

The potential for Labour Supply Cooperatives – a report for the CooperativesUK New Ventures Panel

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Why cooperatives and labour supply?

The labour supply industry has an annual turnover of just under £26 billion per year, involves 15,000 firms and places 1.2 million workers each week in temporary employment. Provision within these figures ranges from highly qualified and sort after professionals such as doctors and nurses with a steady market demand and long contracts to the less skilled who are consequently more exposed to market forces, experiencing day or hour long periods of work and quick exposure to unemployment in any economic downturn.

Profit and revenue in the labour supply industry is almost exclusively a result of the difference between what is paid to the person doing the work by the agency and what the organisation – client - providing the work pays to the agency. The difference can range between 5% and 30%, involve more than one stage of subcontracting and can result in pressures to avoid, tax, pension and national insurance payments; such avoidance being experienced mostly in the area of employment more exposed to the market.

Cooperatives have been one method that workers have used as a method of challenging the ‘middle man’ and the potentially exploitative status of the labour supply industry. If employers are prepared to pay a premium to an agency what if the workers owned the agency; could they then share in the additional revenue and profitability? This is a general and abstract question but it has often become a live issue as a result of large scale changes in an industry, such as legal changes in the home care sector in the early 1990s and the ending of the National Dock Labour Board in the middle 1990s or as a result of more gradual political awareness, such as in the establishment of cooperative agencies in the entertainment industry in the late 1970s.

Laudable as the aim of fairer shares or defence against structural market changes may be, the experience of successful cooperatives in the labour supply industry has been mixed. This report seeks to learn from these lessons and experiences with the objective of suggesting key elements of a model that could be more successful and which may provide a way of making the aim of a fairer share in terms of income and conditions a sustainable reality.

Scope and definitions

The report largely draws upon UK research and experience. Wider European and international information is not available as readily as that which applies to the UK but also due to time and language constraints the decision was taken to aim for a more in depth understanding of the UK situation as opposed to a comparative but more

superficial international survey. Moreover, this approach provides access to economic and social processes that can be seen to have international application.

The issues are covered in the report under the following headings:

Scope and definition (this section)

What is the labour supply industry?

What is the UK cooperative labour supply experience?

Labour supply cooperatives – any lessons?

Labour Supply Cooperatives: possibilities

Who are the vulnerable workers?

A possible strategy & next steps

Making a difference - recommendations

The labour supply industry covers a range of organisations that include gangmaster operations, which largely operate in the agriculture and food industries, employment agencies that cover nearly all industrial sectors and consultancy organisation that provide professional services. Employment agencies are by far the largest part of the labour supply industry with gangmaster type organisations forming the next grouping of any significance. As a consequence, this report will concentrate on the cooperative experience in these areas.

Before moving on to look at the forms that cooperative can take in the labour supply industry it is useful to have an understanding of how employment agencies and gangmasters operate. It is a complex area to define and describe as categories overlap and it does not readily sit within the terms of the normal employment contract, so some basic back ground will help.

Employment agencies provide permanent and temporary employment services to a third party, generally known as a client. This report is most concerned with the process of supplying what are known generally as ‘agency workers’ who are largely temporary but a small proportion can be permanent. It is also useful to understand that what is being considered are methods of ‘engagement’ of staff which can take a number of contractual forms. Technically agency workers do not have a form of engagement with the agency or the client that can be seen as an employment contract. Essentially they are legally a special case and both the civil and statute law covering their situation is in a state of considerable change.

The agency worker registers with an employment agency providing a CV and other information and will be informed about the agencies pay and other conditions. A client will make a request for employment services to the agency, which will in turn, select those workers from the register who they think can perform the services. The employment agency will pay the worker who will then work for the client. The employment agency makes a profit on the difference between the charge to the client and the wage paid to the worker.

While working for a client – but being paid by the agency – the worker will usually have a fixed term employment contract for service with the agency but some circumstances it could be a self-employment contract for services. The legislation covering agency

workers specifically treats them as *workers* as opposed to employees or self-employed. This means they are entitled to certain basic statutory rights such as minimum pay but are excluded from others. They are also treated as an employee for tax purposes. Agency workers are also not entitled to the same pay rates and other conditions of the employees they will working alongside at the clients workplace and this is the source of issues key to the vulnerable workers campaigns.

There are some very useful publications that cover these details and these need to be consulted before making any decisions in this area. These include:

TUC 2007 Counting the Cost of Flexibility:

<http://www.tuc.org.uk/extras/sectorreport.pdf>

Direct Gov website on agency work:

http://www.direct.gov.uk/en/Employment/Employees/Typesofworkoremployment/DG_10027514

HMCE on employment:

<http://www.hmrc.gov.uk/employment-status/index.htm>

Within the labour supply sector a range of cooperative organisations could potentially exist.

