

# Not Alone

**Trade union and co-operative solutions  
for self-employed workers**



# Acknowledgements

This research report and the deliberative inquiry underpinning it have been sponsored jointly by Co operatives UK, the Wales Co-operative Centre and Unity Trust Bank. Additional sponsorship in kind was provided by the TUC for a full day London conference. The researchers are grateful for participation in this deliberative inquiry by many contributors and in particular to those referred to in the report who assisted through telephone interviews and other evidence provided in the workshops at the conference on 17 July 2015 at TUC Congress House.

We would also like to thank those who gave written evidence to the work of the inquiry and assisted in the preparation of the final report. This collaboration has been invaluable and we are most grateful to:

Michel Bauwens (P2P Foundation); Andrew Bibby; Glenn Bowen (Wales Co operative Centre); Professor Andrew Burke; Bob Cannell (SUMA); Donna Coyle (Wales Co-operative Centre); Ben Dellot (RSA); Matt Dykes (TUC); Kate Elliott (BECTU); Stuart Field (Radical Routes); Madeleine Gabriel (NESTA); Christophe Guene (KreditUnion); Anca Ionescu (RICOL); Elaine Jones (WIEGO); Alan Lean (Equity); Ed Mayo (Co-operatives UK); Professor Robin Murray; Dave Nicholson (Co-operative and Mutual Solutions); Matthew Parson (Altgen); Anna Plowdowski (Greenmarque); Bruno Roelants (CECOP CICOPA - Europe); Cilla Ross (The Co-operative College); Professor Tony O'Rourke; Professor Claudia Sanchez Bajo; Derek Walker (Wales Co operative Centre); Erika Watson (Greenwell Consulting) Diane Widdison (Musicians' Union).

Lastly we would like to thank the other members of our research team, Steve Bendle and Rosemary Foggitt, who assisted with the interviewing work with Business and Enterprise Co operatives (BECs) in France and with translation of material. Their editing work on the final report and assistance with illustrations and with Section 7 has been a major contribution.

**Pat Conaty, Alex Bird and Philip Ross**

## Executive summary

There are now more self-employed workers than at any time since modern records began. Some 4.6 million people, around 15 per cent of the workforce, are now self-employed and data from the Office for National Statistics show that two thirds of new jobs in the UK created in recent years are down to self-employment.

The number of freelancers is likely to grow further during the tax year from April 2016, reflecting a significant and permanent change in the pattern of work in the economy. Survey research for this report suggests that one in four current employees in medium-sized firms (27%) in the UK would like to go self-employed (22% in small firms). Current projections are that by 2018 the number of people who are self-employed will outnumber those working in the public sector.

This report focuses on the needs of people in self-employment who face low income and social and economic insecurity – the ‘self-employed precariat’. Around four out of five people in self-employment (83%) are sole traders with no employees. The self-employed precariat is reflective of complex and diverse patterns of atypical work that is growing, ranging from casual working to temps, agency staff, own account workers and Uber drivers.

The self-employed precariat 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. In addition, their potential income is indirectly eroded by other costs such as agency fees. They face additional challenges related to being paid on time and the right to a contract. To compound all this, many of the self-employed are among the lowest-paid workers in the country.

There are examples of freelancers coming together to form co-operatives for shared services, in some cases with support from entrepreneurial trade unions who see the opportunity to support members who are self-employed, not just those who are employed:

- In Swindon, 50 music teachers have come together to form a coop to market their services to schools, with support from the Musicians Union
- In London, interpreters came together in November 2012 in a co-op RICOL after changes in their terms and conditions when the firm Capita took on the contract to provide interpretation services in judicial courts.
- In Wales, the Oren Actors Management Co-op allows actors between roles to work as agents for other co-op member actors, marketing their services

However, compared to practice in some countries overseas, these initiatives look to be in their infancy:

- The Freelancers Union has been formed for the self-employed in the USA. It has attracted over 280,000 members which is indicative of the potential, but constitutionally it is a mutual and remains separate from mainstream union federations
- In the Netherlands and Spain general unions for self-employed workers have emerged and developed since the late 1990s. These provide a range of services as well as representation
- In Belgium, SMart is a co-operative with 60,000 members, supporting them by invoicing and collecting debts for them
- In France, legislation that came into force in January 2016 recognises the role of 72 business and employment co-operatives, supporting members with accounting and access to the sickness pay and benefits of conventional employees
- In India, the Self-employed Women's Association brings together 1.7 million members and acts as a service co-operative, for example providing micro-insurance, and as a trade union fighting for member rights

The key findings from examining these initiatives are:

- The best services offer back-office support, debt management, contract advice, access to finance, sickness insurance, the shared use of equipment and access to workspace. There is considerable scope for the growth of similar, integrated services here in the UK, reducing the costs of using agencies or being excluded from services
- Collective bargaining for the self-employed is complicated by competition law, which seeks to restrict the sharing of sensitive information across businesses, potentially restricting the extent to which groups of self-employed people can work together around general or minimum rates of charges for their work. Where they are members of a co-operative, and not in a position of market dominance, this risk is reduced
- Some key services, such as mutual guarantee societies, which help freelancers to leverage low-cost loan funds from banks, have a proven track record in 20 EU countries, but face unintended regulatory barriers in the UK
- The release of untapped potential in the UK would be helped by partnership with the trade union movement. Good examples are already found in Equity and the Musicians' Union, both of which actively work closely with co-ops

The report calls for the cousins of the labour movement - co-operatives, trade unions and mutual organisations - once again to come together and help form cohesive institutions to unite the self-employed precariat, as illustrated in the model of a 'solidarity economy' partnership.

The four guiding objectives and recommendations for uniting self-employed workers are:

Recognition of the growing self-employed workforce, by developing organising strategies for self-employed workers, bringing together trade unions and the co-operative sector and operating with the support of national union centres such as the TUC.

The development of organising strategies will involve consideration of key priorities for action, including the:

- Primary sectors, such as the creative industries, care services and the green economy
- Primary services, such as a credit union for freelancers, provision of micro-insurance and related services such as debt collection, tax accounting and legal advice, the scope for platform co-operatives and sources of capital for co-operative business development

The interests of self-employed workers are not well represented in national policy-making, with the result that they face unnecessary regulatory burdens and barriers. The Department for Business, Innovation and Skills (BIS) should identify how to create a voice for self-employed workers at the heart of government, learning from the way in which wider small business has successfully become recognised over time, in business policy, regulatory interventions and commissioning design.

Two policy initiatives that are high priority, to unlock the potential for collaboration across self-employed workers, are: the development by the Treasury and Financial Conduct Authority of an appropriate regulatory treatment for Mutual Guarantee Societies; and exploration by the Department for Work and Pensions of the potential for business and employment co-operatives for people on benefit.

The world of work is changing rapidly and in many ways we are returning to older structures when more forms of work were characterised by dispersed day-rate payment and job payment. In the nineteenth century working class self-help organisations included craftsmen's guilds, co-operatives, friendly societies and the first unions. Together they collaborated and proliferated to improve working conditions, to secure rights and status and to maintain standards of living for workers. In an age of economic insecurity and rapid changes in technology there is now the opportunity to reinvent democratic self-help for the twenty-first century in order to widen participation on a fair basis for all in work.

## Contents

<b>1</b>	<b>Introduction</b>	<b>7</b>
	Deliberate enquiry remit, report structure and overview	8
<b>2</b>	<b>The self-employed workforce</b>	<b>11</b>
	Key Findings	27
<b>3</b>	<b>Trade unions and self-employed workers</b>	<b>28</b>
	Key findings	34
<b>4</b>	<b>Co-operative and mutual solutions</b>	<b>35</b>
	Key findings	49
<b>5</b>	<b>Trade union and co-operative solutions</b>	<b>52</b>
	Key findings	61
<b>6</b>	<b>Solidarity and digital democracy</b>	<b>62</b>
	Key findings	73
<b>7</b>	<b>Conclusion: The solidarity economy</b>	<b>75</b>
	Summary recommendations	83
	<b>Appendices</b>	<b>84</b>

# Introduction

Over the past decade there has been an extension of precarious work across Europe and in many other countries throughout the world. Professor Guy Standing at University College London has called this new flexible workforce the precariat. In some countries in southern Europe with ballooning national debt, deep cuts and rising austerity, insecure forms of employment have become pervasive. For example, in Greece self-employment is over one third of the workforce,<sup>1</sup> twice the EU average.

The development economist Simon Kuznets has observed that high levels of self-employment are associated with under-developed economies while, with development, self-employment levels tend to drop steadily. Today, this no longer holds true. First rising in the 1980s, in recent years self-employment has soared to its highest level for more than 40 years, when modern records began.

Forms of insecure and precarious work on the rise include casual work, temporary work, self-employment, forms of micro-enterprise, contract labour, outputting/home work, and sole trading - across a wide range of trades.

Evidence also points to the fact that the self-employed make a significant contribution to the UK economy, both financially and as a resource enabling small businesses to grow and develop.<sup>2</sup> It is also apparent that many of the self-employed in the UK and abroad enjoy working this way and would not necessarily want to return to a traditional job. While this does not disguise their low income and their social and economic insecurity, a key point to take into account is that they do not necessarily want 'saving' or 'rescuing' from self-employment but instead seek recognition, support, and assurance that the risks and rewards of their status are balanced fairly between them and the organisations they trade with.

The focus of this report is on freelancers and self-employed people working on their own account, rather than on precarious casual workers and agency staff. Described as the 'solo' self-employed, 83 per cent of the self-employed fall into the 'own account' worker category.

For a long time, policymakers struggled to identify and situate freelance workers. If they did not fit into the traditional tradesperson category, it was assumed that they must be self-employed in order to dodge taxes or alternatively that they were victims of unscrupulous employers who were engaging them as self-employed workers in order to avoid paying taxes and conferring employment rights. Later, the term 'lifestyle' became popular to characterise 'own account' self-employment. Patterns of work have now changed significantly and it is clear that this terminology is inappropriate. It is also clear that, while some abuse of the system continues for tax and exploitation purposes, there exists between these two extremes a legitimate self-employed and freelancing sector.

---

1 <http://data.worldbank.org/indicator/SL.EMP.SELF.ZS>

2 Burke, A.E. (2012), *The Role of Freelancers in the 21st Century British Economy*, Cranfield University, published by PCG, London

The Labour Finance and Industry Group report, *The Freelancing Agenda* (2014), argues for freelancing to be recognised as a legitimate business activity with its own agenda. The DEMOS report *Going it Alone* and the Royal Society for the Arts and Science (RSA) report *The Second Age of Small*<sup>3</sup> have a similar narrative. All these reports argue for government and policymakers to start focusing on the self-employed as a group.

This report provides the findings from an inquiry led by Co-operatives UK and the Wales Co operative Centre into the scale and impact of precarious work in the UK.

## **Deliberative inquiry remit, report structure and overview**

The strategic purpose of the study has been to examine creative ways of practical and strategic collaboration to co-develop an economic system which can meet the needs of the own account workers more fully. There is a strong focus on members of the self-employed precariat who are excluded from existing services.

The terms of reference for the deliberative inquiry are found in appendix four. The inquiry engaged with practitioners in order to identify diverse and practical mutual aid solutions to the unmet needs of low income, self-employed workers. The remit of the study was to investigate good practices, both in the UK and abroad, which have been successful in developing ways to improve the circumstances of self-employed workers. A related aim of the inquiry has been to search for ways to integrate, through social dialogue and co-design, a number of existing solutions developed by the co-operative, trade union and social finance movements.

The research has been wide-ranging and identified a rich diversity of innovation and best practice examples, both here and abroad. Providers of services for self-employed workers are varied and include trade unions, co-operatives, mutuals and other member-based organisations. But for most self-employed workers in the UK, service provision is uncoordinated and undeveloped. This is the central issue of the report.

Section two provides background and examines trends in relation to the growth of precarious forms of work. In particular, more people are becoming self-employed in the UK and at a faster rate than ever before.<sup>4</sup> Mounting evidence suggests this trend is set to continue and while it is beneficial to many professional and skilled workers and supports economic growth, it is also associated with low income and social and economic insecurity.

Thus, it is important to differentiate between professional and affluent self-employed workers (iPros), whom IPSE numbers at about 1.77 million<sup>5</sup> and those on lower incomes. This self-employed precariat, unlike agency and temporary staff in the UK (who have some employment rights since 2011 following a successful EU-wide campaign) has few rights.<sup>6</sup>

---

3 [https://www.thersa.org/globalassets/pdfs/reports/rsa\\_second\\_age\\_of\\_small.pdf](https://www.thersa.org/globalassets/pdfs/reports/rsa_second_age_of_small.pdf)

4 <https://www.thersa.org/about-us/media/2014/03/numbers-of-self-employed-set-to-outstrip-public-sector-workers-/>

5 IPSE Manifesto 2015 - <https://www.ipse.co.uk/sites/default/files/documents/policy/IPSE-Manifesto-v1.pdf>

6 <http://www.bbc.co.uk/news/business-15115461>



A brief overview of mutual aid solutions in other countries is set out to indicate a number of emergent areas of service provision. The issue of bogus self-employment – a widespread practice in which increasing numbers of workers are forced into adopting self-employed status even though they are essentially working for only one employer – is examined.

Section three considers the trade union response in Europe and in the UK to diverse forms of precarious and atypical employment. The argument for a flexible workforce has become part of public policy across the European Union and is justified as a means to advance global competitiveness. Additionally justified by many politicians as the means to create new work, labour market deregulation and a decline in employment protection has become widespread.

A range of existing solutions provided by the trade union movement is examined. The analysis looks at what these services are achieving and how. In some countries, including the UK, there are good trade union services for the self-employed in industries such as the media sector. Other countries, like the Netherlands and Spain, have had success in developing general unions for the self-employed.

Section four appraises the needs of self-employed workers and examines a wide range of co-operative and mutual solutions developed to meet these needs. As part of the inquiry a survey was conducted among a range of co-operatives and social enterprises in the UK to ascertain what services they were providing to the self-employed. These were then compared to a wider range of good practices in the UK and in other countries in order to develop a more effective strategy for meeting the needs of self-employed workers. In some cases forming worker co-operatives is a sound way forward. In other cases a co-operative consortium can release 'economies of co-operation' through mutual aid. UK good practice and co-operative and mutual solutions from Italy to the USA are profiled along with examples of co-operatively owned workspace. Major gaps in the UK are identified with two particularly notable examples.

The French CAE co-operatives for the self-employed operate in every region in cities and towns. These Business and Employment Co-operatives (BECs) have public policy support and have spread to several other countries in Europe. Co-operative finance, mutual credit money and mutual guarantees are evolving and developing across Europe. Unlike many other EU countries, UK law does not yet allow mutual guarantee societies to be formed to provide the self-employed and co-operatives with access to lower-cost bank loans and other forms of investment. Both the MGS and the BECs are highly successful European innovations and represent major opportunities for co-operative economic development practices to advance in the UK by meeting the needs of the self-employed.

Section five highlights that trade unions and co-operatives have the same historical roots in working class self-help and mutual aid. As the International Labour Organisation (ILO), International Co-operative Alliance (ICA) and the International TUC recognise, both movements can provide, through partnership, a wider range of services to the self-employed. This section looks at the achievements of joint working on the part of trade unions and co-operatives in the provision of representation and services to the self-employed precariat. The growing international work of WIEGO (Women in Informal Employment: Globalizing and Organizing) also highlights how organising strategies for self-employed workers can be achieved from the grassroots.

