BELFAST INCLUSIVE GROWTH STRATEGY: A CO-OPERATIVE PERSPECTIVE

Co-operative Alternatives

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If co-operation and mutual aid have been the mitigating features of the Covid-19 crisis, could they also cure the ills of our economies? As resistance to the idea of returning to "business as usual" grows, the crisis offers opportunities to build the foundations for a fairer and more sustainable economy, one that is ecologically resilient, democratic and places solidarity at the centre of our economic relations with one another. It is also entirely possible that the economic recession paves the way for further austerity, placing the socio-economic costs of Covid-19 on workers and communities[1]. While there is an undeniable requirement for a new policy direction at macro-economic level, we focus here on the need for transforming local economic development and the crucial role co-operatives can play in that transformation.

BELFAST CITY COUNCIL'S INCLUSIVE GROWTH STRATEGY: IS THE ECONOMIC POLICY FIT FOR PURPOSE?

The global pandemic incites us to question the social, economic and environmental impacts of economic growth as it threatens to exacerbate existing socio-economic inequalities, leaving those already marginalised to suffer the most. Recent local economic policies – including the Belfast Agenda – have acknowledged the endurance of unacceptable levels of inequalities, social deprivation and sectarian divisions. In Belfast, the figures are stark. The city comprises 8 of the 10 most deprived wards in Northern Ireland, 56,000 residents in poverty, 7,322 people in housing stress and shows disparaging life expectancy gaps between the most and least deprived areas[2].

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To complement the ambitious economic development plan set by the Belfast Agenda and embed approaches for alleviating poverty into its local economic policy so that benefits materialise across all communities, Belfast City Council published in November 2019 “Our commitment to Inclusive Growth”.

The draft Inclusive Growth Strategy identifies groups traditionally “left behind” by the economic policy – those out of work, in “low skills” jobs, with low earnings and young people “not in education, employment or training” (NEET). The strategy places the focus on promoting inclusivity, in the council’s own employment practices and those of local employers, for example working towards a real Living Wage city. The council also reasserts its aim to tackle social deprivation, working with the community sector and other partners to deliver services on the ground and, in particular, address fuel poverty.

Interestingly, the council proposes to harness its procurement strategy to deliver social value, embedding social and environmental concerns into its tendering process. A collaborative approach with suppliers to provide training and apprenticeship (in particular targeting the cohorts mentioned above) and promote decent work (living wage work, fair employment contracts) is encouraged. In parallel, the contribution of SMEs and the Community and Voluntary and Social Enterprise sector (CVSE) in terms of economic resilience and wider community benefit is recognised. The strategy seeks to explore the development of co-operatives to meet procurement needs, valuing their contribution to sustainable and inclusive employment.

> "*We are committed to exploring opportunities for supporting the development of co-operatives or new businesses to meet that untapped demand.*”[3]

In practical terms, the council seeks to develop a Social Enterprise Plan, work to remove barriers to procurement for local suppliers and promote best practice. While it is unfortunate that the Social Enterprise Plan does not mention co-operatives explicitly, it could be tailored to offer opportunities for co-operatives if the main barriers to their development are addressed[4]. At present, co-operatives do not benefit from a level playing field, their registration costs being significantly higher than those of other organisations and co-operative development support being ad-hoc and under-resourced. Empirical evidence from countries benefiting from a thriving social economy sector (often predominantly co-operatives and mutuals) shows that a supportive environment through tailored advice, benevolent legislations and bespoke financial instruments is invaluable[5]. Yet, existing examples of co-operatives in Belfast point to their resilience but also their social contribution in terms of community capacity building, addressing social deprivation, fostering the inclusion of women in the economy and challenging sectarianism.

Case Study:

The Loveworks worker cooperative located on the Duncairn Gardens interface works with people facing barriers to employment, including young people out of education and employment or in precarious work, as identified in the Inclusive Growth Strategy. The co-operative fosters the dignity of its workforce by providing living wage employment and opportunities to learn skills in house. It also offers a vision for community-led regeneration, providing family-friendly, shared and accessible services (garden maintenance & landscaping, bicycle shop & repair, bakery) in a “deprived and divided” neighbourhood[6].

