

Written evidence submitted by Co-operatives UK (PEG0075)

About Co-operatives UK

Co-operatives UK is the national association of co-operative businesses. We have over 800 co-operatives in direct membership, including leading consumer co-operatives, worker owned businesses, community businesses and farmers' co-operatives.

Why are we submitting?

We represent business that a) will need support and b) make a significant contribution to sustainable, distributive and inclusive economic activity. Co-ops want government to help drive a rapid transition to an economy that significantly reduces environmental harms, while engendering widespread wellbeing. They do not want government propping up businesses and business models that undercut them environmentally and socially.

1 ***What core/guiding principles should the Government adopt/prioritise in its recovery package, and why?***

- 1.1 Government's guiding objective must be a rapid transition to an economy that significantly reduces environmental harms, while engendering widespread wellbeing.
- 1.2 Government should strain every sinew to enable, incentivise, and where necessary force, this transition. Wherever possible it should adopt solutions that are democratic, empowering and aspirational.
- 1.3 Failure to achieve this will amount to the worst humanitarian disaster in history. The scale of political, economic and humanitarian crises that we should expect, even in a country as stable and prosperous as the UK, are frightening.^{1 2}
- 1.4 We suggest four guiding principles:
 - Measure overall success by our global, national and local impact on vital environmental domains (such as the 'nine planetary boundaries'³) in combination with economic success using sophisticated wellbeing indicators (which need to be fully developed)^{4 5} not simplistic aggregates of financial data
 - A more distributive economy is an essential condition for a more sustainable one^{6 7}
 - The desired economic and environmental outcomes require complementary action through markets, civil society⁸ and the state; and institutions in each sphere need to be reformed (to an effective degree, sometimes radically)
 - Businesses, consumers, citizens and policymakers all need to take responsibility and

¹ <https://www.gov.uk/government/publications/climate-change-impacts-and-adaptation>

² <http://www.lse.ac.uk/granthaminstitute/explainers/what-are-the-potential-impacts-of-climate-change-for-the-uk/>

³ <https://www.kateraworth.com/doughnut/>

⁴ <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing>

⁵ https://wellbeingeconomy.org/wp-content/uploads/2020/05/Wellbeing_Economics_for_the_COVID-19_recovery_10Principles.pdf

⁶ <https://www.ippr.org/research/publications/faster-further-fairer>

⁷ Raworth (2017) *Doughnut Economics: seven ways to think like a 21st century economist*

⁸ In our view, civil society is constituted by people's voluntary participation in associational and communal endeavours for a common good, outside the state, where their motivations are not private gain and their association with one another is not primarily that of agents in a market

change behaviour (to an effective degree, sometimes radically); but brave and radical government action is a necessary condition for these changes to be effective, especially in terms of combined impact

2 How can the Government borrow and/or invest to help the UK deliver on these principles?

2.1 Taxation must increase.

Green tax

2.2 Government should also develop more proportionate and effective taxes on GHG emissions and other environmental harms. For example, analysis shows that proportionate taxes on carbon emissions and high-carbon consumption (e.g. a frequent flyer levy) will provide the Exchequer with billions each year to invest in a rapid and just transition.⁹

Fair tax

2.3 The public and business will understand the need to pay more tax if they are made aware of the danger they and their children/grandchildren are in. Wealthy citizens around the world have begun demanding that their governments tax them more.¹⁰ More effective prevention of tax avoidance/evasion, wealth concealment, money laundering and other financial wrongdoing, will improve the sense of fairness among taxpayers. This will further increase tolerance for higher taxes.¹¹

2.4 Only businesses with transparent tax affairs, that pay the right amount of tax in the right place at the right time, should receive public support (financial and non-financial). The Fair Tax Mark is a useful indicator that government should consider promoting and utilising.¹²

Supporting business

2.5 Value creating, returning generating, tax paying private businesses, will be instrumental in achieving desired outcomes. Money that government invests in sustainable businesses can pay for itself through tax receipts and the prevention of the most costly environmental and humanitarian crises imaginable.

2.6 But private businesses will only play this role effectively if they are reform themselves, or are reformed. All corporations with limited liability in the UK should be required to adopt additional purposes to reduce environmental harms, reduce inequalities and create social value-added, with duties to measure and report on their performance in these regards.

2.7 Government should also support the proliferation and growth of types of private business that are shown to excel at delivering the desired outcomes, such as co-operatives,¹³ mutuals, social enterprise and other mission-led businesses.

2.8 Businesses also need to be supported to play this role through the provision of effective environmental and social 'floors' (e.g. environmental regulations, employment law, product standards, trade policy), so that they are not undercut environmentally and socially by irresponsible businesses at home or abroad.

