

SCOTTISH TRADES UNION CONGRESS

Response to the Scottish Executive's consultation on a Cooperative Development Agency for Scotland

1 Introduction

1.1 The STUC represents some six hundred and thirty thousand workers across Scotland, the members of our affiliated trade unions.

1.2 We speak for trade union members in and out of work, in the community and in the workplace, and our affiliates have interests in all sectors of the economy.

1.3 Therefore, the STUC is able to provide a unique perspective on the performance of the economy, the challenges it faces, and the effectiveness of public agencies in responding to those challenges.

1.4 The STUC warmly welcomes the Scottish Executive's commitment to establishing a Cooperative Development Agency (CDA). Supporting the creation of a CDA is a logical extension of our commitment to workplace partnership and participatory working and we believe the agency has the potential to:

- Create secure employment opportunities for Scottish workers;
- Broaden the ownership of Scottish production; and,
- Help change enterprise culture in Scotland by demonstrating the value of greater worker participation in increasing productivity.

1.5 The STUC is encouraged that the Executive has allocated responsibility for the CDA to ELLD. We believe that the CDA should focus on employee ownership and worker co-operatives and be seen primarily as an enterprise development tool.

1.6 We believe it is absolutely vital that the CDA engages with the trade union movement. The CDA should work with unions to encourage forms of employee ownership with which employees are genuinely comfortable. Too often employee ownership has been something that is 'done to' employees without adequate consultation and participation.

1.7 The STUC believes that high quality, efficient and effective public services will best be achieved by well resourced, motivated, trained and rewarded staff who are closely involved in the delivery and planning of public services. We do not believe that converting publicly owned enterprise to cooperative ownership will lead to better public services and do not think the new agency should have a locus in this regard.

2 Consultation questions

Q1 What would be the benefits to co-operatives in Scotland of a CDA?

2.1 It is clear from discussions with our partners in the cooperative sector that the enterprise networks are not currently providing sufficient advice and support to existing cooperative enterprises or those considering the cooperative option.

2.2 A CDA would remedy this unfortunate situation by providing,

- Focused, dedicated advice to existing co-operatives and enterprises wishing to consider the co-operative option; and,
- A means of effectively accessing the wider business support available through the enterprise networks and local authorities.

2.3 However, whatever their track record to date, it is absolutely vital that the new agency forms an effective working relationship with the enterprise networks.

2.4 The new agency should also seek to add value by forging links with initiatives such as PACE that could proactively refer troubled enterprises to the CDA in order to discern whether employee ownership is an appropriate business solution.

Q2 What do you think the remit of the CDA should be - should it cover all forms of co-operatives or only those that currently do not have representation or a supporting body?

2.5 As indicated above, we believe it is encouraging that responsibility for the CDA has been handed to ELLD. The STUC believes that the remit of the CDA should focus on employee ownership and worker co-operatives as a means of widening the ownership of production in Scotland and enhancing overall productivity. Whilst the STUC strongly supports other forms of social enterprise – such as credit unions and supporters' trusts – there is a danger that the new agency could spread its undoubtedly limited resources too thinly. There is no reason why the remit cannot be revisited in the future if other cooperative sectors think the CDA could provide them with effective support.

Q3 Specifically, should the CDA have a role in relation to housing co-operatives, credit unions, supporters trusts, LETS or Timebanks?

2.6 As above, we do not believe that these activities are sufficiently enterprise orientated to merit initial inclusion in the CDA. However, we stress again, that there should be flexibility to alter the remit if these co-op sectors are able to demonstrate that they fit into the broad activities being pursued by the CDA in the future.

Q4 Are there barriers to businesses wanting to become co-operatives, which need to be highlighted?

2.7 **Business advice and support** – anecdotally, we are aware of serious dissatisfaction with the support currently offered by the enterprise networks. It appears that the co-operative option is not readily offered in instances where it might provide an effective business solution. This is disappointing given that the 1990 Enterprise and New Towns Act contained a specific commitment that the networks should promote cooperative enterprise. It also confirms that the relationship between the networks and the CDA will be crucial and suggests that it must be sensitively handled in the early stages.

2.8 **Equity Finance** – research reveals that access to a dedicated loan facility will be necessary if the CDA is to be effective in increasing the number of new cooperative enterprises in Scotland. Access to finance can be a crucial barrier to establishing a cooperative. The objectives of venture capitalists are increasingly short-term and do not therefore sit comfortably with the long-term objectives of employee owners. We are also aware that banks and other lenders, who may be ignorant of or uncomfortable with co-operative enterprises, often seek to amend already robust business plans in favour of the management.

Q5 What do you consider to be the main aim and objectives and priority areas of the CDA initially, and after 2-3 years?