Critically, the Inclusive Growth Strategy does not describe how it will support the growth of the sector, lacking a clear commitment to action. It is also unclear what the £1 million to support social innovation for communities promised by the Belfast Agenda[7] will do for co-operatives, despite their benefits in strengthening the participation of communities in the economy and offering a local business presence where profit is rooted locally.

In spite of a shift in policy language, the Inclusive Growth Strategy is still dominated by a dominant market liberal approach, one that focuses on delivering growth recovery rather than job recovery. When assessed in the context of the Belfast Agenda – which aims at delivering 46,000 new jobs by 2035, 66,000 new residents, £5bn investment in the next 10 years, an ambitious Regional City Deal that facilitates' Belfast ascension as a globally competitive city[8] – the focus remains on wealth extractive foreign direct investment (FDI), regional deals and high-growth sectors. First, those approaches privilege efficiency and profit over considerations of quality of life, health or environmental resilience as measures for economic success beyond GDP levels. Second, they rely on the assumption that growth for large corporations will "trickle down" and build wealth for all. As well as the tendency for profits to be extracted by shareholders rather than being rooted in the place where they are regenerated, research shows that subsidies to attract foreign direct investment to Northern Ireland have contributed little in terms of sustainable employment and often bypassed deprived areas[9]. Moreover, the ambitions towards high growth sectors such as the digital and tech sector seem misplaced, with little understanding of its direct contribution to employment and how it will be accessible to residents in a city where a third of the population does not have qualifications above NVQ Level 2[10]. Competing for inward investment to become globally competitive can be a costly business for local authorities, always having to offer more at the risk of offsetting any potential benefit and increasing their vulnerability to economic shocks. This approach does not take into account how any money coming in will be retained locally and fails to acknowledge the role of existing local economic players.

In light of this, the Inclusive Growth Strategy offers a timid attempt at embedding concerns for inequalities in local economic development. It fundamentally lacks in reflecting on the fact that an economy that puts private wealth and profit above the social needs of communities will create the type of deprivation it aims at tackling. It mistakes the endurance of socio-economic inequalities that created this "tale of two cities" as a by-product of neoliberal economics rather than their raison d'être.

In contrast to inclusive growth strategies, some local authorities such as Preston City Council or more recently the Scottish government, have looked at the potential for building community wealth. This approach, which is mentioned in the Belfast policy itself with the examples of Cleveland (the Evergreen Corporation) and Manchester City (Social Value Framework), would contribute to promoting a more inclusive economy that delivers on the social and environmental goals reaffirmed by the Resilience Strategy[11] and the *New Decade New Approach* at government level.

WHAT IS COMMUNITY WEALTH BUILDING?

Community Wealth Building is an integrated collaborative approach to transforming the local economy where the local community is the main beneficiary. It harnesses the power of anchor institutions i.e. colleges, universities, hospitals, local authorities that have significant wealth to shift economic development in favour of procuring locally, encouraging sustainable work practices and living wage employment, offering services that benefit residents.

One pillar of Community Wealth Building is social value procurement, which has been included in the Belfast City Council's Inclusive Growth Strategy, so that procurement processes shape a more democratic market and take into account impact on quality of life, health, deprivation and environmental concerns instead of simply delivering “value for money”[12]. Another pillar of the strategy is to tie any form of public money spending to the creation of decent work i.e. work that is paid a real Living Wage, sustainable, secure and democratic. Instead of high-growth sectors, the focus is put on the foundational economy (basic services and products) – making sure that jobs that matter are well paid. At present, those jobs are not remunerated fairly, with 40% of workers in food manufacturing, 55% of residential care workers and 60% of workplace cleaners earning below the living wage in Northern Ireland[13].