Workers cooperatives are composed of employees who would have an employment contract with the cooperative, which they, or those who were members would in turn own and control through governance processes. Labour supply cooperatives that have taken this form include those in the home care and docks industries.

Agency cooperatives have some similarity to consumer cooperatives, where the agency provides a work finding service to those who register with it. The law prevents a charge for this service to the potential employees except in the entertainment industry, allowing actors' cooperatives to continue to exist. In this case the employment contract is not with the agency but with the person or organisation that provides the work, such as a theatre or TV company. In the case of actors' cooperatives, those who register with the agency usually become members of the cooperative after a probationary period of up to 12 months.

It is difficult to universally apply these definitions as some workers cooperatives partly operate as *employment agencies* - not *agency cooperatives* - as described above. So in the home care industry for example, potential carers register with the workers cooperative as an agency, but if work is available they receive payment through the agency not from the person being cared for. Some home care cooperatives also work with carers who have self employed contracts, but as carers and workers in this capacity, they may still become members of the cooperative.

The issue of self employment contracts and how they apply and differ from a contract of employment is one that cuts across the whole sector and any cooperative in the labour supply industry need to consider the implications their for policies and strategies very carefully.

Finally, the *consortia cooperative* model can also be seen to operate in the labour supply industry. The Co-operatives^{UK} publication *Trading for Mutual Benefit* (2006) explores this provision in detail and provides a number of examples which include industries that have already been mentioned. Essentially in a consortia cooperative sole traders join together to provide services to each other and to a wider market that their size and status would not otherwise allow them so to do. A labour supply service may be just one of these services. In the example of farmers' 'machinery rings' farmers are the employer and through the ring hire machinery and maybe an operative to other farmers for short periods of time. In this case the consortia cooperative is owned by the farmers who are the employer and not the employee: as distinct from a workers cooperative.

However, in the taxi, doctors and consultancy cooperatives, a labour supply service is the main product and distinction between a consortia cooperatives and worker or agency cooperative, may largely turn on the relationship between the status of being a sole trader, self employed under a contract for service or an employee under a contract for services.

The research for this publication has found that the range legal methods of providing a supply of labour do not sit easily within these categories of cooperatives. The definitions are useful to understand the range of options available and circumstances within which a labour supply cooperative could be established. To provide some guide to the strategic and business case choices, it is also useful to understand the dynamics of the labour supply market and industry.

What is the labour supply industry?

The UK labour supply industry is surprisingly large and influential. The ONS (Office of National Statistics) reported in 2004 (Geddes et al 2007) identifies 14340 firms working in the recruitment industry with a £25.6 billion a year turnover and 15 are in the top 100 UK companies. These agencies place around 1.2m workers a week in temporary employment which represents about 4% of the total UK workforce. Around 8000 of these firms belong to the Recruitment and Employment Confederation (REC) an association that provides advice, training and representation for the industry (<http://www.rec.uk.com/home>) its website provides a directory of members, providing a detailed insight into the industry.

Overall the industry is one of extremes with some large companies dominating; so that 40% of the 1.2 million workers are placed by 5 companies working through 97 subsidiaries, one of these companies having 280 offices throughout the UK. Some of the biggest firms involved are Initial, ISS, Skyblue and related companies, KGB and Reed. At the other end of the spectrum there are a large number of small companies experiencing a high turnover with 12% of the 14, 340 companies de-registering in 2004.

As in the REC Directory of members the UK industry is broken down into a number of sectors the main ones being:

- Agriculture & food processing
- Childcare
- Construction

Drivers
Education
Engineering and Technical
Education
Hospitality
IT & Comms
Medical
Nursing & Social Care

Agriculture is not one of the REC's specific groups as this tends to be represented by farming organisations such as the NFU (National Farmers Union), Machinery Ring Organisations and the ALP (Association of Labour Providers <http://www.labourproviders.org.uk/>) which represents gangmasters and other industries covered by the Gangmasters Licensing Authority.

Although the industry tends to be influenced strongly by large companies there are many smaller organisations that specialise within in these sectors or even in regions. The industry also provides a more varied service than temporary employment. Many of the larger organisations are involved in permanent employment recruitment and 'head hunting' as well as keeping a temporary register and the REC reports that 787,000 permanent jobs are filled each year by the industry. Training, payroll and employment, technical and related consultancy advice also features as part of the services as they clearly overlap as a service provision to the market.

As mentioned the main source of the revenue in the labour supply industry is the premium that the agency supplying the labour can charge for the supply over and above the wages of on costs of the worker and this can be as much as 30%. The REC and the industry generally argue that that this premium is justified as a payment for providing a niche brokerage type service in a market created by the transactional costs of the employment process. For example, it is a cost to potential employers to directly advertise, interview, assess and generally process new employees themselves.

