotland (CDS) sits within Scottish Enterprise. It has a board remit to promote and support a range of co-op models and employee ownership. Its current areas of strategic focus are:

- converting existing businesses to employee ownership
- new consortium co-operatives
- new community co-operatives

CDS is also working to ensure co-op models are understood and supported as part of the 'plural ownership' pillar of Scotland's fast-emerging community wealth building agenda.

CDS and the wider 'Scotland for EO' initiative raises awareness of the benefits of employee ownership among existing businesses. For businesses considering conversion to employee ownership, CDS offers a feasibility study to decide if the model is right and partial grants for advisory work. Its positive impact has been significant, with Scotland punching well above its weight in the UK in terms of the number of conversions to employee ownership.²⁰

CDS's work supporting businesses to co-operate in consortia is also making Scotland a leader in this area. CDS is now developing a partnership with Community Shares Scotland, Co-operatives UK and the Plunkett Foundation, to boost support new community co-ops. It is integrating this work into Scotland's community wealth building agenda.

Outside of these areas of strategic focus, CDS is helping people to explore and develop a range of other co-op models, on request. This has included other pivotal co-op models, such as worker co-ops.

²⁰ Scotland now accounts for [16 percent of all EOT-owned businesses](#) in the UK but only has [6 percent of all UK businesses](#)

Community Shares Scotland

Scottish government also funds Community Shares Scotland, to help promote the use of community shares. Community shares is a form of crowdfunded equity financing that is unique to co-ops. It can save local shops and pubs, finance renewable energy schemes, transform community facilities, support local food growing, restore heritage buildings and above all, build stronger, more vibrant, and independent communities.

Delivered by the Development Trusts Association Scotland, Community Shares Scotland provides free support and guidance. Eligible groups receive up to six days of tailored consultancy to help develop a community share offer. Community Shares Scotland also provides micro-grants to support the marketing and promotion of a community share offer.

Part 4: How co-ops view government support

In February 2020 the Cross Party Group on Co-operatives in the Scottish Parliament held an evidence session, looking into Scottish government's role in co-op development. Co-ops were asked to discuss developmental support they had received and to reflect on what needs to be added, or changed in the government's offer.

Support received

Support for new start co-ops provided by CDS is highly valued. However, the journey to get to CDS has sometimes been a struggle. The founder of one co-op told the Cross Party Group that the support landscape can be baffling for someone trying to establish a new co-op. Community Shares Scotland's and CDS's support for community co-ops and the community shares financing model is having a positive impact. However, some past experiences point to the importance of making sure organisations have full information about community shares and the co-op model, before adopting them.

Established co-ops have sometimes received support from Business Gateway and from local government. Glasgow City Council's past work on co-op development was praised, though it is felt this has not been sustained.

What should be added or changed

A common theme from co-ops is that Scottish government could do more to support existing co-ops to thrive. Existing co-ops said they would benefit from help in navigating the funding landscape and from peer support schemes. They would also like co-ops to have a more even playing field in government's business and third sector finance schemes.

Based on evidence provided to the Cross Party Group, 'after care' could be especially important for businesses/organisations that have converted to employee ownership, or to community ownership via the community shares model.

There is also a strong desire for Scottish government to build out from its current successes. Co-ops would like to see Scottish government establish programmes that actively increase awareness of, and provide specialist support for, other pivotal co-op models such as worker co-ops and housing co-ops.

There is also a common view that co-ops should be part of enterprise curricular. Finally, there is a desire for Scottish Government to create a ministerial portfolio with responsibility for co-op growth, with clear policy objectives, monitoring and evaluation of success.

Part 5: How Scottish government should expand co-op development

Scottish government wants to “build back fairer and stronger” from Covid-19. It has set a “national mission to create new jobs, good jobs and green jobs” and has ambitions for a “more equal Scotland for the post-pandemic period.”²¹

As this report shows, co-ops are pivotal to the build back better agenda. They are a great way for Scots to:

- Create decent new livelihoods
- Keep viable jobs in their community
- Breathe new life into local assets and enterprise
- Convert newfound community spirit into transformative social action

Thanks to existing government interventions, Scotland already punches above its weight when it comes to creating new co-ops²² and converting existing businesses to employee ownership. But given the scale of the crisis, and the potential for Scots to use co-ops to build back fairer and stronger, Scottish government must now build on its success, with bold ambition.

Crucially, interventions must be ramped up to help people create and retain decent livelihoods through co-ops. Scottish government’s programme supporting conversions to employee ownership is a success. However, our analysis suggests that to effectively support conversions in the context of business crises, this programme would need to evolve considerably.²³ Furthermore, better outcomes will sometimes be achieved by supporting workers to create ‘new co’ worker co-ops (‘re-starts’), rather than helping them acquire a struggling, perhaps heavily indebted, business (‘buyouts’).²⁴

²¹ <https://www.gov.scot/publications/protecting-scotland-renewing-scotland-governments-programme-scotland-2020-2021/pages/1/>

²² Co-operatives UK *Co-op Economy Data*

²³ <https://www.uk.coop/resources/employee-and-worker-ownership-covid-19-recovery-strategies>

²⁴ *Ibid*

Given the effectiveness of worker co-ops in creating and sustaining decent livelihoods, Scottish government needs to ensure people are supported to explore this option for entrepreneurship as a matter of course, and to adopt this model where the fit is right.

