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Report No. 2

A Review of Social and Employee-Owned Co-operative Business Models and their Potential to Reduce Poverty

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The University of the West of Scotland-Oxfam Partnership: 'For a more equitable and sustainable Scotland'

The UWS-Oxfam Partnership is a formally established relationship between the two organisations, underpinned by a Memorandum of Understanding. The Partnership emerged as a result of collaborative work between UWS staff and Oxfam and its community partner organisations, revolving around the development of Oxfam's antipoverty advocacy and campaigning in Scotland. The Partnership comprises:

- A Research and Knowledge Exchange linking UWS academics and Oxfam and its community partners in collaborative projects;
- A programme of placements and work-related learning and volunteering opportunities, enabling UWS students to contribute to the work of Oxfam and its community partners, while learning and developing their experience and skills;
- The UWS-Oxfam Policy Forum, which brings all of these partners together with a broad range of external organisations from across all sectors of Scottish society, to discuss key questions and to inform understanding and engagement with both existing and emergent issues.

The Partnership publishes a series of Collaborative Research Reports, edited by Chik Collins (UWS) and Francis Stuart (Oxfam), which, together with other information on the activities of the Partnership, can be found at the following link: <http://uwsoxfampartnership.org.uk/category/oxfam/>

Report No. 2:

A Review of Social and Employee-Owned Co-operative Business Models and their Potential to Reduce Poverty

In this report, Geoff Whittam (formerly of the UWS Business School, and now based at Glasgow Caledonian University) and Steve Talbot (UWS Business School) provide a review of literature on social and employee-owned co-operative business models as a prelude to reporting on a study based on interviews with key figures in a range of such enterprises. The study looked to explore how these businesses interact with and benefit their local communities. The authors provide brief case studies of a housing association, a credit union and a worker co-operative, and conclude with a number of recommendations which will be of interest to policy makers, practitioners, academics, and in wider discussions involving those who share, with UWS and Oxfam, an interest in creating 'a more equitable and sustainable Scotland'.

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AIMS AND OBJECTIVES

Project title:

A review of local social and co-operative business models and their potential to reduce poverty.

Research Aims:

To review the potential of social and co-operative-based business models to enhance the local economy and alleviate poverty.

Objectives:

- Carry out a baseline literature review of cooperatives in Scotland with a focus on cooperative's impact on equality, poverty and community development;
- Identify a minimum of ten cooperatives operating in a number of key sectors of the Scottish economy;
- Analyse the flows of wealth, employment and community participation;
- Identify and interview a number of key stakeholders engaged in policy issues;
- Review the current policy climate and its impact on cooperatives in Scotland;
- Publish a short policy briefing identifying avenues for improving the policy climate.

INTRODUCTION

Oxfam Scotland and other like-minded parties, such as *Co-operative Development Scotland* (CDS), are keen to explore the potential of the co-operative approach to business in Scotland and to expand the co-operative business base. In addition, *Oxfam* wants to explore how co-operatives can understand and enhance their non-economic impacts, such as improving social justice, reducing inequality and addressing poverty. Co-operatives have in recent times had more members than there are direct shareholders of businesses in the UK (DEON, 2005), meaning they are perhaps uniquely placed to undertake the difficult and complex task of melding the interests of business with those of the wider community.

There is no doubt as to the economic potential of the co-operative approach to business. Data from Co-operatives UK show that the co-operative economy is a relatively healthy one which covers around 5,900 businesses, involving 13.5 million members and with revenues totalling £35.6 billion. In addition, the number of individual memberships appears to be growing, up by 19.7 per cent between 2008 and 2011. In Scotland the picture is equally impressive with the number of co-operatives standing at around 623 with a combined sales turnover of some £4.2bn. Interestingly, and of importance to the future promotion of the co-operative model, the data show that the UK employee-owned sector has grown at a rate significantly faster than that of the rest of the economy between 2011 and 2012, up 1.1%, compared to just 0.7%. This encouraging picture is supported further by industry-level data in a recent report by the *Cass Business School* (2012) which shows that employee owned businesses perform better across a range of metrics and do indeed fair better in times of economic hardship. However, the recent Nuttall Review (2012) found that there are a number of significant barriers likely to inhibit any future growth of the co-operative model.

This suggests that while the co-operative model has much to recommend it, particularly in terms of its economic impact, more needs to be done to promote the potential of the model and in particular its latent social impact. However, the diverse nature of co-operatives and subtle distinctions between different types means that there is no single co-operative model in operation. This adds a further layer of complexity when attempting to understand the relationship between co-operatives and their local communities.

This research adds to the debate on the co-operative approach by examining how a number of different co-operative models appear to interact with their communities. While resource constraints limited the scope of the study, some key features of the co-operative landscape were identified and a number of important lessons drawn.

We begin with a brief overview of the literature of recent research into co-operatives and the co-operative approach, before looking at the findings of the field work.

LITERATURE REVIEW

INTRODUCTION

This section reviews the theoretical and empirical literature on employee ownership. It is worth noting that the literature reviewed embraced a variety of methods, scope and approach. For example, some studies analysed firms that are wholly employee owned, while others included firms with a small employee stake holding (Pendleton et al. 2009). Our study focuses on worker co-operatives, housing associations and credit unions. With this caveat in mind, we present the following review.

Evidence from the employee ownership literature suggests that increased employee ownership in the United Kingdom (UK) economy can help contribute to growth, aid economic recovery and reduce sickness and stress in the workplace (Brione and Nicolson, 2012; Nutall, 2012). However, Nutall found that access to finance, inadequate promotion of the model as well as governance and economic inefficiencies associated with the employee owned business model hinder its formation and performance (Nutall, 2012).

According to Lampel et al. (2010), the nature of successful employee ownership is a fruitful area of study, bringing together a wide range of interested parties from consultants, academics, and government, to businesses and non-governmental organisations (NGOs). Thus, evidence of the model's long term contribution to community development, employment creation, and role in driving economic growth can be found from a variety of sources.

The following sections look at the employee ownership model across a number of key themes as identified in the literature.

An overview of employee ownership

Employee-ownership is not a new phenomenon. A partial, majority or total ownership of business by employees with key involvement in decision making is a model of enterprise adopted by many firms in the UK and abroad, giving the model business and economic significance (Postlewaite et al. 2005; Brione and Nicolson, 2012; Nutall, 2012). However, the co-operative concept has not been universally embraced and it remains somewhat in the shadows. This is the case with private and public organisations which, when faced with a choice of business model, tend towards the default traditional model of governance by a hierarchical management structure.

Nonetheless, policies to foster business development based on increasing employee ownership are on the political agenda. Efforts to build a 'John Lewis' style economy to foster diversity and aid economic recovery are now firmly on the legislative track (Brione and Nicolson 2012). A spur for the legislative drive is the issue of succession. This is a major concern for UK small and medium enterprises (SMEs) where succession issues are viewed as part of a short-term approach where entrepreneurs build and then sell-on a business to the detriment of long term growth. This approach contrasts with that reigning in Germany, where there is a tradition of long-term family ownership and smooth succession between generations. Transferring the business to employee ownership is one solution to the succession issue and provides the necessary continuity for the business to develop. Employee ownership is one possible strategy for business succession as well as new business development (Artz and Kim 2011; DEON, 2005; Postlewaite et al. 2005; Davies 2011). This strategy of business succession:

“Offers a way to secure the business and jobs in the community, retaining its independence and rewarding employees” (DEON, 2005 p.5).

Employee ownership takes many forms and is a multi-dimensional concept embracing diverse forms including direct ownership, indirect ownership and hybrid ownership. While the direct form of ownership is often referred to as co-operative, the indirect form of ownership is mainly employee benefit trust, and hybrid - a combination of individual and collective share ownership. Given the diversity of the business structure and complexity of business models adopted, there is debate surrounding the different types of employee ownership. However, the UK Employee Ownership Association (EOA) defines employee ownership thus:

“Employee ownership means a significant and meaningful stake in a business for all its employees. If this is achieved then a company has employee ownership: it has employee owners.” (Nutall, 2012)

The United States of America (USA) is considered to have one of the widest experiences of employee ownership, with the employee shared ownership plan (ESOP) one of the most common models, providing long term ownership (Freeman, 2007; Brione and Nicolson, 2012). There are around 11,500 companies in the USA with extensive employee share ownership involving some 14 million participants. There are tax incentives driving this spread of capitalism through share ownership, with the US government spending around \$8 billion annually on tax relief (Freeman and Knoll, 2008). The UK Government is currently reviewing the tax relief on employee-owned trusts² in a bid to emulate the experience of the USA. However, in Europe the process is well established with around 9.9 million employee owners holding company shares worth around 232 billion Euros. The UK is to the fore with employee ownership worth around £30 billion (Employee Ownership Association, 2013). This co-operative approach to business yields significant economic and social benefits to the public as well as the private sector (Brione and Nicolson, 2012).

The business case for employee ownership extends beyond the impact at firm and employee level. There is also a wider societal impact (Lampel et al., 2010; Burns 2006; Reeves, 2007; McLeod and Clarke, 2008; Matrix Evidence 2010; Nutall, 2012). A study by Erdall (2011) presents a variety of benefits employee ownership offers to the firm, employees and the economy at large, and these benefits were confirmed in the Nutall Review (2012).