Rightly employment is ringed around with a considerable amount of legislation and once employed, there are additional on costs in relation to tax, NI and pension schemes. In general employers are prepared to see these costs as part of the employment process when taking on employees that will be permanent and will make a long term contribution to the organisation: when it comes to short term employment needs these costs can be prohibitive and hence agency employees become attractive, despite the loss of control over not being the direct employer. Moreover, if the agency has the employment contract, it is likely that pay rates and the costs of other remuneration benefits such as pension contributions, will be lower than for the permanent employees of the organisation where the agency worker is placed. This latter issue is currently the subject of European Directive and discussions between the TUC, the CBI and the Government have resulted in an agreement to equalise pay and some benefits after 6 months work and this has been submitted to the EU Commission as fulfilling the requirements of the Directive. More recently - November 2008 - the European Parliament has extended the benefits in the Directive to take effect from the first day of employment and this will have implications for the earlier agreement.

Clearly, having to provide the same pay and conditions would influence the costing arrangements of the niche market and lead to more direct employment – hence the resistance to the changes from bodies like the REC – but the niche would remain, albeit reduced in size. In addition, providing the other services such as training and legal adds value to the labour supply niche market and any agreement on the Directive could lead to considerable negotiation over what equal treatment for agency workers would mean, so if cooperative labour supply agencies resolved these issue beforehand, it would be an additional benefit. It can be seen that despite improved conditions and legal changes these factors still leave scope for labour supply cooperatives to survive.

From the position of those who work through agencies how this technical arrangement provides benefit or exploitation will depend on their potential strength on the labour market. Where work is easily substituted consequently requiring little training or worker discretion the relationship with the agency can be very tough, such as in the agricultural gangmaster situation, where there are considerable market pressures (Geddes 2007) to exploit the weaknesses of low skill, low qualified and often non-English speaking migrant workforce. At the other end of the spectrum are situations where the job is highly regulated and requires high levels of discretion, skill and qualification from workers, such as in medicine, engineering and to a lesser extent in teaching and nursing, where agency workers can attract a premium due to labour shortage. At this level of the labour supply market, agencies overlap with the services being provided by consultancies. Labour supply cooperatives have tended to emerge and be more sustainable, where there is some protection from the extremes of the market: there is little evidence, for example, of any cooperatives emerging in the gangmaster situation.

What is the UK cooperative labour supply experience?

The Co-operatives^{UK} data base was used to identify as many labour supply or near labour supply cooperatives as possible with the intention of first, being able to develop an overall picture of the direction activity in the area to assess potential and, second, to work up some examples of practice that would provide a guide to help establish labour supply cooperatives if justified. Near labour supply included consultancies and performing arts cooperatives. A search was undertaken of international sites, but it was difficult to identify information in English that could provide sufficient detail to answer the questions. Using the Co-operatives^{UK} data means that IPS organisations tend to be the main legal form covered in this report.

UK cooperative labour supply activity has two main features. First, activity can be divided into consortia and agency cooperatives on the one hand and worker owned cooperatives on the other. Second, there is a concentration of cooperative activity in a smaller number of the sectors than those where the employment agencies exist. A survey of the cooperative websites together with telephone interviews has enabled a picture of practice to emerge that provides some sound indicators for practical advice. As a measure of the sensitivities surrounding this industry it should be mentioned that respondents were willing to speak initially but were more reluctant to talk about their employment practices and it was unusually difficult to engage in follow up discussions.

Consortia cooperatives involved in labour supply operate in two sectors, agriculture and general practitioners. About 15 agricultural machinery rings have been identified with two representational associations, one for Scotland (<http://www.ringlinkscotland.co.uk/>)

and one covering England and Wales (<http://www.machineryrings.org.uk/ringlinks.html>). Mostly the rings appear to have started in the late 1980s and it would be useful to explore how this momentum was initiated. The rings are owned by their members who are largely farmers or farm contractors who own machinery although some also have self employed skilled workers as members such as herdsmen and shepherds. They tend to be regionally based covering areas such as the Ridings, Lincolnshire, Shropshire and Borders etc and membership numbers vary between 30 - 400 as in the case of Sastak (<http://www.sastak.com/>). Sastak covering Staffs, Shropshire and the Welsh Borders, is an interesting case as it appears to be emerging as a specialist in labour supply with the expertise being drawn upon by the other rings. It has about 350 workers available through being employed directly by the membership; this can rise by an addition of up to 80 self employed seasonal workers during the picking season. Sastak will check the legal side of self employment and other issues before they are allowed to work. The organisation is an agent of the Home Office Seasonal Agricultural Workers Scheme and a member of the REC. Most of the labour supply work is through workers and possibly machinery being hired by the day between members. Set rates of pay are used based upon the Agriculture Wage Board agreement together with the addition of 'on costs'. Labour supply is a growing area as more farmers move toward using seasonal labour but Sastak found providing labour for horticultural work presented considerable difficulties. Geddes (2007) estimated that the Gangmasters Licensing Agency covers at least 300,000 agricultural and food processing workers. As can be seen although Sastak is probably the most active machinery ring in this area in England, it barely starts to register in relation to the overall figure.