Evidence of effectiveness ranges from the work of media and entertainment unions in the UK to best practices in Italy in the construction trades. The successful work of Equity and the Musicians' Union to support the development of co-operatives for their members is highlighted. In most cases this is pursued through a partnership and sometimes a federal structure of closely-linked organisations - which can join up the services of trade unions, co-operatives and other member-based democratic organisations. The survey and fieldwork interviews, conducted in England and Wales, with co-operative and trade union service practitioners uncovered a wide range of creative joint work. Best practices are still somewhat diffuse and undeveloped, but where this joint approach among trade unions and co-operatives can be found the social partnership potential is strong.

WIEGO has led work internationally to show how to align complementary member-based organisations for the self-employed workers (co-operatives and mutual aid networks) with trade union representation. The WIEGO handbook and the ILO

SyndiCoop<sup>7</sup> handbook produced by the Co-operative College describe in detail these effective organising strategies. Key lessons from the UK are echoed in the joint work by the Musicians' Union and Co-operatives UK on collaborative organising methods that are documented in a new handbook.

Section six examines the threat to self-employed workers from new digital corporation practices. Through the use of platforms corporations like Uber not only profit, but can also comprehensively control the marketplace. Thus, what might feel at first like support becomes a stranglehold. As a solidarity economy alternative, the report examines an emerging model of 'platform co-operatives', showing how digital technology can advance new forms of economic democracy to secure social justice. Other economic democracy solutions are explored from the growing solidarity economy, ranging from social co-operatives providing care services, which are well developed in Italy and Japan, to the new Union Co-op model in the USA supported by the United Steelworkers.

Section seven offers a number of strategic proposals and recommendations for a way forward. As the leading generator of new jobs today, the self-employed represent the fastest growing sector of the UK workforce and numbers 4.6 million workers. With effective forms of organisation, these workers can have a united voice and become increasingly significant politically and at the ballot box. By 2018 it is predicted that there will be more self-employed workers than those employed in the public sector. The latter has trade unions and unity while the self-employed workforce currently lacks both. Filling this growing gap is the subject of this report.

## 2 The self-employed workforce

### 2.1 Background - A profile of self-employed workers

Research by co-authors of this report in 2008, published by the new economics foundation (NEF), pointed to rising trends in the self-employed sector.<sup>8</sup> Since the banking sector collapse in that year, self-employment has soared to 4.6 million and, at about 15 per cent of the workforce, is at its highest level for over 40 years.

Self-employment is now double the level in 1979 when it was 7.5 per cent.<sup>9</sup> The average figure needs to be seen within the context of a variable picture, with about 30 per cent of self-employment among many immigrant groups.<sup>10</sup> Self-employment is also disproportionately high among older people and in a number of rural areas of the UK, where self-employment rates of one in four or higher are common.

Workforce data gathered by ONS show that, since 2008, two-thirds of new jobs in the UK have been generated by self-employed people.<sup>11</sup> ONS data also show that, since 2008, three in four of the newly self-employed are over the age of 50.

Trends revealed by the ONS Labour Force Survey 2014 include the following:

- Five in 10 new jobs are created by those going into business for themselves
- The number of the self-employed has risen by 732,000 since 2008. Over the same period permanent conventional jobs rose by 339,000
- In the first quarter of 2014 the number of the self-employed rose by 180,000
- Fewer people are leaving self-employment than in the past. The opportunity to work as an employee fell at the onset of the economic downturn, which limited the opportunity for people to move out of self-employment
- Self-employment among those aged 65 and over has doubled from 241,000 in 2009 to 428,000 in 2014. In part this is because more people (both those self-employed and those working as employees) are continuing to work beyond the state pension age

While income levels alone can be deceptive, low income in the self-employed sector is today the norm. Eighty-three per cent of sole traders earn less than the average income<sup>12</sup> and 77 per cent live in poverty.<sup>13</sup>

According to the ONS, average earnings from self-employment have dropped from £15,000 to £10,400 a year since 2008, which amounts to a median weekly income of £207.<sup>14</sup> Moreover, since 2010 the number of self-employed people earning less than the

8 Pat Conaty, Rosemary Foggitt, Steve Bendle and Rumbi Tarusenga (2008) Self-help and Mutual Aid – a mutual for the self-employed for underpinning local economies across Britain, New Economics Foundation

9 <http://www.parliament.uk/business/publications/research/key-issues-parliament-2015/work/self-employment/>

10 Ibid

11 ONS Self-employed workers in the UK 2014. Of 1.1 million new jobs created since 2008, 732,000 were produced by the self-employed

12 Charlie Thomas 'TUC: Self-employed figures are skewing our understanding of unemployment figures', Huffington Post UK, 23 January 2013

13 <http://www.taxresearch.org.uk/Blog/2015/01/30/the-self-employeds-income-new-data-shows-77-are-in-poverty/>

14 Christina Patterson 'Go-getting isn't so easy on £200 a week', The Guardian, 4 October 2014

"Historically women have made up just over a quarter of self-employed people, but since the 2008 downturn 58 per cent of the self-employed have been female. In the last year, self-employment has started to decline for men, but not for women. In 2014 70 per cent of those becoming self-employed were women."

**Women and Self-Employment within the UK, Erika Watson/Ruth Pearson**

tax-free allowance has increased from 20 per cent to 35 per cent.<sup>15</sup>

IPPR research shows that a typical self-employed worker earns about half the pay of a typical employee. This situation has become markedly worse over the past decade, with earnings of the self-employed in 2007 three-quarters of the level of people in formal employment.<sup>16</sup>

## 2.2 Self-employment in the UK has reached 4.6million in 2015



Source: ONS Labour Force Survey, September to November quarters from 1992 to 2015

Welfare to work programmes that actively encourage self-employment have significantly driven growth while cuts in benefits can incentivise marginal sole-trading. A £300 start-up grant and working tax credits of £50 a week mean people need only earn £24 a week to be better off than those on Job Seekers Allowance of £73.10.<sup>17</sup> Private sector companies under welfare to work programmes are paid £14,000 for every person they place in 'sustained employment'. The data referred to above suggest that this is likely to represent a move from welfare into marginal trading only just above the poverty line.<sup>18</sup>

A significant rise in self-employment is forecast for the years ahead. At the end of 2015 self-employment was at an all-time high. Survey research for this report suggests that

<sup>15</sup> Interview with Robert Chote of the Office of Budget Responsibility on BBC Radio 4 Today programme on 13 October 2014

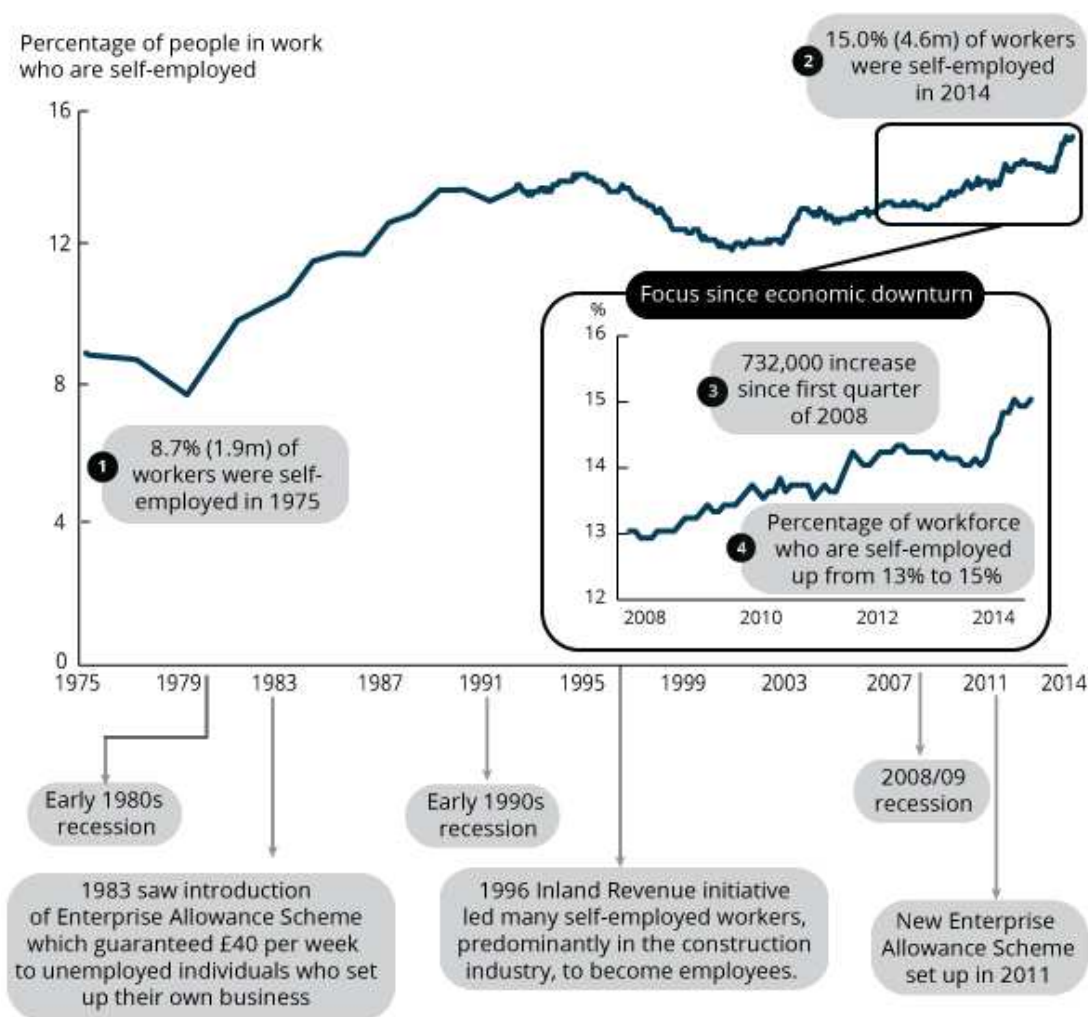
<sup>16</sup> Izzy Hatfield 'Is being self-employed becoming the new normal?', New Stateman, 7 January 2015

<sup>17</sup> Ian Jack 'Private companies are making a fortune out of the unemployed', The Guardian, 10 May 2014, <http://www.theguardian.com/commentisfree/2014/may/10/private-companies-making-fortune-out-of-unemployed> (figures updated by authors)

<sup>18</sup> Ibid

one in four current employees in medium-sized firms (27%) in the UK would like to go self-employed (22% in small firms, 14% in the public sector).<sup>19</sup> According to the RSA, by 2018 there will be more people in self-employment than the public sector.<sup>20</sup> The upward trend in self-employment may be slowing down as economic growth eases. However, the RSA points out that the public sector workforce is still declining in number. This is confirmed by comparative data<sup>21</sup> which also confirms that the crossover point with the self-employed is approaching.

## 2.3 Self-employment has risen over time to a 40-year high



Data for 1975-1983 is for alternate years, annually from 1984 to 1991 and for each three month period from 1992

Source: BIS ED analysis of ONS Labour Force Survey, March-May quarters

<sup>19</sup> YouGov, Self-Employment Survey, conducted for Co-operatives UK, sample size 2016, 9/10 February 2016

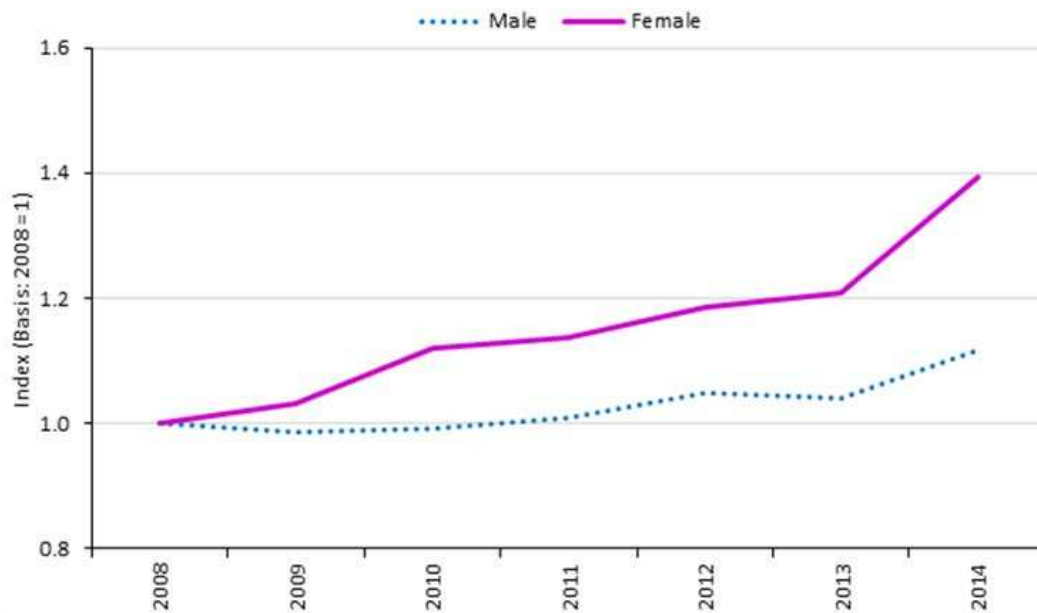
<sup>20</sup> <https://www.thersa.org/about-us/media/2014/03/numbers-of-self-employed-set-to-outstrip-public-sector-workers/>

<sup>21</sup> <https://flipchartfairytails.wordpress.com/2016/01/13/self-employment-and-public-employment-edge-closer/>



## 2.4 Since 2009 women have accounted for over half of the overall growth in self-employment

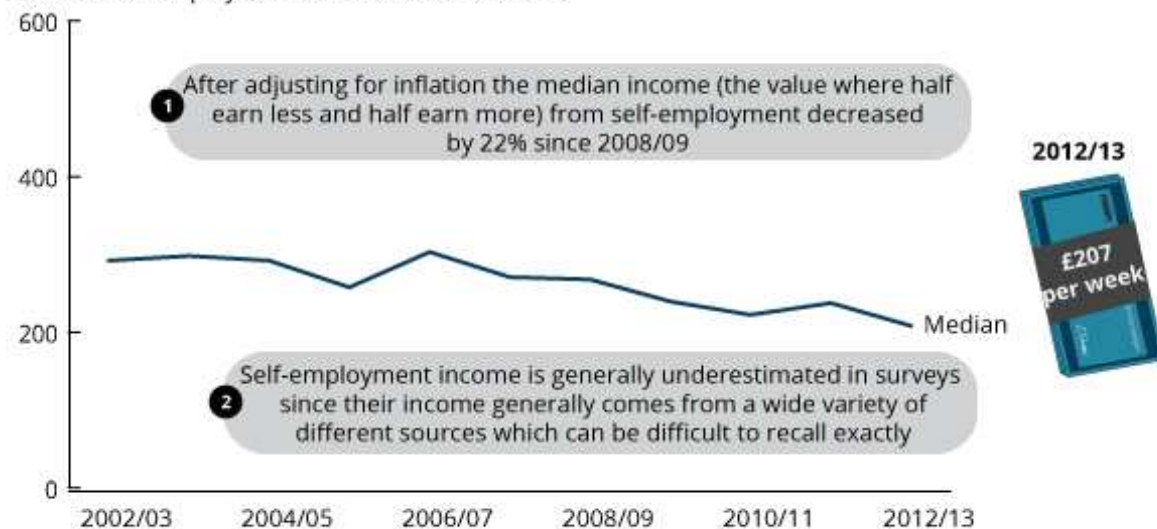
Another striking trend of the self-employed population has been the transformation of the experiences of self-employed women. There are currently 1.49 million self-employed women, which is a third of the total self-employed population. Recently, the number of self-employed women has increased at a faster rate than men and since 2009 females have accounted for over half of the overall growth in self-employment.