The literature suggests that in contrast with non-employee owned firms, employee owned firms have higher levels of productivity, demonstrate greater economic resilience during turbulent times, are more innovative, enhance employee wellbeing, have lower rates of absenteeism, create jobs at a faster rate, improve employee retention and also demonstrate high levels of communication and employee engagement (Lampel et al., 2010; Matrix Evidence; 2010; McQuaid, 2012). However, the evidence is not so clear on the wider impact on communities. In what follows we do not explore any of the methodological issues that may be associated with these recent studies or the statistical tests used.

Evidence on impact at the level of the firm

The relative performance of employee owned business can be measured using a number of metrics. The most common metrics are profitability, productivity, employment growth, share price and resilience. An interesting feature regarding firm size emerges from the literature and seems to suggest that many benefits of employee ownership may decline once a firm grows beyond a certain size. We look briefly at the evidence from some recent studies.

Various studies have analysed the impact of employee ownership on firms' profitability (Lampel et al., 2010; Matrix Evidence, 2010). Consistent with most research findings, employee owned firms show relatively high levels of productivity and profitability compared to conventional firms (Matrix Evidence, 2010). The review linked employee participation in decision making and employee ownership with a noticeable increase in a firm's productivity (Matrix Evidence, 2010). Although Matrix Evidence shows a positive firm level effect of employee ownership, Pendleton et al. (2009) argued that the findings were ambiguous, given that firms which were wholly employee owned were analysed alongside firms with a small employee stake. This is a useful reminder of how issues of classification and definition affect the methodological approach, which in turn influences the strength and direction of any impact (this is the lesson from an early American study where the benefits of employee ownership were shown not to be statistically significant (Ellerman 1985)).

When looking at the issue of employment growth, Lampel found this to be faster in employee owned businesses – 7.46% in 2005-2008 and 12.9% in 2008-2009, compared to 3.87% and 2.70% for non-employee owned businesses during the same period. Although most other research associates productivity and profitability gains with employee ownership, Lampel concluded that this advantage may dwindle as the firms grow in size (Lampel et al., 2010). A similar study that examined productivity gains with businesses with share ownership plans confirmed that when 100 more workers are added to a business its productivity (on sale per employee basis) diminishes (Nuttall, 2012). This supports the view that the employee ownership model offers particular benefits to small and medium-sized businesses (Lampel et al. 2010).

Field Fisher Waterhouse's employee ownership index performed better than the FTSE Share index with an average annual increase of 10% from 1992 to date (Nuttall, 2012). Evidence from the literature not only suggests that employee owned businesses are more productive and profitable, but that they are also more resilient in times of economic turbulence.

² See: <http://www.hmrc.gov.uk/shareschemes/ee-ownership.htm>

Business resilience is believed to be an essential part of sustaining employment and long-term growth (Lampel et al. 2012; Nutall, 2012). There is, however, limited empirical evidence on the resilience of the employee owned business. A UK research project for the Department for Business Innovation and Skills by the CASS Business School presented empirical findings that support the resilience of employee owned businesses. Lampel et al. (2010) examined the resilience of the respective sales growth of employee owned versus non-employee owned businesses across two time periods (2005-2008 and 2008-2009). In comparing sales data for 2005-2008, non-employee owned businesses performed better, with 12% annual average sales growth compared to 10% for employee owned businesses (Lampel puts this difference down to the former's ability to obtain favourable finance). However, during the period of severe economic turbulence, 2008-2009, sales data reveal a reversal of fortune, with a significant increase in sales growth of 11.08% for employee owned businesses compared to 0.61% for non-employee owned businesses. Lampel suggests that this reflects the inherent strength of the employee ownership model under difficult economic circumstances. Further research by Lampel et al. (2012) reveals that employee owned businesses in a period of economic downturn (with limited access to external capital) are more committed to organic growth, relying heavily on internal rather than external resources. An interesting feature of the research is the finding that non-employee owned businesses focus on short-term profitability rather than longer term growth. Again, this lends weight to the role co-operatives could have in stabilising SME growth during periods of succession.

Lampel et al. (2010) also compared employee owned businesses with non-employee owned businesses to examine the relationship between firm size and performance using financial data for 2005-2008. Comparing a sample sub-group of both forms with fewer than 75 employees, Lampel found that employee owned business employees perform considerably better than their counterparts. However, when the size of the sub-group was raised beyond 75 employees, there was no marked difference in relative performance between the groups. Again, methodological issues (in this case sample size) can impact on results, but nonetheless there is a clear suggestion that the size of co-operative may indeed matter when measuring comparative performance.

In addition to the financial and economic metrics, the potential benefits of employee ownership stretch further afield to include job security, employee engagement and wellbeing, involvement in decision making and increased participation. We now briefly look at these issues.

Impact on the employee

At the level of the employee, the impact of employee ownership is measured across a number of metrics, including sharing in the profitability of the enterprise, increased employee engagement, and enhanced employee wellbeing. Often a higher level of employee engagement involves a trade-off, requiring the employee to forfeit short-term wage gain and ancillary benefits for the privilege of a share of ownership (Freeman, 2011). The incentive effect is for the employee to work harder and more effectively in return for a share of the profits (Lampel et al. 2010). Evidence suggests that employee owned businesses display a more even distribution of total worker compensation, often with higher pay and benefits relative to counterparts in non-employee owned firms (Lampel et al. 2010; Matrix Evidence, 2010; Brione and Nicholson, 2012).

While improved morale associated with ownership appears to motivate employees through improved total compensation, some US studies raise concerns when employee financial risk (wages, profit share, personal wealth and human capital) is held in a single location (i.e. their firm), as if the co-operative business fails, the employee loses everything. (Artz and Kim, 2011; Brione and Nicholson, 2012).

On the positive side there are many studies that link employee engagement, improved wellbeing and involvement in decision making to increased productivity (Miche et al., 2002; Freeman, 2007; Brione and Nicholson, 2012). There is also a consistent theme in recent literature linking employee ownership to greater levels of employee engagement and wellbeing (Macleod and Clarke 2009; McQuaid et al., 2012).

Employee engagement is about an employee having a positive attitude towards the organisation and its values, while working towards improving performance for the benefit of the whole organisation (Kemsley, 2011). Macleod and Clarke (2009) and Kular et al. (2008), examine the impact of employee engagement on physical, emotional and financial health, as well the effect on wellbeing, and demonstrate the positive effect of employee engagement. The focus on softer business outcomes, such as wellbeing, is recognition that it has a business value and is not at all incompatible with the pursuit of higher profit.

McQuaid's, (2012) study looked in depth at issues surrounding health and wellbeing of workers in employee owned businesses in relation to the way their work is organised and managed. Survey results of these businesses were compared with UK averages of workplace employee relations and other national surveys across a range of indicators, including absence, satisfaction at work, control over work, involvement in communication and decision making, and staff turnover. The conclusions suggest that the way work is organised and managed in employee owned businesses has a positive impact on employee wellbeing, leading ultimately to greater employee commitment and motivation which will in turn boost productivity.

Lampel et al.'s (2010) study also established that profit per employee has been related to employees having greater involvement in decision making. However, Artz et al. (2011) argued that collective involvement in decision making takes time and increases the workload of individual employees. Importantly for our study, Artz et al. found that greater employee involvement in decision making may have a negative effect on job quality and satisfaction, as some of the responsibilities that come with participation may be burdensome – especially if the result is excessive peer monitoring and pressure which leads to interpersonal friction among employees. Postlewaite et al. (2005) also found that workers in share ownership businesses are likely to confront or rather report the behaviour of non-performing colleagues; this may result in increased employee stress levels and subsequently lower productivity and job dissatisfaction.

However, other research shows that greater levels of employee engagement and wellbeing directly reduce absenteeism and result in greater retention (McLeod and Clarke, 2012). Intuitively, a healthy and happy workforce infers lower staff turnover and reduced absenteeism. This view is supported by McLeod and Clarke's earlier (2009) review of the Nationwide Building Society, which found lower levels of absenteeism in areas of the business where employee engagement was highest. This analysis is a theme found across employee owned businesses. For example, using CIPD retail sector absenteeism data, Reeves (2007) found that the level of absenteeism in John Lewis Partnership was 3.4% compared to the retail average of 7.8%. The level of absenteeism is not only found to be lower in employee owned businesses, retention rates are also higher. Further, in comparing John Lewis Partnership's annual staff turnover rate against the annual data of its two main competitors, Reeves (2007) found that the staff turnover rate was 21% for John Lewis compared to 38% and 43% respectively for its competitors. A similar investigation by Burns (2006) revealed that the high rate of retention of high quality staff in employee owned businesses is due to their ownership structure, which improves the psychological experience of employees leading to a happier and more productive workforce.

Barriers to the adoption of the model

The Nutall Review, (2012) identified three major obstacles to the continuing growth of the employee ownership model. Firstly, awareness levels with regards to start-up, succession and business rescue were found to be very low among the business community. Secondly, obtaining specialist support and gaining access to information on legal, tax and finance issues to enhance transition to employee ownership tends to diminish the incentive to explore the model as a serious objective. Thirdly, tax, legal and regulatory complexities as well as the cost involved discourages adoption of the employee ownership model. The review concluded with a series of recommendations for the UK Government and presented a framework for promoting employee ownership in the mainstream economy. One of these recommendations includes continued awareness-raising of employee ownership in particular around start-up, expansion, growth, succession and business rescue.

