WORKER CO-OPERATIVES
OWNERSHIP MATTERS

SINN FÉIN

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One Worker Co-op at a Time

Executive Summary

"Worker cooperatives provide a way of making work meaningful by sustaining employment in situations where jobs would be sacrificed – not because they were untenable but because the business didn't generate the insane levels of return demanded by shareholders" Restakis (2010:238).

In order for Irish society to have a fair, functioning economy which works for workers and our communities, ownership must be shared.

Sinn Féin is serious about addressing inequality in our society, and we are therefore serious about dealing with the inequality of ownership which exists in our economy.

That is why Sinn Féin is committed to developing an economy in which workers have a greater share of ownership through Worker Co-operatives (WCOP's). These are businesses in which the workers of the enterprise own at least 51% of the shares.

In a WCOP, ownership and labour work together. By giving workers control, you give control to their communities and their local economies to stimulate community and regional wealth building. WCOP's put worker outcomes, worker well-being and community sustainability at the forefront of their objectives. These are all characteristics that our economy should welcome and embrace.

Across Europe, the WCOP model has been found to be a productive, highly resilient and very competitive model in countries such as Scotland, France, Italy and Spain – despite this, Ireland has yet to develop its own WCOP sector in any substantial way.

Sinn Féin wants a society in which the current economic model of shareholding which concentrates power and wealth in the hands of a few is challenged.

We believe that a different kind of society is possible; but to achieve that new society, we need a different kind of economy that is based upon shared ownership.

Sinn Féin would:

- **Recognise Worker Co-operatives as a distinct legal entity.**
- **Amend legislation to allow for worker co-ops to be created by a minimum of three members, rather than the existing requirement of seven.**
- **Give workers a statutory 'Right to Own' the company in which they work.**
- **Create a pathway for the Worker Co-operative Buyout model to allow businesses facing succession to transfer ownership of the enterprise to the workers of that business.**
- **Introduce legislation to protect mandatory indivisible reserve funds with an asset lock. The concept of an asset lock is fundamental to a worker co-operative, and has been at the heart of the Credit Union sector's success in Ireland.**
- **Re-establish the Cooperative Development Unit (CDU) as a Worker Co-operative Development Unit (WCDU) in order to co-ordinate the existing worker co-operative network. Provide capital and technical assistance through the WCDU and harness the collective entrepreneurship that exists within the Worker co-operative network.**

An economy that works for workers

Today, Ireland has an economy which does not work for its workers. Despite experiencing high levels of GDP growth (World Economic Forum, 2018) as well as increased levels of productivity (WEF, 2018), gross levels of inequality continue to rise (CSO 2016, TASC, 2019, Social Justice, 2019).

In 2018, the World Economic Forum (2018) found that of 29 advanced economies studied, Ireland ranked 4th in terms of benefiting from a high GDP per capita. In addition to this, Ireland recorded the second highest level of labour productivity.

What Ireland has witnessed since the 1970's, however, is a consistent decline in the share of labour income (IMF, 2017), coupled with a concentration of capital ownership amongst those at the top of the income distribution (Wolff, 2010).

This has essentially led to an economic system in which productivity has increased; however, the surplus of that productivity has not been shared in an equitable fashion.

Between 2013-2018, wealth inequality in Ireland increased by 10% (WEF, 2018). What this means is that today, the top 10% of earners in Ireland take home a third of all income, while the top 1% of earners take home 11%.

In contrast to this concentration of wealth, more than 760,000 people in Ireland live in poverty, of which 230,000 are children (CSO, 2016). In fact, without social welfare transfers, a staggering 43.8% of Ireland's population would be living in poverty (CSO, 2017) due to our high incidence of low pay (OECD, 2015).

Sinn Féin believes that this wealth inequality is a result of our economy being detrimentally 'short-termist' in its outlook – with private firms, through financial intermediaries, weighing near-term profit outcomes too heavily at the expense of longer-term sustainability. This has become the hegemonic strategy for private enterprise.

The reality is that ownership shapes purpose. If we allow our economy to be owned and controlled by a small group of elites whose objective is that of profit, then that will be the purpose of our economy.

If, however, we agree as a society that our preference is to establish an economy based upon productivity, sustainability and equality then ownership of our economy must be equitably spread across society.

This new economy can be achieved through alternative models of business ownership. Sinn Féin believes that the Worker Co-operative Model offers an exciting and innovative alternative.

Worker Co-operative Model

Across Europe, Worker Co-operatives have been found to be more productive, more resilient and provide greater benefits to their workers, communities and society when compared to traditional businesses (e.g. Briscoe, Carroll and Hughes, 2005, Birchall, 2011, Erdal, 2011, Goel, Tuominem, Jussilia, 2012, Napier, 2013)

In a worker co-operative, the workers own all or the majority of the company's shares.

The business is owned and democratically managed by its workers. The enterprise functions on the basis of one worker, one share, one vote. They distribute the businesses surplus (profit) in a democratic, equitable way amongst the workers.

