

MEW 01

Gwneud i'r economi weithio i'r rheini sydd ag incwm isel

Making the economy work for people on low incomes

Ymateb gan: Wales Co-operative Centre

Response from: Canolfan Cydweithredol Cymru

## **Introduction**

The Wales Co-operative Centre is a not-for-profit co-operative organisation that supports people in Wales to improve their lives and livelihoods.

We are working for a fairer economy. We help to create and retain wealth within our communities through the growth of co-operatives and social businesses and by providing people with the skills to take more control of their own lives and strengthen their communities.

Our projects include:

- Social Business Wales provides intensive, one-to-one support to social businesses which have ambitions to grow and a viable business proposal.
- Your Money Your Home tackles the financial exclusion of Private Rented Sector (PRS) tenants in Wales, and to prepare people for the introduction of Universal Credit.
- Digital Communities Wales tackles digital exclusion by providing training, support and encouragement to organisations to help them support digitally excluded people.
- Our Co-operative Housing project offers business support and advice to new and existing organisations looking to develop housing co-operative schemes.
- Our Community Shares Wales project helps community groups raise funds from within their local communities to fund the running of community projects and assets.

## **Summary of key points**

- Traditional approaches to economic development are not working for the whole of Wales and economic growth has become unbalanced. A new approach focused on creating inclusive economic growth is needed. To achieve this, we are calling for a much greater emphasis to be placed on building local economies.
- We believe that the social enterprise and co-operative sector can be at the centre of inclusive local economies.
- Social businesses create jobs and tackle poverty in difficult economic conditions, particularly in rural, post-industrial, inner city and coastal communities. They operate and thrive in areas where other businesses can not or do not want to. In this way, they help to ensure that economic growth is inclusive and reaches all people and places in Wales.
- Social businesses can be key employers in their local area, creating economic opportunity in local neighbourhoods.

- Welsh Government can support social businesses to play a role in developing inclusive local economies in several ways. It should commit to continuing its investment in growing the social businesses sector while also addressing the gap in provision for pre-start support.
- While Welsh Government has a key role, it cannot do this alone. Consumers, other public sector bodies as well as the private and third sectors need to play their part too. Best practice from Cleveland, Ohio demonstrates the potential of public bodies supporting local economies through the Evergreen Co-operative.
- Action is needed to address the needs of people in self-employment who face low income and social and economic insecurity. Co-operative thinking can provide solutions to these challenges, bringing together the self-employed to strengthen their position in the labour market and help reduce their outgoings. This can help to improve the security of work for self-employed people.

### **Creating more inclusive economic growth that benefits people and places equally across Wales**

Traditional approaches to economic development are not working for the whole of Wales. Economic growth has become unbalanced and many communities across Wales are being left behind. A new approach focused on building an inclusive economy is needed and we believe this could best be achieved through greater emphasis on building local economies.

The need to focus on local economies is supported by recent research. CLES and NEF explored how we can create good city economies in the UK. They recommended an approach that supports a bold, community-centric vision of the local economy, one that starts with the assets and values of the area and builds upwards. This is further supported by research from the Carnegie Trust into 'Turnaround Towns' - towns that had overcome significant economic challenges. This highlighted the value of locally-focused initiatives. Towns that particularly succeeded in overcoming economic challenges had a clear sense of purpose, strong local leadership and long term economic development strategies. Each town featured had particular assets that it was able to utilise, as well as a clear story to tell both its own community and others to get buy-in.

The Wales Co-operative Centre believes that a priority for Welsh Government's new economic strategy should be on creating the conditions where strong, local, community-centric economies can flourish. We believe that the social enterprise and co-operative sector can be at the centre of these economies, playing a key role in creating more balanced economies. These are ways of doing business that deliver sustainable economic growth while fostering positive social change and innovation. Social businesses are anchored in their communities; investment in them stays in the community and is recycled for wider economic and social benefits.

Social businesses can create jobs and tackle poverty in difficult economic conditions, particularly in rural, post-industrial, inner city and coastal communities. They operate and thrive in areas where other businesses can not or do not want to. Our recent 'Mapping the

Sector' research found that social businesses are more likely to be found in areas suffering from higher levels of deprivation than are mainstream businesses. By addressing specific failures and stepping into areas that neither the public nor the private sector can address, social businesses act as catalysts for community economic regeneration.

Social businesses can be key employers in their local area. Creating economic opportunity in local neighbourhoods means that economically active individuals will remain within the community full time to spend money and contribute to community cohesion. Social businesses also play a particular role in creating jobs for, and developing the skills of, people who outside the labour market. For many this is their social purpose.

Welsh Government can support social businesses to play a role in developing inclusive local economies in several ways. It should commit to continuing its investment in growing the social businesses sector as part of its economic strategy. Furthermore, there is currently a gap in provision of support for pre and new start social businesses as current support focuses on social businesses looking to grow. This gap needs to be addressed if we are going to be serious at stimulating new economic activity in our communities. Additionally, social businesses would benefit from:

- Ensure clear signposting for the co-operative option and specialist support by other businesses advice and support agencies.
- Fund ICT support for social businesses to enable them to become more efficient and productive.
- Support grants and loans funding dedicated to social businesses.
- Ensure that social businesses are given business rates relief to give them the same economic advantage as registered charities.
- Use public sector procurement regulations to stimulate opportunities for social businesses. This includes making it easier for social businesses to bid for contracts; embedding social business within the community benefits reporting process.

Supporting social businesses in this way will help them to play a key role in developing strong, inclusive local economies. While Welsh Government has a key role, it cannot do this alone. Consumers, other public sector bodies as well as the private and third sectors need to play their part too. In Cleveland, Ohio, public bodies are seeking to regenerate a failing post-industrial economy by helping to set up new businesses, owned by their employees, to supply them. Rather than subsidising big companies to bring low wage jobs to the city they have created jobs and they are recruiting local people to fill them.

The Evergreen Co-operative Initiative includes a laundry, an energy company and a market garden. In the case of the latter, rather than transporting fresh produce from prosperous California, Evergreen allows Cleveland's public institutions (as well as shops and restaurants) to spend their money locally, helping these organisations achieve bigger benefits for the city than they would otherwise. The other Evergreen companies operate a similar business model.

Helping people set up their own businesses can also help stimulate local economies. In the Vale of Glamorgan a bursary fund has successfully provided small amounts of money (up to £3,000, often much less) to individuals and groups of young people aged 30 years old or under to start a new business or community enterprise. Crucially the start-up businesses have had access to expert advice too. Over two and a half years the bursary fund supported young people from a variety of backgrounds and learning abilities. The start-up businesses range from makeup artists to audio production. 96% of the fifty start-up businesses were still trading at the end of the period, a much higher success rate than normal where 25% fold in the first year.

### **Increasing the security of work in Wales**

Action is needed to address the needs of people in self-employment who face low income and social and economic insecurity. The 'self-employed precariat' is thought to now encompass 4.6 million people (around 15% of the UK workforce). They do not enjoy employment rights and protections at work, or any of the implicit services associated with being an employee, such as payroll or workplace insurance – let alone pension or sick pay.

Co-operative thinking can provide solutions to these challenges. *Not Alone*, a research report we co-sponsored alongside Co-operatives UK, Unity Trust Bank and the TUC sets out a series of recommendations to address these challenges. We would be pleased to provide the Committee with a copy of the report. In summary, the report recommends co-operatives, trade unions and mutual organisations work together to help form organisations bringing together the self-employed to strengthen their position in the labour market and help reduce their outgoings.