A series of reports and publications are also available on raising awareness of transition to employee ownership. McDonnell et al., (2012) focused on attempts to dismiss the confusion and misinformation surrounding the cooperative and employee owned enterprise model and looked to improving knowledge and understanding of the model. Brione and Nicolson's (2012) influential report, "Unlocking growth in the UK economy", examines the case for promoting employee ownership and share ownership by exploring its forms, advantages and shortcomings; it also provides recommendations for the promotion of the business model. The Employee Ownership Association found that employee ownership can contribute to economic development through the creation of secure employment and lead to the development of sustainable communities by redistributing income through the use of local suppliers (Employee Ownership Association, 2013).

Contrary, however, to the wealth of research on the business and employee level impact of employee ownership, there is inadequate research evidence on the social case for employee ownership and its impact at community level. This report looks at ways of redressing this deficiency by exploring how the co-operative model may work at the social level.

Methodology

Our initial brief involved targeting 10 co-operatives within five areas of deprivation in the West of Scotland, identified by Oxfam. However, an early mapping exercise found that while Scotland had around 623 co-operatives, few were located in the initial five areas of main concern to Oxfam. This meant that the original methodology had to be significantly modified and the geographic area extended to capture other areas of deprivation beyond the initial five areas. Further analysis showed that there were very few co-operatives fitting Oxfam’s original view of what would be encountered on the ground in Scotland, as opposed to how co-operatives in developing countries operate. The methodology was further altered to capture examples of the co-operative model having an impact across the variables under consideration. Given the altered methodology a classification (sectoral-type) approach was adopted as the method most likely to capture the type of information we were looking for. Table 1 shows Scotland’s co-operatives by classification and those highlighted in bold were selected for investigation.

TABLE 1: SCOTLAND’S CO-OPERATIVES BY CLASSIFICATION AND NUMBER

Nationality of Resettled Refugees	Number
Agriculture Co-operative	144
Credit Union	126
Community Co-operative	97
Not otherwise classified	73
Employee Co-operative	44
Housing Co-operative	40
Not Classified	39
Worker Co-operative	38
Multi stakeholder Co-operative	8
Market Traders Co-operative	4
Mutual Enterprise	4
Consumer Retail Society	3
Consortium Co-operative	2
Employee Mutual	1
Total	623

Source: Data provided to authors by Co-operatives Scotland.

There is significant debate surrounding the exact definition of these categories and the distinguishing features of each, especially at the margin, and any selection process involves an element of compromise. However, as our primary task was to identify areas where Oxfam would be able to contribute to, and influence policy, three distinct sectors were selected as likely to provide the depth and range of experience of the co-operative model necessary for our task: Housing Associations, Credit Unions and Worker Co-operatives.

Table 2 lists those co-operatives visited. Of particular note is that our interviews with the worker co-operatives covered over fifty per cent of that group in terms of sales turnover and staff. Given the large number of Housing Associations/cooperatives and the large number of Credit Unions that appeared on the list of co-operatives, it was decided to include a small number of each of these types of organisations within our sample. This also meant that it was possible to capture some cooperatives within areas identified as suffering multiple deprivation as measured by the Scottish Index of Multiple Deprivation (SIMD) and so reflect this aspect of the original brief.

All interviews took place with the CEO or senior manager of the organisation, sometimes with other members of the management team present. All interviews lasted for a minimum of one hour and in some cases lasted over two hours. All interviews were recorded and transcribed and were hosted at the place of work of the co-op member being interviewed.

All interviewees were shown the research questionnaire and a copy of Oxfam Scotland’s Humankind Index (Oxfam, 2013). The Humankind Index is a way of measuring Scotland’s real prosperity. It was created through a participative consultation process, asking almost 3000 people in Scotland the question ‘what do you need to live well in your community’. The outcome of that process was 18 weighted ‘factors of prosperity’, ranging from good physical and mental health, to a decent, safe and affordable home in which to live, to a pleasant local environment. Given that the Humankind Index represents what people in Scotland think is important, the purpose of using this was to find out how interviewees thought their cooperative contributed (or not) to Scotland’s ‘humankind’.

TABLE 2: LIST OF INTERVIEWEES, CLASSIFICATION AND LOCATION

Worker Co-operative	Number of employees	Location
Clansman Dynamics	47	East Kilbride
Equal Exchange	4	Edinburgh
Edinburgh Cycle Cooperative		Head Office Edinburgh
Co-op Media	9	Glasgow
Green City Wholefoods	35	Glasgow
Owenstown	Not trading yet	Lanark
Credit Union		Location
Dalmuir Credit Union		Clydebank
BCD Credit Union		Glasgow
Govan Credit Union		Govan
Housing Association		Location
Blairtummock Housing Association		Easterhouse
Wellhouse Housing Association		Easterhouse
Other		
Glasgow City Council*		Glasgow

*in the course of the research Glasgow City Council declared that Glasgow city was a ‘cooperative city’ hence the Council was interviewed as a key informant as to what a cooperative city would be and any implications for our study.

Our task

We were tasked with exploring the nature of the co-operative model as it is operated by business on the ground. We wanted to understand:

1. The nature of any socio-economic impact at the local level, and
2. Determine how this knowledge can help shape Oxfam’s input to policy debate(s) at the national level.

We are aware that a limited case study approach has many flaws in terms of inferential statistics, but we were seeking a flavour of ‘how’ the co-operative model actually connects with the local economy and therefore a case-study approach is an appropriate method. Appendix 1 lists the organisations visited, the interviewees and the time and location of each interview. Appendix 2 contains the questionnaires that were used in the study.

While the literature generally supports the economic case for employee ownership, looking for evidence of social or local socio-economic impact is more problematic. To try to capture (albeit imperfectly) the nature of the economic impact of the organisations we engaged with, we included in our survey a methodology question relating to earlier Co-operatives UK work measuring local economic multipliers (Sacks, 2014). It must be stressed that we did this as a means of establishing whether interviewees were aware of the wider economic impact rather than of obtaining an actual multiplier figure.

We also looked to get a measure of the co-operative spirit through measuring the strength of commitment to the seven principles of co-operation within the enterprise. In addition, we mapped the seven principles against the values attached to Oxfam’s Humankind Index in order to get a flavour of the complementarity between the aims of the organisations and those of Oxfam itself, as this be relevant to any attempt to envisage a set of common policy aims. This is shown in Table 3.

TABLE 3: MAPPING OF CO-OP RULES AGAINST OXFAM’S HUMANKIND INDEX

Co-operatives UK’s 7 guiding principles	Oxfam’s Indicators
Voluntary and open membership	Having the facilities you need available locally. Access to arts, hobbies and leisure activities.
Democratic member control	Being part of a community.
Member economic participation	Secure work and suitable work. Having enough money to pay the bills and buy what you need. Having a secure source of money. Having satisfying work to do (whether paid or unpaid).
Autonomy and independence	Being able to access high-quality services. Human rights, freedom from discrimination; acceptance and respect. Feeling good. Having good transport to get to where you need to go. Affordable, decent and safe home. Physical and mental health.
Education, training and information	Getting enough skills and education to live a good life.
Co-operation among co-operatives	
Concern for community	Living in a neighbourhood where you can enjoy going outside and Having a clean and healthy environment. Having good relationships with family and friends. Feeling that you and those you care about are safe. Access to green and wild spaces; community spaces and play areas.

Evidence from the interviews

All interviewees were aware of UK Cooperative's seven principles, with some organisations having the Principles displayed within the workplace. While there is a general acceptance of the Principles, a distinction is noticeable when comparing organisation type, i.e. housing association and worker co-operative. Table 4 shows a broad level of unanimity across most Principles, but with a clear divide with respect to issues such as '*co-operation among co-operatives*' and '*concern for the community*'. While the sample is very small and no statistical inference can be drawn, this distinction appears to suggest a wider concern for the community among housing associations and Chart 1 illustrates this point. Indeed, we would expect businesses to be more self-focused and to have a narrower remit. What was very noticeable during the interviews with the housing associations was the appearance of a lightness of touch in decision making and a detailed knowledge of the individual tenant. It was evident from our time at the associations that they were at the heart of the local community with tenants feeling free to drop in and discuss all manner of problems that they were encountering. Such open-access, together with the willingness of tenants to drop by, is a powerful combination, which helps to support and empower many tenants. In some cases, other forms of assistance may be available but tenants may not necessarily be aware of it or how to access it. These housing associations have an excellent reputation and while perhaps not typical, they show the potential impact a housing association may have and the collaborative opportunities available to Oxfam.

Some housing associations (those above) provide Oxfam with a hub of community activity, the support of which could have significant impacts for relatively little expenditure or engagement. The housing associations also appeared to enjoy the potential to reap scale economies through co-operation when opportunities arise. It must be emphasised that most of the economic benefits accruing to the housing association interviewees is due to better and more informed decision making and knowledge of local suppliers, rather than scale economies emerging through co-operative buying power. It may be the case that there is an optimal size of housing association and that co-operation on specific occasions then further boosts any potential gains. Blairtummock and Wellhouse Housing Associations were created at the time of the housing transfer in Glasgow and their dynamic with the local community appears to be founded on the dedication and commitment of individual staff with a real passion for developing the local community. If key people left the organisation there is a danger that this dynamic would weaken.