2.9 It is difficult to provide a substantial answer to this question without prior to knowing more about the structure and resources of the new agency. However, the fundamental aims should be to increase the number of employee owned enterprises in Scotland and to ensure that the sector is vigorous and successful. It should be stressed that these outcomes will in turn help achieve the aims and objectives of A Smart, Successful Scotland.

2.10 We agree that the CDA should focus its activities in order to maximise impact but consider that at least some activity in the four priority areas listed on page 5 of the consultation document is viable. Is it tenable to have an agency that, for instance, is prepared to help start-ups but not help grow existing co-operatives?

2.11 We are also somewhat reluctant to identify priority areas for co-operative enterprise development. It is important that co-operatives are not regarded as only appropriate in certain industrial sectors. The CDA should be seeking to deliver cooperative business solutions in to the mainstream of economic development.

2.12 However, renewable energy is certainly a key potential growth area for the Scottish economy. In wave power in particular we have the potential to become a world leader. It is important that new enterprises in this and other 'green' sectors are made aware of, and where appropriate encouraged, to examine the co-operative model as a possible business model.

2.13 The STUC does not support the conversion of publicly owned services into co-operative ownership. We are aware of the proposals to mutualise the Scottish water industry but believe in a capital intensive industry like water that mutualisation is privatisation with a public façade. We do believe and actively campaign for a greater involvement of frontline staff in the delivery and planning of public services but the CDA must be about promoting cooperative ownership and not just cooperative working.

2.14 it is essential that the Scottish Executive takes responsibility for directing the networks to work effectively with the CDA and for promoting worker co-operatives and employee ownership as legitimate business models.

Q6 How can we best use the CDA to raise awareness in the business community of the benefits of co-operative structure/focus?

2.15 If the CDA helps create more successful co-operative enterprises the benefits will soon become clear to the wider Scottish business community.

**Q7 How best can the CDA integrate with existing UK supporting and representative bodies to utilise their expertise and resources? /
Q8 How best can the CDA interact with organisations outwith the UK?**

2.16 These are questions best answered by the representative organisations currently working in the sector. However, it must be emphasised that the CDA will not be effective unless it can harness the expertise and knowledge held by these organisations and find effective ways of integrating them into its activities.

Q9 What do you think would be the best governance model for the CDA?

2.17 The STUC is relaxed about the governance model and believes that it is more important that the CDA is established quickly and is sufficiently resourced to carry out its remit. An Executive Agency is probably the most appropriate model identified in the consultation document although we think there is substantial scope for innovation around the structure. An Executive Agency should link effectively with the networks but be distinct from them. It should provide the cooperative sector with profile and be managed by a board including trade union representation.

2.18 It is not tenable for the CDA to become part of the enterprise networks given their track record in failing to promote co-operatives as a viable business model. In any case, recent comments from the new Chief Executive of Scottish Enterprise suggest that the networks are not anxious to assume new responsibilities.

Q10 What are the gaps in existing support?

2.19 We are unaware of any support available for worker co-operatives and employee ownership beyond EOS which is clearly doing an excellent job with limited resources.

Q11 - Q12 How successful is the existing support structure for co-ops in Scotland? / Q12 How would the CDA interact with the different bodies in Scotland who are currently more experienced and active in this field?

2.20 These questions will be best answered by the cooperative representative organisations but a couple of points must be emphasised:

- Existing support structures have very limited resources and therefore have probably been unable to exploit anything near the full market potential;
- It is absolutely vital that the CDA carefully considers how best to exploit the experience and expertise of existing bodies such as EOS which must not be lost to the sector.

Q13 What activities, both short and long-term, do you think the role of the CDA should cover, and any specific areas it should focus on?

2.21 The activities listed in the consultation document all appear to be appropriate for the CDA to undertake. However, we are not clear whether general business skills training would be duplicating support already in place from the networks and we would like to see a specific activity related to forming an effective working relationship with the STUC and our affiliates. Some prioritisation is likely to be necessary depending on the resources available to the new agency.

Q14 What do you think would be the best type of model for the CDA?

2.22 Of the two approaches outlined in the consultation document the STUC considers that the Direct Service Provider will be the more effective. It is essential that the CDA is able to provide a local service throughout Scotland.

Conclusion

2.23 The STUC strongly supports creation of a Scottish Co-operative Development Agency. We believe it has the potential to make a valuable contribution to the Executive's main priority, economic development, and also to help change enterprise culture in Scotland by demonstrating the benefits of greater worker participation. The agency should be focused on worker co-operatives and employee ownership and must be adequately resourced.

2.24 The STUC and our affiliated trade unions very much look forward to working with the new agency.

**STUC
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