The other main employer owned cooperative labour supply ring are general practitioners especially in the area of out of hours provision. At one stage there were 300 cooperatives operating in this area. However as the association representing these cooperatives National Association of General Practitioner Cooperatives reported on the shutdown of its website (<http://www.nagpc.org.uk/>) over 2/3rds of these have closed with the introduction of the new GP contract in 2004. Most of the provision has gone in house to the NHS with the remainder of the cooperatives taking some of the contracts and about 10% going to the private sector. This was in 2005 and it is not clear what the current situation is. However, SELDOC (<http://www.seldoc.co.uk/>) a large GP owned cooperative in SE London provides a range of services beyond out of hours care. Whilst the cooperative provides GP labour at set rates with quality control procedures built in, it directly employs the rest of the staff as non cooperative members. It is a useful case to identify issues of distribution, agreements and governance, but like the agriculture model it does not provide a clear indicator of how a worker cooperative model could address the issues faced by temporary and agency workers.

Worker owned labour supply cooperatives are most numerous in the entertainment profession and in home care provision with some isolated examples in teaching. Actors' cooperatives have a specific provision as they are excluded from the 2004 legislation that protects agency workers from being charged a fee for their own employment. As acting has historically worked through a system of agents who act as a broker, manager and representative of the actor for a commission it was generally agreed that the exclusion was necessary to sustain the profession. The CPMA (Cooperative Personnel Management Agency) (<http://www.cpma.moonfruit.com/#/contactdetails/4516535233>) which has 23 actors' cooperatives in membership took the lead in gaining this

exclusion. Although respondents provided estimates of actors cooperatives in the UK of up to 150 it was difficult to find information beyond the 23 members of CPMA. The cooperatives started to be formed in the 1970s and 80s and again the historical reasons for this movement may be usefully researched. Examples of these cooperatives are included in the CooperativeUK Cooperative Consortia publication.

One or two of the largest actors' cooperatives have up to 70 members but most seem to be up to 25 which would mean UK coverage of around 600 taking account of those whose continued existence could not be verified. All actors belonging to the agencies are cooperative members and most tend to have a probationary period of about 12 months before permanent membership is confirmed. 12.5% is the standard charge on secure work which is the main revenue of the cooperative distribution of any surplus is agreed at the annual general meeting. Administrative duties such as staffing the phones lines are usually maintained on a shared rota basis, although one of the larger cooperatives does have a specifically employed administrator. Actors' payments are based upon agreed Equity (the actors' trade union) rates and if this is not on offer the agencies will usually work with Equity to secure the rates. The agency will also undertake a check on accommodation and other arrangements. As such the actors are not employed by the agency but as well as being members of the cooperative each will have contract to work with and through the agency. The employment contract is with the client - theatre, media, school etc - and it was not established how payment is made, either to the individual or to the agency.

Actors' cooperatives provide the clearest and strongest model of possible practice for a worker labour supply cooperatives and as such would reward further investigation. It was not clear what role, if any, the CPMA continued to play as a coordinator and promoter of this cooperative model. However, they exist in a very specific historical and market context and lessons drawn from their experience would have to take this into account.

Home care cooperatives largely started to come into existence in the early 1990s with the changed emphasis on domiciled care and the provision of a wider range of services than was available through the home help service, consequently some care workers experienced redundancy. Again, these are covered in the CooperativeUK publication on home care and about 22 have been identified. It has not been possible to identify whether a coordinating body exists for this sector. The model of organisation developed by home care cooperatives would have the widest relevance to employee owned labour supply cooperatives, although the work is more steady and predictable than much of the agency work. Most of this information is based upon two cases Shepshed Carers (http://www.case-da.co.uk/news/casestudies_ShepshedCarers.htm) and the Wrekin Care Cooperative (<http://www.wrekinicare.co.uk/>). All carers who work through the agencies were cooperative members, but were not necessarily employees. Shepshed employs about 100 and works through a system of nil hours contracts with payment being made for the hours worked. Wrekin has about 32 members and generally works on the basis of self employment except for 4 administrative staff, although this is going to very gradually end as a result of pressure and an agreement with the Inland Revenue. Rates of pay are determined by annual revenue in Shepshed's case with and by a list at Wrekin and both aim to have an annual bonus based upon hours and time served at the end of the year. Both had a mixture of Council and private contracts which provided fairly steady work, so despite the variations in the contractual

basis having steady work at the hours desired by the employee seemed to be the norm. Carers generally had a regular pattern of clients and both cooperatives found it difficult to find enough staff. Both expected to grow organically and did not have plans for any rapid expansion as both organisations were very locally based and provided a service in that family oriented context. Any expansion would depend on changes in service and local need. Both organisations provided training and all the legal checks. Neither had any contact with care organisations beyond their locality.