Credit unions were founded as a means of combating what is now sometimes referred to as 'financial exclusion'. Originally, members of a credit union lived within the immediate locality, that is, within the radius of the 'common bond'. However, this necessity has been relaxed in recent years and there are now credit unions which are Glasgow-wide and some occupationally based credit unions without a regionally based common bond. Credit unions have 'struggled' in the recession due to their investment strategy. They are restricted in terms of where they can invest monies; this restriction usually limits them to investments in high interest rate bank accounts. However, due to the recession these vehicles for investment have dried up, hence credit unions are cash rich with nowhere to invest.

In the case of worker co-operatives the presumption is that they would be set up with aspirations to address issues such as those encapsulated in Oxfam Scotland's Humankind Index. However, we found a mixed picture with respect to these indicators and again, the idealised³ worker co-operative was not present (see Table 4 and Figure 1). Only one interviewee had a consistently strong response across the board and with a particular emphasis on education and training as well as access to the workplace. Interestingly, this co-operative operates in the most competitive market place, has multiple sites across the UK, seeks high growth and is profit driven. It is only when 'pushed' (i.e. given examples) that the depth of local engagement became apparent. When first asked about links to the community, one large manufacturer located on an industrial estate claimed to have little connection. However, when prompted it was discovered that it provided employment for workers who had found it difficult to find employment locally because of the reduction of opportunities within engineering. Additionally, the co-operative actively recruited apprenticeships from the local area, thereby helping embed traditional skills and securing the longer term survival of the business. It was noted that the key strategic decision to move from a private to an employee-owned business was instrumental in ensuring the business remained local. This is the strategic benefit of co-operatives.

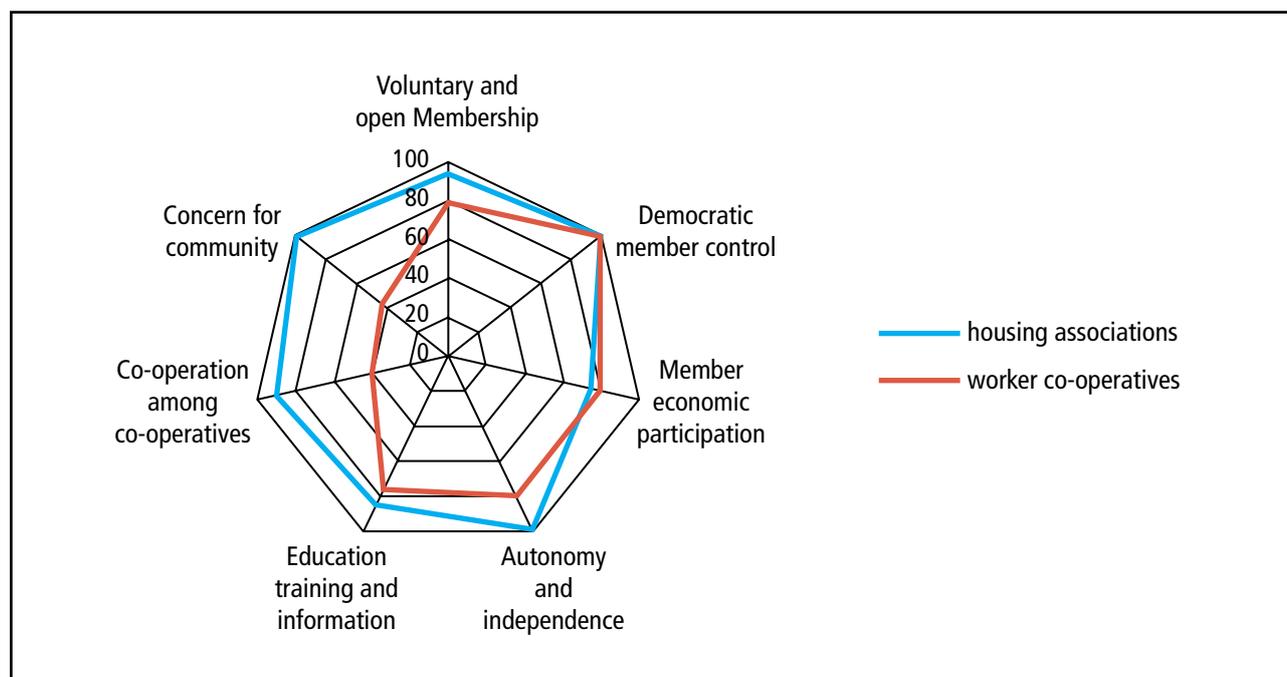
³ For a discussion on the way the co-operative model works in developing countries, see Oxfam Enterprise Development Programme Review, 2013 at: <http://policy-practice.oxfam.org.uk/publications/oxfam-enterprise-development-programme-review-summary-report-december-2013-317792>

TABLE 4: INTERVIEWEE STRENGTH OF FEELING TOWARDS 7 CO-OP PRINCIPLES BY HOUSING ASSOCIATION AND WORKER CO-OPERATIVES*

Co-op principles	Housing Associations	Worker co-operatives
Voluntary and open membership	95	80
Democratic member control	100	100
Member economic participation	75	80
Autonomy and independence	100	80
Education, training and information	85	77
Co-operation among co-operatives	90	40
Concern for community	100	43

*Expressed as a percentage of those who responded.

FIGURE 1: INTERVIEWEE STRENGTH OF FEELING TOWARDS 7 CO-OP PRINCIPLES BY HOUSING ASSOCIATION AND WORKER CO-OPERATIVE*



*Expressed as a percentage of those who responded. 100% equals total agreement.

It proved problematic to apply the multiplier approach as intended due to time constraints and the lack of required data (as respondents do not capture data in a systematic way). Beyond employment (it is the case that for all the co-operatives almost all employees lived within ten miles of their place of work) the picture is mixed, especially with respect to retail co-operatives, where very little is sourced locally, and some important lines, such as Fairtrade produce, are sourced exclusively from outside the local economy. At the other extreme, housing associations fare better and demonstrate deeper linkages to the local economy, with potentially larger multiplier effects.

All respondents displayed a high level of idealism and passion for the co-operative approach. However, only one respondent placed idealism at the centre of the co-operatives operations by trading only with other co-operatives, social enterprises and not-for-profit organisations. However, in the main there is an appreciation amongst the respondents of the need for their co-operative to act commercially and to make a profit of some description. However, the focus is on the longer term and security of employment.

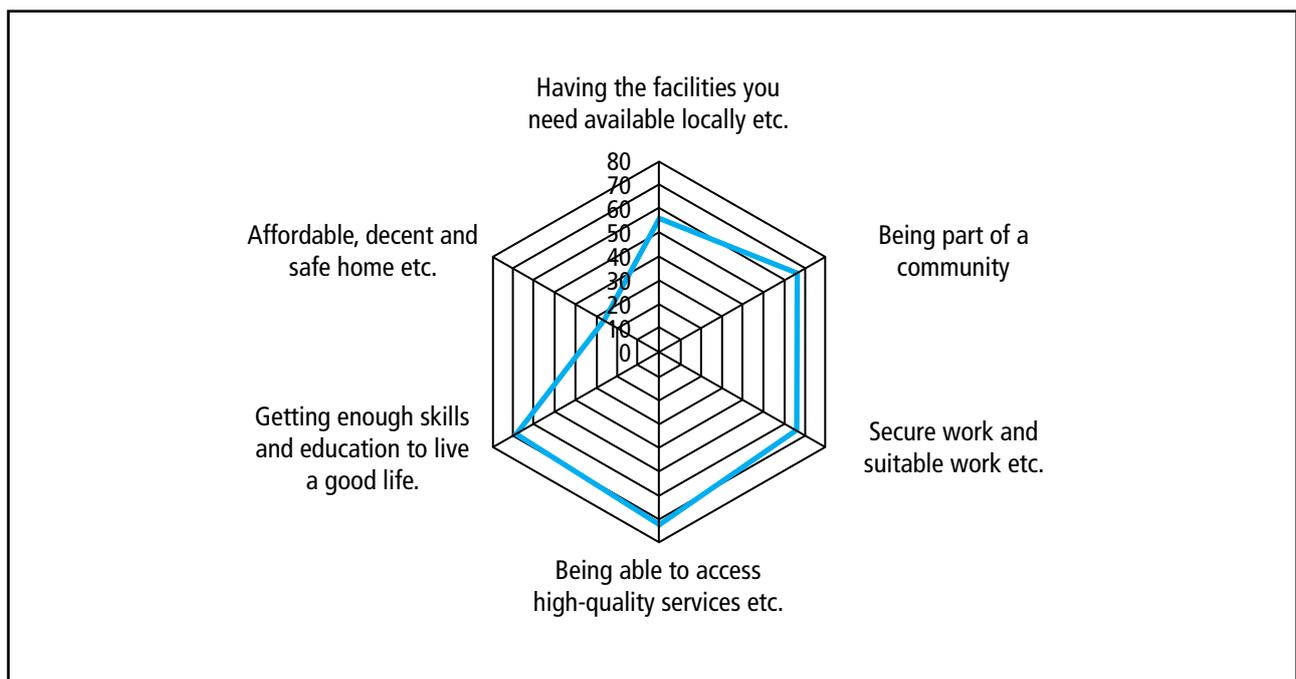
When probed on the broader issues that underlie Oxfam’s Humankind Index, worker co-operatives were sympathetic and recognised the importance of the issues (Table 5 and Figure 2) but not as intensely as the 7 co-operative principles (Table 4). It is commendable that they had concerns (albeit weaker) for society beyond the firm.