Source: BIS ED analysis of ONS Labour Force Survey, March-May quarters

## 2.5 Median income from self-employment has fallen by 22 per cent since 2008/09

Median self-employed income 2002/03 - 2012/13



Note - The graph shows the median income for each year after taking into account inflation

Source: Self-employed workers in the UK - 2014. ONS 20/08/2014

## 2.6 What is self-employment and who are the self-employed?

People who are self-employed do not have a contract of employment with an employer. They are instead contracted to provide services over a certain period of time for a fee and are in business in their own right.

The self-employed pay their Income Tax and National Insurance Contributions directly to HMRC. They are not on PAYE. They do not have employment rights as such and can decide, for example, how much to charge for their work and how much holiday to take. The self-employed do have some legal protection. For example, they must not be discriminated against and are entitled to a safe and healthy working environment when they work on a client's premises.

Being self-employed is also a legal term defining how people have set themselves up in business. In the UK they are a 'Schedule D' employee for tax purposes. Other professionals consider themselves to be self-employed but operate through a limited liability company or may work through an umbrella company that manages their pay and tax for them. This complicates the task of researching the self-employed.

Many people consider the self-employed to be limited to tradesmen, whereas others will extend the term to include those working for themselves and may class themselves as freelancers or even as micro-businesses. The gender ratio among the self-employed is also narrowing and stereotypes no longer hold true.

"...it's clear that whereas the typical self-employed person in Britain today remains a skilled tradesman, manager or professional working long hours on the job, since the start of the recession the ranks of the self-employed have been swelled by people from a much wider array of backgrounds and occupations, including many without skills doing 'handyman' jobs, picking up whatever bits and pieces of work are available. While some of these newly self-employed may make a long-term commitment to being their own boss, or at least gain the necessary experience to do so, it's likely that most would take a job with an employer if only they could find one.'

**John Philpott, The Rise in Self-employment Within the UK, CIPD report (2012)**

According to a report from the Chartered Institute of Personnel and Development (CIPD), while two-thirds of self-employed are men, the number of women entering self-employment is growing 10 per cent faster than the number of males.<sup>22</sup> In the construction industry skilled trades account for one in four of self-employed jobs, but this traditional area of sole-trading has not been a source of growth since 2008.

The 20 per cent growth in self-employment has been boosted by unskilled as well as skilled workers. Growth areas since 2008 have been in administrative services (up

23%) as well as personal services and care services (up 42%). According to the CIPD report, other trade sectors where self-employment is growing are information and communications, education, public administration, and financial and insurance services.

<sup>22</sup> John Philpott (2012) The Rise in Self-employment, Chartered Institute of Personnel and Development. [https://www.cipd.co.uk/binaries/the-rise-in-self-employment\\_2012.pdf](https://www.cipd.co.uk/binaries/the-rise-in-self-employment_2012.pdf)

The CIPD survey highlights a growth trend in part-time self-employment. While it is still the case that two-thirds of the self-employed work more than 30 hours a week, 88 per cent of those entering self-employment since 2008 are working less than 30 hours a week. This part-time self-employment pattern is equally split between men and women. A key conclusion drawn from the CIPD report points to a desperate need to find work.

While since 2007 self-employment has risen in other European countries, the OECD data shows that the exceptionally fast rise of self-employment in the UK stands out.<sup>23</sup> France has seen a rise, in Germany the picture has been static, but Italy and Spain have witnessed a fall in self-employment. Indeed, the Resolution Foundation's detailed assessment of the rapid rise in UK self-employment stressed that "the change in the UK workforce has consistently bucked international trends, meaning that we are looking at a phenomenon that is particular to the UK labour market."

"The emerging consensus is that the economic downturn is likely to have accentuated the rise in self-employment, with employers reluctant to take on more staff in uncertain economic conditions... And around three-quarters of those who are self-employed report that this is their preferred way of working."

**Duncan O'Leary, Author of the DEMOS report *Going it Alone***

In the UK so-called 'solo self employment' - workers without employees - has been the pattern of this growth. IPPR research reveals that in Germany 44 per cent of the self-employed are likely to have employees compared to just 17 per cent in the UK.<sup>24</sup>

An RSA/Populus survey reported that between 2009 and 2014, 27 per cent of those entering self-employment did so to escape unemployment.<sup>25</sup> Some trade unionists have called

freelancing a misnomer and substituted the term 'forced-lancing'. In the USA, surveys by the Freelancers Union found a similar figure of forced self-employment. There is also a paradox that, despite the challenges and the high level of insecurity, greater autonomy seems to win out for most in the trade-off with higher risk and lower rewards.

IPPR research suggests that nearly half of Europeans express a preference for being their own boss.<sup>26</sup> IPPR findings indicate that for many groups self-employment is a valued – sometimes the only – way into work or means of additional income or flexible working. This applies to women with young children, older workers seeking to top up a low pension and immigrants and migrant workers.

The RSA research on the growth of self-employment has developed a typology that they refer to as the six tribes in an attempt to appraise the attitudes and perspectives of different groups of freelancers.

<sup>23</sup> Resolution Foundation (2014) Just a job or a working compromise? <http://www.resolutionfoundation.org/wp-content/uploads/2014/05/Just-the-job-or-a-working-compromise-FINAL.pdf>

<sup>24</sup> <http://www.ippr.org>

<sup>25</sup> Benedict Dellot 'Out of office?', The RSA Journal, Issue 3 2014. <https://www.thersa.org/discover/publications-and-articles/journals/issue-3-2014/>

<sup>26</sup> <http://www.ippr.org>



## Six tribes of self-employment

### Visionaries

Optimistic, growth-oriented business owners who are usually driven by a mission and a sense of purpose. They are more likely to be younger and male, and to employ many employees.

### Classicals

Generally older, these embody the popular image of the entrepreneur. They are largely driven by the pursuit of profit, and think the business is the be all and end all.

### Independents

Freedom-loving, internet-dependent business owners who are driven by the opportunity to vent their creative talents. They are typically younger and left-leaning.



### Locals

Relaxed and generally free from stress, these operate low-tech businesses which serve only their local community. They earn a modest income and many are close to retirement.

### Survivors

Reluctant but hard-working individuals who are struggling to make ends meet, in part due to the competitive markets they operate in. They earn less from their business, and are more likely to be younger.

### Dabblers

Usually part-timers, their business is more of a hobby than a necessity. A large number are retirees seeking to do something interesting in their spare time.

*\*Percentages refer to the proportion of the self-employed community who fall into these tribes*

For some older part-time 'dabblers' and 'locals', trading income may be low but other income compensates. However, for many trading may be essential to boost small retirement pensions. The largest group is the 'survivors'. These are people on lower incomes, generally struggling in new markets and a core strand of the self-employed precariat.

## 2.7 What is an employee?

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

A contract of employment will normally set out what the employee is expected to do and employees are usually expected to do the work themselves. Employers are obliged by law to deduct income tax and national insurance contributions from the salary or wages of employees before paying them. Employees are also entitled to all minimum statutory employment rights including:

- Maternity, adoption and paternity leave
- The right not to be unfairly dismissed
- Statutory redundancy pay
- All the rights that are given to 'workers'

Workers engaged in false self-employment miss out on rights such as:

- Paid sick leave
- Holiday pay
- Overtime rates
- Redundancy pay
- Travel allowances
- Pension contributions
- Employment protections

## 2.8 What is a worker?

This is a broader category in law than ‘employee’. A worker is any individual who works for an employer, whether under a contract of employment, or any other contract where an individual undertakes personally to do or perform any work or service. Workers are entitled to core employment rights and protections. The following groups of people are likely to be workers but not employees:

- Most agency workers
- Short-term casual workers
- Some freelancers

Freelancers may fall into this category if they have a limited right to sub-contract the work and are obliged to attend work whether or not they want to.<sup>27</sup> Freelancers not working through their own limited company may qualify for worker rights where other characteristics outlined above apply.

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

- The national minimum wage
- Rest breaks, paid holiday and limits on night work under the Working Time Regulations
- Protection against unauthorised deductions from pay
- Maternity, paternity and adoption pay (but not leave)
- Protection against less favourable treatment because of being part-time
- Maternity, paternity and adoption pay (but not leave)
- Statutory sick pay
- Protection against less favourable treatment if the worker makes a disclosure in the public interest (often called ‘whistleblowing’)
- Not to be discriminated against unlawfully

## 2.9 Welfare entitlement, pensions and training

The findings of Alain Supiot’s research for the European Union shows that the self-employed suffer from welfare exclusion because they are not covered by company law, being freelance, nor are they afforded protection by employment law, despite the fact that they sell their labour.<sup>28</sup> As workers, they fall between both legal fields of protection. As a result, they are excluded from the benefits (or an equivalent) that other workers can access in relation to statutory sick pay, minimum wages, holiday pay, maternity and paternity leave, redundancy and working time regulations.

UK welfare reform, being introduced as Universal Credit, will have a serious impact on self-employed workers because it does not allow for fluctuations of income or any averaging as is the case for the annual tax return.

Since April 2015, self-employed people earning less than the equivalent of the minimum wage for a 35-hour week have been subject to a test by the DWP to show they are involved in ‘genuine and effective’ self-employment.

---

<sup>27</sup> Employment Status - Gov.UK

<sup>28</sup> Alain Supiot, editor (2001) *Beyond Employment: Changes in Work and the Future of Labour Law in Europe*, Oxford University Press

Under the Universal Credit regime, self-employed people will be subject to a 'genuine and effective' self-employment test to see whether their self-employment is organised, regular, developed and carried out with a view to profit. Those who are seen as gainfully self-employed will be assumed to be earning the equivalent of a 35-hour week at national minimum wage. This figure will be used to determine their benefit award irrespective of their actual income. This is known as the 'minimum income floor' - though for those starting up a business it will not apply in year one.

Self-employed people need to provide information on their income each month within 14 days and if they do not meet the minimum income floor for even one month, they are obliged to seek other work. It is expected that this new test will be rolled out to all self-employed claimants by 2018.

Universal Credit will hit those in seasonal self-employment hardest and those with highly variable incomes such as those working in the agricultural sector, tourism and many freelance trades. Also, as Erika Watson and Ruth Pearson show, the part-time self-employed, including a disproportionate number of women and carers, will also be adversely hit by Universal Credit regulations.<sup>29</sup>

Universal Credit for the self-employed replaces tax credits, which were not subject to limits on the capital of recipients. Those with more than £16,000 of capital will not be eligible for Universal Credit and those with capital above £6,000 will have their Universal Credit entitlement reduced.

Pensions are also a major issue. Resolution Foundation research found that very few self-employed people were in a pension scheme.<sup>30</sup> Moreover, the number paying into a pension scheme is falling.<sup>31</sup> Only nine per cent (equivalent to 420,000) of the 4.6 million people registered as self-employed in 2013/14 are paying into a pension. This compares with 34% (1.1 million) of the 3.3m people registered as self-employed in 2001/02.

An analysis of official data by Prudential<sup>32</sup> highlights that, unlike employees, self-employed workers do not generally benefit from an employer contribution into their pensions. One recent estimate calculated that the lack of employer pension contributions equates to a loss of over £90,000 during a self-employed person's lifetime.<sup>33</sup>

IPPR research has found that training is also a major issue for the self-employed. They report that in 2012 only nine per cent of the self-employed were accessing training compared to 17 per cent of employees.<sup>34</sup> This situation has become worse as the gap has widened by six per cent since 2007. IPPR also note that UK self-employed workers tend to have lower skills levels compared to those in other EU countries such as Germany, where high skill levels are common.

---

29 Erika Watson and Ruth Pearson, op.cit

30 Conor D'Arcy and Laura Gardiner (2014) Just a Job or a Working Compromise - The changing nature of self-employment, The Resolution Foundation. <http://www.resolutionfoundation.org/publications/just-the-job-or-a-working-compromise-the-changing-nature-of-self-employment/>

31 Josephine Cumbo, 'Self-employed turn away from pensions', Financial Times, 5 December 2015, FT Money page four

32 Ibid

33 Benedict Dellot, op.cit

34 Izzy Hatfield (2015) Self-employment in Europe, IPPR <http://www.ippr.org/publications/self-employment-in-europe>

## 2.10 Who is included in the self-employed precariat (SEP)?

Guy Standing observes that the term precariat was first coined in France during the 1980s to describe low-paid temporary and seasonal workers - then a small proportion of the workforce.<sup>35</sup> Today he argues that the widespread and international growth of the precariat is not translating into influence. This is despite the fact that low-paid, atypical forms of work including casuals, agency staff, those on zero-hour contracts, migrant labour and many forms of self-employment have become the new normal across numerous developed economies since 2008.

Indeed, Standing argues that because of this shortfall in social and economic rights, members of the precariat are better described as denizens rather than citizens.

The Great British Class Survey produced for the BBC in 2013 by researchers at the LSE and the University of Manchester revealed a sizeable and growing precariat comprising about 15 per cent of the population.<sup>36</sup> Although this report was based on a self-selecting audience, it has proved a useful additional indicator and recognition of the growth of the precariat.

The definition of the precariat is not just linked to low wages and insecurity. It is frequently associated with unstable accommodation and high rents in the private sector (as opposed to the public or housing association sector). Indeed, severe problems in gaining access to housing often compound the problems faced by self-employed people.

## 2.11 The Precariat Index

The self-employed precariat can be described as those among the self-employed working on their own account on short term contracts and with irregular work that generates a low income.