Sunderland Home Care Associates (<http://www.sunderlandhomecare.co.uk/>) started as a worker cooperative in 1974 and is now owned by 230 care workers in the Sunderland area. It changed into a limited company with shares held in an Employee Benefit Trust and a Share Profit Trust in 2000 so it remains in worker ownership as after 6 months employment all employees become part of the EBT shares and have one vote at general meetings and in the election of the 6 board members. All the workers are employees with a contract of employment. SHCA has expanded from domiciled home care into other areas such as the provision of mentors to a local college; academic support workers for disabled students at the local university and running a café employing disabled workers. Through an umbrella body Care and Share Associates (CASA) SHCA have extended their model to Newcastle, North Tyneside and Manchester, with 40 workers at each of the first two and about 30 at Manchester. Casa has a 10% stake in each of these cooperatives and beyond this they act as independent cooperatives on the same basis as SHCA. SHCA through CASA seems to be the only worker cooperative in the home care area that has decided to grow into new areas of work and expand geographically.

At the end of the statutory National Dock Labour Board Scheme in the early 1990s, dock workers faced massed redundancies and a return to casualisation. A number of attempts were made to respond to the new situation by the establishment of worker cooperatives to supply dock labour most notably in Liverpool, Barry and Southampton. Based upon available information it appears that only Southampton has been a success as Southampton Cargo Handling (<http://www.schplc.com/>). This is a limited company controlled through shares owned by the ex-dockworkers. It was initially established with 400 dockers - down from about 1300 under the National Dock Labour Scheme - using their severance and redundancy money. SHC has been very successful securing contracts for handling roll on roll off traffic, cars and passenger liners. Services offered have been extended into providing for all the administrative needs of ships coming and leaving the dock as well as the sophisticated cargo handling facilities. A specialist training arm has been established to support these services. However, a recent report in a local Southampton newspaper indicates that this success has not gone unnoticed and an offer may be in hand from private companies to purchase shares held by the workers (<http://www.dailyecho.co.uk/display.var.2402350.0.0.php>). An internet discussion that followed this article seemed to suggest that the number of employees who owned shares and were part of the worker cooperative as owners had significantly declined and that employees of the company who were not part of the cooperative were very worried about their jobs and future.

Nemco (<http://www.switch.pwp.blueyonder.co.uk/nemco/>) the NE Music Cooperative was formed when Newcastle cut back on peripatetic music teachers in 1995. There are currently over 30 teachers working for NEMCO on a self employed basis. The cooperative provides music teaching to individuals and local authorities and charges a

standard hourly rate which is paid to the cooperative and then to the members based a standard pay rate. The cooperative provides the package of legal clearance for working with young people and ensures the qualifications and quality of the teaching staff. The cooperative is involved in wider music developments in the NE.

Pedestrian (<http://www.pedestrian.info/>) whilst strictly speaking not a cooperative is an arts based organisation that WIRC has researched as part of another project. It grew out of the newly developing music form of turntablism in the 1990s in Northampton and, following the withdrawal of the local authority from youth provision in the general area, started to fulfil a need for music and general active arts workshops. It now provides an education service via a contract to a number of local authorities and schools fulfilling the innovation and creativity requirement on local authorities. Essentially this is achieved through labour supply of tutors who are experienced, qualified and cleared for working with young people. Pedestrian development officers are essentially self employed earning a living by negotiating contracts with local authorities then employing Pedestrian tutors at fixed hourly rates. The development officers pay a proportion of their earnings to sustain Pedestrian as an established organisation and brand with a record that they can sell to local authorities.

Finally, road haulage is one area where there is little cooperative activity but a considerable number of agency drivers. The UK Labour Force Survey of 2004 (TUC 2007) estimated that there were about 300,000 HGV drivers and another 200,000 van drivers in the UK. Of these estimates of agency workers in the same survey vary between 10% and 23%. There has been considerable concern in the press following major accidents and in a report published by the Health and Safety Executive about the extent to which agency drivers are encouraged to avoid regulations causing danger to themselves and the public. The road haulage industry defends the use of agency drivers saying that their pay rates and other conditions are better than being directly employed. An example of what can be done in the UK was covered in the press in relation to a short term driver shortage in the South East where 25 Polish drivers had formed a labour supply cooperative to provide labour at peak demand and about 15 members of the cooperative were working at any one time.

(<http://www.roadtransport.com/Articles/2006/11/30/125180/polish-co-op-helps-out.html>)

Cooperatives given the reasonably high trade union density and the public concern in this area it is possible that a drivers' cooperative is a possibility. The Polish example possible also provides a good example of how seasonal agricultural workers could also be organised.

Labour supply cooperatives – any lessons?

