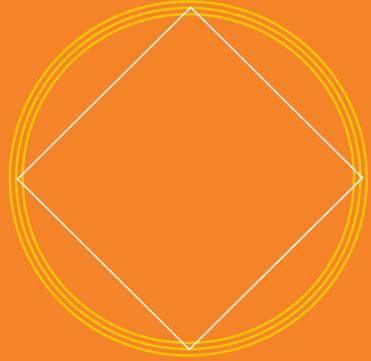


Working Together



**Trade union and
co-operative
innovations for
precarious workers**

Pat Conaty, Alex Bird and Cilla Ross

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Summary

The assumption of a 9 to 5 job has long gone, but as new forms of work create new forms of risk and with no employer necessarily to turn to, there are a range of initiatives emerging which look to technology and self-organisation by workers to get by. Additionally a diversity of mutual aid solutions are showing the scope to advance worker control.

Historic data suggests that the last decade has seen a greater squeeze on real wages than at any time over the last one hundred and fifty years. The pay of younger workers has fallen at twice the rate of older workers. The share of national income paid to labour has declined. As workplaces change, so trade union membership has declined, weakening an important counterweight to the voice of investors in public life.

Zero hour contract work over the past decade has increased ten-fold to over 800,000 in the UK. Self-employed forms of work have increased by 1 million to over 4.8 million and at 15% of the workforce is at the highest level in forty years.

With the erosion of the archetype of a five day week, full time for most, agreed hours job goes the loss of a wide range of benefits in favour of precarious work with limited rights and imposed flexibility. Not all self-employment is of this form, but what tends to be characteristic of newer self-employed workers and those on zero hour contracts is low pay, limited legal protection, high insecurity, limited social security access, limited pension entitlement and limited collective representation. Surveys show that casual agency staff and self-employed workers are earning 40% less than an average employee.

Such workers also commonly live in precarious housing with a lack of security of tenure and limited access to personal loans and mortgages. With lack of access to maternity or paternity leave or pay for a growing number of precarious workers, family life and family planning becomes more difficult.

This shift in labour patterns is forecast to expand and be driven by disruptive digital corporations and the wider expansion of the gig economy. Nobody has a precise figure on the size of the UK gig economy but estimates point to at least 4% of the workforce engaged in online platform work and with the numbers of workers ranging from

estimates of 1.3 million to 2.5 million. Research has shown that 63% of this workforce want basic employment rights and holiday pay.

These trends in working patterns follow to an extent decisions made at a national level by governments on matters such as taxation and employment status. There is a welcome dialogue now open in the UK following the Taylor Review, while the EU has launched a consultation with social partners (governments, employers and trade unions) on rights for self-employed workers.

International research by the ILO has shown that partnerships between mutual aid groups, co-operatives and trade unions are proven ways to organise self-employed workers and to secure both rights and access to a wide diversity of needed services. ILO recommendations 193 and 204 signed by the UK government support such good practice. Guy Standing, an academic at SOAS, University of London, has called for a Precariat Charter. A universal approach to labour law has also been recommended by many trade unionists and policy experts whereby core labour rights would be an entitlement of all workers regardless of job status. This fundamental reform builds on the Supiot report for the European Commission.

This report is the follow-up to a landmark report on freelancer co-operatives in 2016. The report *Not Alone* mapped the emergence of self help and mutual aid across self-employed workers in a wide range of countries, from Belgium to India. In turn, this helped to inspire new co-operatives here, with a key milestone reached with an investment by the trade union Community in the cooperative social enterprise, IndyCube.

Drawing on new research and including a close partnership with trade unions in the UK and liaison with practitioners abroad through the co-operative network CICOPA, this report identifies the eight most positive innovations in terms of technology, co-operation and self-organisation by workers in the UK.

1. Freelance co-operatives: There are good models in creative industries that have been pioneered in the UK by actors and musicians. They are supported by the Federation of Entertainment Unions and supported by trade unionists in Equity and the Musicians' Union. There is untapped potential for a co-operative and trade union movement partnership to spread this best practice to other service sectors and as a means for enabling wider scope for negotiating collective bargaining agreements to secure worker rights.

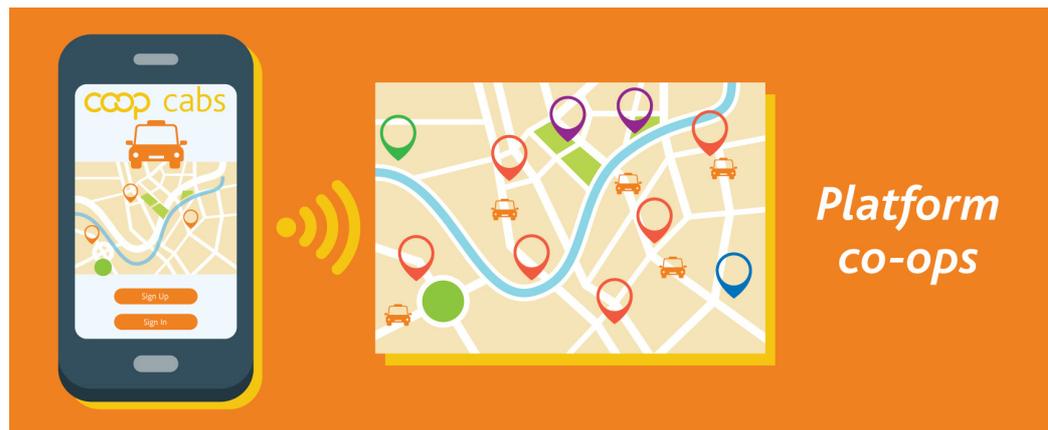


2. Business and employment co-operatives: This is an effective model for supporting freelance workers through an umbrella co-operative that has been developed in France since the 1990s and has spread to a number of EU countries. In Belgium, for example, SMart has shown how digital tools can provide for its freelance co-operative members' educational and information services. Additionally the means to access a number of worker rights are facilitated by SMart for its members through the handling of social security arrangements, the collection of debts, guaranteed monthly income payments, the provision of insurance, workspace and other services. SMart has developed these multi-stakeholder co-operative solutions beyond Belgium in seven other EU countries and, across Europe, has almost 90,000 members.

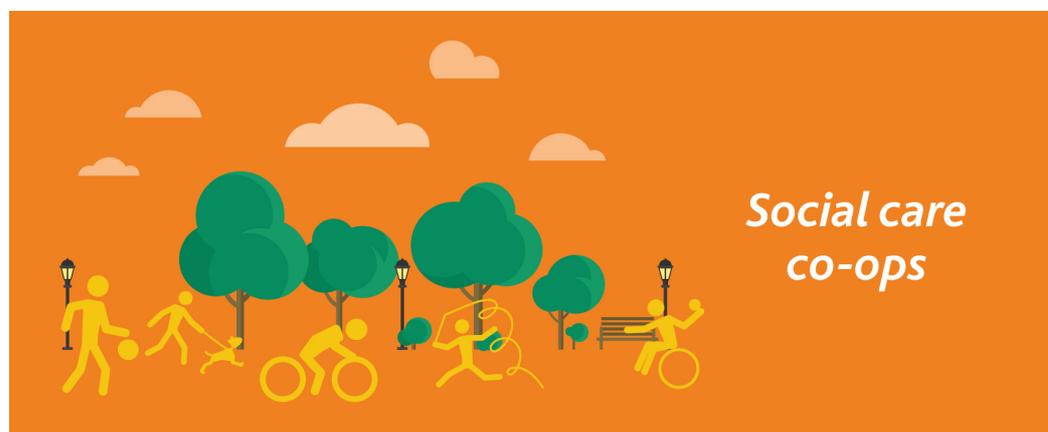


3. Platform co-operatives: This is a new innovation with huge potential. Support by the CWA union in the USA for taxi drivers in Denver, Colorado has developed mobile apps that have supported the emergence of Green Taxis and Union Taxis as co-operatives and whose members can access trade union services. Taxi co-operatives

in Edinburgh provide the majority of citywide services with their apps and TaxiApp in London is a new co-operative of black cab drivers. The SEIU public services union in the USA is developing mobile apps and potential platform co-operative solutions for community nurses and registered child minders. Stocksy United in Canada is a successful platform co-operative for professional photographers.



4. Social co-operatives: These co-operatives provide social care, community health and education services widely in Italy and are the leading provider of social care. The innovation has been successfully developed in Quebec, Japan and France and has more recently developed in Spain, Portugal and Greece. In Italy there is a national trade union agreement and collective bargaining agreements are negotiated. In the UK social co-operative development forums have been established in Wales and England and new social co-operatives are emerging. There is wide scope to work with public sector trade unions to develop a partnership model like in Italy.



5. Union co-operatives: This is a US model for developing worker and multi-stakeholder co-operatives that are unionised from the outset. The innovation was co-developed by the United Steelworkers and the Mondragon Corporation, based in the Basque region of Spain. The model uniquely brings together worker ownership and worker control with collective bargaining. It is supported by a growing number of trade unions and there are union co-operative initiatives underway in 10 American cities.



6. Innovative local authority regulation: Local authorities are impacted adversely by poverty and a lack of social protection faced by precarious workers. They also face difficulties in securing taxes from offshore digital corporations operating out of tax havens. A number of cities are introducing legislation to tackle abuses. Seattle has passed a byelaw to give Uber and Lyft drivers collective bargaining rights. New York City has passed a byelaw entitled Freelancing is Not Free to assist self-employed workers to collect unpaid debts and late payments. Employment tribunals in London have awarded worker rights to Uber and CitySprint workers.



7. Municipal ‘commons platforms’ and co-operative capital funds:

There is wider scope for local government action. The Sustainable Economies Law Center in the USA and the P2P Foundation in Europe have proposed the development of MuniRide and MuniBnB as ‘commons platforms’ to be co-developed by an alliance of municipalities to better regulate, collect taxes and ensure fair trade practices for workers and service users in the gig economy. In ten US cities, new policies to support the development of worker co-operatives have been adopted and in some cities, revolving funds have been established to provide co-operative development capital.



8. Mutual guarantee societies, public banks and a ‘workers right to buy’: Italy and Spain have supported the development of more than 15,000 worker and social co-operatives in each country compared to only 474 in the UK. Public policy ecosystems of support account for the difference. The Marcora law in Italy in 1985 has established a public policy framework to support the development of worker co-operatives and a right to buy when private firms come up for sale. Additionally specialist public sector supported co-operative financing arrangements have been established. France has established a similar ecosystem of support. This has led to the significant growth in worker and social cooperatives in both countries. Additionally Italy has pioneered the Mutual Guarantee Society to assist co-operatives to secure very low cost capital from banks for development. This innovation is now well established in 19 EU countries. There is a need for a Mutual Guarantee Society system in the UK as well as specialist co-operative capital funds. The growing interest in Wales, Scotland and UK regions to establish public banks offers a strategic opportunity to set up enabling ecosystems like in Italy and France.

In policy terms, our research stresses the need for continuity and transparency in the benefits system. The treatment of housing is a challenging matter and poor access to secure housing is a major issue for precarious workers. At the same time, it appears likely that Universal Credit will make access to welfare benefits harder for self-employed workers while the treatment of housing costs and the initial waiting period to receive payments is also a concern. This context adds weight and relevance to long-standing arguments in favour of a Universal Basic Income. Citizens' Income Trust research suggests that a Universal Basic Income even at a tax neutral level would increase social and economic security for the lowest income workers. In the context of a rapidly changing environment for work, proposals such as these are welcome as, beyond the efforts of self-employed workers themselves, new policy solutions are also likely to be needed.



1. Introduction: the Needs of ‘Precarious’ Workers

The world of work, its structure and shape, is changing in dramatic ways. The late 20th century model of a five-day week, full-time, a fixed place of work, agreed hours and a wide range of benefits is being eclipsed by atypical work forms. Labour market deregulation since the 1990s and the impact of information and digital technology enabled employers to redesign the workplace and, since 2012, this future work redesign has accelerated. The gig economy in particular means no guaranteed income, hours, days or location. Employment rights for these workers are typically limited or absent as risks are off-loaded from capital to labour. The proof is in the data compiled in the TUC *Living on the Edge* report.

Types of precarious work

Drawing upon a wide range of data sources, the TUC highlight three forms of precarious working with each work category losing out significantly over the past decade.¹

1. Casual workers including agency and seasonal workers have decreased slightly from 770,000 in 2006 to 730,000 in 2016 but still get paid 40 per cent less than the average worker. Within this category, agency and temporary workers are most likely to work in education (21 per cent), health and social work (14 per cent), accommodation and food (11 per cent).

2. Zero-hour workers have grown more than ten-fold from 70,000 in 2006 to 810,000 in 2016 and they earn £3.80 less than the average employee with the gap widening by 34 per cent. They are most likely to work in accommodation and food (25 per cent), health and social work (22 per cent) and transport, arts and other services (14 per cent).

2. Self-employed workers have seen the gap between their income fall from 28 per cent below that of the average employee in 2006 to 40 per cent below in 2016. 1.7 million of the self-employed (45 per cent) today earn less than the National Living Wage. They are most likely to work in information, finance and professional

services (21 per cent), construction (20 per cent) and transport, arts and other services (14 per cent); but they are also represented in administrative and support services, wholesale, storage and retail.

While casual work has accounted for a growing proportion of the labour market since the 1990s, it is the second two categories that have grown explosively since the banking crisis and as austerity has deepened. Young workers (16-24 and including students) are most likely to be on zero-hours but most in this category are over the age of 24. 55 per cent of zero-hour workers are female while 67 per cent of the self-employed are men.

Self-employment has grown to 4.8 million and, at 15 per cent of the workforce,² is at its highest level for over 40 years. The ONS *Labour Force Survey 2016* highlights that the number of the self-employed has risen by just under 1 million since 2008.³ While income levels alone can be deceptive, low income in the self-employed sector is today the norm. 83 per cent of sole traders earn less than the average income.⁴ 77 per cent live in poverty.⁵

While self-employment has risen in other European countries, the OECD data shows that the exceptionally fast rise of self-employment in the UK stands out.⁶ France has seen a rise, in Germany the picture has been static, but Italy and Spain have witnessed a fall in self-employment. Indeed, the Resolution Foundation's detailed assessment of the rapid rise in UK self-employment observes that:

... the change in the UK workforce has consistently bucked international trends, meaning that we are looking at a phenomenon that is particular to the UK labour market.⁷

In the UK so-called 'solo self-employment' — sole traders without employees — has been the pattern of this growth. IPPR research reveals that in Germany 44 per cent of the self-employed are likely to have employees compared to just 17 per cent in the UK.⁸ According to the RSA, by 2018 there will be more people in self-employment than working in the public sector.⁹ However the actual number of self-employed is contested as Citizens Advice research has identified that 460,000 workers are in bogus, 'forced' or 'false self-employment', where employers are avoiding employee costs by dumping all the risks and responsibilities on those they engage regularly.¹⁰ However it must also

be acknowledged that for many, self-employment is a positive choice and research has shown that the greater freedom can be attractive.¹¹

Employment status, rights and categories of worker

UK tax law at present recognises employees and the self-employed as forms of work for personal tax paying purposes. In relation to access to rights and social protections, UK employment law includes a third category and therefore three types of employment status:

- Employees

- Workers

- Self-employed

To deal with degrees of ambiguity, there are a number of legal tests that are applied in the courts. Precarious work is not a legal category and to make the distinction, the ILO defines precarious work as ‘informal economy’ work. The comparison of the different categories highlights the difference along a continuum from a high degree of employment protection at the top of this hierarchy to virtually no protection at all for the self-employed at the bottom.

People are defined as an employee if they are working under a contract of employment. A contract need not be in writing and exists when employee and employer agree terms and conditions of employment.¹² It can also be implied from the conduct of both parties.

Employers are obliged by law to deduct income tax and national insurance contributions from the salary or wages of employees before paying them. Employees are also entitled to all minimum statutory employment rights including:

- Maternity, adoption and paternity leave

- The right not to be unfairly dismissed after a two year qualifying period

- Statutory redundancy pay

- An itemised pay slip

- Right to request flexible working after a six month qualifying period

- Unpaid parental leave after a one year qualifying period ¹³

- All the rights that are given to 'workers'

A 'worker' is a broader category in law than an 'employee' and is any individual who works for an employer, whether under a contract of employment, or any other contract, where the individual undertakes to do or perform work or service. Any worker is entitled to core employment rights and protections. Common categories include:

- Most agency workers

- Short-term casual workers

- Some freelancers

Freelancers may fall into this category if they have a limited right to sub-contract the work and are obliged to attend work whether or not they want to.¹⁴ Freelancers not working through their own limited company may qualify for worker rights where the characteristics above apply.

Providing other qualifying conditions are met, all 'workers' have rights to:

- The National Minimum Wage

- Rest breaks, paid holiday and limits on night work under the Working Time Regulations

- Protection against unauthorised deductions from pay

- Maternity, paternity and adoption pay ¹⁵

- Protection against less favourable treatment because of being part-time

- Statutory sick pay

- Protection against less favourable treatment if the worker makes a disclosure in the public interest (often called 'whistleblowing')

- Not be discriminated against unlawfully

As a key criteria, workers are expected to do the work themselves and not provide a substitute. Their employer has no obligation to offer them work but if offered work, they are expected to take it. Any contract may describe the working relationship accordingly as casual, zero hours or 'as required'. The employer handles tax and national insurance administration for 'workers'.

Those working as self-employed (whether taxi drivers, artists, musicians or researchers) are often described as 'own account workers' because they have to handle their own tax and national insurance. They secure jobs by touting or bidding for different pieces of work in the marketplace, submit invoices, collect their own debts and set their own working days and hours. They can personally deliver the work or arrange for a substitute. They work autonomously without any direct supervision. They provide their own tools and equipment and mistakes in the work or unsatisfactory quality is expected to be put right at their own expense. The greater self-management freedom of the self-employed comes at the expense of a lack of legal protection and a wide range of rights that employees and workers are entitled to.

The 'precariat' — a new normal emerging

Former ILO development economist, Guy Standing observes that the term precariat was first coined in France during the 1980s to describe low-paid temporary and seasonal workers — then a small proportion of the workforce.¹⁶ The pervasive nature of informal economy work without employment protection and now growing in the UK has been characteristic of developing countries. In observing the spread and growth of informal economy work in North America and Europe over the past decade, Standing argues that the precariat is becoming year by year the new normal. Austerity, automation, the application of digital technology and other underlying drivers, he argues, are leading to a decline of regulation and worker protection in the UK, the USA and other countries where the number of citizens with full employment rights is falling and a widening category of those working without such rights are becoming second class denizens.

There is considerable evidence in support of this pessimistic analysis. While UK unemployment has fallen from 8.5 per cent in 2012 to 4.8 per cent in 2016, youth unemployment at 12.7 per cent is still high. The government headline figures also fail to draw attention to an underemployment rate of more than 10 per cent of the working

population with 3.5 million people wanting to work longer hours and many having to get by with multiple 'tiny jobs'.¹⁷

Andrew Haldane highlights that each industrial revolution's major shift in technology has tilted markedly the income share of the economic pie from labour to capital.¹⁸ Over time this gap between productivity gains (secured by new technology) and real wage levels has curtailed this difference with both successful trade union struggles and a higher demand for skilled labour being key reduction factors.

However with trade union membership in ongoing decline and anti-union legislation in place, the declining labour share of wealth generation may not be overcome as has been possible in the past. Haldane points out that in the wake of what is sometimes termed the third industrial revolution, the US worker would today be 40 per cent better off if real wages had tracked productivity gains. Moreover he highlights that the UK worker would be otherwise 20 per cent better off.