The key objective of a worker co-operative is not simply to make a profit, but to create and maintain sustainable jobs which contribute to the benefit of their communities and wider society.

In a conventional hierarchical enterprise, power is vested in equity. The more wealth you have, the more shares you can own, and therefore the more votes and power you can buy. In a worker co-operative, ownership is derived from working in that enterprise and from contributing to its success. The workers share the results, both good and bad.

Profits are generally distributed with a twofold objective: to pay fair and decent wages in return for labour provided; and to ensure the long term sustainability of the business and the workers' jobs.

Worker co-operatives offer an alternative model of shareholder ownership. Such a shift in ownership, away from a concentration of power in the hands of a few, into the hands of the many, has the potential for significant positive knock-on effects for the Irish economy.

BENEFITS TO SOCIETY

Worker co-operatives retain wealth both at a local and a regional scale. They allow community wealth building that is sustainable.

They perform well at meeting local employment needs, they tend to look for local suppliers, thereby rooting business locally and strengthening community economies (McQuaid, R., Canduela, , J., Edgell, V., Dutton, M., & Raseide, R., 2013).

Worker Co-operative businesses are more likely to pay the living wage, and have lower pay differentials between the top and lowest earner. They use fewer zero hour contracts, and have shown exemplary degrees of corporate social responsibility and a strong commitment to sustainability (McQuaid, R., Canduela, , J., Edgell, V., Dutton, M., & Raseide, R., 2013).

For companies who have converted to the worker co-operative model, a majority of them find that employee wellbeing increased (Logue and Yates, 2006, Field Fisher Waterhouse LLP 2012a) because the workers felt more valued. This had a positive impact on productivity and efficiency as workers felt that they had a vested interest in the future of the business.

PRODUCTIVITY AND SUSTAINABILITY

Research suggests that Worker Co-operatives tend to outperform conventional Investor-owned enterprises.

Birchall (2011) and McQuaid et al (2013) found that Worker co-ops achieve greater levels of productivity. Under an employee-owned structure, organisational commitment grows and contributes to greater efficiency. On average, productivity increases by 4-5% in the year the model is adopted, followed by even faster growth and higher survival rates. There is also evidence that financial crashes have less of an effect on Worker Co-operatives companies due to their indivisible reserve funds and their lesser need for credit.

They also tend to have lower levels of absenteesim, a greater emphasis on maintaining staff, higher innovation and quicker problem solving at sources other than at management level – all of which leads to greater productivity.

Worker Co-operatives also provide greater economic stability. There is a growing literature on the survival of worker cooperatives which strongly indicates that the expected survival of a worker cooperative exceeds that of a conventional enterprise.

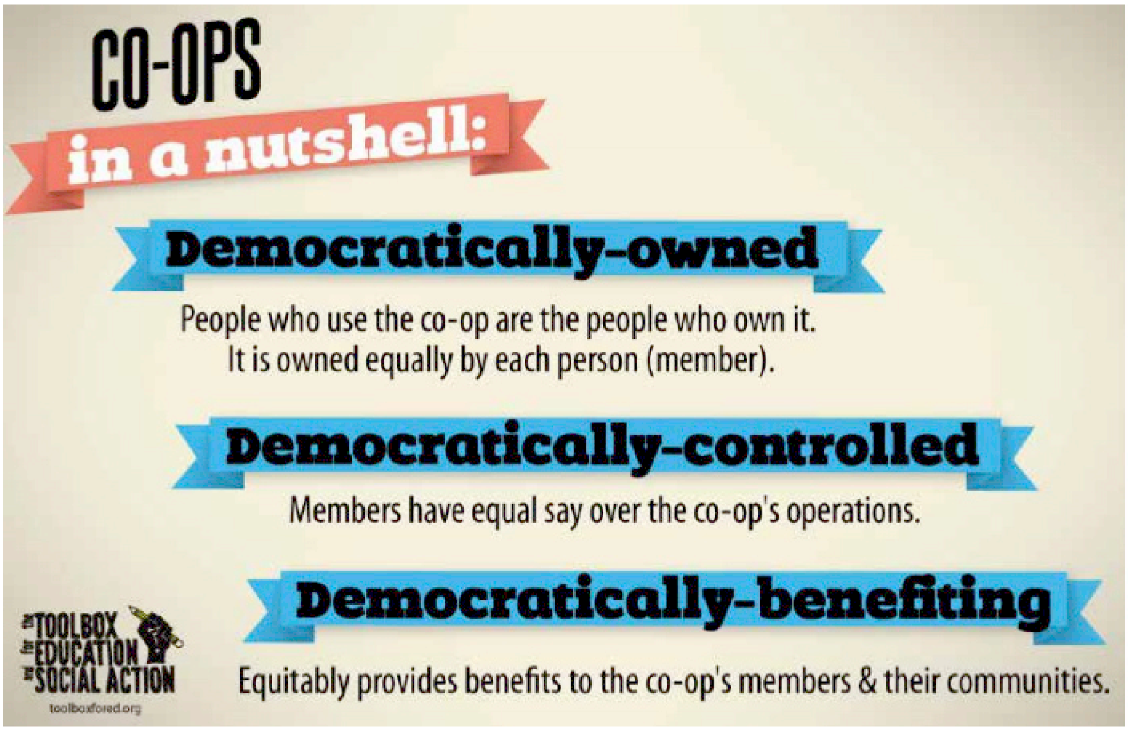
In France, the three year survival rate for a worker co-operative is 80-90%, whereas the overall survival rate for enterprises in France is 66%. The 5 year survival rate for worker cooperatives in France is 61-82%, while the conventional enterprise rate is 50%.