**"Getting a mortgage, impossible; renting a flat, very difficult: you get ill, you lose money; you run out of work; getting benefits is a lot harder than when you get fired from a job."**

**Owen Jones,  
Political Commentator**

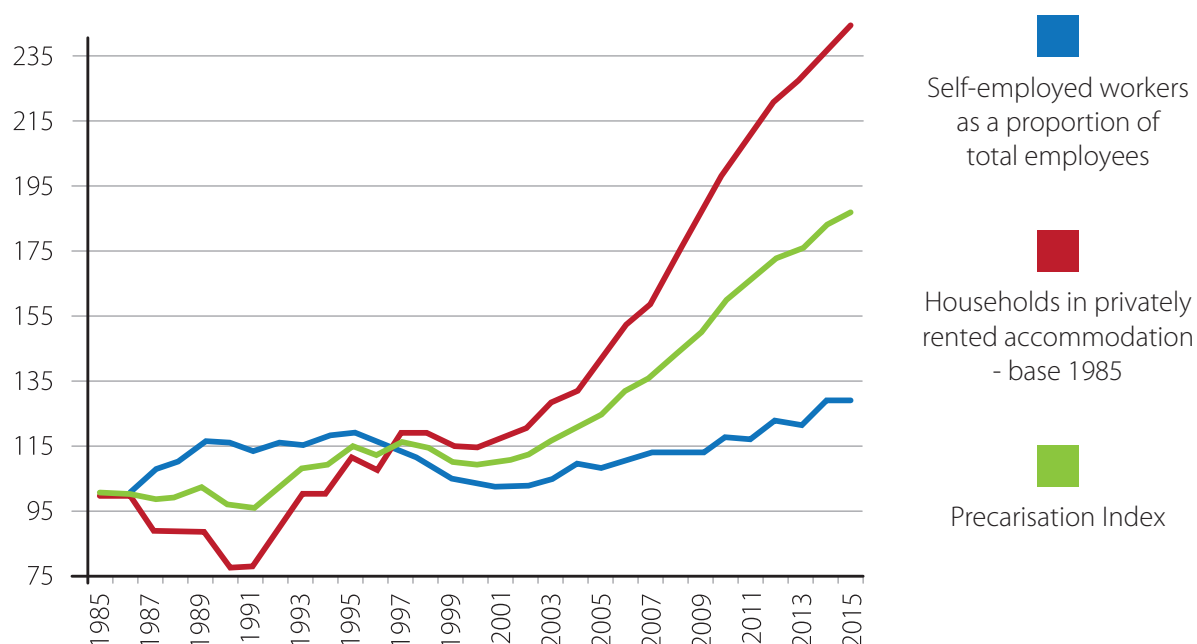
In July 2015, Co-operatives UK analysed two trends over the last three decades: the long-term rise in the number of people in self-employment; and those living in private rented accommodation.<sup>37</sup> The figures were published as an index and show that self-employment, as a proportion of employment in the UK, increased from 11.6 per cent in 1985 to 15 per cent in 2015. The number of households in private rented accommodation grew from nine per cent to 22 per cent during the same period. While there have been one-off dips in the number of people living in private rental accommodation (in the late

1980s) and in self-employment (around the year 2000), together the index suggests that precariousness in work and housing has increased consistently and nearly doubled over the last 30 years.

<sup>35</sup> Guy Standing (2011) *The Precariat - The New Dangerous Class*, Bloomsbury

<sup>36</sup> <http://www.bbc.co.uk/science/0/21970879>

<sup>37</sup> <http://www.uk.coop/newsroom/new-show-30-year-rise-precarius-work-and-housing>



The development of digital platform businesses is expected to eradicate a growing number of traditional jobs and to increasingly impact on people in salaried employment. The self-employed are especially vulnerable as three in five are either 'digitally excluded', having no use of the internet, or need help with government online services according to research by HMRC this year.<sup>38</sup> While offering opportunities for some, for others the advance of the digital economy will mean an increased number of job losses, both in waged employment and for the self-employed.

In their Future of Employment report, Oxford Martin point out that 47 per cent of US jobs are at risk from the digital economy and computerisation.<sup>39</sup> Those most at risk are workers in administration, sales, transportation, logistics and services. This trend has undermined the formal economy of journalists and musicians for more than a decade. The informal economy of non-standard employment is now spreading and undermining traditional middle class jobs as well. Forms of work without the legal rights associated with employment are advancing at a rapid pace and this is accelerating in the UK by deepening austerity driven cost savings.

"Precariousness is coming to define our time. Particularly for younger people, the expectation of a secure job and stable home seems more far-fetched than ever."

**Ed Mayo,**  
Co-operatives Uk

Many EU countries are looking at a Universal Basic Income as an alternative to means-tested models like Universal Credit. Trials in some EU countries are planned including Finland. Professor Guy Standing is an advocate of Universal Basic Income as a core solution to the problems faced by the precariat. The RSA has been working with the Citizen's Income Trust to examine what this would look like in the UK in their Power to Create report.<sup>40</sup>

38 Adam Palin 'File four tax returns a year, self-employed told' Financial Times, 5 December 2014, FT Money, page three

39 Carl Benedikt Frey, and Thor Berger 'Work in the Digital Age', The RSA Journal, issue three 2014

40 <https://www.thersa.org/about-us/media/2015/the-principled-and-pragmatic-case-for-a-universal-basic-income--new-report/>

In relation to the Co-operatives UK analysis of the precariat index, this is relevant and worthy of further exploration, as they propose a Basic Income to replace Universal Credit and an additional Basic Rental Income to replace housing benefit. Further work on the model by Citizens Income Trust will be forthcoming in 2016.

## 2.12 Forced/false/bogus self-employment issues and zero hours contracts

A major focus of the TUC has been on combating the adverse and growing practices of forced, bogus and false self-employment. False self-employment is used by some employers to evade taxes and engage workers without having to respect their employment rights and entitlements such as holiday pay, sick pay and pensions. It operates to transfer the risk and costs of employment from the employer to the individual.

The issue of bogus self-employment is evident when it is used by employers to disproportionately transfer risk from themselves to their workers and where that risk is not commensurate with the reward received. Often the workers are unaware of their loss of employment protection rights.

“False self-employment has been a problem in the construction industry for decades. In recent years there has been a noticeable change in how the problem manifests itself. Rather than separate companies operating false self-employment, a multi-million pound industry has been created to try to legitimise the practice.”

**Steve Murphy,**  
General Secretary, UCATT

The UCATT report *The Great Payroll Scandal*<sup>41</sup> exposes these practices and the methods used. The report focuses on payroll companies – who help construction firms switch their staff from the status of employee to that of self-employed subcontractor – and questions whether any of these workers are genuinely self-employed.

UCATT has proposed that construction staff should automatically be deemed to be employed unless it can be proven otherwise.<sup>42</sup>

The growing level of unpaid internships is another major issue. The Precariat Workers Brigade (PWB)<sup>43</sup> has been campaigning against the use of ‘intern’ labour by art galleries, many of which are charities, but where work previously done by paid staff or freelancers is often now done by unpaid interns.

41 <http://ucatt.infobo.co.uk/sites/default/files/uploaded/publications/greatpayrollscandal.pdf>

42 <http://www.som.cranfield.ac.uk/som/dinamic-content/media/Wendy%20Lewis/Research/Freelance%20Workers%20in%20Construction%202nd%20Edition.pdf>

43 Precariat Workers Brigade (PWB) - <http://precariousworkersbrigade.tumblr.com/about>



## 2.13 Personal service companies

There is no legal definition of a 'personal service company', but in practice they are limited liability companies set up by individuals through which they sell their services. If they are dealing with an agency, they may be required (not by law but in practice) to set up a company. In effect, the personal service company is the intermediary between the client and the individual. The result is that the individual has surrounded themselves with a corporate structure including its tax structure. They can take advantage of this and withdraw income as lower-taxed dividends. This is a *modus operandi* often required or preferred (by legislation) if a self-employed person is to work through an agency, as it differentiates them from temporary workers. An 'umbrella company' is a proxy version of a personal service company.

IR35 tax rules are applied to such companies to ensure that 'if the relationship between the worker and the client would have been one of employment had it not been for an intermediary, the worker pays broadly tax and NICs on a basis which is fair in relation to what an employee of the client would pay.' (HMRC)

The House of Lords Select Committee Report on Personal Service Companies in 2014 raised concerns about forced/bogus self-employment when people are engaged through umbrella companies.<sup>44</sup> Frances Corrie of TaxAid, a charity that helps people on low incomes with their tax affairs, told the Select Committee that she dealt with significant numbers of lower-paid individuals who were engaged through umbrella companies.

The examples she gave were of occupations such as security guards, couriers, drivers, cleaners and catering and kitchen staff. In other words, not highly paid workers, but typical members of the precariat.

## 2.14 Umbrella companies

An umbrella company is a company that acts as an employer to agency contractors who work under a fixed term contract assignment, usually through a recruitment employment agency in the UK. Recruitment agencies issue contracts to a limited company to reduce the agency's liabilities. The company issues invoices to the recruitment agency (or client) and, when payment of the invoice is made, will typically pay the contractor through PAYE with the added benefit of offsetting some of the income through claiming expenses such as travel, meals, and accommodation.

Umbrella companies have become more prevalent in the UK since the British government introduced so-called 'IR35' legislation that creates tests to determine employment status and the ability to make use of small company tax reliefs. According to criteria set out by the UK Department for Business, Innovation and Skills, there are an estimated four million temporary workers in the UK, 1.56 million of whom are 'classed as being in a management or senior official role, a professional occupation or an associate professional and technical occupation.' It is estimated that 14 per cent of the UK's professional contractors are currently managing their business by working through an umbrella company.

---

44 HOS Select committee, paragraph 144

Umbrella companies are popular because they allow workers to gain greater access to charging expenses (though recent budget changes have restricted their ability to claim travel expenses). Parasol claim to have 55,000 employees in their umbrella scheme.<sup>45</sup> As the UCATT report noted, there is often a drive to push workers to use umbrella companies, especially by agencies that seem to team up with such firms.

The Low Incomes Tax Reform Group (LITRG) stated that the “scope for potential exploitation was considerable” and that many migrant workers, who are often unclear about their rights and responsibilities “find themselves providing their labour through corporate forms” and that “this work was often delivered through umbrella companies, working with agencies”.

The National Association of Schoolmasters Union of Women Teachers (NASUWT) noted that the overwhelming majority of supply teachers delivered their work through agencies and umbrella companies.

NASUWT said: “They were clear in their view that the main beneficiaries from these arrangements were the agencies and umbrellas themselves, rather than the individuals engaged through them.” The NASUWT concluded that “we feel there are groups of workers here that are being quite seriously exploited.”

In their evidence HMRC said: “It is important to note that we saw limited evidence of this push coming from the end-clients themselves; instead, it appeared that any pressure to work in this way came mainly from employment agencies through which the individuals sought work.”

The House of Lords report noted that: “We were told that some individuals were being forced into delivering their labour through vehicles which they didn’t fully understand, with the reality of the situation only becoming apparent when the worker seeks to access benefits or exercise rights. This may mean that the individuals are not aware that they have foregone at least some levels of employment protection and benefits to which they would be entitled if they were in conventional employment.”

The growing range of intermediaries and agencies involved with the self-employed makes the size of the workforce increasingly complicated to determine. This is also the case internationally.

As Joel Dullroy and Anna Cashman point out, the size of the self-employed worker sector in other countries is unclear as there is no universally agreed definition. For example, depending on different definitions in the United States, the sector can be deemed to be as low as one in 10 workers but other research shows it to be three in 10 workers. In 2006 the US Bureau of Labor Statistics stopped any official data collection and official count of what had been previously called ‘contingent workers’.<sup>46</sup> As a result, the differentiation between self-employed workers and micro-businesses can be extraordinarily difficult. Self-identification among the self-employed in the US is weak with any term or description, and only four per cent of self-employed people use the term ‘freelancer’.

<sup>45</sup> <http://www.parasolgroup.co.uk/contracting-guides/umbrella-company/>

<sup>46</sup> Joel Dullroy and Anna Cashman, ‘How Many? Counting Freelancers’. <http://freelancersmovement.org/chapters/how-many-counting-freelancers/>



At least one thing is certain. The 20th century norm of a fixed employer, fixed working places, fixed working days and weekends not in work is rapidly giving way to a new system (and largely still below the radar) in the 21st century, in which precariousness is likely to become the norm for workers. This dramatic switch poses massive challenges for governments, for local authorities and for social economy and solidarity economy organisations including co-operatives, trade unions and mutuals.

## 2.15 Mutual aid for the self-employed – a growing range of examples

As in other European countries, including Germany, France and Italy, where the practice is still common, there is a fundamental need in the UK for a social dialogue between social partners (such as trade unions, the co-operative sector and the small business sector) and government about the trends outlined in this report. There is also a clear need for new forms of organising and advocacy for precarious workers.

Some new and revived forms of mutual aid and member-based organisations for self-employed workers are emerging across the world. Some are led by innovators in the co-operative sector, others by trade unions and still others by social economy networks.

“Nearly one in three working Americans is an independent worker. That’s 53 million people – and growing. We’re lawyers and nannies. We’re graphic designers and temps. We’re the future of the economy. Freelancers Union serves the needs of this growing independent sector. We’re bringing freelancers together to build smarter solutions to health care, retirement, wage security, and other broken systems. We call it New Mutualism. You can call it the future.”

**Sara Horowitz,  
Freelancers Union founder**

Set up in 1995 in New York, the Freelancers Union is a non-profit mutual association for the self-employed that has built up a membership of over 280,000. In the absence of a national health service in the United States, a key mission for establishing the mutual has been to provide shared health care benefits.<sup>47</sup>

The Freelancers Union aims to ‘connect freelancers to group-rate benefits, resources, community, and political action to improve their lives – and their bottom lines’. It is not a trade union or co-operative but aims to provide health, dental and other member benefits. Through creative use of IT platforms the Freelancers Union, with just an eight-strong team, provides services for over 280,000 members.

The number of freelancers in the US has been estimated to be more than twice the number of self-employed in the UK.<sup>48</sup> This higher figure is partially due to the fact that ‘moonlighters’ are included in the US figures – those doing freelancing in addition to conventional employed work.

<sup>47</sup> Freelancers Union: <https://www.freelancersunion.org/about/>

<sup>48</sup> [http://www.shareable.net/blog/interviewed-freelancers-union-on-what-motivates-indie-workers?utm\\_content=2014-11-17%2010%3A11%3A12&utm\\_source=VerticalResponse&utm\\_medium=Email&utm\\_term=Read%20more%20%26raquo%3B&utm\\_campaign=Bike-Powered%20Mobile%20Library%2C%20New%20Freelancers%20Union%20Study%2C%20%26%20Tiny%20House%20Jamboreecontent](http://www.shareable.net/blog/interviewed-freelancers-union-on-what-motivates-indie-workers?utm_content=2014-11-17%2010%3A11%3A12&utm_source=VerticalResponse&utm_medium=Email&utm_term=Read%20more%20%26raquo%3B&utm_campaign=Bike-Powered%20Mobile%20Library%2C%20New%20Freelancers%20Union%20Study%2C%20%26%20Tiny%20House%20Jamboreecontent)

The Freelancers Union survey shows that the number of freelancers increased by 700,000 in the US in 2014. Other findings are that policymakers do not understand their needs and that 60 per cent of freelancers choose to become independent workers while 40 per cent are forced into it by economic circumstances.

A further finding of the Freelancers Union survey is that people in this form of work value the independence it offers and 90 per cent (including most of the 40 per cent who felt forced into it) said they would not go back to a conventional job if offered one. This feeling of relative autonomy and being able to do work you can shape to some degree is clearly variable depending on the type of self-employment. This US survey echoes similar UK findings by the RSA, Demos and the Resolution Foundation.<sup>49</sup> Nonetheless, the lack of social protection and the exposure to risk is clearly a pull factor for freelancers to join the Freelancers Union. Recent new initiatives by the Freelancers Union are working to tackle 'no payments and slow payments' through a major campaign now underway and this is aiding the recruitment of members.

In the UK, IPSE (The Association of Independent Professionals and the Self-Employed) has over 20,000 members and also represents workers in IT, as well as in the Oil and Gas industries. It was established in 1999 (originally as the Professional Contractors Group), when a group of IT contractors realised that their chartered body, the British Computer Society, was not equipped to engage in a political campaign against the new IR35 tax. The new body was founded on the internet and constituted itself as a company rather than as a co-op or a trade union. They crowd funded their initial start-up, with 2,000 freelancers pledging £50 each, making a start-up fund of £100,000.