Since 2009 alone labour's share of UK national income has fallen from 58 per cent to 53 per cent in 2015. Indeed real wages in 2015 were 6 per cent below the pre-banking crisis peak. Haldane observes that since 2009 we have witnessed the longest squeeze on real wages since 1850. He adds that the fall in real wages for the young has been roughly twice that of the old and that workers in construction, health and social services have had the steepest drops in pay.

The big debate is whether or not we are entering a fourth industrial revolution, the Second Machine Age, where automation and advancing precarious work systems will hollow out the labour market. What is clear is that the work by Carl Benedikt Frey and Michael Martin at Oxford University shows that 80 million jobs could be at risk of automation in the USA. The Bank of England has used the same methodology for the UK to reveal a job risk here of 15 million — one in two.¹⁹ Those most at risk are workers in administrative roles, clerical and production tasks. Accountants are facing a 95 per cent probability of vocational extinction.

Quite apart from the prospect of automation, the biggest current threat is the pervasive undermining of decent work as the 'gig economy' expands year on year into every crook and cranny of work imaginable. Indeed the core driver for the unprecedented growth of self-employment is the escalating expansion of digital corporations. As labour market expert Ursula Huws has shown, the trades impacted are both online and offline work sectors.

Uber is often in the news, mostly in relation to taxi driver protests, but there is now a growing fleet of online labour-sourcing corporations including: TaskRabbit for small jobs, Handy for residential cleaning, Clickworker for surveys, data management, etc, MyBuilder for household repairs and improvements, Helpling for domestic help on demand, Axiom for tech-assisted legal services, Upwork for higher skilled freelancers and most recently the arrival of SuperCarers for social care and Teacherin for supply teachers.

Promoted as the 'sharing economy', these digital corporations operate to extract value via a 'black box' system that blocks any direct relationships between producers and consumers. Decision making in respect to pricing and policies are not co-determined and profits are definitely not shared by the platform owners. Command and control is the old name of this rapidly growing money making game.

Huws estimates that up to 2.5 million people in the UK are currently being paid for work through online platforms with 1.2 million earning more than half their income this way.²⁰ ONS has no means of tracking the true figure and the same is the case for the US Bureau of Labor Statistics. A more recent study by CIPD has found that 4% of adults between 18 and 70 are working in the gig economy and that this represents 1.3 million people. This research among gig economy workers found that 63% want the UK government to regulate to guarantee them basic employment rights and holiday pay.²¹

Steven Hill in the USA is a leading policy analyst. His critical appraisal on the implications for workers and for trade unions can be summed up in this way.²²

First, the connectivity since 2007 of smart phones, wireless high speed internet and Big Data has created the disruptive 'sharing economy' business model driven by California tech companies like Uber, Airbnb, Upwork, TaskRabbit, Lyft, Instacart and Postmates. Clickworker and appJobber are German versions. Deliveroo and SuperCarers are British versions. By engaging self-employed freelancers, the corporations argue that the tech intermediary model is just a platform for market transactions. Without employer overheads, this is an immediate saving of as much as 30 per cent on labour costs. Debt collection, insurance, the provision of tools and equipment are also off-loaded onto the workers.

Second, the new business model maximises labour market flexibility by hollowing out the corporation. In the 1980s and 1990s Nike and

Apple showed how to offshore production to China and India. Apple has become the most profitable corporation globally with only 70,000 workers in the USA. Upwork already has become the eBay for jobs and is the largest player globally in the digital temp industry with a capital value of \$46 billion. Its specialisation is labour brokerage for skilled freelancers including engineers, architects, lawyers, accountants and management consultants. It employs only 250 in the USA for brokering an army of 10 million contractors internationally who bid against each other for work. This bidding is unleashing a global race to the bottom with some companies reporting paying half the US minimum wage (\$2 to \$3 per hour).

Third, the operational language used by these corporations is 'crowd sourced labour', 'micro-tasking', 'body sourcing', 'liquid labour' and the idea of turning labour power at will on and off like a tap. The performance of workers is tracked through the platform constantly to push for hyper-efficiency and surveillance systems are widespread.

Fourth, taxation and regulation is a nightmare as the systems are designed to keep transactional data commercially confidential. As a consequence there is no reliable data on the global size of this workforce and governments are playing catch up to work out how to overcome this barrier. Airbnb in many cities is escalating house prices, rental levels and displacing residents from homes. They have become the largest hotelier in the world yet don't pay hotel taxes or local rates as they insist they are just a tech company, not a hotel business.

This brave new world of 21st century corporations updates the 'putting out' system of both the early industrial period and contemporary home working. One of the biggest crowdsourcing labour exchanges is Amazon Mechanical Turk whose aim is to process the sale of digital skills on a global industrial scale like it does books and consumer goods. Workers, known as 'Turkers', bid for jobs specified as Human Intelligence Tasks (HITs) by employers and ruthless competition drives prices down. Once again Turkers are all required to be self-employed, there is no enforcement of any humane labour standards.²³

The employers contracting through Amazon Mechanical Turk are currently all US based but more than 500,000 Turkers are attracted from more than 190 countries. Like other crowdsourced labour corporations, Amazon charges 20 per cent commission for successfully completed HITs. Platform corporation rates can be 30 per cent or more.

Platform capitalism is advancing a virtual Wild West that is rapidly transforming the future of work. Intuit Management Consultancy estimates that close to half the US workforce will be contingent and on-demand labour by 2020.²⁴ McKinsey forecasts that platform labour services will account for a global GDP of \$2.7 trillion by 2025.²⁵ Scholz notes that digital corporations' revenues have escalated since 2011 with Upwork engaging an on demand workforce internationally of 10 million, Crowdwork has 5 million and CrowdFlower reports 2 million so-called 'contributors'.²⁶

There are three parties involved in platform capitalism: the end customer including corporations, the digital corporation intermediary and the workers. But who the employer is, is unclear. A separate case can be made for each party as the employer and this ambiguity provides a legal loophole for massive profit-making by the intermediaries. Classifying all workers as self-employed as a condition of trading on the platform is a prima facie denial of worker rights. There is an evident legal case that the digital platforms are in fact operating as online employment agencies but the European Union has not yet formed an agreed view. In the US the same is the case but lawsuits, as in the UK are increasingly challenging the digital corporations' argument that the workforce are all independent contractors.

How are trade unions responding to these challenges?

When the International Confederation of Free Trade Unions came together with the World Confederation of Labour to form the International Trade Union Confederation (ITUC) in 2006, the founding constitution committed the ITUC to effective strategies to recruit and organise the precariat.²⁷

It shall initiate and support action to increase the representativeness of trade unions through the recruitment of women and men working in the informal as well as the formal economy, through extension of full rights and protection to those performing precarious and unprotected work, and through lending assistance to organising strategies and campaigns.

As a mission statement, this could not be clearer. The TUC and most of its members would agree with this aspiration. However a strategy

to implement it is a complex challenge. Guidelines for effective organising practices are, however, emerging and longstanding good practices are available from sector-based trade unions with self-employed members.

Maarten Keune conducted a review of trade union work with precarious workers in seven European countries. He found a similar cluster of disadvantages associated with precarious work in each country including: low pay, limited legal protection, high insecurity, limited control, limited social security and pension entitlement, limited collective representation, limited access to loans and mortgages and limited possibilities for family planning.²⁸

Keune concluded that the response of European trade unions to the growth of atypical employment has been mixed and patchy. For most unions the focus has been on opposition to deregulation — and in particular on trying to eliminate the creation of marginal employment and, wherever possible, to improve conditions by introducing or enforcing labour regulations. Some unions in Europe have opened membership up to the self-employed, but many have not. For the latter group there is an awareness that separate organising strategies are needed but that these are more costly, as well as challenging to implement effectively.

Keune was unable to find broadly agreed strategies for securing rights for say, the self-employed in precarious work, comparable to the European TUC work on casual and agency workers that succeeded in ensuring implementation of the European Directive on temporary agency work.²⁹ He concluded that for the wider group of precarious workers, an effective set of strategies for ensuring equal treatment and inclusion requires the integration and alignment of several actions. These include campaigns to raise awareness and to mobilise action; organisation of drives in specific sectors of work; provision of services designed to meet workers' needs; collective agreements; legal action; policy formation; advocacy for new laws; and creative use of a range of media.

As the *Not Alone* report showed there is good trade union practice across Europe for organising freelance workers in the entertainment and media sector.³⁰ These practices integrate campaigns, actions and services in the ways Keune recommended. This is true in the UK with the members of the Federation of Entertainment Unions (FEU), including the NUJ, BECTU, Equity, the Musicians' Union and the Writers' Guild. BECTU has significantly increased its UK wide training

and development team over the years with support from the various Union Learning Funds throughout the UK. It has also developed its own bespoke Creative Industries Safety Passport (CRISP)³¹ that is IOSH accredited and recognised by employers across the creative sector.

In Wales, CULT Cymru — Creative Unions Learning Together, an innovative joint union project, is a BECTU led partnership with Equity, the Musicians' Union and the Writers' Guild that provides a wealth of training opportunities and events ranging from key business skills such as “freelancing for creatives” to “combat skills for actors” or “self shooting for film makers”. It's helped thousands of freelancers and staff to undertake bespoke training at a local level, and also provides support to students, apprentices and tutors. It is currently working with the Wales Co-operative Centre on an event to explore opportunities for co-working in some of Wales' most financially deprived but culturally rich communities.

There is scope to extend this media sector expertise in organising freelance members to assist more general unions working in other industries and services. In a recent survey for the European TUC, the Labour Research Department has found a number of trade unions set up specifically to recruit precarious workers. In Italy these include UIL-TEMP, NIDL CGIL, FELSA CISL and specifically for self-employed workers, viVAcE CISL. In Spain UPTA-UGL is a specialist union for self-employed workers.³² The survey found 13 EU countries with trade unions that have significant numbers of self-employed workers and all in western Europe.

Similar good practice can be found in the Netherlands with FNV KIEM, with Mediafon workers in ver.di in Germany, with HK in Denmark, within sections of Unionen in Sweden, GpA in Austria and with Cobas in Italy. In the Netherlands, the FNV have worked with employers' organisations to establish a not for profit employment agency for skilled engineering workers, the DeltaMetaal Foundation.³³ This was founded in 1968 by a number of companies, employers' organisations and trades unions in the Rijnmond and Drechtsteden regions, to ensure reliable working relationships and high quality craftsmanship.

The FNV also supported the set up of FNV Zelfstandigen Bondgenoten as a general union for the self-employed but this strategy has not been successful in securing a dramatic increase in recruitment. So from this experience the FNV is reworking its strategy with a recognition of the need for sector specific strategies and a multi-pronged approach.³⁴

Trade unions in the media and entertainment sector have long-established expertise in securing worker rights for freelancers and in developing collective bargaining agreements using social dialogue.³⁵ However the term ‘freelancer’ covers a confusing range of working relationships. In different countries it does not necessarily equate with self-employment.

Andrew Bibby has pointed out that some countries use instead the term ‘economically dependent’ workers as an intermediate category between employee status and self-employment.³⁶ This perspective can advance the case for worker rights, though Bibby observes that in Italy, Germany and Switzerland, collective bargaining agreements are proving more difficult to negotiate in the media and entertainment sector.

Indeed this may be the shape of things to come. Bibby highlights that in Australia, Ireland and Denmark, governments have applied competition law in the courts to secure judgements ruling illegal campaigns to organise freelance work and secure collective bargaining agreements for freelance workers. FNV Kiem in the Netherlands lost a case in the European Court of Justice challenging this. However media unions internationally have been challenging this interpretation. Lionel Fulton has found nine EU countries where collective bargaining agreements or their equivalent for self-employed workers exist but these are still rare he points out. These countries include Germany, the UK, Spain, Italy, Belgium, the Netherlands, Denmark, Sweden and Austria.³⁷ In Germany and the UK, collective bargaining agreements exist only so far in the media sector, in Sweden just for journalists and actors and in Denmark only for journalists and homeworkers. In the Netherlands there are no collective bargaining agreements but FNV is seeking to agree model contracts.

More widely in the transport sector, successful legal cases in the UK in the ‘gig economy’ against Uber and CitySprint are highlighting that freelance workers do have worker rights and especially in ‘economically dependent’ relationships.³⁸

The Taylor Review³⁹ for the Government into modern employment practices has been dismissed by Unite, the UK’s largest trade union as a report that “spectacularly failed to deliver” and described by the GMB as a “disappointing missed opportunity”.⁴⁰ The TUC described the report as “not the game-changer needed to end insecurity at work”.⁴¹ As the TUC have pointed out in their response, the focus of the report is on

good corporate governance and not on regulation with a recommended “right to request” guaranteed hours that “is no right at all for many workers trapped on zero-hour contracts”.

Digital economy expert, Ursula Huws, points to the highly problematic core recommendation of the Taylor Review to create a new statutory definition of a ‘dependent contractor’ with some limited rights to be paid for by worker and employer contributions.⁴² Huws shows this would be a backward step and essentially replace the ‘worker’ status with access to core employment rights and protections that the recently successful trade union backed legal test cases have upheld against Uber, Pimlico Plumbers and CitySprint.

Huws observes that this ‘parasubordinate status’ reform solution in the Taylor review has been advocated in other countries including Belgium in the 1980s and 1990s and introduced for call centre workers in Italy leading to ‘reduced coverage’ and becoming a new tool for employers to advance casualisation and an erosion of existing core rights for ‘workers’. Huws highlights additionally and more widely that such reforms both undermine and put under threat the fuller protections and rights of existing employees.

Employment and tax law specialist Rebecca Seeley Harris agrees that the Taylor report recommendation to rename a ‘worker’ as a ‘dependent contractor’ and back this up by statute runs the:

“danger of creating an underclass of employee ... with the added temptation for the employers to convert employees to this underclass.”⁴³

Trade union and co-operative partnerships

The *Not Alone* report showed that strategic trade union partnerships with cooperative organisations are crucial to the successful organising of informal economy workers.⁴⁴ This was the case historically in the UK trade union movement when for a century before 1945, both movements worked closely together on terms and conditions. ILO Recommendation 193 passed in 2002 (and with guidance notes updated in 2014) documents how trade union copromotion of co-operatives has aided and abetted organising strategies in developing countries over recent decades.⁴⁵

To develop such an analysis in this report, a survey of a cross section of TUC members was identified and, following a consultation day

held in Manchester, one to one interviews were held. Additional interviews were conducted with those involved with trade union and co-operative solutions in Europe and North America. From this research, five specific complementary strategies have been identified covering: transport, creative industries, education, social care plus other industries. Though it is early days, these organising strategies are either emerging in the UK or, with focused support from the trade union and co-operative movements, could emerge here:

- Trade union campaigns for worker rights and taxi co-operatives.

- Business and employment co-operatives for freelancers.

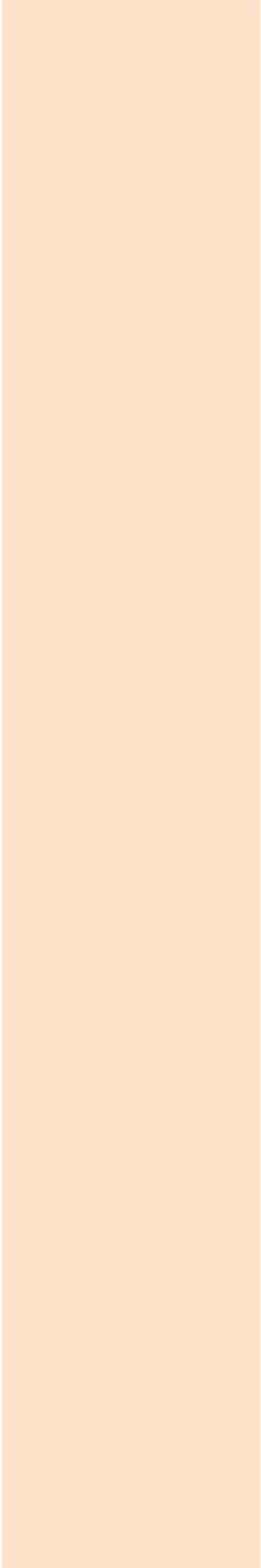
- Co-operative employment partnerships — educational sector.

- Unions and social co-operatives — social care.

- Platform co-operatives and union co-operatives.

This report illustrates each organising strategy and draws together broader and cross-cutting findings and recommendations. Another way forward touched on in the *Not Alone* report involves wider strategies to tackle the serious access to housing difficulties faced by precarious workers that are aggravated by low, insecure and variable income patterns. Co-operatives UK has compiled a Precariat Index that shows the strong overlap between precarious employment and precarious housing circumstances.⁴⁶

Additionally, as the *Not Alone* report showed, the welfare system in the UK is not tailored towards the needs of self-employed people. Moreover the implementation of Universal Credit will make the situation worse as the rollout in 2017 is already showing with the mandatory payment delays of up to six weeks and reported rising levels of rent arrears and evictions.⁴⁷ Since 2016, however, resolutions have been passed by the TUC and other trade unions for Universal Basic Income.⁴⁸ As Guy Standing and others have argued, the needs of the self-employed add weight to a growing campaign for welfare reform along these non-means tested lines.



2. Campaigns for Worker Rights and Worker Ownership

The Uber assertion that drivers are “partners” who are not entitled to rights at work normally afforded to workers has been successfully legally contested by the GMB.

GMB, one of the unions organising professional drivers, instructed Leigh Day,⁴⁹ which is part of its UnionLine legal service⁵⁰ to take legal action in the UK on behalf of members driving for Uber on the grounds that Uber is in breach of a legal duty to provide members with basic rights on pay, holidays, health and safety and on discipline and grievances.

GMB contested the Uber assertion that drivers are “partners” so are not entitled to rights normally afforded to workers.

Uber operates a car hire platform that connects passengers to thousands of drivers through an app on the passenger’s smartphone. Using the app, passengers can request they are picked up from any location within London (or 300 other cities worldwide). Passengers pay Uber for the journey, which then passes on a percentage of that payment to the driver.

GMB research found that a member working exclusively for Uber received just £5.03 per hour in August 2015 after costs and fees were taken into account, significantly below the National Minimum Wage of £7.20. Lawyers for the drivers also argued that Uber acts unlawfully by frequently deducting sums from drivers’ pay, often without informing the drivers in advance, including when customers make complaints.

GMB brought two test cases to the Central London Employment Tribunal on 20 July 2016 which concluded that Uber drivers are entitled to receive holiday pay, a guaranteed minimum wage and paid breaks.

Maria Ludkin, GMB Legal Director, said:

“This is a monumental victory that will have a hugely positive impact on over 30,000 drivers in London and across England and Wales and for thousands more in other industries where bogus self-employment is rife.

Uber drivers and other directed workers do have legal rights at work. The question for them now is how those rights are enforced in practice.

The clear answer is that the workforce must combine into the GMB union to force the company to recognise these rights and to negotiate fair terms and conditions for the drivers.

GMB puts employers on notice that we are reviewing similar contracts masquerading as bogus self-employment, particularly prevalent in the so called 'gig economy'. This is old fashioned exploitation under newfangled jargon, but the law will force you to pay GMB members what they are rightfully due."

Nigel Mackay, Leigh Day employment lawyer, said:

"This judgment acknowledges the central contribution that Uber's drivers have made to Uber's success by confirming that its drivers are not self-employed but that they work for Uber as part of the company's business.

This is a ground-breaking decision. It will impact not just on the thousands of Uber drivers working in this country, but on all workers in the so-called gig economy whose employers wrongly classify them as self-employed and deny them the rights to which they are entitled."

Leigh Day are now starting class action in the courts, and are recruiting Uber drivers to join them⁵¹ to claim the following:

- Back pay for unpaid holiday pay for up to two years.