In Italy, worker co-operatives are also found to be more resilient than conventional enterprises. Between 2007 and 2013, the survival rate after three years of a worker co-operative was 87.16%., while it was 48.30% for a conventional enterprise.

The benefit of having enterprises with such high rates of survival is to provide security and stability to workers and their jobs. The reason behind such high rates of survival has been the subject of much debate.

Erdal (2011) suggested that worker cooperatives survive longer due to being more productive than other forms of enterprises. Harper in Caroll (2005) put forward the case that they succeed in greater numbers because the business plays such a crucial role in the lives of the members, and their livelihood depends on the survival and success of the enterprise.

Birchill (2011) believes that the success of worker cooperatives is rooted in the principle that when you provide workers with a model that allows them to gain control over the conditions under which they work, the outcome will be a positive one.



Ireland's 26 County Co-operative History

Despite the many benefits of the worker co-operative model to workers and their communities, Ireland has yet to develop its own worker co-operative sector in any considerable way (Forfás, 2007, Carroll, 2009, Gavin, Moroney, Carroll and Ward, 2014).

To date, the worker co-operative sector in Ireland can be described as "undeniably small and arguably underdeveloped" (Gavin et al, 2014, page 1).

Gavin et al (2012) attributed the lack of development in the Irish worker cooperative sector to four reasons: (1) The lack of legislation specific to worker coops. (2) An absence of government support for would be and existing cooperatives (3) A lack of research and educational infrastructure for cooperatives (4) A lack of understanding among professionals and the general public of worker cooperatives.

Sinn Féin believes that the lack of development in the sector can be attributed to an absence of both political will and public policy that is supportive of the model.

This is particularly disappointing when you considering that throughout Ireland's history, co-operatives have made a significant contribution to our society and have done so since 1889, beginning with Horace Plunkett and developing further in the agricultural and credit union sectors.

In Ireland, the Agricultural cooperative sector experienced a rapid phase of growth in the 1960's and 1970's. This was as a result of the amalgamation of domestic agricultural organisations in preparation for and in the aftermath of entry into the EEC. The Irish agricultural sector understood that in order to produce on a scale needed to compete in international markets; they would have to work together. This strategy resulted in the creation and success of ICOS, as well as cooperation's such as Avonmore, Dairy Gold and KerryGold.

The Credit Union sector has also developed successfully in Ireland. The Central Bank's report, Consumer Protection Outlook 2017, found that the Credit Union sector had assets totalling €16bn, and that there was a significant €2b increase in assets between 2011 and 2016. The continued success of the credit union sector in recent decades can be put down to the introduction of specific cooperative legislation in 1997 which regulates their activities (Credit Union Act of 1997). This Act provided the credit union sector with the legal security which was desired in order for workers, owners and investors to contribute to the Credit Union sector in such large numbers.

Sinn Féin wants to see the success of both the Agricultural and Credit Union sectors replicated in the development of our own worker co-operative sector. The only way this will be achieved is if the worker cooperative sector is provided with dedicated, legal and institutional support.

IRISH CO-OPERATIVE DEVELOPMENT UNIT

Interestingly, the Irish government in 1988 did attempt to develop the co-operative sector through the establishment of the Cooperative Development Unit (CDU). This state agency was devoted to the development of worker co-operatives. It resulted in the growth of worker co-ops from 47 enterprises to 73 between 1991 and 1992, and again between 1996 and 1998 there was another spike from 66 to 82. There were also those who argued that the CDU would have been even more successful in developing the sector, if it were not for the absence of a supportive legislative framework at the time.

In 2002, the CDU was dissolved. This ended all soft and hard state support for the development of worker co-operatives. The state argued that there was simply not enough demand in the sector to keep the agency going; however, this would appear to run counter to the trend across the rest of the EU. For example, after a review and consultation process in Scotland, in 2005 the Scottish government set up their own CDS (Co-operative Development Sector) which had the remit of assisting in the formation of sustainable co-op businesses. £3m was made available over three years to CDS. It was created as a wholly-owned subsidiary within the Scottish enterprise sector with its own advisory board and executive. Today, the CDS is thriving.