Although most members originally joined as part of a campaign, IPSE has expanded by offering advocacy, a range of insurances, a pension scheme and other benefit services. IPSE's premium member rate is £239 a year and includes sickness insurance that pays out up to £2,000 if a member is sick for more than three weeks.<sup>50</sup>

IPSE is the UK member of the European Forum of Independent Professionals. This body represents some nine million independent, freelance, self-employed and contract workers across Europe. Its Italian member organisation Associazione Consulenti Terziario Avanzato (ACTA) is strongly oriented towards co-operative solutions for the self-employed.

In France, Cooperatives d'Activités et d'Emploi (CAE) is the innovator of what has become known as Business and Employment Co-operatives (BECs).<sup>51</sup> They are co-operatives for workers entering self-employment. The idea has been adopted and developed in Belgium, Sweden, Germany and Canada. CECOP CICOPA - Europe (the European confederation of industrial and service co-operatives) is supporting the development of BECs. The International Co-operative Alliance (ICA) also supports a diverse strategy for developing co-operative systems and solutions for the self-employed.

Co-operative, trade union and mutual solutions for the self-employed are growing and under development in many countries. There is considerable evidence of advancing, innovative work on these models in many countries. WIEGO, with its links to the

49 D'Arcy & Gardiner - Resolution Foundation - Just the Job. May 2014

50 <http://www.theguardian.com/money/2015/jan/14/freelance-payment-sickness-leave>

51 [http://www.wikipreneurship.eu/index.php/Business\\_and\\_employment\\_co-operative](http://www.wikipreneurship.eu/index.php/Business_and_employment_co-operative)

international Fairtrade movement, has worked in the global south as well as Eastern Europe since the 1990s to develop successful mutual models integrating co-operative, mutual finance and trade union solutions. SEWA Bank in India, a founder of WIEGO, has been a pioneer since the 1970s of these democratic and integrated mutual solutions for women sole traders in the precariat.

Trade unions for the self-employed have been developed in the Netherlands, Denmark, Spain and Germany and a number are growing in scale. In the UK there are trade unions for the self-employed in the media and entertainment sectors, encompassing a range of professional roles from journalists to film technicians, actors to musicians. There are also co-operatives providing services to the self-employed in trades such as taxi driving, farming, fishing, and arts and crafts. These co-operatives typically develop a co-operative consortium service for purchasing, marketing and sharing a range of resources.

Joint working between some trade union services for the self-employed and co-operatives is growing, and they are finding complementary ways to integrate types of support. These democratic and member-based organisations (MBOs) have the expertise and skills to inform a coherent organising strategy for the precariat and to find ways for self-employed workers to secure decent labour standards and their full rights as citizens.

## 2.16 Key Findings

- The world of precarious work has moved from the margins into the mainstream as zero-hour contracts have spread rapidly through the private sector
- Growth in the number of self-employed workers in the UK in recent years has been dramatic, rising to its highest ever level of 4.6 million with predictions that the number of those in self-employment will outstrip those in the public sector by 2018
- There are numerous diverse ways of self-employed working and many different types of self-employed workers - who have a wide range of motivations - including independent professionals and self-employed workers on low-income
- Precarious forms of work are complex and take a wide variety of forms, from casual working to temps and agency staff, to own account workers and the self-employed. Some 83 per cent of the UK's self-employed are sole traders with no employees. The majority of them are on a low income and should be considered as self-employed workers
- The practice of bogus self-employment is deployed by some firms who compel people to work as self-employed in order to avoid paying their national insurance contributions and to side-step employer obligations such as pensions, sickness, holiday and other traditional employment benefits
- The introduction of Universal Credit will make claiming benefits harder for the self-employed
- The world of work is changing rapidly. For those at the sharp end there are echoes of the absence of regulation in the nineteenth century, when trade union and co-operative forms of mutual aid were developed to fight for rights, to improve working conditions and status and to maintain quality standards for the self-employed
- Self-employed workers are creating their own jobs and leading the creation of new work. Co-operatives, mutual aid groups and trade unions are providing services to self-employed workers in many other countries, but such organisations are in their infancy in the UK. There is a need to learn lessons from existing good practice

### 3 Trade unions and self-employed workers

There has been widespread trade union opposition to on-going deregulation of the labour market and the accompanying decline in employment protection. A uniform strategy has not yet emerged. In 2002 the International Labour Conference of the International Labour Organisation gave a commitment to address the rights of precarious workers in its Resolution and Conclusions Concerning Decent Work in the Informal Economy. This policy resolution asserts that the principles and rights of workers to core standards and decent work are 'as applicable in the informal economy as in the formal economy.'

When the International Confederation of Free Trade Unions came together with the World Confederation of Labour to form the International Trade Union Confederation (ITUC) in 2006, the founding constitution committed the ITUC to effective strategies to recruit and organise the precariat.<sup>52</sup>

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

The TUC and most of its members would agree with this aspiration, but a strategy to implement it is a complex challenge. Guidelines for effective organising practices are, however, emerging and longstanding good practices are available to guide trade unions working with self-employed workers.

#### 3.1 European Trade Unions and services for self-employed workers

Maarten Keune at the University of Amsterdam argues that trade unions can play a key role in promoting a range of solutions for the precariat that can make a real difference by building on existing expertise. He argues that those most at risk of precarious work are young workers, women, migrants and those with low skills. There is a cluster of disadvantages associated with precarious work that Keune highlights as being low pay, limited legal protection, high insecurity, limited control, limited social security and pension entitlement, limited collective representation, limited access to loans and mortgages and limited possibilities for family planning.<sup>53</sup>

As Keune shows, the response of the trade union movement to the growth of atypical employment has been mixed. For most unions the focus has been on opposition to deregulation - and in particular on trying to eliminate the creation of marginal employment and, wherever possible, to improve conditions by introducing or enforcing labour regulations. In relation to the precarious workers themselves, some unions in Europe have opened membership up to the self-employed, but many have not. To move towards inclusion of such workers separate organising strategies are needed and these are as a rule more costly, as well as challenging to implement effectively.

<sup>52</sup> ITUC Constitution 2006, amended June 2010: Article I, page seven

<sup>53</sup> Keune, M. (2013) Trade union responses to precarious work in seven European countries [http://www.iza.org/conference\\_files/EmpCompPersp2013/keune\\_m7578.pdf](http://www.iza.org/conference_files/EmpCompPersp2013/keune_m7578.pdf)

Keune notes that there are still very few broadly agreed strategies for securing rights for those in precarious work. In part this is because strategies need to be tailored to the specific sector. In relation to casual workers and temporary agency workers, trade unions in the UK have succeeded in ensuring implementation of the European Directive on temporary agency work. This provides for equal treatment after a 12-week qualifying period in pay, working time, annual leave and maternity rights. This was formally agreed by the TUC and the CBI in 2008 and then introduced through the Agency Workers Regulations 2010.<sup>54</sup>

For the wider group of precarious workers, an effective set of strategies for ensuring equal treatment and inclusion requires the integration and alignment of several actions. These include campaigns to raise awareness and to mobilise action; organisation of drives in specific sectors of work; provision of services designed to meet workers' needs; collective agreements; legal action; policy formation; advocacy for new laws; and creative use of a range of media.

Trade Unions in some European countries have been promoting union membership to self-employed workers since the late 1990s. FNV, the Dutch trade union federation, encouraged all its members to accept self-employed members in 1999 and in the same year set up FNV Zelfstandigen Bondgenoten,<sup>55</sup> which has become the largest specialist trade union in the Netherlands for the self-employed. It provides extensive services for self-employed workers including advice, legal guidance on contracts, insurance, a training academy and help with debt collection.

Zelfstandigen Bouw<sup>56</sup> is the second largest Dutch trade union for the self-employed and specialises in the construction industry. The debate that informed this strategy was a recognition that expansion into this area could stem a loss of members as well as recruit former members who had become self-employed following redundancy. FNV reports that trade unions which focus on the recruitment of self-employed workers are growing faster than traditional trade unions which have not been proactive in this area.<sup>57</sup>

The Christian Trade Union Federation (CNV) in the Netherlands began organising self-employed workers in 2007 with a focus on former members who had become self-employed.<sup>58</sup> FNV and the Alternative Trade Union have developed a pension scheme for self-employed workers. Most of the services for the self-employed provided by Dutch trade unions mirror those of other union members. However, the Dutch Competition Authority has ruled against the forging of collective agreements for the self-employed that are binding on those who contract them. It regards these agreements as operating a cartel. This has created a conflict between labour rights for the self-employed and competition law and is a growing concern for organisers in other countries. Similar decisions have been made in Ireland and in Australia.

---

54 <http://www.gmb.org.uk/about/gmb-in-europe/european-policy-issues/temporary-agency-workers>

55 <http://www.fnvzfp.nl>

56 <https://www.zelfstandigenbouw.nl>

57 <http://www.eurofound.europa.eu/observatories/eurwork/articles/trade-union-extends-membership-to-self-employed-workers>

58 <http://www.eurofound.europa.eu/observatories/eurwork/comparative-information/trade-union-strategies-to-recruit-new-groups-of-workers>



SIF (Svenska Industrijänstemannaförbundet), the Swedish technical and clerical union (now part of Unionen), began recruiting self-employed workers actively in 1998 and has used modern marketing and call centre methods for recruiting targeted groups - achieving a five to eight per cent annual conversion rate on cold calls. FNV Zelfstandigen Bondgenoten has successfully adopted a similar strategy. SIF merged with HTF in 2008 to form Unionen, the largest Swedish trade union for private sector businesses. The same services for self-employed workers are in place.

The advancing digital economy has been a driver for campaigns to recruit freelance workers in many countries. The largest German union, ver.di, includes Mediafon, which was set up in 2000 as a call centre to recruit workers, including freelancers, in the media industry.<sup>59</sup> It offers a comprehensive range of advice on contracts, fees, social security and legal issues.<sup>60</sup> In Denmark, the clerical union HK has set up a similar recruitment service for freelancers - especially those working in publishing and online, including graphic artists, designers and translators. This 'digital union' platform enables workers to advertise their services and provides legal, insurance and other services. Other Danish trade unions recruit self-employed workers - especially in IT, media and the cultural industries - and they negotiate collective agreements with major arts, entertainment and business organisations.

Unión de Profesionales y Trabajadores Autónomos (UPTA) is a Spanish trade union with over 100,000 autonomous worker members.<sup>61</sup> In Italy, self-employed workers account for one in four jobs and the main trade union federations have developed a range of policies and services to support and advocate for atypical workers.<sup>62</sup> A number of union services for the self-employed operate in different trade sectors to develop and renegotiate collective bargaining agreements with employer bodies.

UNI Global Union has worked for a number of years on issues around organising self-employed workers, staging several seminars and meetings at which European unions working with the self-employed have come together and exchanged experience.

### 3.2 British Trade Union services for self-employed workers

In the UK, the Trade Union Congress (TUC) has not supported a strategy like that of the FNV to sponsor the establishment of general unions for the self-employed. In the absence of a specific TUC strategy, individual trade unions have taken the initiative to develop services for the self-employed in specific sectors.

Self-employment has always been prevalent in certain industries. The film industry and acting profession are an example. Companies are often formed to produce a film and disband when the project is complete. For that reason a number of trade unions have long been active in recruiting and supporting self-employed workers in the media and entertainment sector.

59 Andrew Bibby Open the Doors Wide to the Self-employed, Uni Global Union, October 2005 <http://www.andrewbibby.com/pdf/selfemployed%20report.pdf>

60 <http://www.mediafon.lt/en/zones/about/pages/about>

61 <http://www.efip.org/whos-involved/>

62 <http://www.cesifo-group.de/ifoHome/facts/DICE/Labour-Market-and-Migration/Labour-Market/Unions-Wage-Bargaining-Labour-Relations/repr-self-emp/fileBinary/repr-self-emp.pdf>

The Federation of Entertainment Unions (FEU) covers a broad range of separate trade unions, including the National Union of Journalists, BECTU, Equity, the Writers Guild and the Musicians' Union. Each has large numbers of self-employed freelancers and in most cases the proportion of members of those unions who are self-employed has been steadily increasing. FEU members share common concerns and have co-developed their thinking and strategies to better meet the needs of freelancers.

Federation members have formed FEU Training which provides a range of courses for their entitled members, for example:

- Run a successful social media campaign
- How to drive traffic to your website
- Negotiation for freelancers
- Improving focus through 'mindfulness'
- Get fit for freelancing
- How to shoot and edit video with an iPhone or iPad
- Finance for freelancers
- Overcoming freelance challenges

Broadcasting Entertainment Cinematograph and Technicians Union (BECTU) was formed in 1992 out of a merger of three trade unions in the film, TV and theatre sector and covers scriptwriters, producers, directors and technicians in film, cinemas and in the performing arts. BECTU has 25,000 members, about half of whom work freelance. This proportion has increased from about one-third of freelance members a decade ago. Freelance workers in BECTU are especially numerous in the film production sector in London and across the UK. Many members are covered by collective bargaining agreements. These agreements are with the BBC, the Society of London Theatre and UK Theatre.

BECTU negotiates rate cards for its freelance members with different parts of the industry, ranging from low budget productions to feature films. This sets a minimum rate level for different craft grades and jobs including camera crews, costume and make-up. Trade union organisers in the film divisions of BECTU are activist freelancers who are recruited and trained. Public liability insurance is available to BECTU members for an annual premium, providing cover for claims of up to £10 million. This has proved to be highly attractive in recruiting new members. BECTU also offers a wide range of other insurance services tailored to the needs of freelancers including personal accident, equipment, professional indemnity, buildings and contents and other areas.

In addition, BECTU offers members a wide range of professional and skills development courses in relation to specific media work areas, trade union organising and representation, health and safety, finance for freelancers and networking and promotional skills. Popular courses include:

- Mind your own business - going freelance
- Getting organised getting on
- Freelance activists day
- Meeting up and linking in

With the growth of freelance members, BECTU has developed a highly personalised service to meet a wide range of individual member needs. The standard rate for new members is £10 a month in year one, with some discounted special offers of £7.50 a month for those recruited at trade shows. Membership rates after the first year are one per cent of salary or earnings.

The Musicians' Union has 30,000 members, only 10 per cent of whom are fully employed. Many are employed part-time, others are freelance and some do a mixture of part-time and freelance work. The union provides a full range of insurance services including fee recovery for gigs if members are not paid. Members also have access to specialist legal advice from two in-house lawyers on contract, copyright and other matters. A range of free training courses is offered to members as well as workshops and networking events. The union additionally provides specialist career and business advice. Membership is £201 a year for full members and £20 for students.

Equity was set up in 1930 by leading actors in London's West End, who were concerned about the poor treatment and working conditions of many of their fellow professionals. Today it has over 41,000 members and has grown steadily over the past 10 years. The vast majority of members are self-employed for tax and national insurance purposes and a small proportion is in PAYE employment.

Most members are covered by collective bargaining agreements with the BBC, the Society of London Theatre, UK Theatre and other employer bodies. These agreements specify standard pay and conditions under standard contracts intended to last for at least four to five years.

"In this profession we are all vulnerable, it is so insecure and I think to have a union behind you is one thing you can rely on - your one piece of security - to help you out, to make sure your contracts are legal, to make sure you get paid."

**Alison Steadman,**  
Equity member

The Equity system of negotiation emerged from a traditional guild model. The contracts cover a huge diversity of skills all of which have performance work as a common denominator. A core aspect of Equity's strategy is that they defend the right to 'worker status' for their members based on the provision of personal services in accordance with the Employment Rights Act 1996, section 230(3) (b) and the non-substitutable nature of their employment. This enables organisers to seek to enhance collective bargaining agreements to secure better pay and conditions and also to ensure that holiday pay and the National Minimum Wage are payable under standard contracts.