Community Wealth Building seeks to prevent wealth being extracted away from communities. Land is an asset whose ownership is highly unequal in the UK, often generating wealth for private developers and landlords only. To expand the “commons”, the land that is for public good, transfer of underused assets to the community can be envisaged (for example a derelict building). Community Wealth Building also aims to make finance work for local people, fostering the creation of community banks, mutually-owned banks and harnessing local investment through local pension funds or councils investing directly in co-operative projects[14].

More importantly, Community Wealth Building aims to democratise and socialise the economy. In some cases, this may take the form of insourcing services back into council (which offers better working conditions for workers and better quality of service for residents[15]). In other cases, this means promoting a commercial economy in which people have a say, through co-operatives and other community businesses.

However, Community Wealth Building is not a replica of the “Big Society” project, one that sees communities running local services “on the cheap” in the backdrop of austerity. Lessons from the Big Society project show a failure to make an impact on those most in need[16] and a deceptive offer, one that leaves people free to run their local services but not to choose to keep them in-house or to adequately fund them[17]. Democratising the economy means ensuring those decisions are made by those they affect.

If Belfast City Council was to adopt a Community Wealth Building approach, the outcomes could be impressive. The example of Preston in the North West of England showed a reduction in anchor institutions’ spending haemorrhaging out of the Lancashire area from 61% to 21%. Recent analyses pointed to 18% of all procurement spend retained in Preston, compared to 5% previously[18]. Interestingly, the Preston model also highlights the importance of setting up networks to develop a local co-operative economy and the provision of tailored support to set up worker cooperatives where gaps in the local supply market are identified.

WHAT CAN CO-OPERATIVES OFFER AND HOW CAN THEIR DEVELOPMENT BE SUPPORTED?

Co-operatives are jointly-owned and democratically controlled businesses created to “meet common economic, social, and cultural needs and aspirations”[19]. They are governed by internationally shared principles that imbue their economic activity with ethical concerns (independence, inclusivity, solidarity, profit redistribution, concerns for the community). Their economic performance has long been evidenced. A recent New Economics Foundation (NEF) report points to their economic resilience and efficiency compared to conventional enterprises[20]. In the UK, co-operatives contributed to £38.2 billion in turnover and provided employment for 241,714 workers in 2020. Their survival rate in the first years of business is at least twice that of traditional firms[21]. Worker co-operatives in particular contribute for every £1 to 35% more employment than other businesses[22]. Beyond their economic performance, cooperatives foster autonomy, democratic decision-making and higher levels of happiness, trust and cohesion[23]. Their role in alleviating poverty has also been widely documented, with co-operative experiments involving those often marginalised by economic development strategies[24].

Co-operatives in Northern Ireland have received little attention from policy-makers and academia. And this despite a sector that according to Co-operatives UK consists of 245 co-operatives, £0.97bn turnover and 457.08K members[25]. Ongoing research on the co-operative sector in Northern Ireland points to a shared aim towards providing community capacity building, care, fostering dignity at work and an attention towards the community beyond direct membership[27]. The solidarity at the heart of the co-operative project also holds the potential to tackle sectarianism and provide genuine cross-community experiences[26]. In other words, co-operatives offer a vision for living, working and consuming in a democratic, fair and sustainable way.

To unleash their transformative potential and nurture their commitment to environmental sustainability, equality and social justice, the development of a supportive institutional ecosystem is crucial. Co-operatives advance the democratic participation of communities in the commercial economy. As a result, co-operative development needs to be embedded into the wider industrial strategy, from their integration in corporate plans to their inclusion in existing local business support.

Building a co-operative economy could be part and parcel of the Belfast Agenda, developing co-operatives in the digital sector, in sustainable and ethical food, in retrofitting and other "green jobs", and as alternatives to precarious low paid employment[28]. Such an approach would foster a commercial economy that addresses our basic and foundational needs, revitalises deprived areas, employs local residents and harnesses our community capacity.