TABLE 5: STRENGTH OF WORKER CO-OPERATIVE SYMPATHY TOWARDS THE AIMS OF OXFAM’S HUMANKIND INDICATORS*

Having the facilities you need available locally etc.	57%
Being part of a community.	67%
Secure work and suitable work etc.	67%
Being able to access high-quality services etc.	73%
Getting enough skills and education to live a good life.	70%
Affordable, decent and safe home etc.	27%

*100% equals total sympathy

FIGURE 2: STRENGTH OF WORKER CO-OPERATIVE SYMPATHY TOWARDS THE AIMS OF OXFAM’S HUMANKIND INDICATORS*



*100% equals total sympathy

In terms of actual participation of the members of the co-operatives, the worker-based, employee owned co-operatives had greater participation than the credit unions and the housing associations, where falling participation was rationalised in terms of apathy (on behalf of the members) or welcomed as a sign that members “haven’t got any issues”. However, for worker co-operatives, member activity is essential as key business decisions are involved. One co-operative which operates from different locations across the UK found an effective mechanism to keep members engaged by means of delegation at local level. Interestingly, for this co-operative the issue of growth was a significant issue and revealed the tensions underlying decisions to move beyond the local community, thereby weakening local ties, which for some members were the rationale for joining. Managing growth and succession planning are perhaps the two key issues that involve significant financial appraisal, skill development and organisational awareness and may reveal fault lines within the group.

For many of the co-ops it was difficult to measure the impact of local multiplier effects. The housing associations provided good examples of using local labour for repairs and service delivery, despite a competitive tendering process. Again, this may reveal the benefits of reaching an optimal size where local markets can be more efficient than large scale procurement. We were not able to identify local suppliers or their organisational structure, but scope exists for a co-operative approach at this level. Here is an area which Oxfam could champion. Together with organisations such as Co-operative Development Scotland, Oxfam promotes the success of the local firm in the procurement process (this has been a government objective for many years). As one housing association reported:

“There’s 8 of us working together (Housing Associations) ... We will actually work together for things like the modern housing apprenticeship and advice provision... We’ve got a group together in an alliance to exchange ideas, work collectively on lobbying and exchange information and ideas.”

Co-operation was also witnessed among credit unions and took the form of information sharing regarding bad debtors, in particular. This co-operation extended to allowing people with ‘bad debt’ to join and save, but then take the savings to pay off debts the client may have with another credit union.

While one worker co-operative was ‘ideologically’ driven to work with and support only other co-operatives, the remainder dealt with any potential client. This is an important point which demonstrates that the majority still play by the rules of the market. It would be interesting to delve deeper into the thinking of the ‘ideologue’ to identify issues such as value added and margins and the business model in general; doing so would discover if such a stance is a luxury possible only in particular industries.

As part of our wider research we interviewed two representatives from the proposed Owenstown development and also a senior figure at Glasgow City Council. We did this to broaden our perspective and to identify initiatives which might offer Oxfam a cost-effective means of influencing co-operative-type outcomes.

The initiative in Lanarkshire to establish a cooperative town is somewhat controversial and, at the time of writing, is not going ahead due to the failure to secure planning permission. However, there are lessons to be learned from the journey, the experience gained from the proposal and the reaction by planners to the idea and the scale of the enterprise.

Glasgow city council has established itself as a ‘cooperative city’. Currently an audit is underway to establish the number of cooperative enterprises across the city and the current aim is to support and encourage the establishment and development of cooperative enterprises. There are no plans currently to establish “public service mutuals”, however the situation is fluid. The key driver of this development is the central role of Co-operative UK’s seven principles and how these have been interpreted and operationalised in initiatives such as: the introduction of a ‘living wage’, commonwealth employment initiatives, financial inclusion strategy, community benefits from procurement, a mortgage deposit initiative and credit union development.

Summary

All the co-operatives were founded by people who had an ‘ideological’ commitment to co-operatives. Interviewees from the housing associations and the credit unions were equally passionate about their role in the local community. While worker co-operatives had the glue of profit sharing as an incentive, those in credit unions and housing associations appear to be dependent on inspirational staff in key positions enabling real capacity building at the local level. While commendable, it does leave the organisation vulnerable should those key staff leave.

The three case studies which now follow contextualise key issues from the interviews.

Case Study 1: Housing Association

Context

The 2011 Christie Commission set out the challenges facing public service provision in Scotland (Christie Commission, 2011). Although budgets are under continuing strain, a disjointed approach to provision means that as much as 40 per cent of budgets is devoted to interventions that could have been avoided had a preventative approach been taken. Interestingly, a co-operative-type approach is suggested as the way forward: "Unless Scotland embraces a radical, new, collaborative culture throughout our public services, both budgets and provision will buckle under the strain." (Christie Commission, 2011, p.viii) The collaborative approach is also central to the Scottish Government's Regeneration Strategy, which states: "Community led regeneration is about local people identifying for themselves the issues and opportunities in their areas, deciding what to do about them, and being responsible for delivering the economic, social and environmental action that will make a difference." (Scottish Government, 2011, p.20) However, the Scottish Government's consultation document on Community Empowerment (Scottish Government, 2012) made no mention of the key role of 'anchor organisations' such as housing association and this prompted the following from Glasgow and West of Scotland Forum of Housing Associations: "Community controlled housing associations (CCHAs) are the best and most enduring example of community ownership in Scotland today (GWSFHA, 2012, p.2)." It is clear that CCHAs share many of the aims and objectives of co-operatives and are uniquely placed to tackle issues affecting the levels of community empowerment.

This is the background against which we interviewed the managers of two Glasgow housing associations located in areas typically described as suffering from deprivation, areas of particular interest to Oxfam.

The Case

Between them, the two housing associations manage 1800 houses and each is a member of a local housing association group of eight housing associations. Each is a charity and clearly differentiates their association from co-operatives such as worker co-operatives (a key distinction being the distribution of economic benefit to the charity rather than the members). Each engages in a range of activity far beyond the remit of a housing association, driven by demand from local people. We found a remarkable degree of socio-economic engagement with the local community across a number of indicators. An interesting feature of each association is the organic nature of their growing socio-economic engagement with their local community. In many ways the driver of this growth is the reduction in public services as the government retreats from areas traditionally viewed as its responsibility. While the nature of socio-economic engagement is important and is described below, our main finding is the willingness and ability of housing associations to assume, and develop, a role that they were never intended to. We find this aspect of our visits as the most important from a policy maker's perspective. There appears to have been a very high degree of autonomy and entrepreneurship exercised by key association staff. How this came about, and why it happened, is a key area for future research. We believe that there are key lessons to be garnered by further study of this important dynamic, especially from a policy perspective: these housing associations have addressed, in a very effective way, many of the key concerns identified in the Christie Commission. Through an interesting mix of collaboration and entrepreneurialism, timely interventions appear to have taken place that have filled gaps left by the retreat of public provision. The result has been socio-economic capacity and capability building within the local communities that may have enabled many local residents to take more control over their lives. There is an untold story hidden in much of what the two housing associations are doing and important lessons for policy makers on how to work effectively with fewer resources.

Observations

Two minutes standing in the foyer of each association and immediately it became clear that some heavy lifting is taking place in terms of social impact. At each location we found a stream of people looking for assistance on a variety of issues that – while perhaps fairly trivial for many people – were of real concern and worry for those involved. The housing association is seen by many as a natural venue for seeking advice and a means to close key information gaps. Here is the 'timely intervention' mentioned in all the high level strategy documents (e.g. Christie Commission, 2011). And here perhaps is a developed country's version of an 'agora' or local meeting place where Government, local authorities, NGOs and others are more likely to identify and engage with those whom they wish to assist. We suggest it is this type of environment which was envisaged when designing the research brief; an environment we could not identify in our initial filtering of co-operatives.

In a more obvious manner, each association has a variety of social activities such as providing space for youth groups and crèches. This space is also used for various training courses and so the lines between the socio and the economic become blurred, especially when voluntary work is included. But again, early intervention is a key characteristic of this activity and forms part of a fabric of engagement that builds local social capital. It is within this arena that the associations look to access grant funding, where possible, to support and develop these activities (again, moving beyond their original remit).

There is evidence of direct local employment (limited but nonetheless significant) through competitively awarded contracts, for example, gardening. This is in addition to employment in the associations (around 55 staff most of whom live outside the local area). Thus the multiplier impact will be low in this case.