Since 2015, Scotland has experienced a three-fold increase in its number of worker co-ops. Elsewhere in Europe, there are 800,000 workers in the Italian worker co-op sector. Spain is home to the world's largest worker co-operative, Mondragon Corporacion Coopertavia, which has 80,000 workers and in 2015 had sales of €11 billion. The worker co-operative sector makes up 13% of Sweden's GDP, 16% of Switzerland's, 21% of Finland's, and 4% in France.

For many key stakeholders, a key barrier to the development of Ireland's worker co-op sector has been down to a lack of direct support for worker co-operatives. Since the closure of the CDU in 2002, there has been no statutory provider of support or information specific to worker co-ops, something which has been central to the development of the sector in Scotland, France, Italy and Spain.

Success Stories

The success stories of Scotland, France, Italy and Spain all provide evidence that there is an alternative way to develop our economy.

The following examples also provide evidence that the best way to develop a worker co-operative sector is to provide it with supportive legislation and favourable public policy.

SCOTLAND

"We have a choice: to be passive and allow the development of a supportive environment for Employee Ownership (worker co-op) companies to happen without industry input, or to take a proactive approach and seek to actively influence how that environment evolves. We believe the proactive approach creates the prospect of making Scotland the best country in the world to establish and grow an EO business." John Clark, a member of Nicola Sturgeon's Worker Co-operative steering group speaking at the launch of 'Scotland for EO', 27th August 2018.

In 2005, the Scottish government decided to establish the state agency 'Co-operative Development Scotland', a subsidiary of Scottish Enterprise, tasked with the responsibility of developing Scotland's Co-operative sector.

Between 2005 and 2012, the sector experienced modest growth (Weaver and Hanks, 2015). This was then, however, followed by a substantial 300% increase in the number of worker co-operatives in Scotland, from 30 to 100 businesses (Lawrence, Pindleton and Mahmoud, 2018).

This substantial growth in Scotland's worker co-operative sector came subsequent to two significant events.

In 2012, the Nuttall Review of Employee Ownership was published. The Nuttall report, commissioned by the British government, provided a substantial body of evidence that demonstrated how Employee Ownership drives economic benefits for society. It strongly advocated for the development of Employee Ownership Business and recommended that in order to achieve this, the sector would require greater public policy support and legislative changes.

In 2012, following Nuttall's recommendations, the CDS adopted a number of the papers recommendations and also made a game-changing decision to focus exclusively on Employee Ownership Businesses rather than the wider co-operative sector.

INTERMEDIARY ISSUES

Following the decision by the CDS to focus on EO businesses, they identified a major issue, which was the fact that there was a poor understanding of the model amongst professional intermediaries such a lawyers, solicitors, accountants, and even members of Scottish Enterprise.

These groups didn't view co-ops as stable; they didn't understand specific legalities around the model, tax requirements, financial setup guidelines and therefore didn't suggest it as a viable option to clients.

The CDS decided to run an intense awareness raising campaign around the model,

exclusively aimed at those intermediary groups. They held seminars across different Chambers of Commerce, to the Law Society of Scotland, and they gave presentations to large accountancy firms.

The CDS also published a tool kit for employee ownership on its website which deals with business conversion. The HMRC followed this by publishing accompanying guidance on tax issues. Both of these actions were attempts to simplify the model for owners, workers and intermediary bodies.

The CDS reported in 2013, that over the course of twelve months, the number of enquires received regarding the model had doubled, and so did the number of successful transitions.

SUCCESSION

One particular area of focus for the CDS has been on transitioning traditional enterprises' into worker co-operatives during 'business succession i.e. the moment in which an owner of an enterprise seeks to move on, often because of retirement (Weaver, Hanks, Earley and Whitcomb, 2015, Lawrence, Pendleton and Mahmoud, 2018). The CDS has identified succession as a ticking-time bomb amongst Scotland's SME's.

The CDS calculated that two thirds of Scottish businesses were family owned and that a large number of these owners were members of the "baby boomer" era who would soon be approaching retirement. The CDS saw this as an opportunity for EO transitions. The CDS decided to target just 5% of those businesses, which equates to 6,000 and to transition at least 150 of those companies in the next 10 years. They have already reached 100 and have set a new target for 500 by 2025.

Case study: Priory Hotel (Inverness), founded in 1972. In 2016, the owners of a family run hotel in Inverness began considering their retirement. After lengthy considering, the owners were won over by Scottish Enterprise, who suggested the Worker Co-operative model as the best way to secure the hotel's future and reward their staff. Going forward, the staff will own 72% of the businesses shares. The owners' son will retain the remaining 28% to demonstrate to the public that the family is still committed to the hotel. In 2019, the son was elected by the shareholders at the AGM to be managing director.

To achieve this, the CDS ran a 'Succession Campaign' which aims to promote the benefits of EO to owners seeking to pass on their business. They held public presenation across the company and invited owners to listen.

Owners who decided to learn more from the CDS were given three full days of support by staff members of the CDS. They would visit the business and discuss with the owner their options by explaining the model, finance options and legal supports.