The film and TV industry and live performances are traditional areas where Equity is strong, but Equity has also succeeded through a major two-year campaign to recruit new members in fringe theatre, where 'low pay and no pay' conditions are notorious. Many members have uncertain working conditions, in which a productive year may be followed by a lean year. Income levels vary and this is a common theme for FEU members.

Equity members also have ready access to a comprehensive welfare rights, national insurance, pension and tax advice service. The union provides a range of insurance cover from public liability to personal injury. Legal advice and representation is available and expert advice is provided on contracts. Equity has developed a specialist pension scheme for members with employer contributions. Like other FEU members, Equity runs an information service and a broad range of workshops and training courses. Membership rates are tiered. Those with earnings below £20,000 a year pay £125 a year, and this rises in stages to £2,500 for those at the top end of the spectrum.



Like Equity, BECTU has negotiated a collective agreement with the Society of London Theatres (SOLT) and UK Theatre. Both unions show that it is possible to operate and organise where self-employment is more common. What is interesting about both BECTU and Equity is that they maintain 'worker' status for employment law purposes while defending members' rights to be classed as self-employed for tax and national insurance purposes.

The same strategy is also a goal for the National Union of Journalists (NUJ). The NUJ has also published a freelancers' charter to outline the issues they are trying to address. In their 2007 report, which looked at the rise of new media, they identified the need for freelancers to be covered for training in new media.<sup>63</sup>

**"...it is clear that  
freelancers, particularly  
amongst those who shift  
regularly on newspapers,  
could fall by the wayside  
without the provision of  
training by employers!  
Shaping the Future,  
NUJ report, 2007**

The NUJ report also expressed concerns about insurance and protection for freelancers. This work led to the creation of the 'Charter of Freelance Rights' with the IFJ/EPJ (European Federation of Journalists), which is being adopted worldwide by different unions. The NUJ has done considerable work around mental health issues for self-employed members. This includes regular work in the area of Freelance Well-being. This work highlights the importance of health and safety issues for freelancers and the role of collective organising in addressing these needs.

Many of the self-employed precariat have less health and safety protection than salaried staff, particularly those in trade union organised companies. This is a particular problem in the construction industry, but is also significant in regards to lone working. The best practice laid down by the Suzy Lamplugh Trust<sup>64</sup> recommends a named person back in the office that lone workers report to before appointments and when they finish. This can only work effectively if self-employed individuals have a colleague to speak to, and a co-operative can provide this.

As with BECTU and Equity, the NUJ aims to negotiate 'worker' rights for their members. Just as the acting profession is ubiquitously self-employed, journalists have little option but to freelance, as staff positions are seldom available. As the onslaught of digital technology eliminates standard work, the Charter of Freelance Rights<sup>65</sup> could become a key tool for the animation and education of self-employed workers in other sectors as well. The charter is found in appendix two.

As in the case of BECTU, the NUJ and Musicians' Union, a personalised approach to the provision of services is central to Equity's success. Equally important is involvement of members as trade union activists in a range of workplaces. Equity provides specialist training for activist members and this has been crucial to maintaining and increasing union membership. Highly specialist organisers are used to develop new membership, through campaigns such as the one for better pay and conditions in Fringe Theatre.

<sup>63</sup> <https://www.theguardian.com/info/guardian-news-media-freelance-charter>

<sup>64</sup> <http://www.suzylamplugh.org/personal-safety-tips/free-personal-safety-tips/?t=&c=55>

<sup>65</sup> <http://www.ifj.org/issues/freelances-rights/>

### 3.3 Key findings

- At an international level, the ILO and the International TUC emphasise the importance of recruiting and supporting informal economy workers, including self-employed workers. In many countries, trade unions have also succeeded in developing decent labour standards, access to sickness benefits, pensions and collective bargaining agreements for the self-employed. This is their strongest and most vital role
- There are differences of opinion between the trade union movement in the UK and those in other European countries as to how to provide for the needs of atypical workers. The complexity of types of self-employment also makes it difficult to identify self-employed worker groups, as opposed to other small business-oriented groups, and to develop effective organising strategies
- In the UK entertainment and media sector there are excellent trade union practices demonstrating how to provide a wide range of services to the self-employed
- In other European countries there are similar developments. In the Netherlands a general union approach has made some headway in recruiting self-employed workers more directly. In Spain this approach is also practiced and has been successful through UPTA in recruiting over 100,000 self-employed workers
- In the Netherlands the FNV reports that trade unions focusing on the recruitment of self-employed workers are growing faster than traditional trade unions which have not been proactive in this area
- Trade unions score strongly in the provision of collective advocacy and representational skills, health and safety campaigning as well as the wide provision of low-cost insurance including public liability, equipment, professional indemnity and general insurance. Trade unions organising the self-employed have also developed specialist education and training programmes
- A key message is that the role of trade unions is not only to organise the self-employed workforce in order to service and represent them, but to empower them so that the self-employed workers can then co-operate together in the market both in the collaborative provision of services and labour and in sharing costs. To do this fully may require other democratic forms of mutual aid

“Equity is my confidence, my support, my protection. Being an active member constantly reminds me that this is my industry just as much as it is that of the casting director, the agent and the producer. I respect my skills and feel so much more confident now that this self-respect radiates and I’m literally getting more jobs. Seriously, try it for yourself.”

**Ellie Paskell,**  
Equity member

## 4 Co-operative and mutual solutions

One way in which self-employed and contract workers can become more secure is through the support and technical assistance of others. This can be obtained from a commercial organisation such as an employment agency offering 'interim' staff in the form of self-employed workers, or from a social enterprise or mutual organisation providing services to them. A group of co-operative service providers formed to support co-operative, mutual businesses and the self-employed is known as a co-operative consortium.

### 4.1 Survey report - support for the self-employed

Through Co-operatives UK membership information and other data gathering, the inquiry identified 223 social enterprise and mutual bodies in the UK offering support to self-employed workers, either as their main activity or as part of what they do. A survey was conducted to identify the services they offer and to establish their views on what the needs of the self-employed are. The main findings are below.

#### **What are the levels of membership?**

- Membership ranged from three to 45 members
- Average membership: 15
- 46% had only self-employed as members
- 27% had only co-ops as members
- 6% had only not-for-profits as members
- 21% had a mix of self-employed, co-ops, not-for-profits, family businesses, partnerships and small companies

#### **What size business were their members?**

- 87% were Micro Businesses (one to nine staff)
- 13% were SMEs (10 to 49 staff)

#### **What services did these consortia provide?**

- 62% - Maintaining professional standards and prices
- 54% - Advice and guidance
- 54% - Representation
- 38% - Joint marketing and sales

#### **Did they restrict their services to members only?**

- 57% restricted their services to members only
- 29% allowed non-members access to some services
- 14% allowed non-members access to all services

#### **What did they consider to be the needs of the self-employed?**

- 63% - Maintaining professional standards
- 63% - Joint marketing
- 55% - Financial services including bookkeeping, invoicing, debt control
- 45% - Legal advice on contracts
- 36% - Access to finance at reasonable rates
- 36% - Setting minimum charge-out rates

### Would they help to develop something bigger?

- 30% - They would

The inquiry researched provision of services for self-employed workers in England, Wales, the UK, the USA and other European countries. The range of services provided by the co-operatives and mutuals is impressive and covers the following seven types of organisation or services provider:

- Co-operatives for the self-employed
- Business and enterprise co-operatives
- Mutual aid and mutual insurance
- Credit unions and mutual guarantee societies
- Co-operative money and local currencies
- Co-operative and shared workspace

## 4.2 Co-operatives for the self-employed

The inquiry also looked across the UK and abroad for other types of co-operative or mutual support organisations. These come in many forms and offer a variety of services. Some are aimed at providing all the support needed by the self-employed, from bookkeeping and legal help, through to invoicing and credit control. Some also provide office and/or workshop space. Some specialise in particular trades/activities while others offer support to a broad range of business types.

Some are aimed at those starting out and may look for funding from government programmes aimed at getting people into work, while others are providing a permanent service and aim to be self-sustaining.

First Call Supply Teachers Co-op is one such organisation. It was set up in 2012 but was not incorporated as a co-op until 2014. It aims to provide a permanent alternative for supply teachers who are otherwise dependent on commercial agencies. It has 19 members, including seven teachers, three music teachers, eight cleaners and a gardener. All members are technically on zero-hour contracts, although they all have regular employment and are paid through PAYE as permanent employees.

The co-op takes a commission of approximately 10 per cent to cover central costs. They have diversified to work with cleaners and gardeners as they have had difficulty in obtaining status as a teachers' agency from local authorities. Competition is from large, commercially run agencies such as New Directions<sup>66</sup> that have a near monopoly and are able to offer incentives to organisations hiring teachers, be they local authorities, academy schools or trust schools.

The co-op is very clear about the needs of self-employed and precariat (SEP), even though they are unable to meet them all:

- Legal representation (for agency as well as staff)
- Equipment
- Cash flow – staff are paid monthly as much as possible even when the school is slow to pay
- Offer of suitable hours
- Insurance, PAYE, back office administration

- Invoicing and cash control
- Marketing
- DBS checks for teachers and other relevant positions

They report that the local branch of the National Union of Teachers was encouraging at first and even recommended co-op status, but they feel they are now seen as specialising in teachers who are difficult to place because of past disputes or difficulties with employers and are not a mainstream agency.

Oren Actors Management Co-op is another such organisation. It is the longest running actors' agency in Wales, having incorporated as a Co-op Society in 1984. They aim to provide a permanent agency service to their members. Like other actors' co-ops, it is based on the simple idea that actors are 'resting' most of the time, and that the commission of 10 per cent or more they otherwise pay to agents could provide income for themselves while they are between jobs. The agency is run by the actors themselves who organise publicity, deal with contracts and market members.

Co-operative agencies operate in much the same way as conventional agents. They:

- Submit actors for jobs
- Negotiate contracts and fees
- Take commission
- Advise their clients on their careers
- See their clients and prospective clients in shows
- Invite casting directors to see clients in shows

Like most other agents, Oren also works with Spotlight,<sup>67</sup> a commercial organisation which works with both commercial agents and actors co-ops to promote actors generally. Oren represents a wide range of professionally trained actors with extensive experience in the industry. They provide actors for television, film, radio, theatre and commercials throughout the UK and abroad. Members have worked for the BBC, ITV and S4C, playing roles in Da Vinci's Demons, Doctor Who, Torchwood, Emmerdale and many more. They also supply actors to a number of leading theatre companies in the UK, including the National Theatre Wales, Leicester Haymarket, Punchdrunk, Clwyd Theatre Cymru, Sherman Cymru and Theatr Genedlaethol Cymru.

## Taxi and driving instructor co-operatives

Taxi-drivers are almost all self-employed. Many drive their own cabs but many others rent cabs by the day from private entrepreneurs who also control the radio networks and routing systems. Many taxi co-ops have come and gone over the years, often because of lack of support from the local authorities who issue the licences, combined with the unfavourable terms imposed by the radio network operators. The network operators usually charge a percentage of fares taken and may also impose additional requirements such as an obligation to rent or buy the cabs from specified sources or even to purchase fuel from selected garages. Taxi co-ops have been around for a long time in Birmingham, Southend-on-Sea, Bridgnorth and in Dunbartonshire in Scotland. However, while some have slipped away through demutualisation, new taxi co-ops continue to replace them.

---

67 <http://www.spotlight.com/agents/information.html>

Demutualisation remains a problem with all forms of co-operative societies in the UK and it is possible for this to happen if a 75 per cent majority of members vote for it. In the past this has been engineered by 'carpetbaggers' offering cash pay-outs to members and some co-operatives, including farmer and taxi-driver co-ops and building societies have succumbed to this temptation. Co-operatives UK continues to lobby the FCA on this matter. Better protection is provided by legislation revisions for community benefit societies, credit unions and building societies, but so far the Financial Conduct Authority (FCA) has not been willing to move on this matter for bona fide co-operatives.

Phoenix Taxis Ltd in Liverpool is a taxi-drivers co-operative, which was formed in March 2013 to regenerate a floundering hackney cab trade. Their aim was to recoup some, if not all, of the work they once had from private hire companies and specifically those not licensed in Liverpool. In January 2013 a group of taxi drivers carried out a market testing exercise at a local college in which they offered students a set price reduction on travel to and from the city centre. This exercise was an overwhelming success, resulting in a massive 70 per cent increase in people using hackney cabs.

Phoenix Taxis use a fleet of five-seater vehicles offering wheelchair accessibility, and the service is also pram, bicycle and pet friendly. It has a radio network that automatically diverts customers' calls to the nearest available driver, so the customer speaks directly to their driver from the start.

Typically, driving instructors are self-employed and join a driving school franchise but there are some who want more control over their work and have formed co-operatives with their colleagues. Evo Driver Training in the Isle of Wight is a co-operative of self-employed driving instructors. Driveway School Motoring is a co-op and has been operating since 1989 and is one of the leading driving schools in East Anglia. Fahrwerk has developed as a co-operative for bike couriers in Berlin. This is a model that could have wider applicability.<sup>68</sup> The same applies to Vive Berlin, a co-operative for city tour guides. The tour guide members work autonomously but use a common digital platform to share information, facts about the city and to develop common projects.

## **Wales Enterprise Rehearsal Project**

Support organisations for those entering self-employment come in many forms and offer a variety of services. Some are aimed at providing all the support needed by the self-employed, from bookkeeping and legal help, through to invoicing and credit control. Some also provide office and/or workshop space. Some specialise in particular trades/activities, some offer support to a broad range of business types. These organisations generally look for funding from government programmes aimed at getting people into work, as the level of service they provide is not sustainable from the self-generated funds of start-up businesses.

There have been similar approaches in Wales to the growing co-operative support system work now widespread in France. One such organisation in Wales was the Enterprise Rehearsal Project (ERP) 1997–2007. This was started by the Cardiff & Vale Co-operative Development Association in 1997 with funding from the South Glamorgan Training and Enterprise Council. The ERP was different to the Enterprise Allowance Scheme (EAS) which operated UK-wide from 1982 to 1988. EAS was an initiative set up

---

68 <http://www.fahrwerk-berlin.de/wp/>



by the government, which gave a guaranteed income of £40 per week to unemployed people who set up their own business. The EAS went on to fund 325,000 people over that period. However, anyone entering it was taken off the unemployed register and so, if their business was unsuccessful, they had to renew their claim and wait six weeks without payment before receiving the equivalent then of Job Seekers Allowance (JSA).

The Enterprise Rehearsal Project (ERP) used a double signature Escrow<sup>69</sup> bank account into which any trading income had to be paid and any business costs could be paid out of, therefore allowing the client to continue claiming the equivalent then of JSA for six months while starting trading. It also provided a mentor/business adviser to help the client get their business up and running. If unable to trade successfully the client could leave the scheme at any point and be paid benefits, so personal financial risk was very low. The ERP project aimed to cross-match clients and support them to form small worker co-ops because it was evident that many unemployed people lacked the skills to run an enterprise on their own. On the other hand, if clustered in balanced groups, skills could be pooled. However, despite this sensible aim the ERP client volume, although exceeding targets, was insufficient to provide cross-matches and no co-op enterprises were created.