As a proportion of the total labour supply industry, the cooperative experience has played a very small part. However, the cases cited provide indications that despite intensive competition it has been possible for some labour supply cooperatives to succeed, be sustained and their workers to benefit from sharing the increased income available from collective ownership. This section will, in general, outline a possible model for worker labour supply cooperatives as consortia coops form a smaller part

and have already been covered in a Co-operatives^{UK} publication (2006). However, consortia and agency cooperative will be referred where a cross reference is relevant.

Consciousness, leadership and context

A desire to change is a feature in the start ups of most of the cooperatives. This has either occurred as a result of a growing disenchantment with current arrangements, such as in the case of the actors' agencies or the machinery rings or acute changes in the existing contexts such as legislative changes in home care and the docks. A capacity for leadership has however, been crucial if the cooperative option has come to be considered in the changed environment, primarily as a source of information and the posing the possibility of a cooperative option, but then more strategically and politically to see through the option and have the determination to find answers to all the problems experienced. A commitment to the cooperative idea - not necessarily all the ICA values - has been central to those cooperatives that have been sustained for any period time such as at the docks in Southampton, home care in Sunderland and the more successful actor's agencies.

Worker and member capacity

Self activity in the sense of developing a cooperative based upon a thorough and existing understanding of the job and the industry has been important in all the cases. Clearly in the situation of a labour supply cooperative the experience and quality of the work potential is the key commodity that is being sold and this requires not just a strategic understanding of the market but a supply of workers who have a thorough understanding of their job. One of the key selling points across the labour supply industry is being able to provide workers who can 'hit the street running'.

However, this is not to say that worker cooperatives can only be initiated by those already working in the industry. Leadership and support from those sympathetic to making the change but not directly involved can be a key catalyst. However, the cooperative will only be sustained by those who know the industry and the work involved.

The market

Clearly no cooperative is sustainable if it cannot sell its services. The market in the labour supply industry largely revolves around securing key contracts that are large enough and long enough to enable a new organisation to establish its position and reputation. Being able to assess the early contracts and know what is deliverable to the required specifications is essential and is the point where the experienced capacity tells.

Shifts in the demand for labour can be very difficult for a worker cooperative to sustain. The circumstance of growing demand clearly enables high income from contracts, eases the process of securing them and enables work allocation. The opposite is the case when demand falls and a cooperative is less elastic in terms of labour supply as the workers are also the owners. The labour supply cooperatives that have survived have done so in industries where market exposure is limited in some way, such in the health and social services, docks with specialist contracts or entertainment, where the work may not be the only source of income. This factor creates a real problem for

establishing labour supply cooperatives among vulnerable workers who are exposed to very strong market forces (Geddes 2007) but as will be mentioned later, these effects can be modified. A downturn in the market can be coped with as well if agreed policies are in place to cope with the consequences.

Most agencies other than those relying on the most harsh market situations, try to improve their labour supply through a number of measures to add value. Training, confirming qualifications and references features in nearly all and the latter with those providing workers involved with people require further legal checks. Again this is an area that can be built upon specifically by workers cooperatives in relation to fair treatment.

Finance

An attraction for labour supply cooperatives is that as labour is the commodity it is possible to reduce the amount of start up capital required. This is particularly the case in relation to overheads where with ICT use, office and administrative costs can be very basic in the initial arrangement. Most labour supply cooperatives appear to have started with some small loans from local authorities, redundancy or severance pay together with some long hours and voluntary support!

Governance and employment contracts

As was seen earlier there is a close relationship between cooperative forms and the way workers in the labour supply industry are employed. It is difficult to come to conclusions about best practice in this area as a judgement is involved about the extent of the application of the cooperative model. Key questions seem to be: will all those employed or registered with the cooperative also be members? Will there be a probationary period before this happens? Which legal vehicle to use? How will the system of democracy and accountability operate?

From the limited evidence it does appear that those who embrace the cooperative aim of 100% membership have a greater chance of sustaining the cooperative, although may require a higher commitment to operating and managing in an open and democratic manner to make this work.

Labour Supply Cooperatives: possibilities

Cooperatives in the labour supply industry are a very small part of a large sector with a £25 billion a year turnover and their success has been variable. Despite this, the UK experience, together with the evaluation of other cooperatives, is sufficient to indicate a general model of the main strategic and organisational issues that would need to be taken into account in any developments in this sector. These have been outlined above.

As indicated in the first section of the model an interest in establishing labour supply cooperatives comes about as a result of evolving political developments or a crisis situation. Consequently, interest in going down this road will vary across industrial sectors and over time. Secondly, and related to this, an essential pre-requisite to any success is a thorough sector knowledge capacity, not just in terms of the sector market but also as to how labour supply operates within the sector. These two factors provide

an initial guide to Co-operatives^{UK} and the cooperative movement as to where an encouragement or development work might be most beneficial.