However, it is in procurement that we see the melding of the socio and economic: many contracts which are put out to tender are won by local firms employing local people. In addition, there are qualitative gains for local tenants due to a focus on value for money. Each association reported cases where it was cheaper for them to identify contractors; manage projects and achieve market-led outcomes (e.g. high quality home installations) than larger bodies, such as councils. Here is another untold story: the ability to provide high levels of value combined with local supply. The general view across the interviews was that associations have managed to achieve a subtle blend of size of organisation and ability to monitor contract outcomes, resulting in a very high level of tenant satisfaction beyond that associated with council/government provision.

It is unlikely that all housing associations will demonstrate similar initiative and dynamism and their level of provision and local impact will therefore be less evident. However, what Blairtummock and Wellhouse demonstrate is the potential for capacity and capability building that lies at the heart of many of Scotland's poorer communities. As central and local budgets remain stretched, Blairtummock and Wellhouse housing associations show what can be done.

Summary

Community Housing Associations have the potential in some geographic areas to provide policy makers and politicians with the social impact often much sought after in public policy documents. In many ways they represent the cooperative environment initially envisaged when looking to move from a developing country environment to that of a developed country. We have seen how it is possible for housing associations to exploit their often unique place within local communities to act as a fulcrum of decision making and identify and achieve early interventions to the betterment of the local community. NGOs and national organisations could help spread the word by helping the campaigning efforts of housing associations as vehicles that help to reverse the cycle of deprivation identified by the Christie Commission. Housing associations appear to have a multiplier effect of their own in terms of socio-economic impact. In an era of reducing budgets, they offer the prospect of delivering more outputs for fewer inputs.

Case Study 2: Credit Union

Context

A lasting remnant of the financial crisis appears to be a new mood of risk aversion on behalf of financial regulators and retail borrowers. This new mood has significantly changed the environment within which credit unions operate and has challenged existing business models. At the level of the individual credit union there is evidence of a contraction of activities, while at the sector level there has been consolidation through increased merger activity.

Surprisingly, retail borrowers appear to be more reluctant to seek loans during the recession and this has meant that demand for credit union services has fallen significantly (by up to fifty per cent in some cases). In many ways this seems counter intuitive, especially with the rise of payday loans companies, and may point to the need for some credit unions to revisit their offering in terms of loan size and structure.

A more conservative approach by regulators with respect to the size and form of reserves has had a significant impact on credit union revenues. Credit unions must hold their reserves in poorly performing government securities and a once healthy income stream (interest on government securities) is no longer available due to the impact of quantitative easing on these instruments. This 'loss' of income has led directly to job losses among credit union staff.

The case

Each of the three credit unions interviewed provided a different approach to the set of common issues outlined above. The smallest credit union had 3700 members, the next 5000 and the largest, 7000. While size varied, some common themes emerged. One is the perceived difference in treatment meted out to banks by the government. Banks are seen as being helped while credit unions are being constrained, despite having excellent local knowledge and awareness. Compounding this distinction is the differential impact of insolvency laws; credit unions are less equipped to deal with bad loans which form around 3.5 to 5 per cent of all loans.

All interviewees stated that they were lending around half the amount they had available to lend and that demand for loans was decreasing. This means that there is a decline in income from loans to clients and from deposits in the bank and government securities. This twin effect is a real issue for those interviewed and has led to job losses (for one it meant three job losses and a four day week for the remaining staff). The only way for credit unions to grow is through earned and deposit income growth.

It was estimated that some fifty-five per cent of borrowers were on benefits, including income support, and typically loans to the average borrower were around £800. These loans were used to buy furniture and white goods or help with a house move. In terms of any multiplier effect, it was deemed that most of the borrowing was spent locally and supported local retailers. An indication of the wider appeal of credit unions was the response of one interviewee who felt that credit unions were increasingly being used by 'middle class' members as a way of accessing cheaper borrowing.

An anomaly was noted in that demand for credit union borrowing is weak while that of payday lenders appears strong: more research would be needed to identify the nature of any possible displacement effect. Payday lenders were seen as having a direct and negative effect on the local economy. Whilst there may be the occasional person who has benefitted from 'pay day lenders', we would argue that this is a small minority. The use of pay day lenders does however demonstrate demand for such services. Credit Unions could, and many are seeking to, meet this demand – but with much lower interest rates and more transparent lending practices.

While one interviewee was fairly pessimistic about the future, looking back to a time when there was a real 'community spirit', the others were more optimistic and pointed to real impacts their credit unions were having on the local community, especially the beneficial effect on social capital building through long-term voluntary association.

All respondents appeared to still feel under constraints, for example on lending to local small businesses, despite this restriction being removed by legislation in 2012. This change to the regulations offers significant scope for credit unions to lend beyond their traditional client base and to encompass small local businesses. Yet, this appears to have suffered from an information gap among credit union interviewees. This is an interesting finding and reflects differences of opinion and understanding found between those on the ground and those operating at policy level.

One credit union had engaged in limited lending to local businesses, based on the logic that at the level of a small business and in terms of securities, there is no distinction between the individual borrower and the business owner. Indeed, a very positive case was made that credit unions were likely to have more local knowledge than a bank's regionally based credit score system. While too much could be made of this example, it does suggest how effective a credit union could be for local firms. As a result of recent changes, there appears to be no legislative reason for credit unions not to be engaging in such lending and filling a key gap in small business financing. Borrowing for small, locally-based businesses, which employ locally sourced labour, has the potential for rich socio-economic impact.

The interviews revealed other initiatives designed to respond to the challenges set out earlier and to tackle payday lenders and banks directly. One credit union has developed a debit card that can be used as normal in the UK and overseas in cash dispensers. Pre-acceptance of credit is another initiative that helps smooth financial planning for those most in need and helps build financial capability; so too is the development of an "app" that directly combats the ease of access of payday lenders. Taken together, these initiatives demonstrate how credit unions are adapting their business model in light of the wider constraints placed on them as well as the increased competition created by payday lenders.

Summary

Credit unions face a difficult time due to changes in legislation and the increasingly complex needs of their clients. It is clear that consolidation and restructuring within the sector is taking place and that the community spirit, which once drove the movement, may – in some areas – be on the wane. However, there are examples of revised business models incorporating products that directly meet the needs of the local community (e.g. debit cards with pre-approved borrowing limits and mortgages designed for higher risk clients). In addition, the scope for credit unions to engage with local small business in a more direct manner is clear, or should be when the implications of the 2012 changes to legislation (ending the distinction between the borrower and the business) are more widely recognised. A Department for Work and Pensions (DWP) pilot scheme to help credit unions engage with clients more effectively is under way (Wright, 2013). By developing new business models, designing new products and embracing business lending, there is significant scope for credit unions to have greater, beneficial socio-economic impact at the local level.

Case Study 3: Worker Cooperative

Green City is a large food wholesaler formed as a workers co-op in 1978. Everyone who works for the wholesaler is eligible to become a member, and actively encouraged to do so. The opportunity to set up the co-op arose out of the recognition that there were four large wholefoods shops located in Scotland, including Glasgow, Edinburgh, and Inverness. They were all finding it difficult to source and transport goods to Scotland. Each shop was organising its own transport of relatively small amounts, which was proving to be expensive, so it made a lot of sense to coordinate this activity. So Green City was set up by four people (they all knew each other) who operated out of a first floor flat in Glasgow's West End. They soon moved into an industrial unit on Hillington industrial estate and have remained there for the last eight years. However, due to their expansion they are currently looking for a new base.

When they first moved to their business premises in Glasgow's East End, it was practically derelict; indeed they only occupied the bottom floor for a very long time. However, the rest of the property has now been renovated and is let out as artists' studios. Whilst Glasgow is the wholesaler's only site it did help a 'sister' organisation, 'Highland Wholefoods' to become established in Inverness. It was becoming logistically difficult to organise distribution in the Highlands and Islands and it therefore made a lot of sense to assist with another cooperative operation in the Highlands.

The wholesaler currently employs thirty-five people – an 'average size' for the sector in Scotland. However, in England some wholefood co-operatives have up to one hundred employees. All but five of the employees are members of the co-operative. Of the five who are not, three are on temporary contracts and two are doing their six month probationary period. Everyone who is a member is involved in the decision making within the co-operative and approximately thirty attended the last Annual General Meeting (AGM).

With regard to decision making, each individual has a certain level of autonomy, depending on what specific job they are doing. Furthermore, co-op members are organised into teams – such as the sales team, the warehouse team and the buying team – and they all make decisions about their own area. However, they will call on other teams if they feel a decision they make will impact on them. There is an internal bulletin board to advertise all meetings so anyone can go to any other meeting, if they feel it is relevant to them. At the AGM, a management team representative from each team within the co-op is elected and the management team makes operational day to day decisions. When the co-op reached more than 15 members it was decided that the whole membership could no longer make all the decisions. The management team meetings are open to everyone but they will make a recommendation and bring it back to a regular meeting involving all members and that is where decisions to do with finance and recruitment, for example, are taken.

The wholesaler has a turnover of over £4.7 million exclusive of VAT, with twenty per cent of this spent in Glasgow. It is difficult for this figure to be increased, because of the nature of the business; much of the product is grown and produced overseas. Roughly twenty per cent of suppliers are 'local' – in that they are located within fifty miles of Glasgow. All the staff apart from one live in the Glasgow area. The wholesaler has a policy of recruiting locally and using local services; for example, the garage across the road services the vehicles. The wholesaler is trying to embed itself in the local community, including by sponsoring a local school football team. The wholesaler also has school visits and what particularly excites the children about co-ops is the fact that "there are no bosses".