The ERP transferred to Wales Co-operative Centre in 1999. It was then expanded to cover Abergavenny, Monmouth and Brecon. In 2000 the Welsh Government funded it to cover the whole of Wales as part of the Taste of Enterprise scheme and it exceeded its targets every year. The Welsh Development Agency's Cyfenter project produced a research report on this and other projects. As the result of this appraisal key elements were incorporated into their Potentia project (2001 to 2006), which offered pre-start up support for disabled people, ethnic minorities, young people, Welsh speakers, lone parents and people aged over 50.

## Business and employment co-operatives

In France, Cooperatives d'Activités et d'Emploi (CAEs) have been developed across the country. These are business and employment co-operatives (BECs) with connections to legal and policy initiatives specifically designed to help them. The first CAE was founded in 1995 in Lyon.<sup>70</sup> Coopaname,<sup>71</sup> founded in 2004, is the largest business and employment co-operative (BEC) in France. It is a worker co-op, a SCOP (Société Coopérative et Participative), which has more than 750 members including craftspeople, freelancers and service providers. It is a co-op for those working alone or in co-operative groups and delivers assistance to members at various stages of their development.

Coopaname provides for a range of economic and service needs and it offers all members the opportunity to integrate co-operatively. It pays members of the co-op salaries and social protection benefits and provides a collective framework in which all members aim to live decently under the mantra "what you love and can do at the pace that suits you".

<sup>69</sup> An Escrow Account is a double signature bank account used to ensure both parties are agreed before any payments are made. They are traditionally used in complex legal agreements, but in this context they are used to allow claimants to set up a business and trade, but at the same time they cannot get access to their profits until they stop claiming

<sup>70</sup> <http://www.eurofound.europa.eu/observatories/eurwork/case-studies/attractive-workplace-for-all/coo-paname-france-business-creation-and-entrepreneurship>

<sup>71</sup> <http://www.coopaname.coop>

The co-operators of Coopaname seek to develop an environment in which the relationship with work is based on a social bond and is not one of subordination. Originally there was no specifically designed legal form for business and employment co-operatives but, following the appointment of a Minister for the Social Solidarity Economy in 2000 (Economie Sociale et Solidaire - ESS), a new multi-stakeholder legal form for the 'solidarity economy' was created in 2002, the Société Coopérative d'Interêt Collectif (SCIC).<sup>72</sup> Subsequently, further legislation for the SCIC has been passed permitting the retention of capital without taxation. The SCIC was inspired by the successful Solidarity Economy legal form in Italy and Quebec that in Europe is also known as a social co-operative.<sup>73</sup>

The CAEs set up before the new law in 2002 were set up as worker co-ops, SCOPs. To be established as a SCIC, a CAE must be multi-stakeholder (of which there must be at least three stakeholders – those members drawing a salary, those members receiving a benefit in the form of training or support and external stakeholders including local authorities and companies) and the co-operative must have social objects. The status of CAE members as employees and entrepreneurs was confirmed in social economy legislation that came into force in early 2016.

There are now 72 CAEs across France employing mutually more than 5,000 entrepreneurs. They are brought together in the organisation Cooperer pour Entreprendre.<sup>74</sup> The majority of the CAEs are SCOPs, but many of the newer ones are SCICs.<sup>75</sup>

The CAEs are not financially viable without some external support. The financial model for the CAEs is that:

- They receive 10% of the gross revenue earned by those working under their umbrella
- In addition they receive funds from European Social Fund, the Conseil General of the Region and from other local authorities. These funds recognise the principle that those taking on self-employment need this period of support and incubation and the public policy thinking supports the CAE model as an effective route. The partners supporting these organisations provide support in cash and in kind
- The partners supporting these organisations provide support in cash and in kind

CAEs do not have access to dedicated small business loan funds. Most borrowing by members is through Crédit Coopérative.<sup>76</sup> CAEs face the practical problem of co-security as both CAE and the individual's enterprise are the borrowers. There are elements of

<sup>72</sup> SCICs are essentially the French equivalent of the UK Community Benefit Society. SCICs must take one of the standard French legal forms (SA, SAS, SARL) but with rules which are amended to reflect the control of voting and capital

<sup>73</sup> Pat Conaty (2014) Social Co-operatives - A Democratic co-production agenda for Care Services in the UK, Co-operatives UK

<sup>74</sup> <http://www.cooperer.coop/les-cae-en-bref/>

<sup>75</sup> <http://www.les-scop.coop/sites/en/> 'A Scop (société cooperative et participative) is a co-operative enterprise in which employees hold the majority of the company's share capital. Employees elect the management team, actively participate in decision-making, manage the company, and share its profits, in accordance with the democratic economic principles of co-operatives. Under French commercial law, a Scop may be incorporated as an SA (société anonyme) public limited company or an SARL (société à responsabilité limitée) limited liability company

<sup>76</sup> There are several co-operative banks in France including Credit Agricole, Credit Mutuel and Banque Populaire. These three have 45% of the banking market. Credit Cooperative <http://www.credit-cooperatif.coop> is smaller, and specialises in finance for co-operatives



both collective and individual responsibility, which make lending security complex. Cooperer pour Entreprendre are seeking a solution to this problem.

The CAE co-operative methodology involves four stages:

1. Potential members are interviewed and their aspirations and ideas are discussed and developed. A period of training follows to fill gaps as new members may already have a qualification or a trade but may know nothing of marketing or business development; or they may have no existing qualification or experience and need to develop both.
2. Members at this stage launch their business which the CAE helps them promote via the website. The initial earnings may be zero, in which case nothing is payable and no salary is received. When the number of hours of employed work exceeds 25, members become salaried employees and receive a salary based on what their business is earning.
3. After two years members must decide whether to leave the umbrella of the CAE and strike out on their own, or to become an associate (associé). As an ongoing associate they continue to receive a salary and remain in effect an employee of the CAE.
4. The CAE supplies:
  - Accounting support
  - Chasing up bad debts and late payments (the associate's salary is still paid even if the payment of their invoices has been delayed)
  - Assistance in completing and submitting tax and social contribution declarations
  - The necessary 'agrément' – proof of qualification or experience in the relevant area of work - which CAE holds and is collectively insured for
  - Liability insurance (for which they pay a further €50 per annum on top of the 10%)
  - In the case of the building trades, entrepreneurs also access a Groupama insurance policy which provides their work with the 10-year guarantee required by French law
  - Access to the CAE's network, so that members are aware of opportunities as they arise, and so that they can work with other associates, or other known social economy organisations, when tendering for larger schemes or for jobs which include competences they do not have

It is possible to be employed up to half time in another job but still be incubated by the CAE or become an associate.

CAEs in different localities often specialise in particular trade sectors. Examples of CAEs in France include La Maison de l'Initiative (Mdl), a generalist CAE in Toulouse, Coopénates, which specialises in home care services, Artenréel, which works with artistic and cultural workers and Antigone, which works with a variety of self-employed workers. More details on how CAEs operate are set out in appendix one.

The success and expansion of the CAE network in France has inspired similar business and enterprise co-operatives in Belgium and SMart is an outstanding example. SMart is a mutual (a SCIC: a multi-stakeholder co-operative for the common good) for creative industry workers in commercial art and design.

Developed in Belgium, which has 10 offices supporting 60,000 members, it has now expanded across Europe with offices in Austria, France, Germany, Hungary, Italy, the Netherlands, Spain and Sweden. SMart operates as a modern-day guild for its members. It enables members to avoid the burden of setting up as a company by invoicing and collecting debts for them. Members pay €25 a year plus 6.5 per cent for each invoice processed.<sup>77</sup> The rates range from seven to nine per cent in other European countries. The wide range of support services offered by SMart makes the mutual attractive to its members and these include:

#### Management

- Contract management: a simple tool for managing and reporting
- Activities management: a virtual mini structure to manage and develop member projects
- Information sessions: organised near members, offering information about their status and the mutual's management tools
- Toolbox: key forms and information sheets for member needs
- Individual advice: 60 advisors to assist members
- Training services: a varied offer to sharpen member skills.
- Events and meetings: for socialising, information and networking.
- Study and documentation: analysis and resource materials around diverse work areas
- Continuing education
- Legal department: a team of lawyers for members

#### Funding

- Finance: leasing, small loans or advances on subsidies to business
- Scholarships issued annually to creative industry projects
- Crowd funding and personalised support

#### Resources

- Workspaces: shared and scalable to suit member needs
- Agora: a community site to showcase work and publish ads
- Transport: Vehicles for rent to members and to move equipment

In 2014, SMart and four SCOPs (Coopaname, Oxalis, Grands Ensemble and Vecteur Activités) came together to form Bigre! which has 7,000 members drawn from 25 organisations and networks throughout France. United by Bigre! as a co-operative network of networks, they are all working together strategically to develop a cohesive and mutual aid approach for self-employed workers. Tax advice, debt advice and financial solutions for the self-employed in the UK are covered in appendix three. These are not provided by co-operatives or mutuals in the UK but some services are provided by CAEs and BECs in other EU countries.

### 4.3 Co-operative and Shared Workspace

Many self-employed workers, especially those that are desk-based, become isolated and this seriously undermines their confidence. Consequently, there is a demand for co-working spaces where they can share social interaction, as well as networking to gain business from other occupants.

The Makers Guild in Wales<sup>78</sup> was established as a co-operative in 1984 to operate a small shop front gallery where artists were able to display and sell their works. It originally started on a non-competitive basis in the sense that each artist invited to join produced something distinctly different as an artwork from all the other members, so that together they would all complement each other.

When the old docks area of Cardiff started to be redeveloped around the year 2000, they negotiated to take over an old Victorian cast-iron framed railway which was rebuilt and extensively altered to suit their needs. In order to receive that level of public support they converted to a charity, but have kept as much of their co-operative ways of working going as charity law allows. They have 83 active members who share the duties of staffing the gallery. They sublet a cafe area on a franchise basis.

Oriel Canfas is another artists co-op and was formed in Cardiff in 1998 with the support of the Arts Council of Wales Lottery Fund. It runs a workshop and gallery space in an old sail-makers factory. The building has 10 studios, a workshop/education area and an art gallery and hosts 10 exhibitions a year with shows from a diverse range of contemporary visual artists from Wales and beyond. All exhibitors are nominated by the membership. Exhibitions include painting, printmaking, sculpture, photography, photo-visual works, light installations and more.

Petit Champlain Co-operative is an innovative 'cultural land trust' that owns and manages 27 properties and has become the largest provider of art spaces, studios and shops in Quebec.<sup>79</sup> Somewhat similar to a community land trust for affordable housing, a cultural land trust is a multi-stakeholder organisation that brings together the key stakeholders needed to secure affordability, effective local management and site stewardship. Quebec partner members include the local authority, community members, artists and art organisations and donors. Core is a live and work housing co-op in Vancouver that has been co-developed by artists, the Co-operative Housing Federation of British Columbia and the City of Vancouver. Work units include studios and shared wood and metal shops.

In the UK there are a few mutually owned workspaces such as Portland Works in Sheffield, which is a co-operatively owned shared workspace. Portland Works, built in 1877, is an affordable workspace for small manufacturing businesses as well as independent artists and craftsmen. In 2009 it still housed craftspeople despite its decrepit state but was threatened with conversion into flats. A four-year campaign saved the Works and succeeded in buying the building to secure its future. Since early 2013 an IPS, Portland Works Little Sheffield Ltd, which has over 500 shareholders, has owned Portland Works and is now renovating the fabric mainly through voluntary efforts.

In England and Wales there are a number of shared workspaces either mutually owned or not-for-profit and aimed at the voluntary and social enterprise sector. While not providing services to the self-employed, they do demonstrate that a not-for-profit model of serviced accommodation is possible and can be self-sustainable. Co-working London<sup>80</sup> is a free to use directory of the 50-plus shared workspaces in London. The Co-working London website is a collective enterprise but these are private sector spaces aimed at the

<sup>78</sup> [www.makersguildinwales.org.uk](http://www.makersguildinwales.org.uk)

<sup>79</sup> The Co-operative Advantage - Innovation, co-operation and why sharing business ownership is good for Britain, chapter eight on Creative Industries, Co-operatives UK and New Internationalist Publications

<sup>80</sup> <http://www.coworkinglondon.com/>

self-employed and micro-enterprises. This shows the scale of the need and the private sector's ability to move quickly to exploit the demand.

Indycube is a Community Interest Company that operates shared accommodation spaces at 15 locations across Wales, with two more in the pipeline. Indycube has taken out a lease on empty office space and sublets hot-desks on a daily basis. A coordinator is based at each location, usually a tenant who provides services in exchange for free rent. Each venue has both free Wi-Fi and coffee as part of the daily rental. The rents are currently from £10 per desk per day up to £150 per month for a full time occupant. Indycube is currently in the process of changing its legal form to a community benefit society.

Beyond the co-operative sector there is considerable innovation going on that integrates workspace with other services. Research has been done by the RSA on Makerspaces, which provide highly attractive forms of shared workshop space.<sup>81</sup>

Some co-operative workspace providers in Wales have converted to charitable status, so, while the charitable community benefit society can co-exist with co-operative principles, there would appear to be the need to explore the potential for an appropriate legal or regulatory framework in the UK to allow co-operatives to secure the tax advantages evident in France with the CAE model.

#### 4.4 Mutual aid and mutual insurance

The main forms of specialised financial services for the self-employed are sickness funds, tax advice, credit unions and Mutual Guarantee Funds which help the self-employed obtain credit.

Bread funds<sup>82</sup> are a new type of organisation, pioneered in the Netherlands specifically to provide sick pay to the self-employed. They assist those who do not receive state sickness pay and having no employer, do not receive any employer sick-pay either. Historically, friendly societies and mutual health schemes have supplied support for their members in ill health for decades. However, their service is tailored to the general population and does not include any element of sick-pay.

The first bread fund (Broodfonds) was launched in the Netherlands in 2006 as an experiment with 20 members and since then the idea has caught on. As of 1 January 2016 there are 170 funds in 88 towns and cities, with more than 7,000 members in total. Each fund is separately incorporated but shares one central administration provider, the Broodfondsmakers, which is a co operative.<sup>83</sup>

There are now moves to bring this model to the UK. In June 2014 the Esmée Fairbairn Foundation provided a £30,000 grant to Radical Routes , a network of co-operatives, to enable it to commission market research and look at the feasibility of replicating the funds here. They provided a further £15,000 to Radical Routes in October 2015, matched by £6,076 from the Network for Social Change, to fund two pilot Bread Fund groups in the UK.