Clearly, in those sectors where labour supply cooperatives have had demonstrable success, such as in homecare, entertainment and perhaps the docks, this experience can both provide a role model and an incentive to emulate, together with a practical source to aid capacity development. Again, those sectors where workers have some protection from the labour market through a combination of high skill and qualifications together with reasonably steady public sector demand, such as in teaching or health care, the argument for a labour supply cooperative, controlled by the profession and sharing the revenue, has an intrinsic attraction which can be built on by any labour supply cooperative development initiative.

Vulnerable workers, however, despite being one of the largest sections of workers affected by the labour supply industry, currently lack the experience and confidence to down the cooperative road. In view of recent campaigns, general concerns about this area of work organisation and the clear benefits that a labour supply cooperative under worker control could bring the next section gives some of the issues involved.

Who are the vulnerable workers?

In a recent report published by the TUC (PSI 2006) it was argued that just over 5m workers - 15% of the workforce - in the UK can be considered vulnerable by using a wider definition than the DTI of earning below the median wage and lacking a collective voice or labour power in terms of scarce skills or seniority. The report found that vulnerability had overlapping causes but agency work along with being migrant, informal or home worker contributed to this situation. Of the 1.2m workers in temporary jobs it was found in the 2005 Labour Force Survey that 55% earned below median pay and 51% were not affected by union agreements. The report also refers to a TUC survey of treatment of agency workers where they were found to fill 18% of positions at all levels covering demand fluctuations and taking the place of permanent workers. It was also noted that they could be dismissed more easily, avoiding redundancy costs.

Similar findings were found in the report for the GLA (Geddes 2007) where the CAB (Citizens' Advice Bureau) found that although their cases covered all sectors, they were particularly prevalent in low skill care, cleaning, hospitality and agriculture, cases included sub-standard accommodation, no wages being paid and different treatment to established workers. In a report commissioned for London Citizens (Evans et al 2005) temporary and contract work in some of these sectors was researched specifically such as cleaning on the London Underground, in offices and in the Hotel and Hospitality industry. Overall they found that more than 90% had gross earnings that were below the London Living Wage which was then £6.70 - the minimum wage at the time was £4.85 per hour. On the London Underground the main employer was either ISS or Blue Diamond who were paid £12 and hour for each worker by the client employer, but was then paired down to half this figure or a 50% mark up for those in the middle. Many of the workers reported that this figure was paired down by the work being further sub-contracted with each middleman taking a cut.

A Worker's Profile

Kobena is a 37 year old Ghanaian. In his home country he had acquired a first degree and worked in state housing. He came to the UK in 2003, and has since been a cleaner with the Underground. He has a long working week of 54 hours, and although it includes overtime, he earns the flat rate of £4.85 per hour. He has only 12 days of paid holiday a year, does not receive any sick pay, nor any additional pay (e.g. London Weighting) or other benefits from his employer. He supports four children in the UK, and also sends money to family abroad. He dislikes having to pay for travelling on the Underground to do his job. In his view, his employer does not care about workers: 'They just want us to work.'

P17 Making the City Work (Evans et al 2005)

The GLA report (Geddes 2007) details how workers are exposed to the pressures of the labour market by the close relationship of their being vulnerable due to the overlapping and multiple relationships between agency work, migrant labour, substitutability and low skill requirements. Within the agriculture industry they describe how oligopolistic market situation of the large supermarkets pressures the farmers on price and delivery times who are, in turn, also caught by rising costs; consequently looking to labour exploitation as a way out. They argue that other industries are caught in the same trap and that the Gangmaster Licensing arrangement could be expanded to cover these industries as well. However, they indicate that even with the legal changes brought about by the Gangmaster Licensing arrangements, the inspection and enforcement provisions are such that even under the minimum wage legislation each workplace would in theory be inspected only once every 330 years!

As an answer to this the CAB argues that with such a range of legislation and separate inspection covering the employment relationship it is difficult to bring pressure to bear on the worst employment situations. In a submission to the TUC Commission on vulnerable workers the CAB (2007) has argued that what is required is that the power of the minimum wage inspectorate is used proactively to as an enforcement regime to cover all basic statutory workplace rights. The issue of rogue employers also tends to feature on the REC and the ALP web site, encouraging member to report them, whilst not signing up to legislative change as advocated by the CAB, the agency employers organisation realise their public vulnerability for being seen to be too close to or condoning a breach of the law. Similarly, the Hilton Hotel group as recently as October 2007 stopped the use of agency workers, largely due to joint public and TU pressure (<http://www.westlondoncitizens.org.uk/campaigns.html>).

So despite huge market pressures and the ease by which legislation can be avoided, campaign pressure can start to have an effect in breaking the cycle of vulnerability that centres on agencies and the labour supply industry. Labour supply cooperatives could be part of these initiatives. This is particularly the case in those industrial sectors where the final product or service is for the retail market as the lack of fair or ethical employment practices could have an adverse effect on the company brand, as was experienced by the Hilton Hotel group.