- Compensation if they received less than the National Minimum Wage.

- Paid holiday going forward, if they still work for Uber. A full-time worker has the right to 28 days' paid holiday a year.

- The right to receive at least the National Minimum Wage.

Kevin Branstatter, the current National Lead Organiser for the GMB was realistic about the effect on increasing union membership:

"We have only gained around 20 new members as a result of this victory, so such cases don't make economic sense for the Union. We pursue them on a point of principle, not as a recruiting tool."

However, legal cases against operators like Uber is not the only way that taxi drivers are fighting to get better terms and conditions. Taxi co-operatives are a long established means by which licensed hackney drivers are striving to improve their lot.

In Edinburgh the taxi business is dominated by two taxi co-operatives, **City Cabs**⁵² which was established in 1925, and **Central Taxis**⁵³ which has been in operation since 1971. City has 400 members and 1,100 registered drivers, whilst Central also has 400 members and 1,300 registered drivers.

City was formed when twenty-five taxi drivers got together in September 1925 and decided to form an association to benefit the Edinburgh Taxi Trade and its drivers. There were originally 87 members and the joining fee was 1 guinea. The original minutes for the inaugural meeting held on 13 September 1925 are kept at the City Cabs office based at 2 Atholl Place, Edinburgh. As Les Mcvay, the City Cabs Company Secretary put it:

“In 1925 the Labour and TU movement was weak, so the original members, who wanted to control their own destiny, simply took control of their own lives.”

Both co-operatives, as well as the third operator, Singapore owned Com Cabs, work closely with Unite to negotiate with the City Council over rates and licence conditions. The number of licensed cabs is strictly regulated in Edinburgh, and has been so for a long time, apart from a period between 1985 and 1995. Consequently, hackney cab plate⁵⁴ numbers are limited, and are only transferable for a cost of £30,000. This ensures that all owners have made a serious financial commitment and are therefore willing to invest in their vehicles as well.

The **Green Taxi Cooperative**⁵⁵ in Denver, is a co-operative that is fully unionised. Founded in response to the “Uberisation” of the taxi market in Denver, this co-operative quickly recaptured the ground lost by traditional taxi companies. Only one year after its creation, Green Taxi Cooperative had 800 drivers, from 37 different nationalities. With a market share of 37 per cent, Green Taxi is now the biggest taxi company in the city, and they are the second largest worker co-operative in the United States. Jason Wiener, lawyer for Green Taxi said:

“These monopolies rig the game for their own benefit. On the other hand, the choice between a monopoly and Uber, who has very little interest in securing the passenger or sustainably supporting the driver, between that is a huge opportunity and that’s where Green Taxi fits in.”

Worker-owned taxi co-operatives already had a foothold in Colorado. **Union Taxi**⁵⁶ of Denver, founded in 2008, already had 264 drivers. But

as driver advocates and organisers looked for ways to reach a scale that can compete with Uber and Lyft (according to estimates, there are approximately seven times more Uber drivers on the streets of Denver than regulated taxis) they ran up against a regulatory roadblock: transportation licensing laws in Colorado made it easier to form a new worker-owned firm rather than to submit applications to expand Union Taxi.

With this in mind, a new organisation made up of 800 driver-owners from 37 countries formed in the summer of 2014, when a diverse group of hundreds of taxi drivers banded together with an idea to start a just and sustainable business that they could call their own. Thus, the Green Taxi Cooperative of Denver was born.

Since then, with the unwavering support of Communications Workers of America Local 7777 (CWA),⁵⁷ the same union that in 2008 helped incubate Denver's Union Taxi, the co-operative embarked on the journey to launch their new business. According to attorney Jason Wiener, who has worked with the organisation to help it through the lengthy licensing application process:

“CWA provided political leadership, lobbying, and outreach to change a key law blocking Green Taxi Cooperative from obtaining a license. The union went beyond just serving as an incubator, becoming an essential component of the co-operative's development and allowing them to expedite the licensing process from a trajectory of several years to just 10 months. This support complements the determination and strength of the co-operative's internal leadership.”

The leadership and board of the co-operative is made up entirely of immigrant drivers from East Africa and Morocco.

The current president of the co-operative, Abdi Buni, was one of the co-founders of Union Taxi and has been a transportation advocate and organiser for years. He not only worked to help create both Union Taxis and Green Taxi Co-operative, he's also helped to unionise other non co-operative taxi companies. In 2006, Buni led a successful campaign to win CWA representation for himself and 260 other taxi drivers at Denver airport. The owner, a French-owned multinational, Veolia, used its control over SuperShuttle's 94 drivers, mostly African immigrants, to squeeze them of nearly every dollar. As Buni has described the challenge:

“We came to America for opportunity and to escape oppression, that’s why I am helping SuperShuttle drivers at Denver International Airport get a union like I did.”

Green Taxi Cooperative has an exemplary set of practices that ensure ownership is distributed among the drivers in true co-operative fashion. Other taxi co-operatives across the country have thrived in the past by following these tenets. Among them is **Union Cab** of Madison, Wisconsin.⁵⁸ On October 29, 1979, they opened for business, with 11 new cabs. It came out of unionisation struggles in Yellow Cabs, which eventually closed down, then Checker Cabs, which was also closed, with the support of the Wisconsin General and Industrial Worker’s Union (WIGIWU), Local 10-4.

Michael Peck of the 1Worker1Vote.com campaign in the USA has confirmed that further work on replicating the Green Taxi model is also underway in Philadelphia, Boston, Baltimore, New York and San Francisco.

Using the law

In the wake of protests, Uber has been banned in Hungary and Bulgaria. In Italy the courts have ruled the Uber app to be unfair competition.⁵⁹ An appeal court lifted the ban but only for the Uber Black service that uses fully licensed professional drivers. The standard Uber X service and the Uber Pop app for unlicensed drivers have both been made illegal.

Unions in the USA are also pursuing legal cases to support drivers. Following lobbying by the SEIU and the Teamsters, in December 2015, the Seattle City Council passed an Ordinance (local byelaw) setting up a process whereby drivers would be represented by the unions.⁶⁰ The law cleverly gets around federal law, which forbids independent contractors such as Uber and Lyft drivers from legally organising or joining a labour union, by allowing non-profit organisations to organise these workers, rather than trade unions. It is a legally bold strategy that, naturally enough, Uber and its allies are challenging. The law has not yet come into effect, so it is not possible to evaluate its effectiveness and, so far, no other city has copied this strategy.

This Ordinance allows the SEIU and the Teamsters Local 117 to represent all the drivers, giving them the power to negotiate with Uber and Lyft, as well as the taxicab and private hire companies over the

terms and conditions of all cab drivers' work (including when they choose to work, the area they operate, required background checks, etc).

In the UK a cycle courier working for the delivery firm CitySprint has won the right to paid holidays and minimum pay in a key ruling on the gig economy.⁶¹

The central London employment tribunal ruled that CitySprint had unlawfully failed to award holiday pay to Mags Dewhurst and had wrongly classed her as a self-employed freelancer. CitySprint, which has 3,500 self-employed couriers in the UK, could now face further claims.

Judge Joanna Wade described CitySprint's contractual arrangements as contorted, indecipherable and window-dressing. Jason Moyer-Lee, the head of the Independent Workers Union of Great Britain (IWGB), which is backing cases against courier firms including Addison Lee, eCourier and Excel, has said the CitySprint tribunal would act as a test case. The other hearings are due in March and April.

Using technology

Green Taxi Co-operative uses an app, as do other taxi co-operatives. Most use apps that can be tailored for their own use and branded up with the cooperative's own logo and colour scheme.

There is a thriving market in these tailored apps, and examples include Cordic, used by both Central Taxis and City Cabs in Edinburgh, Cabgo which has been developed by Paul McCormack of Phoenix Taxis co-operative in Liverpool, AutoCab used by Green Taxi Cooperative in Denver, whilst Union Taxi Cooperative in Denver have developed their own. All of them are available on both Apple and Android, and can be downloaded for free.

Our understanding, talking to app developers, is that it would be technically straightforward for a co-operative or trade union to licence an off-the-shelf app like the ones listed, and set it up to work across the entire UK. All it needs is for the co-operatives or unions to work together to broker a contract for such a system across the co-operatives/companies, and by licensing in this way; the upfront costs would be modest. Alternatively a custom designed app would cost somewhere between £30,000 and £50,000 depending on specification.

London cabbies get organised

But some hackney drivers have already taken it one step further. Sean Paul Day became a black cab driver 18 years ago, and he has helped to establish a co-operative to operate a black cab only app in London. Taxiapp Ltd was established as a “not for profit co-op” in July 2016, and has developed its own app, Taxiapp⁶² for both Android and iPhones. It only works with fully licensed black cab drivers, all of whom have, of course, taken the “knowledge”, and has been created for them by Multi Brains LLC, an Estonian based taxi app developer.

Taxiapp Ltd is 100% owned by London black cab drivers, with no outside shareholders or investors. It allows passengers to book and pay like they would through Uber, but rather than a fixed price that can be subject to huge surges, the fare is always decided by the meter.

Taxiapp provides a better deal for cabbies. Unlike Uber which deducts approximately 25 per cent of the fare in commission, Taxiapp simply charges drivers a flat fee of £20 per month, plus a credit card fee only if the fare is paid by the app, and many are still of course paid in cash.

Unlike Uber, it is built on transparency and promotes fair economic growth and will be relaunched in October 2017 with a new feature to protect the ritual of hailing a cab. Users will be able to see on the app how many black cabs are waiting at a rank or on the street nearby, so they can go out and hail a cab, without the need to pre-book.

One reviewer on the iTunes download website⁶³ says:

“The best app for taxis around London! I was using uber but after a few drivers making me feel uncomfortable I decided to give this a try. Cut my journey time by around 30% really happy!”

Transport for London have recently (22 September 2017) rescinded Uber’s licence to operate in London, although they won’t disappear off the streets for some time as they have already announced they will appeal. Sean Paul Day, Taxiapp London founding member, said of this decision:

“Today’s decision proves that our laws have to be respected and that London’s private hire industry should not be dominated by multinational companies. This is a crucial time for tech start-ups like Taxiapp, who continue to prove more self-sufficient, having been able to survey the horizon and grow in a more sustainable way that puts both drivers and passengers at the forefront.”

Most other self-employed workers could benefit from the support that comes through union membership, and the GMB is one of the unions actively working on strategies to recruit them. They have developed an internal policy paper, and an active internal group started by Martin Smith, their National Organiser.

“The overall effect of Austerity, Automation and Precarious work is of two emerging types of jobs in an ‘hourglass’ economy. Above there is a shrinking ‘core’ group with standard 40 hour a week contracts, often working well over 50 hours a week, with residual pensions, and set hourly pay. And below is a second growing group where technology creates an on demand working culture dominated by their smart phone, of precarious, low paid, zero hours, tiny hours, agency, and self-employed jobs.”

The GMB has looked at the Musicians’ Union’s work on music teachers’ cooperatives⁶⁴ and also the actors’ co-operatives supported by Actors Equity and organised through the Co-operative Personnel Management Association⁶⁵ which Equity helped to set-up.

GMB staff have been actively working with Deliveroo riders, amongst others, to establish what they need from a trade union, and are feeding this back into their policy development process. They see a role for co-operatives to work in partnership with unions, providing an enhanced range of services tailored to the different needs of the self-employed.

They are looking at entirely new ways of communicating and organising in the virtual electronic world that is increasingly being used to direct and control the often ‘remote’ workforce. This makes them difficult to recruit in the traditional way, as their workplace is not in one physical place — they are physically distributed, but connected electronically to their work. In particular the GMB see social care, NHS bank staff and transport as key areas where they could actively recruit the self-employed precariat who are working in the platform economy. According to Kevin Brandstatter, the current National Organiser:

“We have been recruiting the self-employed for a good ten years, but have only really identified them and targeted them as a key group recently.

Asking what they need is the first stage, from which we will build new services as part of our key package which is available to all members.”

The GMB is also now identifying which of its members are self-employed, and have commissioned their own research into the needs



of the precariat, as well as studying research by German and Australian trade unions, and the Greater London Assembly.

3. Freelancer Co-operatives to Secure Worker Rights

These are co-operatives, whose membership is normally exclusively self-employed, and which supply a range of back office services to their members. These members will mostly be independent, lone entrepreneurs, who find their own work and contract with a whole variety of different firms and/or individuals. However, some may also be self-employed people who are workers and who exclusively contract with one firm, such as Deliveroo or Uber drivers.

The services they supply include accountancy, tax affairs, professional insurance, access to finance and debt management. Some also provide a degree of representation, and some are sector specific.

An example of a more narrowly focused, trade specific, organisation is the Medical Protection Society (MPS):⁶⁶

“In the 1880s, a number of high profile negligence and criminal cases had made the headlines, and it became clear that individual doctors did not have the resources to defend themselves in these cases. The MPS was founded in 1892 as the London and Counties Medical Protection Society, and within two years it had recruited more than 1,000 members. It now operates worldwide and has 290,000 members. It concentrates solely on offering insurance cover and legal defence to its members, and maintaining a strict code of conduct.”

The MPS offers no other services to its members as most are highly paid and can arrange their other needs themselves.

The precariat, however, lack such resources, and need many other services in addition. These include support with bookkeeping, accountancy, legal and technical advice, health and safety, contract law, VAT and other taxation. In addition they need some form of collective bargaining representation, as well as a collegiate sense to overcome their isolation. This support will become even more important when the changes to self-assessment are phased in. This will require the self-employed to file accounts and pay their tax quarterly.

Examples of more wide ranging organisations that meet their needs include the Association of Independent Professionals and the Self-

Employed⁶⁷ (IPSE), which started life as the Professional Contractors Group (PCG) in May 1999, and changed its name in 2014 in recognition of its diversifying membership.

PCG was formed to provide independent contractors and consultants with a representative voice in opposition to the original IR35⁶⁸ proposals. Since then, they have evolved from being a single-issue campaign group to a fully-fledged, not-for-profit professional body, which is the largest association of independent professionals in the EU.

IPSE now represents 21,000 freelancers, contractors and consultants from every sector of the economy and it is their stated ambition to become the voice for the 4.6 million self-employed people across the UK. It offers a range of services through discounting arrangements with partner companies, including online bookkeeping, accountancy, professional insurance, IT and Web services, IR 35 contract advice, access to serviced workspace, etc.

Even more comprehensive services for the precariat have been developed in mainland Europe.

The **Cooperatives d'Activités et d'Emploi** (CAE) model in France is one example and known as a business and employment co-operative (BEC) as, through the co-operative which acts as an umbrella company, freelancers secure worker rights. This type of organisation is well developed nationally, with specific legal and policy initiatives designed to support BECs. They operate across France, and a specific legal form of co-operative has been created, a Société Coopérative d'Intérêt Collectif (SCIC)⁶⁹ which has helped to encourage the development of CAE organisations.

There are now 74 CAEs 'employing' over 7,000 individual entrepreneurs, and they are brought together in the organisation Coopérer pour Entreprendre.⁷⁰

The CAEs offer a system of 'employment' to effectively self-employed individuals, so that their social security status, and therefore access to benefits are maintained at the same level as a conventional employee. They do this by paying a salary to the individual member based on their earnings, which they have to find themselves. The CAE therefore deducts and pays the French equivalent of PAYE and NI on their behalf.

New members, many of whom were previously unemployed, start with a period of training, which can include obtaining the necessary

‘agrément’.⁷¹ They then have an allocated business coach who stays with them throughout the period they remain as members. Other benefits include a salary smoothing arrangement so they can manage their private budgets more easily, debt collection and underwriting, professional insurance and accountancy assistance. For this they have to pay 10 per cent of gross earnings to the CAE, of which they are full voting members.

Because of the work done with the unemployed, most CAEs receive some degree of sponsorship from local and regional Government funds, and many also receive support from Pôle Emploi (the French Employment Service), the co-operative movement and EU funds.

Société Mutuelle d’Artistes (SMart)

A much larger, but essentially similar scheme operates in Belgium.

SMart (Société Mutuelle d’Artistes), was formed in 1998 to enable artists, technicians and intermittent workers to face the administrative complexity of the arts sector in Belgium. It was born under the leadership of Pierre Burnotte and Julek Jurowicz. Burnotte describes well their motivation:

“I have been a concert promoter for a long time. Out of respect for the work of artists that I invited, I wanted to pay them properly. Although it was not large sums, back then it was easier to settle up in cash rather than following the rules ...

Most could not live on their art and besides; they did not know how to declare occasional income ... Artists have been sanctioned or excluded from unemployment benefit for exhibiting paintings or a playing a concert. Artists didn’t know much about their rights and duties while the Government administration, trade unions or social security knew very little of the peculiarities of this medium.”

Based on their experience, the two partners started SMart, the association to manage the administrative aspects of musicians’ business, and then gradually brought in other categories of artists. But to do this manually is tedious administrative work and far too much for one person. They realised that the viable solution was to design an IT system capable of handling larger numbers of people, drawing on the economies of scale and the pooling of interests.

How SMart works

SMart has produced a system to give the precarious, intermittent workers who manage their own career paths in direct contact with customers or outsourcers, access to the salaried legal status. Sandrino Graceffa of SMart Belgium describes the power of a co-operative solution.⁷²

“Uber workers are proletarians who do what the platform asks them to do. They are not free to choose the client, the contract, etc and at the same time the platform is managed to make them think they are autonomous workers so that they do not pay the totality of the labour costs. In this way subordinate workers are transformed into freelance workers. In SMart Be, we do exactly the opposite, workers keep a high level of autonomy and they acquire the status of salaried workers.”

It offers workers the opportunity to build or preserve their social rights by allowing them to obtain the benefits usually reserved for employees (such as for example access to unemployment benefit).⁷³

The Contract

The **Contract** is the oldest of the online tools SMart has developed to enable individual members to manage their businesses. It does this by the simple mechanism of converting their own self-motivated, self-controlled earnings into a salary. By doing this it allows the individual to operate what is in effect his or her own cost centre within a larger co-operative accounts system. They have online access to their own space in the system, within which they post their contracts, and send out order forms. These are converted into invoices that are sent out in the name of SMart on their behalf, and SMart chases and collects the payment. This is then converted to a payment to them via the equivalent of a PAYE employment system. They are salaried, but not employed in the normal sense. They have a sort of “zero hours contract” but they control their hours and therefore, what they get paid.

The member can also chose to smooth their “salary” over the year based on anticipated income, so that they get paid a set amount each month, making their personal financial affairs easier to manage.

Since 2001, SMart has guaranteed payment for all work invoiced through the system, underwritten by mutual funds built up within the organisation. Thus, members are paid within 7 days, and don’t have to worry about defaulters.

This has not been without its difficulties. SMart recruited many hundreds of “Take Eat Easy” cycle couriers and were involved in negotiations with the company, helping to secure an agreement to pay the couriers per shift, rather than per delivery, just as “Deliveroo” do. However, in July 2016 “Take Eat Easy” went into bankruptcy, partly as a result of competition from Deliveroo, and SMart’s guarantee fund lost out to the tune of €340,000. This was a financial shock to SMart, but one that it is able to weather, having built adequate reserves over time.

SMart also provides members with professional liability, accident at work, and mobility insurances, which comes as part of the package. One contract through the system per year is enough to ensure coverage by SMart’s insurance all year.

SMart charges a levy of 6.5 per cent to cover the development of mutualised services in Belgium (although this varies between 6.5 per cent and 8.5 per cent depending on which country the member operates in).