Without the support of the CDS, the majority of EO businesses that have been established in Scotland since 2012 would not have gone ahead (Ekogsen, 2017).

The Worker Co-operative sector in Scotland has grown from 30 businesses in 2015 to 100 in 2018. In Glasgow, there has been an overall 17% increase in the co-op economy. Turnover has increased by 35%, and profits are up by 55%.

Ekosgen (2017) attributes this substantial growth down to the invaluable soft and hard supports which Co-operative Development Scotland provides to existing and start-up worker co-ops.

In October 2018, Scottish Prime Minister Nicola Sturgeon announced the establishment of a new worker co-operative industry-leadership group which will aim to make Scotland the best country in the world for EO businesses

The long term aim of the CDS and the Scottish government is to establish EO as a key model, firmly part of the family of products and services available from Scottish Enterprise.

Case study: Edinburgh-based, i4 Product Design Ltd was formed in 2003 by three directors who built a successful business. The business involved designers, investors and engineers who provide project management, industrial design and electronic support. In May this year, the company announced that it had completed its transition to become an employee-owned business, with 14 members of staff becoming majority owners with 75% of the shares. The three co-directors have a combined share of 25%. This was done in order to make the most out of the creative and innovative work of their staff. They hope that this will drive the business forward allowing workers to feel part of something exciting.

FRANCE

Given the very large number of SME business owners in France expected to retire in the coming years, the French government decided in 2014 to introduce measures to facilitate the process of an employee's request to buy their own workplace through the Worker Co-op Buyout model.

In each of the last four years, 70 enterprises have converted to a worker co-operative. 24% of all worker co-ops in France are in the construction industry, a further 24% are in administrative services, 19% are in manufacturing, and 12.3% are in food and accommodation. The average size of a worker co-op is 21 workers.

Worker Co-operative Buyout Case study: Unilever (Marseille) - In 2010, the owner of Unilever decided to close down the tea and herb processing and packaging factory nearby Marseille in order to relocate activities abroad. In response to this, the workers of the factory decided to research their options and a collective decision was taken to launch a worker co-operative buyout. This was achieved with the assistance of the local Marseille government who carried out a finance feasibility plan and financed the acquisition of the factories land. The workers then collectively used their redundancy money to invest in the company. In 2014, the worker co-op was established and it continues to flourish.

The French government took three steps in order to ensure the worker co-operative model became an attractive, viable enterprise in which workers could invest. Firstly, business transfer regulations were updated to create a pathway to transfer businesses into worker co-operatives. Secondly, insolvency proceedings were changed to strengthen workers as preferential creditors. And thirdly, national legislation was introduced to institutionalise worker co-operatives as a distinct legal model.

The rules regarding the functioning of these worker co-operatives were that workers must

hold at least 51% of the capital and at least 65% of the votes (Corcoran and Wilson, 2010). A minimum of 16% of the profits must go into the business reserves, although workers tend to distribute 45% of the profits to the reserves which is then there in times of economic hardship. It is for this reason that worker co-ops tend to enjoy an equity capital that is 4/5 times greater than that of a similar sized SME.

The French sector is a further example that state support is crucial in the development of worker co-operatives. The government's decision in 2014, to implement a process through which workers could buy the enterprise in which they work during business succession has seen growth in the sector multiply.

Case study: Besné Mécanique, (Loire-Atalantique). In 2004, the owner of Besné , a company active in precision engineering, was forced to retire for medical reasons. The owner then began to look for a successor and was informed by a French merger and acquisition firm that he should contact the Regional Union who would be able to transfer his business to his workers. The employees were then invited by the owner to consider the transfer plan and 80% of the workers voted in favour of it. Today, the enterprise employees 76 workers, compared to 54 in 2005. Turnover has increased by 27% between 2009 and 2012. Leverage (capital to debt ratio) has maintained itself at 1 to 3 since 2008.

ITALY

In Italy alone there are over 800,000 employee/owners in the worker co-op sector. In the Emilia Romagna region, there is a high concentration of worker co-operatives, with 8,000 businesses. 40% of GDP in Emilia Romagna is generated by worker co-ops, and two out of every three citizens is a member of a co-op.

The Emilia Romagna region's GDP per capita is 25% higher than Italy's overall average, and 36% higher than that of the EU. The unemployment rate is 8%, compared with Italy's overall unemployment rate of 12.4%. The rate of employment for women is higher here than anywhere else in Italy, and it has one of the lowest levels of inequality with a Gini coefficient of .25, which is half that of the EU average.

The success of such a strong indigenous entrepreneurial sector in Italy can arguably be put down to supportive legislation and public policy which has created an environment conducive to the development of worker co-ops.

BASEVI AND MARCORA LAWS

The Basevi Law, for instance, allows for worker co-operatives to transfer their surplus (profit) to a reserve fund free of corporation tax on the condition that it is only used to pay workers' wages in the event of an economic downturn or a period of transition to avoid making workers redundant.