The person interviewed felt that the co-operative model is a better model than social enterprise or Community Interest Companies (CICs), because they are 'more equal'. Social enterprises tend to have a couple of well paid employees and plenty of volunteers. This does not, in the opinion of the interviewee, create a 'fair' model; the co-operative model is more sustainable with less staff turnover.

RECOMMENDATIONS

In this section of the report we summarise the key insights and recommendations arising from the interviews and wider research and conversations with interested parties.

Despite the 'bad publicity' surrounding the demise of the retail co-operative and the Co-operative Bank, co-operatives are still significant players, not only in Scotland and the United Kingdom, but across Europe. The European Commission (2011) outlines cooperatives' substantial market share in different sectors and in different countries. This ranges from agriculture (83% in the Netherlands, 79% in Finland, 55% in Italy and 50% in France) to pharmaceutical and health care (21% in Spain and 18% in Belgium) and information technologies, housing and craft production.

Additionally the co-operatives studied for this report have demonstrated resilience in surviving the recent protracted economic downturn. None of those which were the subject of case studies reported losing market share, although the financial crisis had created operating difficulties for Credit Unions.

All interviewees were aware of the co-operative principles, but abided by them to varying degrees. Similarly, with Oxfam Scotland's Humankind Index; while not directly appropriate for many, most agreed that the indicators were laudable.

As expected, it was difficult to assess the local multiplier effects due to time and resource constraints. Many interviewees were aware of their local impact but did not consider measuring it to be a priority. Housing associations appear best placed to have significant local impacts through employment and procurement.

There are a number of organisations and stakeholders which, like Oxfam, have an interest in developing and supporting the co-operative model. These groups have an opportunity to help the co-operative landscape develop by making key connections among the various co-operative types currently operating in Scotland. We hope our recommendations contribute to those discussions.

1: The Importance of key individuals

As expected, there is a strong 'ideological' element among interviewees. This is not surprising as we interviewed decision makers and those who had built up a stake in the co-operative over a period of time. In many cases (e.g. housing associations and credit unions) the passion and commitment of key individuals appears to be the difference between significant achievement and a less favourable outcome. These individuals are 'gems' and would be assets to other, non-co-operative, businesses.

Policy makers, funders and others need to consider how do we recognise and nurture these 'gems'?

2: Supporting Credit Unions to support local economic development

While the regulations surrounding credit unions were significantly changed in 2012, there appears to be an information gap regarding this change among credit union interviewees. In essence there is now much scope for credit unions to lend beyond their traditional client base to encompass small local businesses. There is a significant economic development role for credit unions in the near future as they may be best placed to identify and assist local entrepreneurs.

Credit Unions need to consider what role they have in helping local businesses. Government, Local Authorities and others should consider what they can do to facilitate this.

3: Supporting Community Housing Associations to continue delivering social impact

Interviews with housing associations revealed a significant socio-economic role that has emerged over the past few years. We found that examples of significant local impacts are possible. These include economic development impacts through local procurement and also significant social engagement through the provision of information and other forms of assistance. There appears to be an issue of size of association and its potential to act in the manner outlined above. This requires further research.

Community Housing Associations demonstrated many of the positive features that one might have expected to find in small local co-operatives in deprived areas. Policy makers and NGOs should look to demonstrate the effectiveness of key associations as role models.

4: Recognising and supporting co-operative businesses

All interviewees distinguished their organisations from a social enterprise. Within the worker owned cooperatives there was an emphasis on the business acumen of employees. One of the interviewees noted that all of their employees (34) had acquired a basic knowledge of business due to the need to understand why issues such as investment versus increased pay is important to the survival of the business.

There is a need to recognise the need for developing business skills and long term business planning. Businesses and economic development professionals and policy makers need to include a business skills agenda as a matter of course.

5: Size Matters

Size was found to be important across the board and for a variety of reasons. In one case, business growth required geographical expansion and a weakening of local roots and led to significant debate within the business as to its purpose. In another case, the size of the business appeared to provide a 'goldilocks' scenario, whereby procurement and other economic advantages were possible while simultaneously democratic accountability remained feasible.

Those involved in domestic 'development' work, funders and policy makers should identify and work with such goldilocks-type organisations and highlight good practice.

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APPENDIX 1: LIST OF INTERVIEWEES AND DATE OF INTERVIEW

Interviews	Date	Attending
Co-operative firms		
Heather Baird Equal Exchange 2 Commercial Street, Edinburgh EH6 6JA Tel: 0131 554 5912 Fax: 0131 554 7312	7 October 10.30 a.m. Worker Co-operative	GW, ST
Jeremy Miles Managing Director Edinburgh Bicycle Cooperative Ltd Unit 5A Royal Elizabeth Yard Dalmeny Midlothian UK EH29 9EN 0131 319 2400 Ex133 Mobile: 07968 137736	7 October 12.30 p.m.	GW, ST
Louise Scott media co-op 406 White studio Templeton on the Green 62 Templeton St Glasgow G40 2DA 0141.551.9813 07974.350.377	Wed 9 October 9.30 a.m. at office	GW
Bex Woodsford Sales/Buyer. Greencity Wholefoods 23 Fleming St, Glasgow, G31 1PQ tel 0141 556 7283 bex@greencity.co.uk	9 October 3.00 p.m.	ST
Credit Unions		
James O'Neill Greater Govan Credit Union Tel: 0141 440 2770 Fax: 0141 440 1405 j.oneill@ggcu.co.uk	25 October 10.00 a.m. Opposite the Pierce Institute	GW, ST
George Redmond BCD 0141 550 4171 BCD Credit Union 9 Bridgeton Cross Glasgow G40 1BN	25 October 11.45 a.m.–12.14 p.m.	GW, ST
Roseann Downie Dalmeir Credit Union 15 Abbotsford Road Clydebank G81 1PA Telephone No 0141 952 3776 EMail: rdownie549@btinternet.com	25 October 2.00 p.m.	GW, ST
Housing Associations		
Susan Blairtummock Housing Association 45 Boyndie Street Easterhouse GLASGOW G34 Telephone: 0141 773 0202 della.mckelvie@blairtummock.org.uk	6 November 10.00 a.m.	GW, ST
Joe Williamson Wellhouse Housing Association Easterhouse 0141 781 2120	3 December 1.30 p.m.	ST
Co-operative Project Owenstown		
Bob Laverty Bill Nicol 0845 686 4646 Owenstown Development	3 December 11.00 a.m.	ST
Interested stakeholders		
Oxfam Launch of Humankind Index Policy Assessment Tool Serenity Cafe, The Tun 8 Jackson Entry 111 Holyrood Road, Edinburgh, EH8 8JP	8 October	ST
Cross Party Group on Co-operatives Scottish Parliament, Committee Room 5	9 October, 2013	ST
Alan Davidson Glasgow City Council Glasgow City Council	11 October	GW, ST

APPENDIX 2: QUESTIONNAIRES

Co-op questionnaire design (October 2013)

Name of Co-op:

Location:

Name and position of Interviewee:

Date of interview:

Identification of interviewee on taxonomy

Q1 There are many types of co-operative ownership structure, are you able to identify which type of co-operative best describes your business?

Prompts:

- Community
- Consortium
- Consumer
- Guarantee Co, Consortium
- Guarantee Co. Worker Co-op
- Multi-stakeholder
- Share Co. Consortium
- Worker
- Industrial and Provident Society (IPS) Bencom Multi-stakeholder Co-op
- IPS bona fide co-op, Consortium

Q2 There are many types of co-operative membership classification, are you able to identify which type of co-operative best describes your business?

Prompts:

- Agriculture Co-operative
- Community Co-operative
- Consortium Co-operative
- Consumer Co-operative
- Consumer Retail Society
- Credit Union
- Employee Co-operative
- Employee Mutual
- Housing Co-operative
- Market Traders Co-operative
- Multi-stakeholder Co-operative
- Mutual Enterprise
- Worker Co-operative

Q3 Do you abide by the 7 co-op Principles as derived by Co-ops UK (I think they drew the principles up?) Do you know what they are?

For each Co-op Principle, identify the perceived strength of commitment to each principle:

Co-op principles	Strength of commitment									
	1	2	3	4	5	6	7	8	9	10
Voluntary and open membership										
Democratic member control										
Member economic participation										
Autonomy and independence										
Education, training and information										
Co-operation among co-operatives										
Concern for community										

Brief history

Q4 Open-ended question. For example;

Ask for a brief history e.g.:

- If the co-operative emerged from a PLC, Ltd or partnership, what was the motivation?
- If not, was the co-op a new-start business?
- What was the motivation to start the venture e.g. gap in the market, local need etc.

Operational details

The following questions deal with operational matters e.g. employment and financials. All answers are in confidence and general (less detailed) answers are acceptable.

Q5 How many people work for the co-op?

Q6 How many workers are co-op members?

Q7 Are there other members who take no part in the running of the business?

Did these numbers increase/decrease/stay the same over the last 5 years?

Is there any intention to grow the business over the next 3 years?

How do you intend to grow, increase product range? Increase range of services?

Open a new branch in new area?

Export?

Merge?

How many members attended the last AGM?