SMart has continued to innovate. The **Production Associates**⁷⁴ tool was introduced on 1 January 2015 to replace the original software that operates the Contract.⁷⁵ This is a new ‘3 in 1’ online tool to charge for work for a client. Every member has access online 24/7 to a personal space to run his or her affairs.

SMart also offers an online **Budgetary Tool** that helps the member to manage projects effectively by costing purchases and expenses, calculating cash flows, and identifying any technical and regulatory requirements.

Les Activities management tool

The new **Les Activities** management tool allows members to manage a budget dedicated to their project without having to create a company, society or association. They do this within SMart, which provides all the services they need.

It allows working with a group of associates in a non-hierarchical way, paying all costs and salaries, as well as the repayment of a wide range of professional fees, the receipt and management of public subsidies, and billing for copyright fees, any other costs, or the sale of works of art.

The share of SMart’s business taken by the SMart Activities model has grown steadily. For the first time in 2014, the amounts charged for **Activities** exceeded those for **Contracts**. This change, which is even

more evident in 2015, shows that SMart is becoming increasingly a shared enterprise, in which the members are likely to develop all of their professional projects through the **Activities** model.

Shared workspaces

Since its inception, SMart has had the will to help creatives professionalise. For a number of years now it has rented out shared workspace. Its first premises at Rue Emile Féron in the Saint-Gilles district of Brussels have expanded through the acquisition of adjoining properties including the Brussels Art Factory.

Other centres have been opened across Belgium at:

- LaVallée (Molenbeek)

- Le Centre de Création des Tanneurs (Liège)

- L'ancienne Brasserie Haecht (Liège)

- Espaces Mutualisés Vivegnis (Liège)

- Centre de Création des Belneux (Mons)

These are a mixture of freehold and leasehold properties, but all are let to artists and creatives on similar, all-inclusive terms.

Unions and co-operatives working together

A newly emerging trend is for established trade unions to not only consider the needs of the self-employed precariat, but to partner with other organisations, especially co-operatives, to supply the needs of the self-employed.

IndyCube⁷⁶ is a Wales based supplier and developer of shared workspace, established in 2010 as a Community Interest Company; recently converted into a not-for-profit co-operative. They have established 28 locations across Wales and have now opened their first in England.

IndyCube is working closely with Community trade union and have recently launched a joint venture.⁷⁷ This will lead to further growth

and a strong partnership offer of membership of the union and the co-operative, combining access to workspace, together with the range of services offered by Community. Mark Hooper, co-founder of IndyCube, sums up the joint strategy:

“We see this as the way to grow with Community’s resources, capacity and knowledge, and the plan provides an opportunity for third party representation of our self-employed members.”

Community⁷⁸ has been developing a range of services for the self-employed over the past two years, and are now able to offer specific commercial contract advice from its legal helpline, as well as tax and VAT, health & safety responsibilities, insurance, pensions and employment law advice. They plan, through further partnerships with other self-employed organisations, to offer a range of other services shortly, including assistance with discounted professional insurance, bookkeeping and accountancy. In the view of John Park, Assistant General Secretary of Community, the partnership with IndyCube provides superb synergy:

“Given the expected rise in self-employment, it is clear that the minimum level of social protection is not sufficient for either the individuals or the wider economy — particularly for those with insecure working arrangements in the gig economy.

In the USA, the Freelancers Union has established itself by providing a range of work-related packages, which support self-employed workers, both in and out of work such as health, disability and life insurance.

We see this partnership, in which we will make a substantial investment, will bring about a sea change in terms of membership, offering a collegiate environment, protection and representation.”

As most of IndyCube’s membership is at present from the creative industries, its shared workspace is office based. This new partnership will not only see the development of workspace within Community’s own properties, but also the creation of shared co-making spaces, with access to shared tools and workshop space for trades people to use. Community is investing considerable funds in this new approach, which will also include the deployment of a number of union advocates to recruit new self-employed members.

They plan further research to examine the possibility of a CAE or SMart type online management system for their self-employed members.

John Park of Community regards this as a core service that the trade union can provide:

“The recent report from the Federation of Small Businesses (FSB)⁷⁹ shows that the self-employed and small and medium enterprises (SMEs) are generally the last to be paid. We shall be working on a digital platform to offer a range of services, include the factoring of debts to ensure our members are paid on time.”

4. Co-operative Employment Partnerships — Education Sector

“A co-operative gives you teeth. As a teacher, you are not at the mercy of an Agency. You can collaborate with your colleagues and your union and you can be empowered.” (Musicians’ Union officer)

In the UK a commitment to a large public sector has secured, until recently, stable employment for most workers, including peripatetic and classroom based teachers employed by local authorities, and those working in post-16 provision. Now a constellation of factors, the academisation of schools, the so called austerity agenda in the light of the 2008 global crisis and an ideological shift to privatisation and marketisation have coalesced into an increasingly precarious situation for education workers across the sector from pre-school to higher education.⁸⁰

This section of the report discusses how a number of education trade unions have begun to think about alternative solutions for decent work and high quality educational provision in a radically changing environment — despite their on-going commitment to public education and national collective bargaining. Initiatives include exploring co-operative higher education; developing union agreements with co-operative schools; reflecting on the setup of unionised co-operatives for self-employed teachers and investigating an apps based platform approach to lessen the exploitation of supply teachers.

Higher education

Although those working in Higher Education (HE) are not normally considered to be low paid or part of the precariat, the facts paint a very different picture. According to the TUC over 20 per cent of those working across education in the UK are on temporary contracts⁸¹ and a recent survey report from the University and College Union (UCU) revealed that 46 per cent of universities and 60 per cent of colleges use zero hours contracts to deliver teaching. Additionally over 65 per cent of research staff in universities are on fixed term contracts, with many more dependent on short-term funding for continued employment.⁸²

A *Guardian* front page article headlined: *University Staff Contracts Like 'Sports Direct'* described how so called elite universities are the worst offenders.⁸³ Three-fifths (59 per cent) of academics at the research-intensive Russell Group universities are employed on insecure contracts, compared to an average of 53 per cent across UK higher education. The UCU report further found that almost a fifth (17 per cent) of university staff on insecure contracts said that they struggled to pay for food and a third, (34 per cent), to pay rent or make mortgage repayments. A similar number (36 per cent) said that they struggled to pay household bills like fuel, electricity, water and repairs.

UCU argues that as students take on record levels of debt, universities should make public how many staff they employ on insecure contracts and how much teaching is undertaken by non-permanent staff or postgraduate students. These deteriorating terms and conditions are often compounded by hierarchical, corporate cultures which constrain university workers from 'speaking out' alongside approaches to research and education which prioritise narrow, 'over measured', processes and targets.

New legislation, in the form of the 2017 Higher Education Research Bill, will enable new private providers to fast track to degree-awarding powers which risks exposing students to low-quality educational experiences at great personal expense. It will also make it easier for profit-making organisations to move into the market primarily for financial gain, which could see a repeat of the recent scandals at private colleges in the US and the UK.

However this 'assault' on Higher Education is also resulting in a spike of interest in co-operative models of public higher education. This interest comes from academics, students, education unions and administrators who find themselves redundant through continuous restructuring, in precarious work, or deeply in debt. What is more whilst committed to public higher education and the existing university system, many increasingly see the co-operative model of collective ownership and co-operative governance and finance not simply as 'second best' but rather as a way of opening up possibilities for radically rethinking higher education and its relation to the future of work. For many educators and trade unionists a co-operative university offers an opportunity to reimagine meaningful learning, teaching and research and has the potential for new ways of working.

The federated **Mondragon University** in Spain for example demonstrates the possibility of a different way of governing and

delivering higher education.⁸⁴ **Students for Co-operation** in the UK have initiated housing co-operatives in order to militate against high rents⁸⁵ and the **Social Science Centres** in Lincoln and Manchester⁸⁶ are co-operatively organised. A group of unionised academics and researchers are looking to establish workers' co-operatives in the UK. All are working with the Co-operative College and Co-operatives UK in Manchester to explore how a unionised, values driven, public, co-operative, higher education model might be formed which accommodates diverse educational approaches and tackles precarious work. The arrival of MOOCs and similar tech innovations has also resulted in a growth in alternative, progressive, higher education initiatives and sharply challenge the old higher education order. Whilst post-16 education trade unions must continue the fight against the worsening terms and conditions of their members, it is clear that new models of democratic organisation where profits go to members and not shareholders, and where work is secure and meaningful, may now be given serious consideration.

Schools

For educators working in schools' precarity is multi-faceted and a number of interesting responses are emerging. Eroding terms and conditions through academisation or, as in the example of music teachers, the wholesale closure of local authority music services, has focused teacher and associated unions on alternative ways of supporting their members.

The UK 1988 Education Reform Act introduced by the Conservative Government made significant changes to the existing education system and fundamentally created a 'market', with schools competing with each other for 'customers' (pupils). Critically the Act enabled schools, if enough of their pupils' parents agreed, to opt out of local government control and become grant maintained, with funding received directly from central government.⁸⁷ The Academies Act, 2010, loosened the ties with local authorities further, giving schools a vastly increased autonomy over setting teachers' terms and conditions at a time when restrictive legislation had impacted powerfully on the agenda-setting role of unions. Thus educational reform has significantly undermined one of the primary roles of the education unions who traditionally acted as the conduit through which teachers' concerns about the conditions of teaching reached the attention of policy makers.⁸⁸

In response to academisation the Co-operative Group and Co-operative College, Manchester, established a co-operative school network and ultimately a Co-operative Trust Model, which developed governance, curriculum, pedagogy and culture informed by the ICA International Cooperative Values and Principles. Upward of 650 co-operative schools now exist within the UK. An early action was to co-produce, with trade unions, a formal agreement on teacher terms and conditions — the *National Agreement and Statement of Joint Principles* (2013) which was signed off by the Schools Co-operative Society, the Co-operative College, the TUC and the unions representing those working in schools: ATL, NASUWT, NUT, GMB, UNISON and Unite.

The agreement was concerned to ensure that employees who are transferred from local authority schools to new co-operative trusts and academies are TUPE'd⁸⁹ across to the new arrangements. The agreement made explicit reference to ILO Recommendation 193 which is concerned with the role of cooperatives in decent work. The mechanism for agreed working is a National Joint Forum which meets three times a year with an aim to producing national policies which can be implemented through awareness raising and training within schools. Model agreements can cover issues such as terms and conditions of employment; pay structures, pensions, employment policies and procedures, staff training and continuing professional development as well as trade union facility time issues. Overall, the document is concerned to seek a mutual agreement for decent work within co-operative schools though its actual implementation, in the experiences of the teaching unions, can be open to interpretation. Securing facility time for union activity for example is one issue which unions have to continuously ensure is complied with but⁹⁰ in principle, an agreement of this kind is fundamental to union/co-operative joint working and is a powerful 'decent work' instrument.

Despite such agreements however, the situation for teachers has worsened following recent changes to policies on classroom teaching qualifications. One of the reasons why education trade unions are so committed to defending existing terms and conditions is that two tier staffing arrangements in schools are increasingly commonplace. For some employees existing terms and conditions continue to apply but a second 'layer' of newly appointed staff can find themselves on less favourable pay and conditions, doing the same job, in the same workplace.⁹¹ The use of unqualified teachers in the classroom is also becoming commonplace.

Music co-operatives

It is likely that education trade unions will need to continue to build alliances between co-operatives and an increasingly precarious teaching workforce if the teaching profession remains under attack. However one trade union which is actively pursuing policies to challenge precarity in teaching is the Musicians' Union (MU). The wholesale redundancies that accompanied the closure of local authority music services has impacted hugely on the MU's membership, two-thirds of whom earn their living working in schools. Whilst some local authorities encouraged ex-employees to consider setting up co-operatives, the trend was to contract self-employed music teachers on zero-hours contracts thus downgrading teachers' employment protection and removing their obligation to cover pensions and National Insurance liabilities.

An early example of a co-operative response to local authority music service closure can be found in the launch of **Swindon Music Co-operative** in 1998 According to Swindon Borough's director of music at the time:

"We needed to find a solution that retained a sense of unity and common purpose while reducing the cost of provision and a co-op was an ideal solution."

The MU was active in supporting the formation of the co-operative and Swindon Music Co-operative is now the main provider of instrumental and vocal tuition in over 70 local schools with more than 50 self-employed specialist music teachers.⁹²

Music co-operatives are what are termed consortia co-operatives (a legal entity in the form of a limited company) which provide a range of services to associations of self-employed traders, freelancers or small independent businesses. Members own and control the company (in line with its Articles of Association) and elect a Board of Directors who oversee the day to day running of the co-operative. The co-operative charges a fixed fee for an hour of the teacher's time to local authorities or parents, and a small percentage of the hourly rate is paid back into the co-operative, typically £2.00 to cover its costs and employ support. The co-operative ensures that all of the teachers have enhanced clearance from the DBS, get regular feedback from schools and clients, have a collectively agreed position on quality and have access to regular continuing professional development.

In 2013 the MU contacted Co-operatives UK to discuss furthering its commitment to finding co-operative solutions for members and a new jointly produced guide (*Altogether Now*, 2015)⁹³ provides teachers with advice on setting up a co-operative. The MU has additionally published supporting documentation for music co-operatives in the form of templates of legal documents.

A total of 8 music co-operatives are now in existence and the model appears to be both resilient and thriving.

The experience of those MU members in co-operatives interviewed for this report has been a positive one. One explained why, under threat of redundancy in 2015, she and her colleagues considered a co-operative model:

“What we were really concerned about was to stay together as a group. Although we are peripatetic, we are a team and rather than going off and being sole traders we wanted to keep the group dynamic. We are now a professional organisation that has a professional feeling. So our main need was preserving some kind of togetherness without the loneliness or isolation of being a sole trader.”

This music co-operative has been fortunate in being able to make a relatively smooth transition in its trading relationships so that it has been able to reengage with previous local authority employers and parents. However four additional strengths of the co-operative model were identified in our interviews.

First has been the fact that the co-operative is union organised (though not all members of the co-operative are MU members) and that union membership has been hugely beneficial to the co-operatives, as one member explains:

“On deciding to become a co-operative the first thing we had to think about was the legal side of things and we went straight to the MU for that. The union paid for all of the legal documents and policy developments and they have been incredibly encouraging. Working through the union gave us a huge confidence. I feel a very close connection with the MU. I just know we couldn't have done this without them. The support and advice and legal guidance and the help on things like public liability insurance are invaluable. I think we could have imploded without the union intervention.”

Despite the self-employed status of co-operative members, belonging to the union also helps gives members confidence about how to secure (as far as possible) decent terms and conditions:

“The union publishes guidelines about what you should charge, though they don’t impose an hourly professional rate. You do feel stronger as a co-operative. I think that I would always bring the union in if there was a crisis situation, child protection issues, data issues, that’s when I would bring the union in. It gives you so much confidence to know you have the union behind you.”

The second valuable aspect of being in a co-operative is the teachers’ ability to share a ‘central service’ in the form of an employed administrator for a number of hours a week. This administrator takes and manages enquiries for work, issues invoices and manages payments to co-operative members:

“My interest is in music and teaching. If I was self-employed and not in a co-operative I would have to negotiate work on my own and manage my books and all the legal stuff. It is fantastic to be able to have this support and expertise.”

The third factor is that there is now a cluster of music teacher co-operatives and a critical mass means mutually supportive relationships. For the Chairs and Directors of the new co-operatives, support is important:

“It’s very important for me if I need to call on other people’s support and expertise. I often talk to the Chairs of other co-operatives. I’m very conscious I’m not on my own when it’s such a new experience for me doing all of this. It’s great to call on people who know their way around.”

Finally the support of the union and the continuous co-operative collaboration with other music co-operatives helps the Chair and Board of Directors address challenges that co-operatives face — particularly around quality issues and passive membership:

“The main challenge of being a co-operative is as in being a sole trader, if there is reduction in demand for services, we are in trouble. We can only function if we strive for high quality among our 18 members and that is why continuing professional development is so important. The union helped us think through this.”

A number of co-operatives have tackled the quality issue by introducing peer reporting through peer observation schemes which members pay for. In the words of one member:

“Quality is so important. You got quality control with music services and if you are not good enough people will stop using the co-operative because of their expectations for the same rigour. The scheme we have introduced is non-threatening and based on supportive observation. It makes it easier to do this being a co-operative ... though we would have a responsibility at times to make difficult decisions about continuing membership.”

The issue of engaging an active membership does present the co-operatives with challenges. Whilst on the one hand “Our role is not to generate more work for colleagues” on the other, in the words of one Chair:

“We want to be as democratic as possible. But some members are active, others are much more passive. Some have just carried on as before and look at us as if we are managers. If we ask: What do you want to do for professional development? They might come to the training but not necessarily propose anything.”

Engaging teachers in the co-operative model has proved challenging in some cases for the MU too. In the words of one MU officer:

“It’s a challenge because you have to encourage teachers to think out of the box. They were very much protected under local authority employment. You have to empower teachers to shape their own destiny and encourage entrepreneurship. You need to get teachers asking: ‘if we only do teaching 36 weeks a year, what do we do the rest of the time?’ We would say, ‘collaborate to run additional activities, summer schools etc.’”

Another MU spokesperson described how stimulating local co-operative leadership is a priority:

“You need someone with enthusiasm and the relevant skills to establish the co-operative. It needs a bold and brave leadership and the members of the co-operatives have to be willing to ‘give a bit extra’ to make the enterprise work.”

One co-operative Chair however describes how rather than it being a burden, the process of developing the co-operative has been stimulating and empowering:

“Yes, it does need more involvement. But I have acquired so many new skills. It feels really good to have worked with others to develop this cooperative. I don’t mind the extra few hours; in fact I look forward to it. I feel we have really built something that helps us all.”

The support for the formation of music co-operatives by the MU is both pragmatic and visionary. It also acknowledges the changing nature of work and labour market change. Originally, according to one MU officer:

“We just didn’t want teachers working in competition, driving down terms and conditions. We wanted to help teachers face reality.”

By helping to organise self-employed teachers in a way that challenges a ‘race to the bottom’ for members, the union is doing its best to enable members to collectively negotiate with schools but they are also boosting their retention figures. However the MU is also realistic and acknowledges that the current political climate means that only a relatively small number of music teachers have been able to uphold their previous employment terms and conditions:

“At Swindon we aimed to charge full costs with a £14 recharge and significant charge to the Music Service — teachers were exposed to the market and the Swindon co-operative began haemorrhaging members. It was a race to bottom as local authorities brokered deals with individual teachers.”

Ideally the MU would like to see a National Association of Music Cooperatives develop to enable “Unions to step back and help co-operatives become self-responsible”. At present however there is a growing interest in the model and the MU will continue to explore co-operation as a fundamental and practical response to precarity. In the words of John Smith, the MU’s General Secretary:

“... the MU is not promoting self-employment over direct employment. Nothing can compare to the certainty and protection employment offers. Instead, the MU is promoting work over unemployment, unity over division. Co-operatives enable teachers to continue working together in an environment that values every contribution, and encourages the sharing of expertise. Co-operatives empower teachers with greater control over their own working lives — they are a progressive option and provide a sense of purpose and unity.”

Supply teachers

But what about other teachers? How useful might the co-operative model be to those who find themselves operating as supply teachers, possibly through choice, but certainly in an increasingly competitive market? Whilst it needs to be recognised that music teachers have

particular employment characteristics which may help the process of setting up co-operatives, for example many are already familiar with providing their services as self-employed teachers in schools, might the teacher led, union organised music co-operative approach have relevance for other classroom supply teachers who are currently experiencing increasingly disadvantageous employment relations?

Historically all supply teachers were employed directly by local authorities in local authority supply teacher pools or, on an ad hoc basis, directly by schools maintained by the local authority.