In particular, co-operatives offer opportunities for job recovery post-Covid19. A recent report highlighted the potential for co-operatives considering that 120,000 family businesses in the UK will face succession challenges in the next few years[29]. Moreover, in light of the looming economic recession, employee ownership conversions to save businesses from closure should be encouraged. The IMF projects a contraction of the Irish economy by 6.8% and the British economy by similar levels, with sectors such as retail, aviation and construction experiencing sharp decline[30]. Considering the impending decline in those industries and resulting loss of employment, supporting worker buyouts but also re-skilling and re-training through co-operatives in retrofitting, energy installations, green infrastructure and transport could save jobs and offer opportunities to build more ecologically resilient and socially just economies. In Italy, which benefits from an institutional framework that supports worker buyouts, it is estimated that in the period of 1979-2014, 9,500 jobs have been saved through the conversion of 257 enterprises into worker co-operatives[31]. The development of a supportive environment that provides tailored assistance and financial support to expand worker ownership can be pursued, in the first instance, by the Belfast City Council, leading the way on providing a strong and replicable evidence base.

Another tool at the disposal of local authorities to nurture a more hospitable environment for co-operatives to grow is to invest directly, through community shares, in local community co-operative projects. Recent community share offers – in the co-operative project NICE (Northern Ireland Community Energy), the Raglan Community Development Renovation Society, or the community supported agricultural scheme Jubilee – could have benefitted from a direct share investment from public investors such as Councils, Government Departments and other institutional investors such as funding bodies and anchor organisations. In this way, public and institutional investors would have underwritten the risks of such innovative approaches and delivered financial, social and environmental value for their local communities.

Undeniably, there is no one-size-fits-all solution to a transition towards a truly inclusive and just economy, one that is ecologically sustainable and addresses socio-economic inequalities. Municipalism, participatory budgeting, but also a combination of worker, community, non-profit and public ownership at the local level should all be considered. Co-operatives are one of the solutions to the crisis in community economic development and community wealth building is one of the approaches that helps foster their development. Yet, community wealth building can also contain top-down elements as a council-led approach. If we are not to miss the opportunity to lead a shift towards democratic economic development, one where communities have more control over the economic decisions that affects them, we need real co-ownership of assets (land), labour (worker co-operatives) and capital (community banks, credit unions). This would see the role of Belfast City Council as nurturing an environment that is more congenial to co-operatives and facilitate with public money, but not dictate, their development as organic community initiatives. For this, here are our recommendations:

RECOMMENDATIONS

CREATE A LEVEL PLAYING FIELD TO OVERCOME THE BARRIERS FACED BY CO-OPERATIVES

Co-operatives are at a disadvantage. Their registration costs are significantly higher than other organisations. They lack access to banks, to investors and to support from enterprise agencies. Something as simple as opening a bank account can be difficult for a co-operative. If the aim is to grow the co-operative sector to foster the local supply market for local authorities, at minimum co-operatives need to operate on a level playing field.

A CO-OPERATIVE DEVELOPMENT AGENCY TO PROVIDE IN-HOUSE TAILORED SUPPORT

Belfast City Council recognises the social and economic value of co-operatives but the support provided is ad-hoc and too often side-lined over a focus on social enterprises. Because co-operatives operate under distinct values and legislative frameworks, the role of co-operative development organisations such as Co-operative Alternatives[32] is crucial to their development. To double the size of the co-operative sector by 2030, the Co-operative Unleashed report[33] suggested the creation of a Co-operative Development Agency for Northern Ireland.

RAISING THE PROFILE OF CO-OPERATIVES AS “REAL” BUSINESSES

Co-operatives' capacity for social value is at present hindered by a lack of visibility and insignificant government attention. The recent report by the Co-operative Councils Innovation Network calls on local authorities and enterprise agencies to provide business support that is tailored to co-operatives. Education and awareness raising are needed to empower council officers and business developers to understand and help promote the co-operative business model. Education is also needed at a wider level, including policy makers, politicians and the wider public.