Secondly, in 1985, Italy introduced the "Marcora Law", in order to promote the worker co-op sector. The Law has proven to be an effective way to bolster local economies, to combat business closure, and to reduce unemployment through worker-ownership.

The Marcora Law's original purpose was to preserve and promote jobs in the midst of a recession period by offering companies on the brink of closure an alternative to permanently shutting their doors. To accomplish this goal, the policy offers workers an array of financial support options and a "right of first refusal" opportunity to purchase and re-launch the business as a worker-cooperative.

The policy has thus far saved over 13,000 jobs and revived over 300 companies by facilitating their conversion into worker-owned cooperatives.

Case study: Industria Plastica Toscana, a company active in the production of shopping bags for retail, located near Florence established in 1994. Following bankruptcy in 1996, the workers saved the enterprise by transforming it into a worker co-operative. The state provided it with a €2m euro loan under the Marcora Law. In 2009, after a law in Italy banned plastic bags, the co-operative changed to biodegradable bags, and received a further 2m loan from the state, with additional support from two banks and from the co-operative movement. Between 2007 and 2010, turnover increased by 230%.

Workers pursuing a worker-cooperative buy-out under the Marcora Law can obtain a one-time lump sum advance payment of up to three years' worth of unemployment benefits from these unemployment programs, provided that they put the advance toward capitalizing a worker-cooperative buy-out.

This helps reduce unemployment in the short term, but also generates sustainable, stable economic development for the long term.

It is generally accepted within the co-operative sector, that without the introduction of the Basevi and Marcora Laws, the Italian worker co-operative sector would not have developed to the size it is today.

Case study: Nuova Bulleri Brevetti - a historical Italian enterprise in a leading position in manufacturing of machine-tools for the wood industry. In 2009, the owning consortium of Nuova decided to close the business down in order to focus on its two other leading businesses. The workers responded to this action by initiating trade union action to prevent the closure of the business before successfully negotiating the purchase of the business and the creation of their own worker co-operative in 2010.

THE BASQUE REGION

There are over 275,000 worker co-operatives members in the Spain.

The growth of Spain's worker co-operative sector has been aided by strong supportive co-op legislation and public policies.

For instance, the Spanish state has a policy entitled the 'Pago Unico' which allows for lump sum distributions of unemployment compensation and severance pay to be used to finance a worker buyout.

Additionally, the 'C'orporation of Labour' is a worker co-op model which has been developed by the Spanish state. It is a form of co-op, in which the majority of shares are owned by employees, however, their shares are based on stock ownership which enables non-employee capital to be invested. It is a simple, flexible and cheap way for employees to buy troubled companies or start new ones. Since 1997, 66% of all new employee-owned companies use this legal form.

The Spanish government also taxes co-operative profits at a lower rate of 10% compared to the corporate tax rate of 28%.

Research found worker cooperatives in Spain during the economic crisis of 2008 to be much more resilient than conventional enterprises in Spain. COCETA (2010) noted that while 24% of companies closed down in Spain (2008-2013), only 6% of worker cooperatives went out of business during the same period.

Figures from COCETA also note that of all worker co-operatives in Spain, 75% of them have been as a result of worker buyouts.

Case study: Celulosas y Papel, located in Mollina, a rural town of 5,000 inhabitants in Andalusia, in the South of Spain. In February 2010, an enterprise active in the production of cellulose and paper for more than 25 years went bankrupt. Four of the former workers decided to invest their unemployment benefits and buy-out the enterprise under the worker co-operative model. Today, renamed Celulosas y Paper, the enterprise has 9 permanent employees and a turnover double that of 2010 (Now €1,999,000. The support of the Federation of Worker Cooperatives of Andalusia and the Andalusian government was crucial to the transformation. (CECOPA 2013).

While Spain has a strong worker co-operative sector on paper, much of the growth has been concentrated in the Basque Region in one large Worker Co-operative.

The Basque region is home to perhaps the most famous example of a co-operative, the Spanish co-op Mondragon Corporacion Coopertavia (MCC) which is ranked 10th in the Global 300. It is active in industry, banking and consumer sectors, including research, training centres and a university of 4,000 students. It is a federation of 120 cooperatives made up of 256 enterprises. It has 80,000 workers and 15b euros of turnover in 2010. It has 1,293 people in 14 research centres and Mondragon's accounts show that 20% of their 2011 turnover was from products and services which didn't exist five years ago, such is the quality of their innovation and research.

Ireland's Worker Co-operative Development Unit

It is evident from the experiences of Scotland, France, Italy and the Basque Region that in order for the sector to develop it must be supported by political will and sympathetic public policy. It has been tried and tested that when these factors exist, they create an environment conducive to the growth of the worker co-operative sector.

The existence of a specific and clear legal framework as well as a financial support mechanism at national level are two fundamental factors which determine whether or not a worker co-op sector can develop.