Where teachers are directly employed by schools maintained by the local authority, (community schools, foundation schools, foundation trusts, voluntary aided schools) they are employed on national pay and conditions set out in the School Teachers' Pay & Conditions Document (STPCD). This model does not, however, apply in the increasing number of academies and free schools, which can set their own pay rates. And, in any case, local authority supply pools have largely died out and been replaced by supply teacher agencies.

Supply teacher agencies assign teachers to a school and operate as the 'hirer' paying less than the national pay rates and at locally agreed rates. In this case the agency is the 'employer' and it deducts tax and NI at source as well as deducting fees for its service. Over 65 per cent of all supply teachers now go through an agency and such agencies are making huge profits at the expense of the tax payer.

A recent NUT survey (2016) reported that although 25 per cent of supply teachers say they are still employed directly in schools, this figure is falling dramatically. Only 10 per cent of agency-employed respondents were paid according to the STPCD. Supply teacher therefore find their terms and conditions continuously undercut as 65 per cent now work in academies and free schools and/or through supply teacher agencies.

A further complication is the growth of the 'umbrella company', which is separate to the agency. These have come about due to changes in taxation law. They act as the employer and manage the invoicing, deduct tax, NI and other contributions, and pay the teacher's wages. The NUT survey showed that over 42 per cent of NUT affiliated supply teachers were employed through these means. A final route for supply teacher employment is through introduction agencies whereby the agency signposts teachers to relevant schools, charges a fee, and the school is then responsible for pay and tax.

Where there are teacher shortages, cuts in school expenditure and so many teachers are on extended sick leave, there is high demand for supply teachers. The UK now employs 40,000 supply teachers in its school workforce, costing schools and the tax-payer over £900 million each year.⁹⁴ Many supply teachers are employed for long periods and cover every aspect of the work of the permanent teacher — marking, planning and assessment — whilst earning roughly £200 per week less.

One interview with a senior union officer described a further problem; non-qualified support staff called “cover supervisors” are increasingly used by schools in an effort to save money and to avoid committing to pension arrangements. Teachers have to be in direct employment to be part of the Teachers’ Pension Scheme (TPS) and if they are placed in a school through an agency, they are unable to participate in the scheme — even if they are contracted to teach in a school for a full term.

The response of one education union has been to look at a platform solution (an apps based register model) developed by the Northern Ireland Education Service. The aim of the scheme is to remove agencies from the employment relationship. Currently agencies liaise with schools but this new software allows teachers to register with the Service and have their references and DBS (CRB) checks conducted. Schools are then able to log in, submit their requirements and generate a list of suitable teachers. There is now a proliferation of commercial supply teacher apps (eg TeacherIn which is currently launching in the UK). There is a good case for the co-operative movement to enter this space to encourage a co-operative approach in the use of the technology.

One concern for the teaching union however is that unlike in Northern Ireland, where there is a mandatory pay structure and portability of pay and conditions, many schools in England can set their own pay rates and others are now permitted to pay less to new appointees than they received in their previous school. In naming their price on registration, schools may attempt to bid the teacher down. However the system does exclude agencies from taking money out of schools and eliminates the finder’s fees demanded by introduction agencies.

The union officer interviewed for this report stresses that the union remains 100 per cent committed to direct contracted employment, statutory rates and access to the TPS. However he also acknowledged that union organised supply teacher co-operatives could be explored as a model. One possibility, he said, might be working with the co-

operative movement to initiate a scheme which the Union could be interested to support.

There have been very few attempts to set up Supply Teacher Co-operatives (STC) though Kim and Elizabeth Mathews did just that in South London in 2013. Although ill health caused the co-operative to fold after 3 years, (the vision was to have STCs all over London), they developed a multi-stakeholder model with 2 schools and 6 supply teachers who were self-employed and responsible for their own tax and National Insurance. Both schools and teachers were members, paying an annual fee to the co-operative.

The teachers were prompted to set up a STC because:

“We found that these private companies, totally unregulated, leapt into the breach once local authorities no longer co-ordinated or employed supply teachers. Their primary goal was making money and they could do what they wanted rather than being concerned about the teachers or the kids. They were skimming off as much public money as they could and public money raised by taxes wasn’t going where it should, into the classroom. Our aim was to get schools and teachers working together, with teachers getting a fair wage. When we started agencies charged schools £180-190 a day and paid teachers £120. With the co-op we took £8 per booking split between teacher and school to pay for admin as we ran a virtual office. We charged the smallest amount we could so as to function. Teachers, in turn, whilst not being ‘paid to scale’, were earning £155 per day from the co-operative rather than £120 per day through an agency. Although this was less than the daily rate negotiated by the union for a senior teacher, it was not far off one with 5 years’ experience.”

Kim and Elisabeth argue that the STC meant that schools would get high quality supply teachers at a lower daily rate but that the daily rate for supply teachers who were members of the co-operative was much higher than that of the agency, proving motivational for teachers in the classroom.

What is more Kim and Elisabeth believe that their business model is viable and was welcomed by both schools and teachers.

“The annual fee paid by schools could be recouped within 6 weeks if they employed co-operative supply teachers for two days a week.”

They did however identify a number of problems associated with sustaining a STC. Schools were bombarded by agencies, many of whom

offered significant perks to ensure buy-in and issues of quality or poor performance were difficult for a small co-operative to handle. Kim and Elisabeth also acknowledged that they were powerless to challenge the problem of pensions — as noted earlier, though they did have discussions with a number of MPs and education unions to explore if this could be resolved.

As trade union activists Kim and Elisabeth struggled to get union support for their idea. Whilst they understood that trade unions would be rightly concerned at the co-operative not paying to scale, in their experience, schools in recent years were tending to undercut the union daily rate anyway. In their view the co-operative model offers a further alternative for trade unions now that they are no longer in a national negotiating situation. Indeed they see the STC as an opportunity for the union, particularly if they are organised in cooperative schools:

“The important thing is that it is a way back in, it keeps people cooperating rather than in a race to the bottom and it keeps the money in the classroom, locally, rather than going to shareholders. The way to get teachers into the co-operatives was through the money, it was higher than with anyone else though not to scale.”

Kim and Elisabeth further believe that STCs should be supported by Cooperative Councils in partnership with trade unions:

“The unions should be targeting these councils, that would be a good way to go forward. You need to find your NUT heads or your NASUWT heads ideally in co-operative schools. Heads know that they have lost control of their budgets ... this is one ways of getting some control back — maybe in a co-op council with their supply teachers and union organised?”

Teaching unions understandably have reservations about co-operatives of teachers dealing with complex legal issues and also the entrepreneurial capacity of teachers to set up co-operatives. However whilst the union would not wish to set up co-operatives themselves and don't see the classroom teacher as having self-employed status in the immediate future, they do recognise that co-operatives, if union organised and in strong relationships with local authorities, may offer a compelling alternative model for teachers. The union also acknowledges that the unique selling point of teacher cooperatives is that they work to a clear set of principles and values, whilst at the same time potentially providing an effective and competitive offer.

For these reasons the music teachers' co-operative model may have traction, scalability and transferability 'down the line' should the supply teachers' situation worsen. It would be up to the co-operative movement and trade unions to work together to make this a viable model, which delivers decent work for teachers with Co-operative Councils being the most likely incubators for the STC model.

5. Unions and Social Co-operatives — Social Care Innovation

There is widespread agreement amongst politicians, the public and those working in health and social care that existing provision is not meeting the needs of a growing and ageing population. Every year the faults in the system become more glaringly evident. There is general agreement about the need for the integration of health and social care services but resources for this are elusive. How might this situation be resolved? Do we need to rethink radically how we organise health and adult social care and the role that trade unions and co-operatives might play in this redesign?

The crisis in adult social care

The crisis in social care has reached what a Care Quality Commission report described in October 2016 as a ‘tipping point’.⁹⁵ The King’s Fund and the Nuffield Trust, concluded:⁹⁶

“Under-investment in primary and community NHS services is undermining the policy objective of keeping people independent and out of residential care. The Care Act 2014 has created new demands and expectations but funding has not kept pace. Local authorities have little room to make further savings and most soon will be unable to meet basic statutory duties.”

From an economist’s perspective, this is a classic ‘scissor’ crisis with demand rising and public sector funding declining. The following factors help us to understand how this ‘tipping point’ has been arrived at:⁹⁷

Rising demand: The number of the over-85s increased by a third between 2006 and 2016. Moreover this elderly population will increase by 100 per cent by 2036. According to Age UK there has been a fall in people accessing care since 2006 with 1.2 million people who need services, not receiving them.

Funding: Age UK has calculated that annual government expenditure in real terms in England on social care has dropped by more than 20 per cent from £8.1 billion in 2005-6 to £6.3 billion in 2014-15. Former directors of social services estimate that £4.2 billion has been cut from local authority budgets in England over the past five years.⁹⁸

Workers in adult social care:⁹⁹ In 2016 there were 1.55 million jobs in the adult social care sector in England. 37 per cent of jobs were part time and the full time equivalent jobs for the sector were 1.11 million. The workforce has increased by 18 per cent since 2009 which reflects non-statutory funding coming from self-funders.¹⁰⁰ In terms of the employer, approximately 10 per cent of social care workers are in local government or the statutory sector, 20 per cent in the voluntary sector and 67 per cent in the private sector. Staff turnover rates annually across the sector are high at 27 per cent and have been rising since 2012. Mean hourly rates for care workers in 2016 were £7.46, for senior care workers £8.28 and for support and outreach workers £9.21. The sector is sharply gendered with 82 per cent of the workforce being female.

Pay and conditions: The social care sector is characterised by low-wage workers and a growing proportion are on zero hour contracts. Indeed 24 per cent of jobs were on zero-hour contracts but for home care the proportion was even higher — 49 per cent of all jobs. The rise in the minimum wage and the introduction of the National Living Wage will cost employers £2.3 billion a year by 2020 according to the calculations of the Resolution Foundation.

Home care contracts: UK Home Care Association estimate that the minimum hourly cost for providing a home carer's service, including all the overheads, was £16.70 in 2016 while the average rate paid by local authorities was £14.58 with seven councils paying under £12 — far less than the direct cost.

Residential care contracts: The National Care Association whose members operate smaller care homes report that local authority care contract rates per resident ranged in 2016 from £550 to £750 a week while the minimum rate required is £750.

Care home closures: The Care Quality Commission indicate that the number of care homes in England has fallen from 18,068 in September 2010 to 16,614 in July 2016.¹⁰¹ Over this same period the number of beds in care homes in England has fallen by 19,490.

Residential homes for the elderly in England have also been reducing in recent years from 13,681 to 11,991 — a reduction of 1,690 (a 12 per cent decline).¹⁰²

Care home insolvencies:¹⁰³ 380 care home businesses have been declared insolvent since 2010. Four Seasons, the largest care home provider with more than 400 residential facilities, reported a £264 million loss in 2015. This is only part of the picture as receiverships in the care home sector when lenders take over control of businesses are also rising. The insolvency agency, Opus, report that one third of all care homes (about 18,000 in the UK) are at risk because of poor financial health and 13 per cent are ‘zombie operators’ that pay more in interest costs servicing their debts than they make in profit.

Postcode lottery of care: The government’s approved 2 per cent precept in Council Tax to plug the hole for care raises more funds for areas of the country where residents are wealthier. Also care providers promote services to self-payers who often need to sell their homes to pay for their care. In effect the self-payers cross-subsidise services for those on council contracts but this does not apply in poorer districts of the country. Age UK points out that it is in lower income areas with less homeownership where care home closures are most severe.

Is funding the answer to the adult social care crisis?

The Dilnot report in 2011 assumed that with an ageing population, the core issue is the funding of adult social care. No doubt rising levels of funding will be needed but is this the only underlying problem?

In a recent 2016 CRESC report, *Where does the money go?* Researchers followed the ‘money trail’ and examined the influence that the large corporate sector in the residential care industry has on the pricing formulas accepted by local authorities.¹⁰⁴

Within the adult social care market the public sector pays for about 60 per cent of residential care places. In the 1990s the market was characterised by a huge number of small family size firms with typically one or two small care homes. Numerically these providers still account for the majority of care homes but as a proportion, their numbers are declining. It is expected that many of them will sell up, close or leave the industry during the next ten years. By contrast over 20 per cent of residential care provision is accounted for by five large firms with Four Seasons, the biggest, with 23,000 beds. These five are

redesigning provision by building new care homes — typically a 60 bed, two storey, hotel model with en-suite rooms. Their finance is provided by a combination of private equity, hedge fund, bank and consortia of individual investors who buy bonds.

While social care has traditionally been a low risk, low return business with operators seeking to sell on and make a larger profit at retirement based on rising land values, CRESC researchers show that the business model of the ‘big five’ is that used by private equity firms in high risk and high return circumstances like for tech start-ups or acquiring and turning round failing businesses.

This business model distorts the standard pricing benchmarking arrived at by local authorities — in particular in terms of the high returns on capital and assumed target profit rate demanded by the big private sector trade bodies. By contrast the researchers outline how by reducing profits and with local authorities building their own care homes using Public Works Loan Board money, the costs of care could be radically reduced. Currently the business model demands a ‘so-called’ fair price for residential care of £776 per week per adult but CRESC shows that this price could be reduced to £677 weekly.

The CRESC report shows that the social care industry argument that the providers need more money is only true if one assumes that other sources of low-cost finance cannot be deployed. Savings thus made on debt and interest could be otherwise used to pay carers better wages, enhance their skills and improve overall the quality and the accessibility of services. To do so local authorities would have to overcome HM Treasury’s opposition to public investment in housing and infrastructure and other barriers such as EU state aid rules. A National Investment Bank as Labour has proposed could be a solution but in lieu of this, CRESC observes that local authority pension fund investments are earning no more than a 5 per cent net return (interest and capital gain) annually. For a low risk investment like the building of care homes this could be a solution.

The present business model, as CRESC argues, creates ‘moral hazard’ with debt based financial engineering methods developed by private equity firms that own three of the largest five UK care providers and fully expecting to be rewarded with higher prices to ensure they hit their 11 or 12 per cent targets. However when things go wrong, like with Southern Cross or possibly again with Four Seasons, those holding the bonds (private equity, bankers, hedge funds and ‘high net worth’ individuals) can claim security on the property assets when businesses

go into receivership. This leaves local authorities both with the residual costs and the problem of finding new funding to rehouse the residents.

CRESC points out that the UK model for social care dominated by high cost finance can be replaced by an alternative 'not-for-profit' model that could be better at integrating different forms of residential and social care. These social economy models exist in other countries including the growing Buurtzorg network in the Netherlands. How do these models work?

Social co-operatives and care services — lessons from abroad

While the UK independent care sector is dominated almost entirely by the private sector, in Italy it is the co-operative movement, working closely with the state, that is the main independent provider.

The Italian co-operative movement is successful in providing social care through both worker and social co-operatives. The second model makes it possible for workers, family carers and service users to all be members of the co-operative. A national trade union agreement with the co-operative movement was extended in the early 1990s to cover the second model after a new Social Co-operatives law was passed in 1991 that both supported care services innovation and provided an enabling framework.

The Italian social co-operatives today operate both in health and social care but also in educational services and in partnership with the criminal justice system to help ex-offenders secure work. Social co-operatives in Italy, like social firms in the UK, create decent work for disabled people and other disadvantaged groups recovering from addiction or homelessness.

With the benefit of enabling legislation and tax incentives, the Italian social cooperative movement has grown from about 1,000 care and job creation cooperatives in 1990 to 14,000 today, many of them being small with about 25 employees. They secure 'economies of co-operation' and distributed scale through both regional and national co-operative consortia, that provide shared back office services and joint negotiating teams to deliver long-term contracts.¹⁰⁵ Social co-operatives offer both home care and residential care services.

The social co-operative sector accounts for more than 360,000 of the 1 million co-operative jobs in Italy with over half of all social co-operatives affiliated to Co-operative Confederations. The three main Confederations have national collective bargaining agreements with the Italian trade unions who represent 60 per cent of all social and worker co-operative members. Legislation passed in 2003 and shaped by a social dialogue with trade unions defines the rights of a worker within a co-operative and sets out the protection afforded to employees of co-operatives and also the position of worker owners in relation to worker co-operatives.

Italy also leads the way in Europe in using social co-operatives to create jobs for offenders both within and upon leaving prison. Ex-offenders struggle to get formal work and social co-operatives offer a bridge into supported self-employment that can reduce re-offending rates significantly and offer decent work. In Italy, partnerships with the public sector have helped to develop a range of Fair Trade businesses to secure work for ex-offenders. Good examples include:

- **Pausa Cafe**, a chain of co-operatively owned cafes.

- A co-operative brewery near Milan for real ale that is popular and exported.

- **Exodus**, a door and window manufacturing co-operative operating within a prison that also creates jobs for those released from prison.

- **Libera Terra** that has developed co-operatives to create work growing Fair Trade organic food products on land expropriated from the Mafia in Sicily and in other regions of Italy.

- Social co-operatives creating jobs in 'social agriculture' have formed a Central Sales Office and have developed 'AgriSocial Italia' as a brand for the growing range of food products.¹⁰⁶

These new forms of co-operative enterprise have been replicated successfully in France, Spain, Portugal, Canada, South Korea and Japan and are developing in Greece.¹⁰⁷ New legislation in these countries (except for Japan) and similar to the 1991 Italian law, has provided an enabling policy and a fiscal framework to support the emergence of these new forms of democratic and multi-stakeholder ownership.¹⁰⁸

This growing movement in Europe, Canada and Japan has also become known as the 'solidarity economy'. Since 2015 the UN has promoted this approach by pointing to the enormous potential of solidarity economy strategies for advancing social inclusion, generating decent work and jobs and in the tackling of inequality.¹⁰⁹

Social co-operatives emerging in England and Wales

Public policy support really matters as is highlighted in Italy with the partnerships agreed with local authorities for social care, and with the prison and probation services and trade unions to create decent work. Similar public social partnerships have been developed in Quebec and in France. Cooperatives UK and the Wales Co-operative Centre are currently supporting networks and Forums in England and Wales focused on developing the solidarity economy model in the UK. There is some existing good practice and we discuss some examples here.

CASA is not a worker co-operative but an employee ownership business where all the workers have a vote and voice.¹¹⁰ They provide home care for the elderly as well as adults with a range of disabilities. CASA's 1,000 worker owners deliver over 24,000 care hours per week in eight North of England cities and towns.

CASA seeks to pay above the national living wage where the rates received from Local Authority and CCG Commissioners allow it. CASA is seeking to build a career structure, which includes both support workers, (£7.50 to £8 per hour) and complex care workers (£8.50 to £9 per hour). It also employs a small number of registered nurses to oversee complex and palliative cases, including those individuals needing 24-hour care. Pay is benchmarked against that of other local providers. All workers are paid for travel time, and are provided with company mobile phones. CASA refuses to enter into inhumane contracts which feature strict 'payment by the minute' clauses. 15 minute visits are only used for prompting medication, and not to deliver personal care.

CASA has an annual turnover of £17 million and shares profits with staff both annually and quarterly. It also operates financial transparency so workers can see where the money goes. The regular profit shares enhance the wages.¹¹¹ The new larger and unified business structure increased the worker ownership stake to 83 per cent.¹¹² Guy

Turnbull of CASA describes the economic benefit directly arising from employee ownership:¹³

“Because our employees have a share in the business our staff turnover has been lower than the private sector and overall our business model yields significant benefits on performance. This is crucial in health care as you aim to have continuity of support, as you want to have the same person toileting you every day. Plus as we have no external shareholders we can reinvest our surpluses in staff development and training.”