FINANCIAL ASSISTANCE AND PUBLIC INVESTMENT IN CO-OPERATIVE PROJECTS

Alongside tailored support, co-operatives need specific financial assistance. In some respects, financial support mirrors that provided to the wider SME sector. Yet, co-operatives need adequate financing, in particular considering the barriers they face to attracting traditional investment but also the opportunities they offer towards community investment (through community shares or loan stock). This should include seed funding at start-up stage, access to loans in the next stages of development and wider access to investment. Other financial mechanisms can include assistance through a regional mutual bank, co-operative solidarity funds[34], council investment through local pension funds, or investment in community shares[35].

EMBEDDING CO-OPERATIVES INTO A WIDER INCLUSIVE ECONOMIC STRATEGY

Beyond targets set by the Inclusive Growth Strategy, Belfast City Council must develop and implement a more transformative Community Wealth Building programme, investing it its local economy so as to deliver “value for people” rather than “value for money”.

ENDNOTES:

[1] CLES (Centre for Local Economic Strategies), *Owning the Future: After Covid-19, a new era of community wealth building*, April 2020. All CLES publications are accessible here: https://cles.org.uk/publications/
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[3] Belfast City Council, *Our Commitment to Inclusive Growth*, November 2019, p10
[4] Belfast City Council, Social Enterprise Plan 2019-2024, accessible here: https://www.belfastcity.gov.uk/business/businessinformation/Social-economy.aspx
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[14] CLES, *Community wealth building 2019: Theory, practice and next steps*, September 2019
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[17] Cato and Raffaelli, "The Social and Solidarity Economy in Argentina and the UK: convergence from opposite directions" in North & Cato (Eds.), *Towards just and sustainable economies: the social and solidarity economy north and south*, Policy Press, 2017
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[19] International Co-operative Alliance, What is a co-operative?, https://www.ica.coop/en/cooperatives/what-is-a-cooperative
[20] New Economics Foundation (NEF), *Co-operatives Unleashed: Doubling the size of the UK's co-operative sector*, 2018
[21] Co-operatives UK, *Co-op Economy 2020*, 2020
[22] Co-operatives UK, *We are the rebuilders: Four co-operative offers for building back better from Covid-19*, June 2020; for worker co-operatives see Virginie Perotin, *What do we really know about worker co-operatives?*, 2015
[23] NEF, *Co-operatives Unleashed: Doubling the size of the UK's co-operative sector*, 2018; MAJEE & Hoyt, "Building community trust through cooperatives: A case study of a worker-owned homecare cooperative", *Journal of Community Practice*, 2009, 17(4)
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[25] This data was accessed on 09/03/2020 through Cooperatives UK Data Explorer https://www.uk.coop/open-data/explorer but research is currently ongoing to provide up-to-date figures for the sector in Northern Ireland.
[26] Nolan, Perrin Massebiaux, Gorman, "Saving jobs, promoting democracy: worker co-operatives", *Irish Journal of Sociology*, 2013(21), p103-115
[27] Unpublished PhD research at the University of Liverpool by Eleonore Perrin.
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[29] CLES, *An economy for all: the role of community power*, February 2020
[30] ICTU, *No Going Back, A New Deal Towards a Safe and Secure Future for All*, May 2020
[31] Peter Gowan (The Next System Project), *Right to Own: A Policy Framework to Catalyze Worker Ownership Transitions*, April 2019
[32] As mentioned in Co-operative Councils Innovation Network (CCIN), *Co-operatives Unleashed from the grassroots*, July 2020
[33] NEF, *Co-operatives Unleashed: Doubling the size of the UK's co-operative sector*, 2018
[34] For instance, the Evergreen Co-operative in Cleveland redirects 10% of its profit to fund other co-operatives and grow the sector (The Next System Project, *Right to Own: A Policy Framework to Catalyze Worker Ownership Transitions*, April 2019)
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CO-OPERATIVE alternatives