⁹ <https://policy.friendsoftheearth.uk/insight/making-polluter-pay-transition-net-zero>

¹⁰ <https://www.independent.co.uk/news/uk/home-news/millionaire-tax-inequality-open-letter-simon-pegg-climate-a9298791.html>

¹¹ <https://fairtaxmark.net/the-new-lockdown-mindset-more-brits-call-for-greater-accountability-for-businesses-on-tax-avoidance-and-social-responsibility/>

¹² <https://fairtaxmark.net/>

¹³ For evidence on co-ops, see here: <https://www.uk.coop/resources/we-are-rebuilders-four-co-operative-offers-building-back-better-covid-19>

3 What opportunities does this provide to reset the economy to drive forward progress on broader Government priorities, including (but not limited to) Net Zero, the UK outside of the EU and the ‘levelling up’ agenda? What should the Government do to ensure that delivering on these priorities does not exacerbate the vulnerability of businesses, consumers and communities/workers that have been impacted by COVID-19?

3.1 Government must use this crisis as an opportunity to reset the trajectory of our economy; to drive a rapid transition to an economy that significantly reduces environmental harms, while engendering widespread wellbeing.

3.2 **Supporting the proliferation and growth of co-ops should be part of this**, because the evidence suggests¹⁴ they are great at:

- reducing inequalities of wellbeing, wealth, power and opportunity
- driving up environmental and social standards
- enhancing the resilience of businesses, as well as communities, local economies and supply chains
- nurturing and mobilising social capital
- boosting productivity and/or efficacy in meeting people’s needs

3.3 Central and local government (including Combined Authorities and LEPs) should include finance-related and non-financial support for new and existing co-ops. Growth Hubs should provide business support that is useful for new and existing co-ops. An expanded British Business Bank should be supported to develop a mutual equity investment facility, to meet the distinct, unmet need for mutuals including co-ops, credit unions, friendly societies and building societies.

Creating and retaining decent livelihoods

3.4 Worker co-ops a great job creators, are more resilient than other businesses, enhance worker wellbeing, reduce inequalities in income, wealth and power and tend to be more productive.¹⁵ Governments should fund tailored, locally delivered packages of awareness raising, advice, grant and optional patient investment (debt and equity), for people founding new worker co-and developing existing ones.

3.5 Co-operative approaches to business recovery offer a great way for workers and communities retain viable jobs put at risk by business sale/closure/failure.¹⁶ To make this a more mainstream option, national and local policymakers in the UK should adapt successful policy support found in Scotland, United States, Canada, France and Italy.¹⁷ This includes: the provision of specialised advice and support; access to specialist finance; and legislation that increases the scope for parties to effect a co-operative ‘buyout’ or ‘restart’ (such as reforms of ‘ICE regulations’ and insolvency law and a preferential workers’ right to bid/buy in some circumstances).¹⁸

Breathing new life into local assets and enterprise

3.6 Community ownership of assets and enterprise is a powerful tool for sustainable and inclusive economic development.¹⁹ Central government should expand the size and focus

¹⁴ See evidence for these claims here: <https://www.uk.coop/resources/we-are-rebuilders-four-co-operative-offers-building-back-better-covid-19>

¹⁵ Ibid

¹⁶ Ibid

¹⁷ <https://www.uk.coop/resources/employee-and-worker-ownership-covid-19-recovery-strategies>

¹⁸ For example see Italy’s very successful [Marcora Framework](#)

of the Community Ownership Fund to provide non-financial and finance-related support new and existing community co-ops. Government should also provide £20 million in seed capital to establish a Community Shares Institutional Investor.

4 Whether the government should give a higher priority to environmental goals in future support?

4.1 Environmental goals should be the overriding focus of government's support for business and the economy. Specifically:

- Reduced environmental harms (e.g. GHG emissions, biodiversity loss) from business processes and in supply chains and in the lifecycle of products/services
- Reduced environmental harms (e.g. GHG emissions, biodiversity loss) from consumption
- Reduced environmental harms (e.g. GHG emissions, biodiversity loss) from energy consumption and transport

4.2 Government policy must simultaneously pursue key economic wellbeing goals. Specifically:

- preventing poverty
- improving opportunities and outcomes for those disadvantaged in terms of socio-economic background, ethnicity, education/skills and income/wealth
- creating broad opportunities for empowering, wellbeing-enhancing work
- reducing inequalities in wellbeing, opportunity, wealth, income and power

5 What measures and support will businesses need to rebuild consumer confidence and stimulate growth that is sustainable, both economically and environmentally

5.1 Government should only try to boost consumption that will make an effective contribution to reducing our global, national and local environmental impacts. It will need to use product regulations, GHG emission pricing, tax incentives and specialised financing schemes (such as the new Green Homes Grant).

Green Industrial Strategy

5.2 Government will need to develop a stronger Green Industrial Strategy specifically aimed at helping UK businesses meet this new demand. Existing sector deals must be 'greened' and major new green sector deals must be struck.

Business finance

5.3 Government must do more to help businesses access patient start-up and growth and transformation finance, including loans with revenue-contingent repayment terms, equity and quasi-equity. The remit and size of the British Business Bank needs to be significantly expanded. A new green investment institution is required. Some finance-related support should meet the distinct, unmet needs of co-op and other mutuals.