CASA is also now moving into intermediate care. This provides care, physiotherapy and accommodation for those leaving hospital or A&E and at a lower cost service than the NHS and as a short term, half-way house service to assist people to move back home. Big Issue Invest, Unity Trust Bank and Triodos are providing the social finance for development.

CASA has established its own Training Academy to award Care Certificates but also to develop apprenticeships and offer a career progression. It is seeking to move away from zero-hour contracts but this is difficult as most care commissioners still operate on a time and task basis, and indeed many CASA Support Workers actually favour the flexibility of zero hour contracts. However it is running two pilots currently in Warrington and Newcastle with salaried workers. It hopes this will catch on with other local authorities it contracts with. CASA has members that belong to Unison and welcomes links to public sector unions.

A second example, the **Foster Care Co-operative** (FCC) was established in 1999 as a multi-stakeholder co-operative and foster care agency with assets held in common ownership. It currently supports children and young people placed in foster care from more than 50 local authorities in England and Wales with offices in Malvern and Cardiff. Its success in securing public sector support in the UK is noteworthy and it is the only registered co-operative in the foster care sector and its turnover was over £6 million in 2016.

There are 50 FCC workers who are full members plus 250 foster carers (mostly couples) that are associate members. The regulations in England and Wales presently do not allow foster carers to be full members as legally they cannot control or manage the agency for which they foster. To seek ways to overcome this barrier, the FCC has written into its memorandum of association an explicit commitment

to consult both foster carers and social workers at support meetings every six weeks.

The FCC has expanded steadily because its democratic ethos is seen as a strong fit both with the shared values of local authorities as public service providers and with trade unions. Its pay rates are at or above the National Living Wage and under its pension scheme, worker contributions of 5 per cent are enhanced by 10 per cent contributions from the co-operative. The asset lock and common ownership structure of the co-operative plus the reinvestment of surpluses for community benefit are all attractive aspects. High quality training and agency support for all staff and foster carers has been key to success. A free legal advice service to update members and associates is part of the support system.

Laurie Gregory led the work to found and develop the FCC and he sees big opportunities to develop a similar model for home care co-operatives. The strategic opportunity and the unique selling point would be a multi-stakeholder co-operative model with the extension of full membership and democratic rights to service users. Gregory is a member of Unison and provides the Union a room to meet and recruit FCC staff.

The third example, **Community Lives Consortium** (CLC) has operated as a social co-operative since 2001. It provides housing and social care services for severely disabled adults in Swansea, Neath and Port Talbot. It has 780 staff and about 300 are members of Unison. Unison has supported the development of the social co-operative since 2001 and has a place on the 12 member board of directors.¹¹⁴ Rick Wilson, the manager of Community Lives Consortium is an active member of Unison.

The fourth example, **Cartrefi Cymru Co-operative** is a national organisation in Wales providing care and support services for adults with learning disabilities. It has 1,200 staff, an annual turnover of £20 million and operates across Wales. In 2017 it modified its legal structure to become a social co-operative and to give votes and voice to its staff, its service users and community supporters. Like Community Lives Consortium, it will recruit members and the members will elect a Council with the power to appoint the board of directors.¹¹⁵ Cartrefi Cymru Co-operative has a union recognition agreement with Unison, operates joint consultative meetings and pays for a national convenor.

Partnership potential with public sector unions

Public policy support really matters as is highlighted in Italy with the partnerships agreed with local authorities for social care, and with the prison and probation services and trade unions to create decent work. Similar public social partnerships have been developed in Quebec and in France. How could we make a start here?

To appraise the quality of home care services from the perspective of its members, Unison carried out a survey of home care workers in 2012 that revealed:¹¹⁶

- 79.1 per cent experienced ‘call cramming’ and were given too many clients to see in too short a time to meet the clients’ needs.

- 57.8 per cent of care workers were not paid for their travel time between visits.

- 56.1 per cent had seen their pay worsen over the previous year.

- 59.7 per cent had their hours adversely changed.

- 52.1 per cent had been given more duties.

- 43.7 per cent (less than half) see a fellow home care worker on a daily basis.

- 41.1 per cent are not give specialist training to deal with dementia and stroke conditions.

To campaign to address these serious care quality standards deficits, Unison developed the *Ethical Care Charter* in 2012. 29 local authorities have signed up and committed themselves to abide by the charter. The councils are both large and small ranging from Nottingham, Leeds, Islington, Brighton & Hove and Camden to the Wirral, Cheshire West & Chester to Redcar & Cleveland.

The charter explicitly sets ethical standards for the commissioning of home care services to avoid the ‘race to the bottom’. Key requirements are:

- Time allocation needs to be based on client need, not minutes or tasks.

- Care workers to be paid for travel time, travel costs, mobile phones and necessary expenses.

- Care workers to be given enough time to meet sessional needs with 'call cramming curtailed'.

- Statutory sick pay to be paid to care workers who are eligible.

- Clients to be allocated the same care worker(s) wherever possible.

- Zero hour contracts will not be used in place of permanent contracts.

- Care providers will have a clear and accountable procedure for addressing staff concerns about their clients' wellbeing.

- Care workers will be regularly trained to the necessary standards to provide a good service at no cost to themselves and in work time.

- Care workers will be given the opportunity to meet regularly with coworkers to share best practice and limit their isolation.

- Care workers will be paid at least the Living Wage and if council employed care workers paid above this rate are outsourced, it should be on the basis that the provider is required, and is funded, to maintain these pay levels throughout the contract.

- All care workers will be covered by an occupational sick pay scheme to ensure staff do not feel pressured to work when they are ill and to protect the welfare of their vulnerable clients.

Social co-operative development could be aligned well by beginning with a commitment to Unison's *Ethical Care Charter* and seeking partnerships with those local authorities already signed up. Paul Bell of Unison flagged up some challenges for new social co-operatives.

"A serious challenge for new social co-operatives is that EU procurement rules require [that] all contracts for more than £589k have to go out to tender, so securing a contract in the first place will be tough. Moreover to

drive out new competition the private sector is willing to run services at a loss and it is very difficult for co-ops to challenge this and to enter the field.”¹¹⁷

Bell explained that Unison would be supportive of “social co-operatives and willing to collaborate for them to take on the private sector”. He added that:

“the Italian social co-operative model where a number of smaller local care co-operatives work through a consortium with a shared back office and payroll, a shared bidding team, shared training, shared development etc does make great sense.”

What Unison is completely against are “public sector mutuals that are created by a spinning-out of in-house public services”. Bell also raised concerns about social enterprises and employee ownership models:

“where workers do not get controlling votes and as these bodies get bigger they behave more like bigger housing groups who in some cases are failing to do the basics for their residents.”¹¹⁸

Bell wondered if there could be “greater prospects in Wales” for social cooperatives. Unison’s Ethical Care Charter is best developed through social dialogue and in Wales they take a different view on procurement so there should be wider scope. Indeed in March 2017 the Welsh Government and the Welsh TUC agreed a joint code of practice for ethical employment and to guarantee good employment practices across public sector supply chains.¹¹⁹

Rick Wilson of Community Lives Consortium felt the Unison *Ethical Care Charter* is a “wonderful way to ensure” decent labour standards are complied with. At present a problem they are having is where local authorities can save money, they will push pay rates down to below what the law specifies. He stressed strongly the need for a baseline and feels the Unison *Ethical Care Charter* provides this. He said there is a need for a joint campaign to get local authorities in Wales and more elsewhere in the UK to sign up to the Unison charter.

Respondents from the Foster Care Co-operative, CASA and Cartrefi Cymru Co-operative also agreed that the Unison *Ethical Care Charter* is a sound starting point for a social dialogue between the emerging social co-operative networks of practitioners in England and Wales, Unison, Unite, the GMB, other trade unions, local authorities signed up to the Charter and other members of the Co-operative Councils Innovation Network.

In a report for the Co-operative Party, James Scott has pointed to the innovative work of Islington Council's commissioning framework for care. Islington is a signatory to the Unison *Ethical Care Charter*.¹²⁰ Scott argues for a Co-operative Compact between stakeholder partners that once agreements are reached could lead on like in Italy to initial five-year contracts to develop social care co-operatives. Such a compact should draw key lessons from joint agreement between the educational sector trade unions and the co-operative movement that led collaboratively to the successful development of cooperative schools.

6. Platform Co-operatives and Union Co-operatives

The gig economy is advancing hand in glove with the development of digital innovation and thus undermining traditional models of business. Robin Murray drew attention to this threat to the co-operative sector in 2010.¹²¹ The proliferation of the Apple iPod did not take many years to bring about the insolvency of HMV in 2012 that had banked on the continuity of the compact disc market.

Digital platforms offer huge opportunities for the co-operative sector to advance forms of economic democracy but also for trade unions to attract new members. The digital technology success of the Green Taxi Cooperative in Denver to improve their income with the technical and investment help of Communication Workers of America can be extended to other services sectors and other industries.

Platform technology and a new self-managing approach to social care

How for example might digital technology similarly provide a strategic solution for the social care sector that, say, public sector unions, social co-operatives and local authorities could collaborate on for the benefit of service users, care workers and families? Shoshana Zuboff has pointed out that the weakness of the large private sector care sector is rooted in their concentrated and centralised control systems, overpaid senior management and investor ownership structure. Each of these aspects has a tendency to add costs into the pricing formula and thereby favour high cost solutions that are not prevention oriented.¹²²

Decentralised and co-operative ownership solutions have the potential to find what Robin Murray has called “distributed economies of scope” where small organisations if creatively networked and federated can become successful and at the same time empower both producers and service users. As we saw with the successful social co-operatives in Italy, they use co-operative consortia as secondary co-operatives to unite local co-operatives through both mutual aid and the provision of a number of back office services. To support new worker and multi-stakeholder co-operatives, the consortia provide training, development

expertise and technical aid to assist in replicating successful co-operative business models.

The emerging platform co-operative movement is exploring how to democratise the use of both digital technology and platforms to release the wider scope for co-production among distributed teams of self-managing workers. Ed Mayo of Co-operatives UK and others have described these shared platforms as the “creative commons”:¹²³

“The creative commons ... is a sector in which the role of co-operation ... has been prominent, as technology lowers the cost of social participation and exchange, but rather different from the focus of traditional cooperative models which start at the level of the firm — a bounded enterprise, formally constituted and legally owned. The genius of the creative commons is that there are resources online, which can be shared and developed through peer-to-peer collaboration. These can meet needs and create economic value, outperforming the mainstream.”

Murray argues that, just as Uber uses these platforms as an investor-owned corporation to extract value from the “precarariat”, co-operatively owned platforms have the untapped potential to do the opposite — namely to capture value and “economic rent” for the common good. Michel Bauwens, founder of the P2P Foundation, supports this view:¹²⁴

“Platform co-operatives, data co-operatives and fairshares forms of distributed ownership can be used to co-own our infrastructures of production. The misnamed ‘sharing economy’ from Airbnb and Uber nonetheless shows the potential of matching idle resources ... In the right context of co-ownership and co-governance, a real sharing economy can achieve dramatic advances in resource use. Our means of production, inclusive machines, can be mutualised and self-owned by all those that create value.”

Success in the implementation of digital economy solutions for the decentralised delivery of local care services by social enterprises, as Shoshana Zuboff has shown, are many. **Elder Power** in Maine is proving effective in rural areas of the USA and the success in Italy in developing back office services for social co-operatives are indicative of the potential of platform co-operatives in the UK.¹²⁵

An example of the power of platform economics in action is the **Buurtzorg** (Neighbourhood Care) model in the Netherlands.¹²⁶ This social enterprise was set up by Jos de Blok, a former district nurse and care manager who grew disillusioned with the hierarchical model of home care services. In 2007 with a team of four other skilled nurses

Buurtzorg was launched as a non-profit business to experiment with a distributed and decentralised model using an IT platform to create a localised care provider with self-managing teams and a flat structure. The social enterprise was designed to evolve and replicate similar, tightly co-managed teams, each using a common platform to coordinate and expand delivery to more and more neighbourhoods. Year on year this evolutionary expansion has increased.

All neighbourhood carer teams are self-managing groups. There is no command and control structure. The success of the Buurtzorg experiment has created a large and growing manager-less organisation that operates across the Netherlands with 10,000 workers (mostly nurses) in a distributed way with each self-managing team focusing on local neighbourhoods of 5,000 to 10,000 people. Each team of typically 8 to 12 (the maximum team size) provides customised care and works closely in partnership with GP surgeries, physiotherapists and pharmacists.

The use of the digital technology has secured what Robin Murray has called “economies of co-operation”. Buurtzorg shows how small care teams can confederate and become powerful through the creative use of a common platform. The current 850 neighbourhood care teams nationally are supported by just 45 back office and administrative workers, plus 18 coaches who trouble-shoot, train and set up new local care teams. As Jos de Blok points out:

“the result is a reduction of overheads from the Dutch norm of 25 per cent of total costs, to 8 per cent.”¹²⁷

This saving is so large that Buurtzorg has been able to use the economic benefits to reinvest in expanding and growing the network — at about €50,000 for setting up a new team — without having to seek loan or development finance.¹²⁸

Buurtzorg has also in recent years been applying the same methodology to home care and domestic support services. They have achieved similar results with lower skilled carers and have created thus far a distributed domiciliary care service with 4,000 workers.¹²⁹ Additional applications are underway for maternity services and mental health care. Buurtzorg has been named the best employer in the Netherlands four times in the last five years and the other time they came second.

Buurtzorg's use of digital technology has saved massively on command and control overheads and growth has become self-financing. These

internalised savings have been used to increase the skill level of care workers; to improve pay and conditions for carers; and to improve the overall quality of care and service provision. This dynamic model has generated widespread interest from NHS nurses, the Royal College of Nursing and care co-operatives in the UK.

Platform co-operatives, union co-operatives and their future potential

The success of Green Taxis in the USA with digital technology has led to work in other cities by the Communication Workers of America and is being instigated in similar ways by other American trade unions and in other service sectors. Indeed inspired by these experiments, the platform cooperative movement now developing in the UK and Europe was founded at a conference in New York in 2015.¹³⁰

The public services union, SEIU, has been working with the ICA Group (formerly the Industrial Co-operative Association) to explore ways to develop platform co-operative solutions for both health and care workers. ICA Group helped set up **Co-operative Home Care Associates** in Brooklyn, New York in 1983 and with 2,000 workers it is today the largest US worker co-operative. In 2003 CHCA workers joined SEIU Local 1199. SEIU has been leading the fight in New York City for \$15 an hour for all home care and health workers.¹³¹

In Illinois, there are about 5,000 registered child minders that SEIU has secured collective bargaining rights for with the state government. This union negotiating agreement was feasible because families can qualify for childcare subsidies from the state.¹³²

Typical annual incomes for registered child minders are \$18k to \$20k. With the SEIU as a key partner, the ICA Group has worked to set up a co-operative for the child minders to enable them to have a shared back office for billing and tax planning but also a common site for advocacy, member recruitment, marketing and joint purchasing. The design of the co-operative system will also assist child minders with planning and developing their service. The estimated initial savings per member are \$800 to \$1,200 annually.

A second partnership joint project between SEIU-United Healthcare Workers West and ICA Group is underway in California to develop a platform cooperative for community nurses. The project is aimed at improving the health outcomes of patients under contract with

clinics and hospitals. The nurses provide care in the home including injections, services for those with chronic diseases including diabetes and perinatal community health services. The platform is being developed in stages and will schedule work in an integrated way with the clinics and hospitals and expand its services provision year on year.

To join the co-operative, members will need to make an initial capital contribution of \$500. Ra Criscitiello of SEIU-UHWW explains the new approach:¹³³

“Organised labour has largely retained its same tactics and world view despite the reality that economic structures capturing employment have been turned on their heads. If unions cannot solve labour’s woes, it may not be that organised labour is dying — but rather that it needs to transform ... to promote an employment paradigm where workers own their own labour and have portable benefits.”

The United Steelworkers (USW), the largest industrial union in North America, has become increasingly interested in worker co-operatives. The failed struggle in Youngstown, Ohio, to save a steel mill through a worker buyout in 1977 led to the setting up of the **Ohio Employee Ownership Center** that has built close links with United Steelworkers over the years.

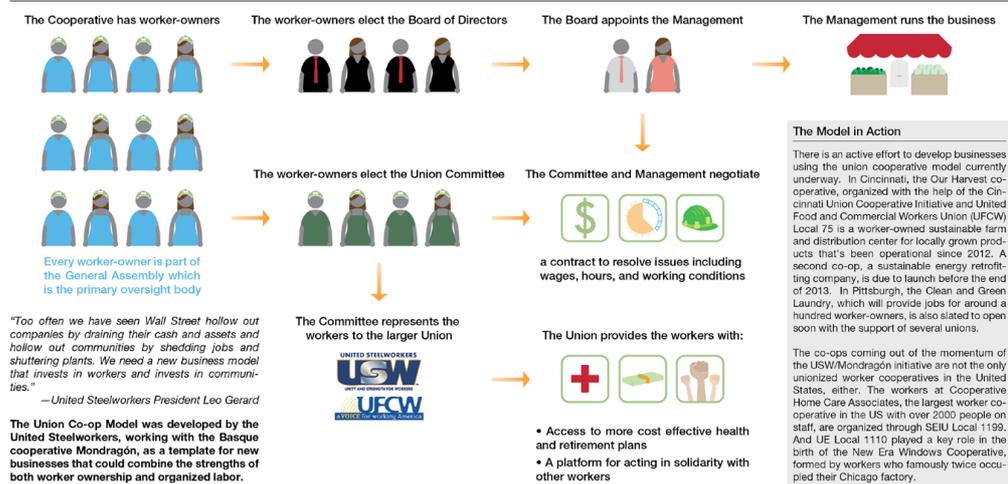
In 2012, the union worked jointly with the Ohio Employment Ownership Center and the **Mondragon Corporation** in Spain to produce a union cooperative strategy and model fit for a growing age of contingent labour and also in recognition of the fact that small businesses are creating the majority of new jobs. Mondragon is the largest worker co-operative business in the world with 34,000 worker owners, an annual turnover of €12 billion and a network of 120 co-operatives. The new joint model includes union representation from the outset. USW President Leo Gerard describes the union’s thinking:¹³⁴

“Work is changing. You’ve got all kind of freelancers. We’re going to grow, and we’re going to modernise. There are models out there that have to be experimented with, and the union co-op model is one of those models ... I’m not sure that we’re going to turn Ford Motor Company into a co-op. But maybe some of the folks that provide auto parts to Ford Motor Company can become a co-op.”

There are three fundamental elements of the union co-operative model. Employees can join the union they want and are guaranteed a living wage as well as a collective bargaining agreement. The union co-operative worker owners govern their business on a one member,

one vote basis and they elect a union committee to negotiate collective bargaining with the management. The USW has promoted the model to other members of the AFL-CIO.

The Union Co-op Model



For more information on the Union Co-op Model, see: <http://union.coop>
Designed by Benzhamin Yi

DC th democracy collaborative
www.community-wealth.org

A growing range of US trade unions are experimenting with the union cooperative model. In addition to USW, this includes SEIU, United Food and Commercial Workers (UFCW), the International Association of Machinists (IAM), the International Brotherhood of Electrical Workers (IBEW) and the International Union of Operating Engineers.

There are union co-operative initiatives underway in nine US cities and one rural state including: Cincinnati, Dayton (Ohio), New York, San Francisco/Oakland, Los Angeles, Denver, Chicago, St Louis, Pittsburgh and the state of Maine. The first to get underway was the **Cincinnati Union Coop Initiative (CUCI)** in Ohio. It is legally set up as a non-profit to support a growing number of union co-operative businesses. The 10 different initiatives are supported through joint advocacy by the union co-operative alliance, 1Worker1Vote.com, and additionally with the backing of the US Federation of Worker Co-operatives that has established a Union Co-op Council. CUCI is part of the 1Worker1Vote.com movement as the nationwide prototyping “living lab” and there are interlocking board members between both organisations.