It is for this reason that Sinn Féin proposes the re-establishment of the Co-operative Development Unit in a reformed role as a Worker Co-operative Development Unit. This Unit would be largely modelled upon the successful agency, Co-operative Development Scotland.

The WCDU will have a short-medium-long term strategy.

(1) The key barrier to growth in Scotland prior to the CDS was a lack of awareness of the worker co-operative model. According to Carroll and Forfas, this is also the key issue in Ireland. Therefore, in the short-term, the WCDU will focus on extensive promotional activity. It will run an information campaign directed at state employment bodies and private agencies to raise awareness of the model. The unit will ensure that there is a decent level of understanding of the model amongst relevant government officials by rolling out training programmes for departments, bodies and agencies.

(2) In the medium term, the WCDU will focus on up-skilling professional intermediaries such as lawyers, solicitors and accountants who wish to become leaders in this field of business. This will be done through open seminars. In Scotland, they found this stage to be crucial. Without a level of knowledge existing amongst intermediary advisor, the model will not be recommended to prospective owners.

(3) The long-term agenda of the WCDU will be to increase the number of worker co-operative enterprises by focusing on the process of business succession. This will be achieved by hosting a number of opening seminars across the country to which existing owners nearing retirement can attend to discuss their options.

The WCDU will also provide capital and technical assistance to existing and start-up worker co-ops, as well as businesses entering succession conversion.

The WCDU will also co-ordinate the worker co-operative network. The worker co-operative network which currently exists in Ireland consists of trade unionists and key stakeholders whose expertise and assets can be unlocked and harnessed if given an institutional space.

Succession

A key long-term focus for the WCDU will be on business succession.

It is estimated that each year 150,000 EU enterprises and 600,000 workers are affected by succession issues (CSES, 2013).

Succession is the moment in the development of an enterprise when an owner or founder seeks to move on, often because of retirement.

Studies in France, Canada and Australia have shown that well over 50% of SME's in the next 10 years will face the challenge of succession.

This is an issue which will undoubtedly affect businesses in Ireland.

Ireland is an aging society facing a ticking time-bomb. As the baby boomer generation approaches retirement, this will likely trigger a wave of business exits, marking a profound moment for business transition.

Successfully navigating this tricky period of baby boomer retirements is not only just important to those immediately involved in the workplace, but is also vital to the economy at large. If a successor is not found, the business will close and the workers will be made redundant - creating a significant knock-on impact to the local economy.

Family businesses represent up to 90% of the indigenous business sector in Ireland and provide around 50% of employment (Birdthistle and Fleming, 2005).

A cursory look at the information available on the topic of succession soon brings you face to face with the reality that only about one-third of all small businesses make a successful transition to the second generation in the family. There is no doubt that the complexity of developing and carrying out a successful succession is a major factor.

Despite this, a PWC survey of Family Businesses (2016) found that almost two-thirds of Irish family businesses had no succession plan – this is extremely alarming.

Across Europe, due to this inevitable wave of baby boomer retirements, several countries have moved to either introduce or strengthen their worker co-operative Buyout Model - a process through which the workers of an business can collectively buy the enterprise when it is in the process of succession.

This model of business succession is tried and tested in Scotland, France, Italy and Spain; however it is non-existent in Ireland.

The worker co-operative buyout model provides business owners with a safe, secure process through which they can pass on their enterprise to the workers of that business. The enterprise will then be converted into a worker co-operative.

HOW IT WORKS IN SCOTLAND:

An independent evaluation of the business as a whole is carried out taking into account past performances and future prospects.

The owner and the workers then negotiate a financial package. This often includes deferred or staged payments over time.

What workers need are intermediaries support from accountants and business lawyers, as well as financial support from a state agency or capital firm.

THE POSITIVES:

It gives the owner has an exit which rewards him/her and ensures business continues.

It avoids being asset stripped by competitors and retains jobs locally.

Workers who have contributed to the success of the businesses are rewarded with control.

The workers know the business best.

A trade sale can be time-consuming. This will involve the business opening up its accounts, sometimes to competitors who have no interest in buying the business. The new owner may strip the business of assets, make the workers redundant and close the business down.

Case study: Dundee based building engineering company Scan Building Services Ltd, founded in 1980, operates in the construction industry as a specialist contractor. It has an annual turnover of £3.9m. In May 2018, it announced the completion of its transition to a Worker Co-operative. Its 56 members of staff now retain 100% of the shares. How did this occur? As the owner of Scan Building Services approached retirement he considered his options. Many of the businesses highly skilled workers have been there since their apprenticeship days. The owner wanted an exit plan that retained the workers jobs and rewarded the workers hard work. A feasibility study was carried out and a fair price was settled on between the workers and the owners.

Balanced Job Creation

The development of Ireland's worker co-operative sector has the potential to create significant indigenous job growth as well as provide greater diversification of enterprise in Ireland. Worker co-operatives offer a model which can co-exist with traditional enterprise and bring greater balance to our domestic economy.