One of the biggest barriers to the growth of pivotal co-op models is a lack awareness and practical understanding in communities and among workers, entrepreneurs, businesses and those who usually advise them.²⁵ Another is a lack of specialised support. Most people do not know about their co-op options and are rarely supported to explore them.

One of the great successes of Scottish government has been to address this 'market failure' in information, awareness and support, in relation to employee ownership among existing businesses. But because Scottish government has not made comparable interventions to address these 'market failures' for other pivotal co-op options, Scotland's footprint for these models is not nearly as impressive.²⁶

Community wealth building presents a golden opportunity to help people explore and adopt a wider range of co-op options, not least in relation to work and housing. But this will require clear bold new policy direction from Scottish government, backed up by new specialist programmes and a scaling up of some existing activities.

²⁵ Alliance Manchester Business School (2018) *The Co-operative Business Model: promoting awareness amongst business advisers*

²⁶ For example, while Scotland hosts 16 per cent of the UK's EOTs, it hosts just 8 per cent of the UK's worker co-ops, in the context of hosting 6 per cent of UK businesses overall

We make six recommendations for Scottish government to act on, now and after the next election.

Recommendation One: Establish and/or scale up programmes that help people explore and adopt the following models, which are pivotal to building back fairer and stronger:

- worker and freelancer co-ops
- worker-community co-op hybrids
- housing²⁷ and land co-ops
- platform co-ops²⁸

Recommendation Two: Build on current support for employee ownership, to help people use co-ops to retain or replace livelihoods, in the face of lay-offs and business crises. This requires:

- a focus on restarts as well as buyouts, using the worker co-op and worker-community hybrid models, as well as employee ownership trusts
- more involvement of workers, unions and communities, earlier in discussions about the sale, closure or insolvency of businesses
- additional feasibility studies
- measures to create more time for buyouts and restarts to be organised and implemented
- the provision of specialised finance to fund the acquisition of businesses or assets, led by the Scottish National Investment Bank
- where possible, providing this support in the wider context of community wealth building initiatives across Scotland

²⁷ See [our submission](#) to Scottish Government's Housing 2040 consultation

²⁸ Scottish government should act on the recommendations of its own [expert advisory panel on the collaborative economy](#)

Recommendation Three: Provide specialised business support to help existing co-ops thrive. Specific measures should include:

- the Scottish National Investment Bank providing products/services that meet the distinct and currently unmet financing needs of co-ops and mutuals
- resourcing 'after care' programmes for businesses that have converted to employee and community ownership
- funding and organising peer support among Scotland's co-ops
- resourcing programmes of specialised business support, tailored to co-ops, covering things like business planning and strategy, finance, innovation adoption, governance, culture and people development
- providing specialist support for converted employee owned businesses to develop more employee-led, democratic governance

Recommendation Four: Support more widespread use of the community shares financing model. Specific measures should include:

- providing funding to make institutional match investments in community share offers,²⁹ alongside communities and other funders such as the Scottish Land Fund
- building awareness of community shares, supporting organisations to use the model and contributing to the development of Community Shares Standards, through continued funding of Community Shares Scotland
- continued promotion of community benefit societies and community shares as a good legal structure for 'community asset transfer' and 'community right to buy'
- promoting and supporting the use of community shares as part of efforts to retain viable jobs with the community-worker hybrid model

29 Building on the success of our [Community Shares Booster](#) programme in England

Recommendation Five: Support the development of a new generation of co-op development experts in Scotland. Specific measures should include:

- funding training for people in co-ops with valuable knowledge and knowhow, to become effective peer mentors and co-op development specialists
- funding training for business advisors (in the public sector, on public contracts, and generally) to gain a better practical understating of pivotal co-op models
- funding training for business advisors to become co-op development specialists

Recommendation Six: Support the use of pivotal co-op models in community wealth building initiatives across Scotland. This should include:

- bringing together communities of interest and place to explore and develop their co-op options for work, business, housing, land and environmental and social action
- including a significant role for community-led economic development^{30 31} in which Community Economic Partnerships are supported to develop their own plans for sustainable and inclusive economic development
- earmarking around 25 per cent of Scotland's portion of the UK Shared Prosperity Fund to enable Community Economic Partnerships to work with local authorities to implement these plans

What next?

If you are a politician, policy-maker, organisation or individual wanting to support our work or just find out more, please get in touch with Co-operatives UK Policy Officer James Wright.

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³⁰ Drawing on Scotland's success with Community Led Local Development

³¹ <http://uk.coop/resources/shared-power-shared-prosperity-scotland>

Thousands of businesses, one network

Co-operatives UK is the network for thousands of co-operatives. We work together to promote, develop and unite member-owned businesses across the economy. From high street retailers to community owned pubs, fan owned football clubs to farmer controlled businesses, co-operatives are everywhere and together they are worth billions to the UK economy.

Contact us

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