To help them get started, CUCI has had a \$22,000 zero-interest loan from USW. **Our Harvest** was set up by CUCI in 2012 as a worker cooperative and is currently growing and harvesting local food on 12 acres in the city. The longer term ambition is for an operation on 1,000 acres and for local food manufacturing. Food distribution networks to restaurants, other businesses and to household buyers have been set

up. Worker co-operative members of Our Harvest are required to make capital contributions for their equity stake of \$3,000, which can be paid for steadily through payroll deduction.¹³⁵

CUCI has also supported the development of **Sustainergy**, a worker owned energy savings co-operative. They are also developing with UFCW, **Apple Street Market**, a multi-stakeholder co-operative with worker and community ownership that is seeking to reopen a closed supermarket in the Northside neighbourhood, a 'food desert', in the city.

There is further work underway in Los Angeles to develop union co-operatives with the US Steelworkers. The **Los Angeles Union Cooperative Initiative** is developing an electrician's co-operative to install solar power for businesses and homes.¹³⁶ Another union co-operative is converting a privately owned car wash into a worker co-operative. The strategy in Los Angeles is looking at diverse economic democracy projects supported by the research and development services of both the **Solidarity Research Center**,¹³⁷ a worker co-operative, and the **Los Angeles Co-op Lab** at Antioch University.

In addition to the union co-operative initiatives, two of the same cities (New York and Oakland) where UCIs are based have been developing strategies to support the development of worker co-operatives. Cities in the US, as in the UK, have supported for decades small business development, but in fact, compared to the latter, worker co-operatives are more resilient and less prone to failure. Other reasons why public policy should support worker cooperatives, at least even-handedly, are that worker owners are directly involved in setting labour terms and conditions, surpluses are distributed to workers and the ratio of pay between the highest and lowest paid is low (in Mondragon co-operatives the maximum ratio is 8 to 1 compared to ratios of 360 or more to 1 among US corporations).

It is early days for these programmes but New York city has set up a revolving fund, technical assistance and an 'eco-system' of support with investment of \$2.4 million from Mayor Blasio.¹³⁸ In the first year of the New York programme, 21 worker co-operatives were established and 141 new jobs created. Similarly in Madison, Wisconsin, Mayor Soglin who was involved in creating Union Cab has set up a \$1.5 million support system. Local trade unions in Madison have been involved in designing the ecosystem of support and work is underway to more than treble the city funding from credit unions and other co-operative sources and to put in place an enabling support system of

\$5 million.¹³⁹ Berkeley and Oakland in California are developing bid preference support systems for certified worker co-operatives and are considering tax incentives and financing.

Worker co-operative and employee owned business ownership spectrum

It is important to note that the union co-operative model in the USA is structured to support and develop worker co-operatives but as we have seen in Cincinnati, multi-stakeholder co-operatives that involve both worker and community ownership are also being backed. In this regard the union cooperative model has similarities to the Italian social co-operative model and the solidarity co-operative model in Quebec that supports the development of both worker and multi-stakeholder co-operatives.

Employee ownership covers a range of different forms and types. At one end of the spectrum are worker co-operatives where the mission is for labour to hire capital, for the governance of the business to be based on 'one member, one vote' and for the return to capital to be controlled and limited. This 'worker control' and 'worker ownership' dual mission can make securing capital much more difficult. As a consequence, worker co-operatives are more likely to be in the services sector where capitalisation requirements are much less than in manufacturing.

However it should be noted that **Mondragon** has been able, since the 1950s, to develop worker co-operatives both in manufacturing and in services because they had the foresight to set up their own bank at the outset in the Basque country in order to retain surpluses within the co-operative eco-system and to cyclically reinvest capital generated for expansion needs and to establish new and diverse co-operatives to build resilience. Mondragon also established before 1950 a technical school that incubated the first worker cooperatives and has since grown to become the Mondragon co-operative university that provides ongoing research and development intelligence for the co-operative ecosystem.

Along the ownership spectrum there are also a small number of worker cooperatives internationally where capital is allocated to workers directly and diversely to varying degrees. This form of co-operative accepts capitalism but rejects the concept of an absentee owner. Only workers can own capital and shares. As capital raising is difficult in this

model, it is relatively uncommon. Additionally the lack of an asset lock makes such co-operatives vulnerable to privatisation and takeovers.

Since the 1970s the most popular model in the UK and the USA has been employee ownership businesses. These are not worker co-operatives. Employee-owned businesses in the UK account for 4 per cent of GDP and their trade body, the Employee Ownership Association, claims they are growing at 10 per cent a year. Familiar names include John Lewis Partnership, Arup and Blackwells bookshops. The top 50 employee ownership companies have an aggregate turnover of £20 billion annually and account for more than 150,000 jobs.¹⁴⁰

The experience of US trade unions with employee ownership and Employee Stock Ownership Plans (ESOPs) has not been positive. To paraphrase Neil Gladstone from the Industrial Machinist Union and one of the visionaries behind the 3,000 member **IAM Maine Lobstering Union** co-operative (IMLU Local 207):

“Employers that set up ESOPs get tax breaks but don’t have any meaningful input. The lessons from labour’s ESOP experience is that the structure of employee ownership is critical. For example, do workers or unions have seats on boards of directors? Do workers have a role in hiring/firing top management of the company? Do workers have a say on major decisions? How is ownership earned by employees? Do all employees have equal ownership? How is employee stock valued? How do former employees sell their stock? Do new hires have opportunity to become owners? Can employees sell their shares?”

Michael Peck of 1Worker1Vote.com pointed out that a problem under US tax law is that an ESOP is treated as a pension, so workers can’t sell their shares until they are near to retirement. But there is an emerging and wider set of problems. In February 2014, the US Department of Labor declared that:¹⁴¹

“Unrealistic growth projections and other chronic problems in employee stock ownership plan valuations have compelled an enforcement strategy that places significant focus on ESOPs based on problematic appraisals and fiduciaries’ reliance upon those appraisals.”

Based on feedback from the US Department of Labor as well as from enlightened ESOP practitioners, it would appear that market valuations might be erroneous in as many as one-third of all current ESOPs. As Michael Peck observed:

“If true, then employee ownership as a movement risks becoming yet another vehicle for the top 1% by unfairly subsidising transitioning owners and investors while placing unjustified debt burdens on employees and workers.”

In the USA there are over 11,000 employee owned businesses but only 4,000 of these are where the employees have a majority ownership.¹⁴² By contrast there are only about 400 worker co-operatives that account for between 4,000 and 5,000 jobs. The existing tax and policy incentives account for this discrepancy.

Many corporations issue shares to their workers to incentivise performance. Some companies also have more than 50 per cent and even 100 per cent of shares held by their employees. The hierarchy and governance of these businesses can however look very much the same as other investor owned corporations. Among many but not necessarily all of these businesses the board of directors and management makes decisions, the employees accept that capital rather than labour has the right to govern and workers votes tend to be circumscribed and not involved with the key business development decisions and trading surplus allocation.

Forms of employee ownership in the UK

There are three forms of employee ownership in the UK:¹⁴³

Direct employee ownership: Through using one or more tax relieved share plans, employees can become the registered owners of a majority of shares of their company.

Indirect employee ownership: The share ownership of the business is held collectively for the benefit of employees and normally through an employee trust.

Combined direct and indirect ownership: It is possible for a company to increase employee ownership both collectively through an employee ownership trust and by awarding shares to employees directly.

Employee ownership is currently the favoured employee ownership model in the USA and in the UK. The existing tax frameworks in both countries prefer and advantage this model and do not encourage full worker control or control by other stakeholders (by building into the ownership and governance both workers and community members).

In 2014 the British government introduced full exemption from CGT (capital gains tax) if a company owner sells a controlling interest to an employee trust provided that the trust operates for the benefit of all company employees on the same terms. In other words the trust must not give advantage to particular categories of employees. Additionally since 2014 bonuses free of income tax up to £3,600 per year can be paid to an employee of a company controlled by an employee trust.

Union co-operatives overcoming barriers in the UK

How could worker co-operative and multi-stakeholder co-operative models be advanced in the UK similarly and equitably and what can be learned from the US experience and current efforts? Additionally what are the lessons that can be drawn from other countries where worker co-operative development is far more widespread and supported by public policy like in Italy, Spain and France?

There are indeed some examples in the UK that highlight how trade unions and co-operatives are working hand in glove through creative forms of co-governance.

York Disabled Workers Co-operative is a union co-operative run for and by disabled workers.¹⁴⁴ It was established with the support of the GMB and the Remploy Trade Union Consortium when the Re-Employ factory in the city closed down in 2008.

Their mission is to provide high standards of employment and offer pay above the national minimum wage. The co-operative is run by a board of non-paid members who are all workers in the business and who are supported by trade unions, social enterprises, voluntary groups and individuals.

All products made are finished to a high quality and the production process itself generates very little waste. They believe that their hand built and crafted products will be a talking point for any home or garden. All the workers take their time to ensure that everything they make, from the smallest cup mat to the largest picnic table or more has the added bonus of their love for the beauty of the natural wood they use.

The co-operative is currently exploring and planning a new venture that involves investing in machinery to turn their sawdust and wood chips into high quality wooden briquettes for burning.

Suma is a common ownership worker co-operative in West Yorkshire. Set up in 1977 to supply wholefoods shops with a broad range of organic, Fair Trade and its own range of products, Suma now has an annual turnover of £50 million and exports to 50 countries. It has a work force of 250 that includes 180 worker members and 70 other employees on short-term contracts of 18 months or more.

The worker co-operative is collectively owned and all workers are on the same, equal pay rate. The work involves product development, design, marketing and sales, HR, warehousing and distribution to shops and wholesale customers. Services such as graphic design or IT, which are normally outsourced, are done in-house at Suma. Multi-skilling and mixed duties for members have always been a feature of Suma work, ensuring member owners are familiar with operations in different parts of the business.

Suma offers the chance each year for its 70 employees to become worker owners. They need to apply for worker owner vacancies along with outsiders and every year 5-10 Suma employees are recruited to become worker owners. The probationary period is nine months during which prospective members learn about and work in many different parts of the business and are reviewed by existing members who vote to accept or reject the applicant. The cost for membership is only £1. Suma strives to maintain a gender balance of 60 per cent men and 40 per cent women but in the overwhelmingly male warehousing and food distribution trade this is a challenge.

Whilst the culture of Suma is a collective of self-managing members, there is a regularly elected management committee which performs a coordination role and appoints departmental coordinators. The style of management is described as “consensual”. “Suma members see management as a function, not a status” is a key statement.

Base pay for Suma workers and employees is £15 an hour, which is twice the pay of other workers in Yorkshire for this type of work. Suma has grown and been profitable almost every year of its life. In the last 10 years, when wages in this industry have stagnated, Suma has maintained annual pay increases of 5 per cent. Suma’s aim is to pay the all employment average income for the Calder Valley to acknowledge

the mix of office, manual and managerial work which constitutes a Suma member's duties.

Like worker co-operatives in France, Spain and Italy, Suma pays bonuses to worker owners each December in addition to these premium wages and this is usually an extra month's pay, and in good years two months. The bonus frequently adds over 20 per cent to their base pay which is higher than the average of 17 per cent paid by John Lewis Partnership to their market rate wages. Suma also provides a group pension fund, substantial staff sales discounts and generous paid leave plus non financial benefits such as sumptuous free meals and snacks. The Suma canteen has been described as the best vegetarian restaurant in the North and lunchtime conversations are seen as a key part of the daily work management process. Combined gross financial benefits for a Suma worker owner is about £40,000.

A key success factor for Suma has been a lack of focus on owning property and equipment that requires external borrowing. Suma workspaces are rented and equipment and trucks often leased which provides "good business discipline and maintains autonomy" according to Bob Cannell, a Suma worker owner recently retired after 35 years with the co-operative. He explained the confusion their way of working causes for orthodox private sector business people:

"Normal accountants say the overheads are too high because the Suma wages bill is so big, and the accounts therefore show a too low return on investment which they interpret as a poorly managed business. But they just do not get it. On top of the market wage rate we pay ourselves an hourly wage premium of £7.50, which is effectively a regular distribution of profits. Suma is in fact an excellent wealth generator for its workers and the local community where they spend it. Most businesses in our sector make a lot of profit but the owners say they cannot afford to pay the national living wage. Then they drive away in their Bentley to their country estate. They have different priorities."

Suma has always been pro-trade union with a workplace branch of the Bakers, Food and Allied Workers Union since the 1980s. Cannell comments that this works well and is along the lines of the union co-operative model being promoted in the USA. 75 per cent of the Suma workforce are union members.

Cannell pointed out an opportunity for the Bakers Union to develop the potential for union co-operatives in the bakery trade given the growth in recent years of worker co-operative bakeries in the UK.

One successful model for wide replication that uses a co-operative consortium system like in Italy is the **Arizmendi Association of Co-operatives**, an expanding network of seven worker co-operatives in Berkeley, Oakland and San Francisco, California and named after the founder of the Mondragon co-operatives.¹⁴⁵

This US co-operative consortium radically reduces the risk of setting up worker co-operative bakeries. The consortium investigates good locations, recruits new founding worker members and provides the full range of support services including business support, marketing and bookkeeping that the cooperative bakeries benefit from as joint members of the consortium. The mission of the Arizmendi Association is to secure workers' control of their livelihoods with fairness and equality for all, to guarantee decently paid work ('living wage' or better) and to promote co-operative economic democracy for a sustainable and humane society.

Creating an enabling support system for union co-operatives in the UK

Both Italy and Sweden have developed collective bargaining frameworks for worker co-operatives and Italy has also established these for multi-stakeholder social co-operatives. The United Steelworkers have affirmed there are a broad range of opportunities for trade unions to create decent work using co-operative ownership in many areas including:

- Converting social enterprises into co-operatives with union recognition.

- Support for start up worker co-operatives and social co-operatives where the union co-operative model is established from the outset.

- Worker buyouts during a period of small business succession when the owners are seeking a trade sale.

- Turn around strategies where trade unions can use a worker buyout to rescue a business in insolvency and limit the loss of jobs.

CECOP-CICOPA Europe is the European confederation of industrial and service co-operatives, which includes both worker and social co-operatives. The confederation was founded in Manchester in 1979 and has been based in Brussels since 1982 with a permanent secretariat. Much can be learned from other European countries about worker co-operative and social co-operative development. In Italy one million people are employed in the co-operative sector and 360,000 in social co-operatives. There are also 15,000 worker cooperatives. In Spain there are 16,000 worker co-operatives and about 1,000 social co-operatives. Worker co-operatives are also strong in France.

Italy's Marcora law from 1985 allows workers to buyout their firm by accessing from government for each worker, three years of unemployment benefit rolled up, this is then matched by capital from the specialist co-operative, Cooperation Finance Investment (CFI), a CECOP-CICOPA Europe member. CFI has been capitalised by the state for this purpose.

In France the mechanism is somewhat similar and via **IDES**, a co-operative equity fund. Bonds provided by IDES are issued to leverage capital; they are considered as equity because there is no formal redemption deadline and the mechanism works well.

It should be noted that in both the Italian and the French worker buyout systems, the funding provided is closely combined with specialist business advisory services that are provided to the co-operatives. This combination is considered by the CFI, IDES and CECOP-CICOPA Europe to be a key reason for the high rate of success of these buyouts (calculated in relation to the survival rate of the co-operatives after three and five years, business expansion evidence, capital to debt ratios, as well as the maintenance of jobs and the creation of new ones).

There is some excellent practice and expertise that the Wales Co-operative Centre and CDS Scotland have developed to enable employee buyouts where family businesses are seeking a trade sale. The current model though is one of employee ownership not worker co-operative succession. Over one hundred buyouts have been delivered this way in the UK. The Scottish Labour Party's new industrial strategy argues for investigating the possibility for "introducing an enhanced Marcora law to enable workers with a right to buy an enterprise when it is either up for sale or threatened with closure".¹⁴⁶

Bruno Roelants reports that both Italy and France have expertise in the conversion of conventional enterprises into worker co-operatives and, in rarer cases, social co-operatives. Co-operatives UK has developed a proposal to the UK government to phase out the Company Share Option Plan (CSOP) tax relief and the Enterprise Management Incentive (EMI). In 2013-14 CSOPs gave tax relief of £110 million to just 35,000 people on high incomes.¹⁴⁷ EMI provided £110 million the same year to just 5,000 high earners. The relief average in aggregate for both was £5,500 but £15,400 for EMI alone — indeed more than someone on 35 hours a week on a minimum wage.

The government has announced they will be scrapping the Employee Shareholder Status (ESS) from December 2016 and this will save £115 million by 2022. Co-operatives UK has proposed to the government that they use these savings and savings from EMI and CSOP for high earners to fund an Employee Buyout Investment Fund that could begin to operate like the worker co-operative funds in Italy and France.

7. Towards a Trade Union and Co-operative Alliance

The world of work in the 21st century has a markedly different pattern from previously. The two-tiered structure that has emerged in response to austerity and automation in the USA, Britain and other developed economies has been well described as an hourglass. In the top half there is a shrinking traditional workforce with a standard 40 hour contract, residual pension and full employment rights and below lies what Martin Smith of the GMB describes as:¹⁴⁸

“... a second growing group where technology creates an on demand working culture dominated by their smart phone of precarious work, low paid, zero hours, tiny hours, agency, self-employed jobs.”

The TUC's *Living on the Edge*¹⁴⁹ report has analysed in detail the plight of this growing base of low paid workers and highlights five areas where the government should take action on precarious work to:

- Make sure everyone can access decent rights at work.

- Guarantee that self-employment is a choice made by the worker, not the employer.

- Ensure everyone is protected when they cannot work.

- Make sure existing rights can be realised through enforcement.

- Strengthen workers' ability to organise for better conditions at work.

The gig economy is a good illustration of this shift with digital corporations advancing extractive business models that trade unionists have described as shunning employment obligations and also the payment of tax more widely. The TUC has highlighted the financial reasons why government needs to act because the 'gig economy' is costing the UK exchequer almost £4 billion a year in lost tax revenues.¹⁵⁰

The European Trade Union Confederation (ETUC) passed a resolution in December 2016 to secure a framework for “new protection for self-employed workers in Europe” and covering:

“social rights, such as the right to adequate remuneration, fair terms and working conditions, education and training, unemployment protection, social protection and pension rights.”¹⁵¹

The aim of the ETUC strategy is a levelling up to secure equal treatment for all workers and thereby to close the gap between the rights of workers in traditional employment and self-employed work.

The ILO debate on this question has been linking labour rights more clearly to human rights and seeking a solution that extends rights universally beyond the category of employment status. The risk otherwise is for a gig economy driven race to the bottom. Alain Supiot in 2001 developed the case for labour rights to be seen as citizen rights in his report for the European Commission, *Beyond Employment*. The Supiot report argument highlighted the need for labour rights that would be portable and not restricted to the legal status. In increasingly flexible labour markets such reform is needed to maintain worker protection and access to social security. Thus tinkering is inadequate to the challenges and there is a growing need for fundamental labour law reform.

Labour law expert, Nichola Countouris, of UC London argues similarly that a universalist approach to guarantee worker rights regardless of work status would be the missing antidote to gig economy undermining.¹⁵² Countouris adds that it is not only labour law that needs reforming but also the ownership questions need careful consideration as gig economy workers are required to work freelance and both bring and service their own capital equipment. Also Countouris stresses that who owns the data and the intellectual property are core questions that the gig economy poses.

