Learning how to contribute to a Co-operative Economy

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Notes for a meeting of the Bath Co-operative Alliance on the 25th January 2018 at the Oriel Hall, Larkhall, Bath.

Community wealth building is a new approach to regeneration framed around co-operative values of self-help, participation, social responsibility and democratic accountability. (Birley, 2017)

For all 73 years of my life I have lived and worked within the boundaries of a neo-liberal economy. This economy has benefitted the few at the expense of the many and the inequalities have grown between the few and the many.

Stiglitz (2013), the Nobel prize winning economist, has pointed out the dangers of these inequalities. He says that the distortions and perversions of our economic system are pervasive, but the following reforms would make a big difference, whilst being very difficult to implement:

i) Curbing the financial sector.
ii) Curb excessive risk taking and the too-big-to-fail and too-interconnected-to-fail financial institutions; they're a lethal combination that has led to the repeated bailouts that have marked the last thirty years….
iii) Make banks more transparent, especially in their treatment of over-the-counter derivatives…
iv) Make the banks and credit card companies more competitivie and ensure that they *act* competitively…
v) Make it more difficult for banks to engage in predatory lending and abusive credit card practices, including by putting stricter limits on usury (excessively high interest rates).
vi) Curb the bonuses that encourage excessive risk taking and shortsighted behavior.
vii) Close down the offshore banking centers (and their onshore counterparts) that have been so successful both at circumventing regulations and at promoting tax evasion and avoidance.

Whilst understanding the need to tackle these reforms on a global scale, I am learning what I can do in my local context to contribute to a co-operative economy. My learning is beginning with the following 6 steps to build community wealth described by Birley (2017): Co-operative Political Leadership; Anchor Institutions; Progressive Procurement; Co-operative Development; Local investment; Assets and services working for the community.

Co-operative political leadership

Practical steps to put this into practice

Make a local long-term commitment to community wealth building. For example, local or regional political leadership could embed the approach in their economic strategy setting out the region's ten-year vision.

Appoint a cabinet lead or deputy mayor for co-operatives and community wealth, or embed in the responsibilities of the most senior finance or regeneration cabinet lead, to steer the agenda.

The community wealth building approach must be properly resourced, with buy-in from senior officers and sufficient staff across the local authority tasked with its delivery. New approaches to regeneration require culture change within the local authority, so cross-departmental working should be promoted and there should be co-operative and community wealth champions in every team in the council.

Community wealth building is an incremental process that takes time to embed. Political leaders will need to understand and communicate to communities the long-term vision rather than quick wins. (p.12)

Anchor Institutions

An anchor is an organisation that is tied to its location – meaning institutions that can't move, or at least not easily, thanks to one or many of the following criteria:

Locally invested capital,

their purpose as an organisation, or

their unique relationship with their customers, community and employees.

Anchors should be a significant employer and have substantial purchasing power, but can come in all shapes and sizes. For example, an anchor could be a university, public library, theatre, religious institutions, utility company, military base, local authority, hospital, port, sports team or a large business with strong local links like a regional bank.
Traditional approaches to local regeneration seek to attract and incentivise large private employers moving to a region.

The flaw in this approach is that as market conditions change, there is nothing to prevent these big businesses from moving out – leaving behind a community without jobs or alternative sources of wealth in the region. For example, one of the latest communities to risk losing a significant local employer is Peterlee in the North East, where PepsiCo are consulting on moving the manufacture of Wotsits and Cheetos, and the 400 associated jobs, elsewhere.

While private business can significantly contribute to local employment, relying solely on attracting large businesses who have no long-term stake in the success of their local economy risks short-term regeneration. This 'inward investment' model lasts only as long as the business chooses to remain in a region, with much of their profits leaving the local economy to pay shareholder returns.

Practical steps to put this into practice

Identify potential anchors and engage senior leaders in a local wealth building vision.

Create a network for anchors. This could be via existing structures like the Local Enterprise Partnership (LEP), or a new network focused on community wealth building, to enable co-operation across institutions. This should include both a strategic network of senior leaders, and also a practitioner network for procurement officers.

Decide a framework of basic behaviours, including becoming Living Wage employers, signing up to the Fair Tax Mark, and agreeing shared outcomes on local economic sustainability, participation in community wealth building, and local employment.