Business support

5.4 New and existing businesses will need better quality advice and support to develop green business models, products and services. Public money should only pay for advice and support for businesses that can demonstrate effective action to reduce environmental harms in their operations, supply chains and products/services.

¹⁹ See evidence for these claims here: <https://www.uk.coop/resources/we-are-rebuilders-four-co-operative-offers-building-back-better-covid-19>

Co-operation and community

5.5 Markets will play a critical role in unleashing the effort and innovation needed to sustain decent livelihoods in these narrowing environmental constraints, especially if business is reformed in the ways set out in 2.5 and 2.6. But major shifts in consumer and business behaviour will also require more co-operation and community-led action, in areas such as retrofitting,²⁰ sustainable food production and consumption²¹ and innovation adoption.²² A Green Industrial Strategy must nurture and mobilise social capital, community and co-operation.

6 *How should regional and local government in England, (including the role of powerhouses, LEPs and growth hubs, mayoralities, and councils) be reformed and better equipped to deliver growth locally?*

- 6.1 Local economic policy is incoherent with too little accountability and a debilitating democratic deficit.
- 6.2 The degree of change required from businesses, consumers and citizens requires radical new forms of collaboration, organising and collective action in the economic sphere. COVID-19 has demonstrated the power of community and co-operation to solve big and complex problems. Local power structures must now empower communities of place and interest to effect change where markets and governments come up short.
- 6.3 Central government has a duty to set non-negotiable, legally binding objectives for a rapid transition to sustainable, distributive and inclusive economy. But it must then devolve considerable power to regional/local government *and onwards to communities*, freeing them to go about achieving these objectives in the most effective ways for local circumstances.
- 6.4 In urban areas, significant economic powers over investment, business support (e.g. Growth Hubs) skills and employment, tax and regulation should rest with combined authorities with elected mayors and new citizen's assemblies.²³ In rural areas, the same powers should rest with county councils or unitary authorities, again with citizen's assemblies.
- 6.5 LEPs should be reconstituted to secure the participation of local business associations (e.g. Chambers of Commerce), community organisations, unions and professional associations and should be given a consultative role only.
- 6.6 In every region, around 25 per cent of economic development funding (e.g. the UK Shared Prosperity Fund) should be earmarked for community-led economic development ('CED'), prioritising the participation of people in high deprivation areas. This funding should be controlled by CED Partnerships, comprising community organisations, local businesses and, in a facilitative role, local authorities. In urban areas CED Partnerships should operate at the level of neighbourhoods or small satellite towns (no less than 5,000 and no more than 20,000 people). CED Partnerships should be tasked with developing 7 year CED Plans for sustainable and inclusive economic development, which must be agreed with the combined authority or county council/unitary authority.
- 6.7 The Devolution White paper should include a new Community Right to Shape Local

²⁰ <https://heatandthecity.org.uk/wp-content/uploads/2018/11/EES-Pilot-Evaluation-Phase-1-Final-Report1.pdf>

²¹ See [Open Food Network](#)

²² <https://www.scottish-enterprise.com/learning-zone/success-stories-and-case-studies/components-folder/success-stories-listing/the-start-up-drinks-labs-innovative-solution-for-small-batch-drinks-production>

²³ For more on citizen's assemblies in local economic development see [Communities in Charge](#) campaign and [RSA](#)

Economic Plans, building on existing Neighbourhood Planning legislation and with a statutory focus on sustainable and inclusive economic development.

- 7** ***Whether the Government should prioritise certain sectors within its recovery package, and if so, what criteria should it use when making such decisions? What conditions, if any, should it attach to future support?***
- 7.1 Government should prioritise outcomes as set out in response to **Q1** and **Q4**. If there is strong evidence that support for particular sectors will help deliver outcomes, then there is a strong case for supporting that sector, in some way. All sector-based support, for example 'sector deals' under an Industrial Strategy, must have ambitious environmental and wellbeing- related objectives, with conditions aligned to these.
- 8** ***Is the Industrial Strategy still a relevant and appropriate vehicle through which to deliver post pandemic growth?***
- 8.1 Having an industrial strategy is more relevant and appropriate than ever but the current Industrial Strategy (published in 2017) has a number of fundamental flaws:
- Raising productivity is the overarching objective, when it should be: a rapid transition to a way of life that significantly reduces environmental harms, while engendering widespread wellbeing
 - It has 'clean growth' is just one of a number of 'grand challenges' subordinate to the objective of increasing productivity
 - The goal of fostering a more inclusive and distributive economy is omitted
 - It did not include social capital as a 'foundation' of productivity and economic success
- 8.2 Sector Deals are a potentially useful mechanism for outcome-focused interventions but the outcomes sought need significant overhaul.
- 9** ***What role might Government play as a shareholder or investor in businesses post-pandemic and how this should be governed, actioned and held to account?***
- 9.1 Divest to employee and worker ownership. If governments (national or local) take equity stakes in potentially viable businesses as part of COVID-19 rescue and recovery strategies, they should offer workers the option of collectively acquiring the stake along co-operative lines, with the transaction supported as recommended in 3.6, subject to feasibility.

July 2020