The Labour Party is thinking now in this universalist way about how to regulate the gig economy. As Tom Watson, Deputy Leader has argued:¹⁵³

“So let’s extend employment rights to all workers in the gig economy — the self-employed, agency workers and contractors as well as the traditionally employed. Let’s stop dancing on the head of a legalistic pin about when is a job not a job and when is self-employed not really self-employed. It’s a fake fight which big business always wins ...”

In spring 2017 the European Commission initiated a consultation with the ETUC and employers’ bodies on access to social protection for all forms of employment in the framework of the European Pillar of Social Rights.¹⁵⁴ What are the ways in the UK to advance equal treatment for those in precarious work? Additionally, how can the capital ownership

question for protecting the assets of self-employed workers be addressed soundly?

ILO Recommendations 193 and 204 — an agenda for decent work

The aim of this report has been to describe more clearly the plight of the growing precariat and to identify and capture examples of best practice where unions and co-operatives are working together to challenge precarity and fight the erosion of political, social, economic and cultural rights. Guy Standing in *A Precariat Charter* describes well why a loss of 'social income' won by trade union struggles over decades characterises most clearly the experience of the precariat in the 21st century: their conversion from full citizens into denizens with curtailed rights.¹⁵⁵

CICOPA (International Organisation of Industrial and Service Co-operatives) research has shown that co-operatives are key in helping informal workers secure social and economic protection and democratic control. Moreover the success of this model of organising is significant. Today worker and social cooperatives represent 9% of the world's employed population and most of this movement is accounted for by membership in producers and freelancers co-operatives that are found in increasing numbers internationally in both industry and services.¹⁵⁶

One instrument that both trade unions and co-operatives can draw upon in the challenging task of securing decent labour standards for precarious workers is the International Labour Organisation (ILO) Recommendation 193 on *Promoting Co-operatives*.

On publication in 2002, ILO 193 was focused primarily on the informal economy in developing countries.¹⁵⁷ The success of SEWA in India which integrated trade union and co-operative services including an expanding cooperative bank and more than 100 co-operatives for two million members highlights how economic democracy solutions are possible for precarious workers. Inspired by SEWA, WIEGO has spread effectively this organising methodology in diverse countries in Latin America, Africa and Eastern Europe.

Closer to home the rapid spread of precarious work and informal employment in developed economies highlights why trade unions and co-operatives need to act together urgently to apply the instrument's

recommendations. Indeed the advice to workers' organisations under ILO 193 is to:

“assist workers in co-operatives to join workers' organisations; assist worker organisation members to establish co-operatives and to assist and to participate in the setting up of new co-operatives with a view to the creation or maintenance of employment.”¹⁵⁸

The co-operative movement in turn is urged:

“to establish an active relationship with workers' organisations ... with a view to creating a favourable climate for the development of cooperatives.”

Recommendation 193 builds on the rich tradition of solidarity and joint purpose between trade unions and co-operatives in the UK whether during the 19th century when co-operative goods were produced under “trade union terms and conditions”, through to the formation of Co-operative Copartnership Productive Societies through which 5,000 workers — who “must have trade union membership” — were employed by 45 co-operative societies. These societies were a form of workers' control which would secure, according to the AEU in 1948, the “extension of co-operative production to assist in altering the competitive system of industry for a cooperative system”, with “the control of industry in the interests of the community”.¹⁵⁹

A generation later in 1976, the Lucas Aerospace Combined Shop Stewards Committee advocated the production of socially useful products and for production to be conducted through co-operation and worker control during a time of crisis in the UK economy.¹⁶⁰

In 2015 the ILO passed Resolution 204 on measures concerning the *Transition from the Informal to the Formal Economy*.¹⁶¹ This is seeking to develop a new international labour standard to advance protection for all workers in the informal sector. Co-operatives and other social solidarity economy units are referred to in this recommendation as part of this transition in relation to formalised solutions as enterprises to create secure Decent Work.

But how also can co-operatives and trade unions collaborate to address wider issues and questions ranging from social protection to data and asset ownership?

Democratic ownership solutions for precarious workers — key findings

As this report has shown, there is emerging best practice in the UK, Europe and the USA that illustrates how immiseration can be reversed and Decent Work secured through unions and co-operatives building an alliance based on a solidarity economy approach. Additionally the growing thinking about what is common ownership and how this can be secured is important to consider.

We have identified eight different solutions that can tackle precarious work through different forms of democratic action, co-operative ownership and public-social partnerships including the co-development of commons. These positive and practical innovations are:

- **Legal campaigns and city council licensing:** Trade unions are successfully challenging ‘false self-employment’ in the Courts and securing workers’ rights. The trade union law suits against Uber and CitySprint upheld by the Employment Tribunal are landmark decisions. The 2016 local ordinance in Seattle to give collective bargaining rights to Uber and Lyft drivers is a major breakthrough that other local authorities need to consider.

- **Business and employment co-operatives:** This co-operative innovation, developed in France as an umbrella company solution over the past 20 years and replicated in Belgium by SMart has shown how co-operatives can enable freelance workers to secure decent work, low cost insurance, access to benefits and have their needs collectively met through the co-operative and with a digital support system like the online tools developed by SMart.

- **Freelance co-operatives:** There are a good range of examples in the media and creative industries sector where trade unions and cooperatives for freelancers can provide complementary solutions. Cooperatives can replace for-profit labour intermediaries and share the economic benefits with worker owners.

- **Platform co-operatives:** This is a new and growing area of innovation. The partnerships between trade unions and taxi

co-operatives to develop mobile apps are a good beginning. The work in the USA by SEIU to develop mobile apps and potential platform co-operative solutions for registered childminders and community nurses is pioneering. The success of Stocksy United in Canada as a cooperative ownership solution for photographers and the recent development in the UK of Co-Technologists as a co-operative consortium for worker co-operatives in the tech sector has the scope for significant growth.

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- **Social co-operatives:** The number of these providing co-operative care services is growing across Europe. In Italy where the co-operative care sector is the largest provider, there is a national trade union agreement with the three co-operative federal trade bodies and national collective bargaining agreements are in place.
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- **Union co-operatives:** The model for developing co-operatives that are unionised from the outset began with the United Steelworkers in the USA and has been taken up and implemented by a growing number of other trade unions. It uniquely brings together worker ownership and worker control with collective bargaining.
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- **Co-operative capital and mutual guarantees:** Co-operative ownership and employment accounts for 7 per cent of GDP in Italy, France and Germany compared to around 2 per cent in the UK. Dedicated development funds for worker co-operatives in Italy and France have enabled growth supported by public finance innovation.¹⁶² Mutual guarantee societies funded by enterprise members were pioneered in Italy to reduce risk and interest costs. They are now widespread in Europe and needed in the UK. In the USA the support by City mayors to establish worker co-operative development funds is an innovation of relevance to the UK.
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- **Municipal Commons Platforms:** There is wider scope beyond innovative regulation for local authority action. The Sustainable Economies Law Center in the USA and the P2P Foundation in Europe argue that a digital platform is an information superhighway and best seen as a utility.¹⁶³ Just as local authorities are responsible for local streets and roads, information management can be municipally developed by

an alliance of cities and towns as a commons for securing the common good.

Towards a trade union and co-operative alliance — recommendations

In the world of work, digital platforms have produced an entirely new way to contract and direct a workforce. While large multinational corporations dominate conventional work, newer 21st century multinationals have gained control of these digital platforms. Their business model is simple. They raise large amounts of high risk capital from private equity, hedge and venture capital funds, market extensively to expand rapidly whilst operating at a loss, seek to achieve a virtual monopoly and then increase the prices to make a profit.

A socially accountable alternative business model is possible. Although surprisingly the Taylor review did not make a single mention of worker cooperatives and worker ownership, they did at least include a recommendation about what they call WorkerTech:¹⁶⁴

“Government should work with partners to create a catalyst to stimulate the development of a range of WorkerTech models and platforms in the UK. This would allow new and emerging solutions to develop and grow, in a “sandbox environment” with a view to better supporting selfemployed people.”

Technology is not expensive, and the costs of start-ups are relatively low. However the updating and maintenance of digital platforms is costly. Horizontal forms of democratic ownership and control are indeed possible and a democratic ownership alliance could start up competitor platforms. The solidarity economy players (including the labour, trade union and co-operative movements) in partnership could provide some initial capital and resources and crowd-funding could provide much more. As success is proven, longer term sources of core social investment can be mobilised to continuously update these democratically owned and controlled platforms.

Additionally there could be a strategic partnership with local authorities using a commons approach. In the USA, for example, Munibnb, has been proposed as a democratic alternative to Airbnb that could be pursued by an alliance of local authorities co-developing transparent platforms for letting out of accommodation and also ensuring the system can readily collect taxes and keep revenue local

for the benefit of residents, visitors, workers and the local economy.¹⁶⁵ MuniRides similarly could provide a municipal commons platform for taxi co-operatives.

The Community Shares movement has shown how many people are willing to invest in projects that are close to their heart for example green energy and community shops. Platforms such as taxi apps are available off the shelf, and IT platforms that enable the self-employed to gain full employment rights such as CAE and SMart, as well as providing shared office and maker spaces, are well established in Europe. As Guy Standing suggests, what is missing is a social dialogue and a commitment to work with partners to develop collaborative strategies and kick-start experimentation.

These recommendations are offered to stimulate the development of a social dialogue among trade union, co-operative and local authority partners to begin joint work on designing and implementing democratic solutions to provide Decent Work for the precariat.

1. Legislative innovation: There are instances where a change in the law would be of enormous help, and indeed where recent changes have had a negative effect. Legal creativity in the USA led by trade unions has highlighted that “Laws are not just made in Washington or Westminster!” In Denver, thanks to CWA legal support and lobbying, the law on taxi companies has been changed to level the playing field for taxi co-operatives to expand and gain market share. In New York City the “Freelancing is not Free” Act promoted by the Freelancers Union has enabled self-employed workers to gain rights to contracts and proper payment on time. The Seattle Ordinance instigated by the Teamsters Union and allowing Uber and Lyft drivers to secure Collective Bargaining Rights is the equivalent of a UK byelaw, which is made by local authorities. Moreover the devolved administrations in the UK have many law making powers as well.¹⁶⁶

2. Union co-operatives for freelancers: There are co-operatives that provide hot desk space, back-office and financial services to self-employed workers, just as there are private sector organisations doing the same. Initially most of these had no links to trade unions, largely because the unions weren’t focused on the self-employed, but that is starting to change. SMart, a large scale service and co-work space co-operative in Belgium is now starting a dialogue with the trade unions, and Community Union is just starting a project, working with IndyCube, a co-worker space provider to produce

a union cooperative combining back office, finance support and workspace with full union membership. Part of this project will include looking at the development of SMart so as not to reinvent the wheel. This will be the first such co-operative in the UK seeking to operate at scale.

3. Worker co-operatives for taxi drivers: These have been around for many years, but many have come and gone. Demutualisation has often been a temptation, and the nature of the taxi trade, where there is a large churn of drivers every year has made this easier. However, where they have become established they have been very successful.

In Edinburgh the taxi trade is completely dominated by two cooperatives. City Cabs,¹⁶⁷ which was established in 1925, and Central Taxis,¹⁶⁸ which has been in operation since 1971. City has 400 members and 1,100 registered drivers, whilst Central also has 400 members and 1,300 registered drivers. Similarly in Denver, the Green Taxi Cooperative,¹⁶⁹ which is now the largest operator in the city, operates alongside Union Taxi.¹⁷⁰ They show how unions and co-operatives can work together, sharing experience and resources to improve the conditions for their members.

4. Creating supply side co-operatives and transparency: In the UK the Musicians' Union, Equity, BECTU and some teachers' unions have supported the development of co-operatives which organise, secure work for and service their members. The experiences of these unions need to be brought together to develop a co-operative model that can be easily replicated, that uses IT to reduce overheads and that enables co-operatives to compete against commercial agencies on price, whilst maintaining a quality service and good terms and conditions for worker members. Also profiteering by third party agencies should be tackled by making agencies disclose the margins they charge (the difference between what a client is paying and what the worker receives) and showing revenue they receive by referring workers to other providers such as a payroll company.

5. Social co-operatives for care services: Work backed by Cooperatives UK and the Wales Co-operative Centre is underway to develop and expand these in the UK. Market conditions in home care are extraordinarily tough but conversions from social enterprises and charities into social co-operatives (such as Cartrefi Cymru and Community Lives Consortium) demonstrate the possibilities. At the same time the Unison Ethical Care Charter

supported by 29 local authorities in the UK offers scope for a three-way partnership with public sector unions, local government and the co-operative movement to co-develop strategically social co-operative solutions far more widely and in multi-stakeholder ways that empower workers and service users.

6. Equitable tax relief for worker co-operatives and social cooperatives:

In the UK, tax reductions are used to support only those employee share issues that are structured in a way that gives them limited democratic power within the company. Tax legislation in the UK and the USA has not been even-handed and fair in relation to worker co-operatives or social co-operatives. There are for example only 400 worker co-operatives in the USA and 474 in the UK compared to ten or more times that number of employee owned businesses. Worker co-operatives facilitate both worker ownership and worker self-management and the laws in Italy and Spain (but also France) for worker co-operatives has led to 15,000 being established in each country. Additionally, in Italy, social co-operatives have a reduced rate of corporation tax and VAT in recognition of their benefits to society. Moreover social co-operatives in Italy that create jobs for ex-offenders, the disabled and those recovering from addiction are exempted from national insurance contributions because of their success in workforce integration.

7. Co-operative capital and mutual guarantees: Finance for the cooperative movement has always been problematic, partly because capital is unevenly distributed in our society, and those that have the most are generally not keen to invest it in democratic enterprises. We need a re-framed democratic financing structure to support all forms of co-operative venture whose mission would be to support the economy, rather than to make vast profits for investors. This structure should include publicly owned banks, mutuals like Building Societies, Community Development Finance Institutions and credit unions, and co-operative models of investment insurance that work with existing banks such as Mutual Guarantees Societies that are well established in 19 EU countries. The joint work in Wales by the Labour Party and Plaid Cymru on a development bank for Wales is making a start. Also Co-operative and Community Finance and the new SolidFund for worker co-operatives in the UK exemplifies this new approach. The work on Mutual Guarantee Societies involves some legislative changes such as the Private Members' Bill put forward by Christina Rees MP.¹⁷¹

8. Giving workers ‘the right to buy’: In France, since 2013, workers have a right to buy their company when it comes up for sale, either on the open market or through administration or bankruptcy.¹⁷² This, together with the French legal structure for worker co-operatives that allows for up to 49 per cent outside investment, and a network of French co-operative banks and finance institutions to provide this, has led to a growth in worker co-operatives to 2,252 SCOPs employing 45,700 people in 2014,¹⁷³ compared to only 474 employing 3,500 people in the UK.¹⁷⁴ In Italy there has been a similar co-operative financing system in place to assist in worker buyouts of businesses. The work by US cities to increase the number of worker co-operatives and to support an eco-system for worker buyouts is something the UK should consider. The experience of the Wales Cooperative Centre and Co-operative Development Scotland with business succession opportunities and employee ownership solutions should be drawn upon for forging a worker co-operative buyout strategy with trade unions. To create in the UK a legal, policy and co-operative ecosystem of support, the Scottish Labour Party’s industrial strategy proposals for an enhanced Marcora law like in Italy should be investigated.

9. Addressing wider social impacts and housing: The proliferation of privately owned IT platforms has spread beyond the world of work and impacts upon all including the precariat. Airbnb has pushed up house rentals in some cities, whilst allowing landlords to avoid the local authority’s hotel and tourism taxes. Whilst there are some changes in the way it operates, including paying local taxes automatically, these have come only where local pressure, or the threat of prosecution, has been applied. As the *Not Alone* report highlighted, there is a close association between precarious work and precarious housing that Co-operatives UK have described in a Precariat Index. Ongoing increases in rent levels and purchase prices for property on the one hand, plus insecure and variable monthly income have made the difficulties for the self-employed, who find it hard to obtain rented accommodation, let alone a mortgage, even worse. This is an acute problem that joint creative thinking by the co-operative and trade union movements needs collectively to address. If business and employment co-operatives as a solution whose developers has worked out how to secure worker rights and workspace for freelancers, co-operative solutions for housing are clearly feasible.

10. Universal Basic Income campaign: The GMB and the TUC have passed resolutions to support the introduction of a Universal Basic Income.¹⁷⁵ Citizens Income Trust and the RSA have shown how even a tax neutral system to replace existing means tested benefits would significantly benefit those on the lowest income, most freelancers and also not impact adversely on most other households.¹⁷⁶ Universal Credit is more problematic and bureaucratically complex for freelancers to claim. As Guy Standing and many other commentators have shown, a campaign for Universal Basic Income could be a key way and means to unite and organise the growing precariat for a key reform to welfare and social security provision that is much needed. The level it is set at and how housing costs are also addressed are key to making a success of this reform as Citizens Income Trust highlights.

End notes

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166 For instance, the Deregulation Act 2015 enables private hire and taxi drivers to operate outside their registered area, whilst the Section 68, Town Police Clauses Act 1847 gives local authorities the power to pass byelaws on hackney carriages (taxis) including the conduct of drivers and proprietors, and fares. These two pieces of legislation are contradictory, but in law the latest generally supersedes the former; so if local authorities introduced fresh byelaws, they should take precedence.

167 <http://www.citycabs.co.uk/about>

168 <http://taxis-edinburgh.co.uk/about/our-community>

169 <http://greentaxico-op.com>

170 <http://www.uniontaxidenver.net>

171 <http://services.parliament.uk/bills/2016-17/mutualguaranteesocieties.html>

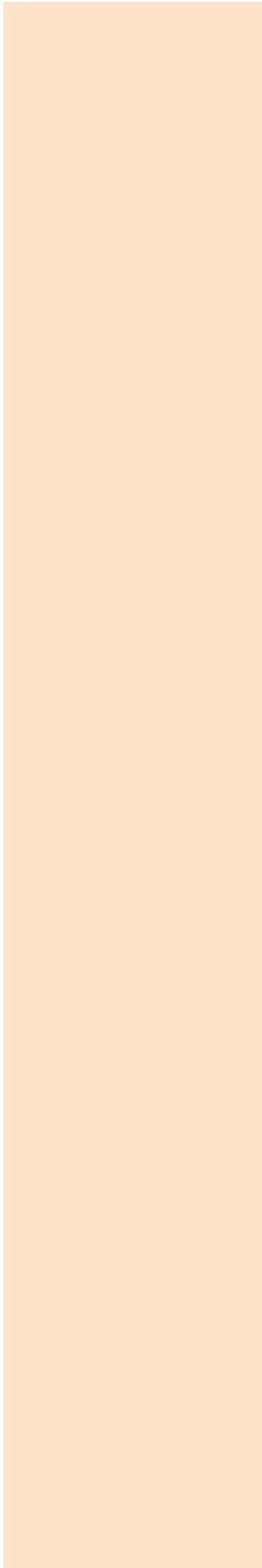
172 <http://ica.coop/en/media/news/france-unveils-law-support-co-operatives>

173 <http://www.thenews.coop/87811/news/business/crisis-led-to-an-increase-in-the-number-of-worker-co-operatives-in-france/>

174 <http://www.thenews.coop/87176/news/general/whats-happening-in-the-world-of-worker-co-operatives/>

175 <http://citizensincome.org/news/the-tuc-votes-for-a-resolution-on-in-work-benefits-and-universal-basic-income/>

176 <http://www.citizensincome.org/wp-content/uploads/2016/03/poster2013.pdf>



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