Commission a study of existing impact of anchor institutions to give you an evidence baseline to help understand where intervention can have the greatest impact. This should include an understanding of anchor institutions' procurement policies, influenceable spend, and local employment. (p.16)

Progressive Procurement

Practical steps to put this into practice

Identify and measure influenceable spend – meaning any contracts that it is possible to procure differently. Using this evidence baseline, assess how much money currently leaks from the local economy.

Support each anchor to revisit their commissioning and procurement strategies to seek to get greater benefit from their spend.

Map the local businesses, co-operatives and social enterprises and provide them with support to tender for work or subcontract into the supply chain of anchor institutions.This should seek to understand existing capacity for local delivery of anchor contracts, where support is required to grow, and the gaps in the local market which could be filled by new worker co-operatives.

Support new behaviours in the commissioning and procurement departments of the council and anchor institutions. Create practitioner forums and provide training on how the way that goods and services are procured can enhance local economies. (p.20)

Co-operative Development

Practical steps to put this into practice

Establish a 'co-operative commission' to explore options for expanding the co-operative sector – with senior political leadership to champion the sector and lobby central government for any legislative changes required to better enable development of the sector.

Using the gap analysis of anchor institution supply chains, identify specific significant contracts suitable for worker co-operatives to start up and take on.

Create a co-operative investment fund using patient capital from anchors, and use other financial mechanisms to attract investment, to invest in the start-up and scale-up of new worker co-operatives.

Provide business advice and support tailored to co-operative business models, and act as a broker with anchor institutions to support them to bid for and win the tender. This could take the form of a co-operative development agency which would enable co-operatives to share costs and best practice, facilitate inter-co-operative trading, pool funding to buy services, and create consortia to tender for larger contracts. (p.27)

Local investment

Practical steps to put this into practice

Patient capital is money that an investor is willing to use to make a long-term investment. While there would be an expectation of financial returns, the investment is made without an expectation of turning a quick profit. For example, this could mean pensions funds or long-term direct investment.

Councils could use the patient capital from anchor institutions to set up a co-operative investment fund which can provide loans to or buy shares in new co-operative enterprises.

Explore setting up a regional bank which can use local knowledge to lend to SMEs and co-operatives, enabling them to grow.

Highlight existing national and regional financial support for co-operative and social enterprises.

The Council can build relationships with these organisations to learn best practice and engage them in working in partnership to achieve shared community wealth building outcomes. (p.31)

Assets and services working for the community

A resilient local economy is not simply about jobs, it's about ensuring that people can afford the everyday things they need, from housing to energy, and that communities are resilient enough to take advantage of the new opportunities presented by community wealth building.

Local economies also rely on consumers spending money with local businesses – this is a key driver of healthy, thriving high streets and local jobs. When prices for basic goods rise faster than incomes and household incomes are squeezed, local economies also suffer.

To complete the virtuous circle of community wealth building, local assets and services should be owned by, and delivered in the interests of, the community. This could mean community, co-operative or municipal ownership – a combination of these models can ensure that the goods and services they provide are affordable and that profits are reinvested in the service or distributed locally as dividends. (p.37)

Examples of local services and assets

Tackling financial exclusion by supporting credit unions to develop. For example, anchor institutions could enable credit union payroll deduction and councils could work in partnership with credit unions to offer a credit union account for every child, as pioneered by innovative Labour councils like Haringey and Glasgow;

Ensuring energy is affordable and sustainable by supporting the development of community owned energy co-operatives, and exploring a municipal energy supplier to cut household bills;

Supporting community land trusts and co-operative housing so that residents can develop their own secure, affordable housing;

Taking on exploitative rent-to-own companies by supporting Fair for You (www.fairforyou.co.uk);

Promoting not-for-profit bus operators which are able to take on critical community routes;

Supporting communities to take on redundant land and buildings, or services like the Post Office or local shop and pub if they are at risk of being shut down. Communities can transform them from potential liabilities into assets for social good. (p.38)

References

Birley, A. (2017) 6 steps to build community wealth. London; Co-operative Party.
Stiglitz, J. (2013) The Price of Inequalities. London; Penguin.