Could you briefly describe how decision making works within the organisation? - may need to differentiate between employee owned and membership owned?

The multiplier

The following questions are to help us look at the wider economic impact that your co-op has on the local community. We are trying only to get a sense of the economic impact.

Q8 What is the annual sales turnover? (does this include VAT?) Try to get a VAT-free number.

Q9 In very broad terms:

Can you estimate how much of your sales turnover your co-op spends locally?

- E.g. 10%, 20%, 30%, 40%, 50%, 60%, 70%, 80%, 90%.

What percentage of your suppliers are based in a) the immediate locality? b) within 50 miles? c) within Scotland?

- E.g. 10%, 20%, 30%, 40%, 50%, 60%, 70%, 80%, 90%.

What percentage of your staff are based in the immediate locality? b) within 50 miles? c) elsewhere?

- E.g. 10%, 20%, 30%, 40%, 50%, 60%, 70%, 80%, 90%.

Do you have a policy of utilising local labour, supplies?

Local social impact

This is a difficult area. We are looking to map the Co-op's 7 Principles against Oxfam's Humankind Index.

Q10 We are using the Oxfam indicators as prompts to see if the co-op has identifiable social-economic impacts. For example,

Co-operative UK's 7 guiding principle 1: Voluntary and open membership

Does this result in some or none of the following from the Oxfam's Humankind Index:

Oxfam's Indicator set 1: Having the facilities you need available locally. Access to arts, hobbies and leisure activities. And so forth.

For example, was the co-op set up to address a local need such as lack of local suppliers or facilities? Is the co-op enabling members to pursue an interest or hobby etc. We are looking for a story of the socio-economic embedded-ness of the co-op.

Mapping of co-op rules with Oxfam Humankind Index		
Co-operative UK's 7 guiding principles	Somerset Rules	Oxfam's Indicators
Voluntary and open membership	Membership	Having the facilities you need available locally. Access to arts, hobbies and leisure activities.
Democratic member control	Democracy	Being part of a community.
Member economic participation	Application of profits	Secure work and suitable work. Having enough money to pay the bills and buy what you need. Having a secure source of money. Having satisfying work to do (whether paid or unpaid).
Autonomy and independence		Being able to access high-quality services. Human rights, freedom from discrimination; acceptance and respect. Feeling good. Having good transport to get to where you need to go.
Education, training and information	Education	Getting enough skills and education to live a good life.
Co-operation among co-operatives	Co-operation	
Concern for community	Sustainable development	Affordable, decent and safe home. Physical and mental health. Living in a neighbourhood where you can enjoy going outside and having a clean and healthy environment. Having good relationships with family and friends. Feeling that you and those you care about are safe. Access to green and wild spaces; community spaces and play areas.

Ignore the Somerset Rules for the moment but ask if the interviewee has heard of them.

Q11 For each category from Oxfam’s Index, identify the perceived strength of impact on each indicator:

E.g. Has the co-op helped to add to local facilities in a significant way?

Oxfam’s Indicators	Strength of commitment									
	1	2	3	4	5	6	7	8	9	10
Having the facilities you need available locally. Access to arts, hobbies and leisure activities.										
Being part of a community.										
Secure work and suitable work. Having enough money to pay the bills and buy what you need. Having a secure source of money. Having satisfying work to do (whether paid or unpaid).										
Being able to access high-quality services. Human rights, freedom from discrimination; acceptance and respect. Feeling good. Having good transport to get to where you need to go.										
Getting enough skills and education to live a good life.										
Affordable, decent and safe home. Physical and mental health. Living in a neighbourhood where you can enjoy going outside and having a clean and healthy environment. Having good relationships with family and friends Feeling that you and those you care about are safe. Access to green and wild spaces; community spaces and play areas.										

Credit Union Questionnaire Design (October 2013)

Name of Credit Union:

Location:

Name and position of Interviewee:

Date of interview:

Identification of interviewee on taxonomy

Q1 There are many types of co-operative ownership structure, are you able to identify which type of co-operative best describes your business?

Prompts:

- Community
- Consortium
- Consumer
- Guarantee Co, Consortium
- Guarantee Co. Worker Co-op
- Multi-stakeholder
- Share Co. Consortium
- Worker
- Industrial and Provident Society (IPS) Bencom Multi-stakeholder Co-op
- IPS bona fide co-op, Consortium

Q2 Do you know what the 7 co-op Principles they are? Yes/ No

Q3 To what extent do you abide by the 7 co-op Principles?

Prompt: For each Co-op Principle, identify the perceived strength of commitment to each principle:

Co-op principles	Strength of commitment									
	1	2	3	4	5	6	7	8	9	10
Voluntary and open membership										
Democratic member control										
Member economic participation										
Autonomy and independence										
Education, training and information										
Co-operation among co-operatives										
Concern for community										

Brief history

Q4 The next question is an open-ended question asking you for a brief history e.g:

- When did the credit union begin?
- What were the reasons behind the start-up of the credit union?
- Explain the types of lending that takes place e.g. size and length of loan, typical borrower (e.g. low income, unemployed, young)
- Who would your clients rely on if you were not operating?
- Please explain how effective you think your credit union has been in helping address the problems of the local community
- Are you able to quantify the impact of the credit union e.g. lower borrowing costs, ease of access for those excluded from normal channels, types of impact such as helping avoid court action etc.

Operational details

The following questions deal with operational matters e.g. employment and financials. All answers are in confidence and general (less detailed) answers are acceptable.

Q5 How many people work for the credit union?

Q6 Are there other members who take no part in the running of the business?

Q7 How many workers are members of the credit union?

- Did these numbers increase/decrease/stay the same over the last 5 years?
- Is there any intention to grow the business over the next 3 years?
- How do you intend to grow, increase product range? Increase range of services?

Q8 Could you briefly describe how decision making works within the organisation?

Q9 Has the credit union helped local people back into work?

Q10 How many members attended the last AGM?

The multiplier

The following questions are to help us look at the wider economic impact that your credit union has on the local community. We are trying only to get a sense of the economic impact.

Q11 What is the annual total salary cost?

Q12 What is the annual total non-salary cost?

Q13 What proportion of paid staff live locally?

Q14 What is the differential between the rates of interest the credit union charges and alternative sources of finance open to member?

Q15 What is the annual total lending of the credit union?

Q16 What is the proportion of bad debts?

Q17 What proportion of your lending would your clients be able to access should the credit union not be in the area?

Q18 In very broad terms:

Can you estimate how much of your lending is spent locally?

- E.g. 10%, 20%, 30%, 40%, 50%, 60%, 70%, 80%, 90%.

What percentage of your suppliers are based in a) the immediate locality? b) within 50 miles? c) within Scotland?

- E.g. 10%, 20%, 30%, 40%, 50%, 60%, 70%, 80%, 90%.

What percentage of your staff are based in the immediate locality? b) within 50 miles? c) elsewhere?

- E.g. 10%, 20%, 30%, 40%, 50%, 60%, 70%, 80%, 90%.

Q19 Do you have a policy of utilising local labour, supplies? If so, please give details.

Local social impact

This is a difficult area. We are looking to map the Co-op's 7 Principles against Oxfam's Humankind Index.

Q20 We are using the Oxfam indicators as prompts to see if the co-op has identifiable social-economic impacts. For example,

Co-operative UK's 7 guiding principle 1: Voluntary and open membership

Does this result in some or none of the following from the Oxfam's Humankind Index:

Oxfam's Indicator set 1: Having the facilities you need available locally. Access to arts, hobbies and leisure activities. And so forth.

For example, was the co-op set up to address a local need such as lack of local suppliers or facilities? Is the co-op enabling members to pursue an interest or hobby etc. We are looking for a story of the socio-economic embedded-ness of the co-op.

Mapping of co-op rules with Oxfam Humankind Index		
Co-operative UK's 7 guiding principles	Somerset Rules	Oxfam's Indicators
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Democratic member control	Democracy	Being part of a community.
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Education, training and information	Education	Getting enough skills and education to live a good life.
Co-operation among co-operatives	Co-operation	
Concern for community	Sustainable development	Affordable, decent and safe home. Physical and mental health. Living in a neighbourhood where you can enjoy going outside and having a clean and healthy environment. Having good relationships with family and friends. Feeling that you and those you care about are safe. Access to green and wild spaces; community spaces and play areas.

Q21 For each category from Oxfam’s Index, identify the perceived strength of impact on each indicator:

E.g. Has the co-op helped to add to local facilities in a significant way?

Oxfam’s Indicators	Strength of commitment									
	1	2	3	4	5	6	7	8	9	10
Having the facilities you need available locally. Access to arts, hobbies and leisure activities.										
Being part of a community.										
Secure work and suitable work. Having enough money to pay the bills and buy what you need. Having a secure source of money. Having satisfying work to do (whether paid or unpaid).										
Being able to access high-quality services Human rights, freedom from discrimination; acceptance and respect. Feeling good. Having good transport to get to where you need to go.										
Getting enough skills and education to live a good life.										
Affordable, decent and safe home. Physical and mental health. Living in a neighbourhood where you can enjoy going outside and having a clean and healthy environment. Having good relationships with family and friends. Feeling that you and those you care about are safe. Access to green and wild spaces; community spaces and play areas.										

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