Sinn Féin wants to see a much more balanced approach to the creation of jobs and enterprise. Worker cooperatives present an alternative economic development model which is based on indigenous jobs, therefore making Ireland less dependent upon precarious outside investment.

During the most recent economic crisis we saw a number of high profile companies close their doors and leave Ireland just when the workers and their communities needed those jobs the most.

For instance, the Limerick Dell plant which transferred 1,900 jobs to Poland in 2008 is an example of the insecurity that can come with FDI. The estimated knock-on effect to companies and jobs that rely on Dell was thought to be in the region of 7,000-10,000 jobs (O'Brien, 2009). Dell made the choice to transfer manufacturing jobs from Ireland to Poland in 2008 for the same reason that those jobs came here in the first place; to maximise profits for their shareholders.

Enterprise Ireland's 2025 Strategy (2018) targets the creation of 266,000 new jobs by 2020 – of which 75,000 will come directly from FDI and a further 65,000 will come indirectly through FDI. To put that into context, over half of the jobs which the government hopes to create by 2020 will come from FDI. If this strategy is successful, one in five jobs in Ireland will be dependent on FDI. This is would arguably place Ireland in a very precarious and volatile position at the mercy of MNC's who would leave in an instance if the conditions no longer suited their shareholders.

A number of organisations have shared the concern that Ireland is over-reliant upon FDI and our increased dependence on one such investment type is unsustainable (TASC, 2016. Social Justice, 2016). We must also be cognisant of the fact that too a certain degree FDI is built upon the ability of multinationals to use Ireland for tax avoidance measures. Considering the European Commission's Apple ruling and the potential introduction of EU-wide and international measures to combat tax avoidance, we could see a very different FDI landscape in the future. It is in that context we recommend working towards a more balanced approach to developing the Irish economy and identifying ways in which we can create a vibrant and sustainable indigenous jobs sector.

In order for Ireland to develop its worker co-operative sector the government needs to move towards establishing a level playing field between different models of enterprise.

In keeping with the 2002 ILO recommendation 193, Sinn Féin would like to see an environment in which **"co-operatives...enjoy equal treatment with other types of enterprise. Governments should create an enabling environment and facilitate access to support services. Governments should provide policy and a legal environment conducive to the creation of worker cooperatives...Grant support...Develop partnerships with co-ops."**

At the core of the ILO's recommendation is the motive to establish a level playing field in which there is choice and diversity. If an employee wants to work in a democratic workplace, where they are a shareholder of that business, then they should have that choice available to them. If a customer wants to buy a product from a worker cooperative then they should also have that choice.

We want a sustainable economy, not drive by profit, but maintained by secure jobs and broad benefits shared by greater society.

It is perhaps best put by Restakis (2010:238) who said: "Worker cooperatives provide a way of making work meaningful by sustaining employment in situations where jobs would be sacrificed – not because they were untenable but because the business didn't generate the insane levels of return demanded by shareholders".

Recommendations

It is evident from the success of Scotland, France, Italy and Spain, that in order for a countries worker co-operative sector to develop, it must be supported by public policy and legislation that puts the sector on a level playing field with conventional enteprises.

It is also evident that having a state agency that is proactive in the development of the sector is an invaluable asset.

What Sinn Féin therefore wants to see is the development of this sector by providing it with dedicated, legal and institutional support.

RECOMMENDATIONS:

- **Currently, it is not possible to register as a worker co-operative in Ireland as no legal entity exists in legislation. Sinn Féin would therefore amend the Industrial and Provident Societies Act to recognise the Worker Co-operative model as a distinct legal entity.**
- **Sinn Féin would bring Irish legislation in line with the rest of Europe by reducing the number of members needed to create a co-operative from seven to three. We believe that it is an unnecessary burden to demand that a worker co-operative bring together seven members to simply create an enterprise. Empirical evidence across Europe shows that the sector can overcome issues of competition and economy of scale with a minimum of three members.**
- **Give workers a statutory 'Right to Own' the company in which they work. Through legislation, Sinn Féin would give workers the right to request employee ownership during business succession. Whevever a business is facing closure or a change in ownership, the workers of that enterprise will have the first right of refusal to buy the company in the form of a worker co-operative.**
- **We would create a pathway for the Worker Co-operative Buyout model. This would allow businesses facing succession to transfer ownership of the enterprise to the workers of that business.**
- **Introduce legislation to protect mandatory indivisible reserve funds with an asset lock. The concept of an asset lock is fundamental to a worker co-operative, and has been at the heart of the Credit Union sector's success in Ireland. An asset lock prevents the process of management capture, providing workers/owners with legal protection from a buyout.**
- **Re-establish the Cooperative Development Unit (CDU) as a Worker Co-operative Development Unit (WCDU) in order to co-ordinate the existing worker co-operative network. Provide capital and technical assistance through the WCDU and harness the collective entrepreneurship that exists within the Worker co-operative network.**

Suma British Wholefood Co-operative

Belfast Cleaning Worker Co-op at Vital Festival

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