Building on this effect, as a form of added value, a labour supply worker cooperative having more control over revenue could use this to achieve targets such as a living wage, reach agreements with trade unions that would ensure agency labour met the requirements of the TUC / CBI agreement on equal treatment thus avoiding difficult equality claims and provide other legal forms of compliance. A key problem, however,

in the sector would be initial capacity and experience to gain contracts, and it may be in this area that the cooperative movement could help to provide some initial support.

A possible strategy

As this report has indicated the labour supply industry covers nearly all occupational sectors and is dominated by five large companies with a very long tail of small organisations over 10% of which fail annually. Cooperatives whilst present in a number of the sectors have yet to make their presence felt as a significant and sustainable player. However, the evidence does provide some lessons that have the potential for enabling worker or consortia cooperatives to start up and make a difference.

Given the current level of cooperative activity in the UK labour supply industry a cooperative development strategy would benefit from first of all establishing a credible success in a particular sector and then, secondly, using the model and lessons learned as a basis of best practice move on to focus on one or two other sectors.

Following this through, what sectors hold most initial potential and why? And how and what steps would be taken to evaluate the initial assessment and start to put the development strategy into operation.

As sectors with the greatest potential as the initial focus three present themselves using the cooperative lessons outline above as criteria: agriculture, hotel servicing and home care.

1. All have the potential of articulating and mobilising consumer and producer support through fair and ethical trading arguments. Geddes et al (2007) indicate that it was the support of the main supermarkets that was central to the success of the gangmaster licensing legislation and the hotel industry has shown that it is sensitive to customer views and public campaigns as in the Hilton case cited above.

2. There is some cooperative experience of labour supply and producers in the case of agriculture and in hotels the experience of home care cooperatives may be transferable or even act as an expansion of these cooperative activities. Home care cooperatives have already been considerably reviewed by Cooperatives^{UK}.

3. All have a trade union presence and have been a concern for vulnerable worker activists, providing a source of knowledge of the industry and potential leadership. Trade unions will have a preference for direct employment with the company as opposed to a cooperative labour supply agency and this will pose an issue particularly with hotels and home care. But they may be willing to accept an agencies role where seasonal work is involved and if the cooperative came to an agreement on rates and conditions that did not undermine those of permanent workers.

4. Seasonal supply fluctuations pose problems about who is a cooperative member and how active they can be, this is a major issue in agriculture, to a certain extent in hotels and non-existent in home care. This will therefore pose a key problem in relation to who is a member, benefits of remaining a member and joining initially.

5. Handling market competition revolves around contracts and when they fall due. In agriculture this is on a regular basis due to seasonality so provides regular openings. Hotel chains will have a preferred supplier type system and a cooperative will have to apply pressure to get into this position. Home care similarly will have local authority contracts but also work with individuals.

It is a difficult choice and each will need some more consideration together with stakeholders in the sector but in balance in terms of securing allies with trade unions, producers and customers, breaking into the private sector together with existing experience and market openings it would lean toward agriculture, despite the lack of cooperative history.

Next steps

1. Cooperatives^{UK} could initially organise a UK wide seminar focussing on one or two of the potential sectors and involving producer, customer, trade union and employee stakeholders with the intention of exploring the strengths and weaknesses of cooperative labour supply agencies in the sector and exploring specific further actions if the potential is accepted.

2. The next step will depend on the outcome of the seminars, but if there is potential it will be important to start the process of establishing a cooperative to maintain the initiative. Key general considerations are outlined in this report but the next step will require a detailed business and implementation plan and it may be a good time to judge the commitment of the stakeholders to ask them to collectively fund this stage of the work.

Making a difference - recommendations

1. The labour supply industry is large and profitable. There is a clear intrinsic attraction for cooperative development in the industry as the premium charged for agency type labour of up to 30% could be more fairly and effectively used for the benefit of members and owners of cooperatives. Some cooperative experience could usefully be researched further.

2. The cooperative experience in the labour supply industry has been mixed and is not a large part of any sector. However, cumulatively there is a pool of experience that is sufficient to provide a guide to development in a particular sector, which if successful, could form a model of best practice to help stimulate growth in other sectors of the industry.

3. Co-operatives^{UK} could lead the development of labour supply cooperatives by using the general model outlined in this report as a guide to a more detailed 'toolkit' that would need to be worked up to covering specific industrial sectors.

4. A choice would need to be made about which industrial sectors to first prioritise and the report suggests that an initial choice to investigate should be the agricultural sector, followed by hotel services and then homecare.

5. Once the decision to prioritise is taken, Co-operatives^{UK} could initially bring interested and potential stakeholders and allies together to start the processes of developing an industrial sector toolkit and working up a specific business plan and development implementation strategy.

6. To test the market and the commitment of allies and stakeholders, they should be asked to fund the development of the business plan and implementation strategy.

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