<sup>81</sup> <https://www.thersa.org/discover/publications-and-articles/reports/ours-to-master/>

<sup>82</sup> [www.broodfonds.nl](http://www.broodfonds.nl)

<sup>83</sup> <http://www.theguardian.com/money/2015/jan/14/freelance-payment-sickness-leave>

How they work:

- Bread funds are based on mutual aid and trust. Each bread fund has between 20 and 50 self-employed members who put money aside each month into their individual bread fund account. This money remains theirs and is used to support them and their fellow members if they fall sick. When membership exceeds 50 a new group must form. The small number of fund members ensures each mutual aid group remains a close community. This is also a disincentive for any member to attempt to cheat
- Some funds are for specific trades only but most have a mixed membership, which can include company directors as well as the self-employed. Members take the decisions, mutually own and control their own bread fund and also control policy making
- New members can only be invited to join by the existing members and must have been working independently for at least a year with an income of €750 per month. This also ensures that members know and trust each other
- On joining they must pay €250, of which €40 is for the fund's group account and €210 is for start-up costs. From their regular contribution €10 per month is taken for overheads. Once someone is unable to work for more than 30 days they can be supported by their bread fund for up to two years
- Because there is no central fund money is held in individual accounts and payments are only made from these to fellow members when they fall sick. This is not regarded as an insurance scheme and does not come under the strict regulatory regime that EU laws place on insurance companies
- In any fund there are members with different income levels who need different levels of sick pay. Members choose the level of sick pay they require and put aside the amount corresponding to that income each month
- Those who choose a higher level of payment have to pay in higher amounts than those opting for lower payment levels. Therefore the payments in and out are tailored to the individual member's requirements and income level. Monthly contributions range from €33.75 for workers requiring a sickness insurance of €750 a month, to €112.50 for maximum insurance cover of €2,500 a month
- Every member who is certified sick receives a monthly payment from the other members of their fund and from their personal accounts. These pay-outs are 'gifts' and this reinforces the concept of mutual aid and trust
- Members only pay in contributions up to a maximum amount. If a member's account contains the equivalent of more than 36 monthly contributions the excess is refunded to the member at the end of the year. Members meet together at least twice a year to help build the sense of community and members can leave and withdraw their fund balance after a six-month wait

For a scheme such as this to operate in the UK some changes will be needed, the main one being that individual accounts are not allowed by law. In the Netherlands only the money paid to people who are ill or injured is regarded as a gift. The money arrives in the recipient's bank account in the form of a series of separate gifts from each member's bread fund account. In the UK, however, to comply with the law each bread fund will have one central account. Contributions will be paid into the central account as gifts and people who are ill or injured will receive gifts from the central account.



Mutual insurance products are being developed by the Freelancers Union in the USA, while some similar developments are taking place in the Netherlands. Freelancers Union founder Sara Horowitz's vision of how these could operate more widely and secure contributions from those procuring services<sup>84</sup> revolves around a portable benefits system.

In the UK there are examples of mutual insurance solutions developed specifically for particular groups of small traders. In most cases they have diversified their membership over time.

NFRN Mutual was originally formed by the by the National Federation of Retail Newsagents for its own members in 1999, but now offers commercial and home insurance to a wide range of small businesses. NFU Mutual was originally formed in 1910 by seven local farmers as the Midlands Farmers Mutual Insurance Society Ltd., with a working capital of just £190. It grew over time to serve all members of the National Farmers Union and in recent years it has expanded further, offering an even wider range of insurance to the general public.

"..we should develop a new system of portable benefits that reflects the realities of episodic income. Specifically, freelancers should be allowed to put away pre-tax income into shared accounts, where clients would also make pro-rata contributions based on the number of hours worked. This portable benefits system would be a new program, but it would not be another government entitlement. Instead, it would be administered by unions, non-profits, faith-based groups and other community organisations that would collect payments and distribute benefits when freelancers needed them."

**Sara Horowitz,  
Freelancers Union**

## 4.5 Mutual guarantee societies

Mutual Guarantee Societies (MGSs) are co-operative societies of small businesses who come together to guarantee each other's loans using their other cash assets as collateral. They will normally form a partnership with a local bank or other form of mutual credit organisation to take members' deposits and provide loans. This process enables those with little security to obtain credit secured by the collective strength of the members combined cash deposits. They operate principally in Europe, where they are represented by the European Association of Guarantee Institutions (AECM)<sup>85</sup> based in Brussels.

AECM has 41 member organisations operating in 20 EU countries, as well as in Serbia, Bosnia and Herzegovina, Turkey and Russia. AECM members are diverse and include mutuals, private sector guarantee schemes as well as public institutions, which are either guarantee funds or development banks with a guarantee division. They all have in common the mission of providing loan guarantees for SMEs and sole traders who have an economically sound project but cannot provide sufficient bankable collateral. In 2013, AECM member organisations had a total guarantee volume in portfolio of over €76 billion and issued a total volume of over €25 billion in new guarantees.

In the UK, the National Association of Mutual Guarantee Societies (NAMGS) was formed in July 1994 and set up nine Mutual Guarantee Societies between 1996 and 1999.

<sup>84</sup> [http://www.nytimes.com/2015/09/07/opinion/help-for-the-way-we-work-now.html?\\_r=2](http://www.nytimes.com/2015/09/07/opinion/help-for-the-way-we-work-now.html?_r=2)

<sup>85</sup> <http://aecm.eu>



However, none were able to trade because of restrictions put on them by the Treasury, which took the view that they should be regulated as insurance companies and thereby requiring very high levels of formation capital. After failing to persuade the UK government to change its mind NAMGS was wound up in November 2003, together with all the societies it had supported as members.

## 4.6 Credit unions for the self-employed

Among the first credit unions to be established in the UK, specifically aimed at the self-employed, was the London Taxi Drivers Credit Union. This credit union was started in 1979 to help licensed hackney drivers raise funds to buy a cab. There are now four specialist taxi-driver credit unions, two in London and two in Scotland, that provide credit solely to licensed drivers. The scope for further specialist credit unions to be set up for self-employed workers in the UK is evident. Indeed, the roots of credit unions in Europe began with the provision of savings and loan services for workers and farmers in Germany, Austria, Italy and the Netherlands. These early credit unions evolved to become successful co-operative banks.

## 4.7 Co-operative money and mutual credit

It is possible to develop co-operative trading systems mutually between groups of businesses and local people. Local Exchange Trading Systems (LETs) have been around since the late 1980s as forms of community issued currency, but they have tended to remain small and fringe. Some work in Brixton in London and Bristol to widen their reach and to offer both paper money and electronic money has been more successful in attracting support from local businesses. A key objective that would expedite progress would be triggered if local authorities would accept such currencies for payment of local taxes. There is a long way to go in this area, but the potential is significant.

The WIR, which stands for 'we' and 'economic ring', in Switzerland began as a co-operative credit currency in Zurich in 1934 and has become a successful co-operative bank that provides money and low-cost finance to some 60,000 members. The WIR bank membership includes about 17 per cent of small and medium-sized businesses nationally.<sup>86</sup> Individuals have been able to join since 2000. The co-operative electronic currency that WIR creates among its members is used by businesses to inter-trade. It provides businesses with mutual credit for which they pay an administrative levy of one to two per cent. This is low as the business members also pledge property security. A higher rate of up to 3.5 per cent is available for unsecured finance. This mutual credit operation provides CHF with 1.5 billion Swiss francs a year in low cost working capital, trade credit and even mortgages to members at 1.75 per cent.

The WIR complementary currency is separate from the Swiss franc, with some inter-trading among members conducted partially in WIR (30% to 50%) and the remainder in Swiss francs. The success of WIR and growth of peer-to-peer lending systems like Zopa in the UK has triggered work in many European countries on efforts to replicate mutual credit systems more widely - and to aim at scale.

Local currency schemes in the UK like the Bristol Pound, the Brixton Pound and the Lewes Pound are mostly aimed at keeping spending power within the community -

---

86 <http://community-currency.info/en/currencies/wir-bank/>

encouraging people to buy locally produced products and services. The local economic development potential has remained difficult to achieve. However, the Bristol Pound has been innovative, partnering with Bristol Credit Union and engaging a closer link with Bristol City Council and local businesses. The Bristol Pound has pursued the potential to support small local businesses by tailoring services to their needs, providing access to local sources of credit as well as providing a simple text messaging payment system.<sup>87</sup> Other local currencies are seeking to do the same.

In France, an ambitious local currency and mutual credit scheme is now underway that may offer guidance for local currency schemes in the UK - if it can continue to make key breakthroughs and widen partnerships. The SoNantes project in the old capital of Brittany is run by the Sonantaise Association, which is set up solely to run a complementary solidarity currency and is supported by the historic Caisse de Crédit Municipal de Nantes.

In 1992, legislation passed the entire responsibility for Crédits Municipal to their respective local administrative authority. In 1998 the Municipality of Angers made an investment of 550,000 francs plus an annual grant and the Caisse de Crédit Municipal de Nantes opened its first office in Angers on 2 January 2000. The project grew rapidly in Angers and subsequently throughout the département of Loire et Bretagne. On 1 January 2002 the Caisse de Credit de Nantes gave up its public loan status to concentrate on microcredit, pawnbroker loans and savings accounts. On 11 April 2011 it rebranded itself as a social solidarity bank.

In 2012 the SoNantaise Association was formed as a separate body to take over the role of the Municipality's 'Comité de Pilotage de la Monnaie' and to make the project more participative by putting it under member control. All members have to live or work in Nantes Métropole (Greater Nantes) and membership is divided into four groups:

- Founding members
- Active members
- Business customers
- Individual customers

The SoNantaise Association was incorporated as SoNao in January 2015 as a Société par Actions Simplifiée à Associé Unique (SASU)<sup>88</sup> and partners with the Crédit Municipal de Nantes, which carries out the Sonantes project back office functions. The SoNantes is an all-digital currency aimed at the economic development of local businesses. Inspired by the WIR co-operative money system in Switzerland, it includes a mutual credit system that allows businesses to provide goods and services to each other without spending Euros, with individual shoppers also able to participate by opening up an account. SoNantes cards can then be used on public transport, in shops and cafes as well as to pay for certain council services. Promoted by the city of Nantes and the inter-communal structure of Nantes Métropole, the digital local currency is being implemented by the Crédit Municipal de Nantes across the entire area of Nantes Métropole.<sup>89</sup>

---

<sup>87</sup> <http://bristolpound.org>

<sup>88</sup> SASUs are the French equivalent of UK voluntary sector organisations that have incorporated. The nearest equivalent would be a company limited by guarantee

<sup>89</sup> As with many cities in France the old Communes still exist, and Nantes Métropole consists of 24 individual Communes, each with their own Mayor, which have come together to run the conurbation

As a system for exchanging of goods and services between businesses (B2B) and individuals (B2C) the use of this deposit money is regulated by a mutual credit system aimed at recording each user's credits and debits, within limits set on a case-by-case basis. Individuals will be able to make purchases from any company that has joined the scheme (for example traders, shops, craftsmen) through a payment system that does not rely on coins or banknotes but allows all transactions to be paid through swiping a SoNantes card that links directly to an online account.

Nantes' currency operates across the 24 communes of the local conurbation. Its aims are to complement the euro and operate as a tool, helping the promotion of exchanges between local economic stakeholders and thereby contribute to the balanced development of the local area. The SoNantes card was launched to the public in January 2015. A total of 112 local businesses signed up in the first nine months and some offer discounts to those paying with the SoNantes card. These businesses and individual members can also pay direct using a web-based account.

## 4.8 Key findings

Self-employed workers have a number of needs that can be, and in some cases are, being supplied by co-operative and mutual organisations created specifically for this purpose. These service needs include:

- Advice, support and companionship
- Back office services including invoicing and financial control
- Legal and financial advice
- Shared workspace – serviced and hot-desked
- Shared equipment
- Access to finance at sensible cost
- Collective insurance
- Marketing

These findings are in line with surveys of the self-employed, the most recent of which being Self Employment Review - an independent report by Julie Deane OBE<sup>90</sup> for the Department for Business, Innovation and Skills (BIS). She found that they want trusted advice/support on finance, accounts and tax.

Hub workspace is identified as a need, working with other colleagues were key needs and that not being paid, lack of sick pay and holiday pay, plus a lack of regular income and job insecurity were also important issues. It also fits with the findings of Understanding Self-employment - BIS Enterprise Analysis research report<sup>91</sup> which identifies that many self-employed people already co-operate informally. Findings from the report include:

- While only a quarter of self-employed people said they had employees, working or co operating with other self-employed people was widespread: 60% said they did this in some form

<sup>90</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/500358/ind-16-2-self-employment-review.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/500358/ind-16-2-self-employment-review.pdf)

<sup>91</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/500305/understanding-self-employment.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/500305/understanding-self-employment.pdf)

- 46% said they worked on jobs as a team, and 27% referred people on or shared clients
- Just under half of all self-employed people said they belonged to a network of some sort with these tending to be more informal
- Around one in 10 were part of a formal business network or chamber of commerce. In contrast 29% used a social media network and 24% were part of an informal business network

The service needs of the self-employed can be, and are, supplied by the private sector, but they take a profit slice which further reduces the income of self-employed workers. Co-operative and mutual organisations providing such services can materially improve the income of the self-employed, as any surpluses can be reinvested or shared amongst the members.

The inquiry research has identified forms of co-operative and mutual forms of provision, each of which has somewhat different but complementary purposes and functions.

These are:

- Co-operatives for the self-employed
- Business and enterprise co-operatives (BECs)
- Co-operative and shared workspace
- Mutual aid and mutual insurance
- Mutual guarantee societies
- Credit unions
- Co-operative money and local currencies

The mutual and co-operative provision of services for the self-employed identified by the inquiry can be summarised as follows:

### **Co-operative service providers and BECs**

The development of back office and support services in a co-operatively owned format is more advanced elsewhere in Europe, especially in France and Belgium. Government support, centrally, regionally and locally, is particularly strong in France for CAEs. These are Business and Enterprise Co-operatives (BECs) to assist self-employed workers. Also in Belgium, SMart has some similarities and has spread its innovative package of support services system to other EU countries. These integrated solutions provided by the co-operative movement are well advanced in other EU countries compared to the UK, where co-operative solutions exist but are not well aligned and public policy support is missing.

### **Co-operative and shared workspace**

There are examples of workspace co-ops in the UK and abroad, including the Portland Works project in Sheffield. Some co-operative ventures have converted to charitable status in Wales for tax reasons and to secure other funding. The CAE co-operatives in France highlight how an appropriate regulatory and tax framework might overcome this evident development barrier in the UK for co-operative workspaces to benefit the self-employed more widely.

### **Mutual aid and mutual insurance**

Bread funds, a new type of organisation pioneered in the Netherlands, specifically provide sick pay to the self-employed who do not receive state sickness pay and are

not supported by an employer's contributions. The Freelancers Union in the USA is also moving towards the wider provision of mutual insurance for their members.

### **Mutual guarantee societies and co-operative finance**

The European model of mutual guarantee societies (MGSs) to secure low-cost working capital and finance for small enterprises is represented by the AECM in Brussels. A similar service would not be permitted in the UK under current law. MGSs operate successfully in 20 EU countries including Austria, Germany, France and Italy. Specific problems arise in the UK financial services field, as government regulation currently limits co-operative banking and mutual guarantee societies. However, other EU countries have found solutions to introduce the MGS system.

### **Credit unions**

These are still far less developed in the UK than in Ireland, the USA and Canada. In Europe co-operative banks in Germany, Austria and the Netherlands have their origins in the credit union movement. There are a number of successful credit unions for self-employed taxi drivers in the UK. The potential to develop credit unions for self-employed workers in the UK is clearly evident.

### **Co-operative money and local currencies**

Local currencies like the Bristol Pound and the Brixton Pound are reaching out to recruit local traders and to develop local authority partnership. History indicates the potential, as proven by the successful WIR co-operative bank that began in Zurich in 1934 to assist local enterprises with mutual credit and co-operative money. The new SoNantes project in France, with local authority support, is a significant development whose progress and development should be followed closely.

## 5 Trade union and co-operative solutions

There is some overlap between the services some trade unions for self-employed workers and those a number of co-operatives provide. The overlap areas include legal, tax and financial advice, different forms of insurance and shared services including debt collection. As the findings in section three have shown, trade unions are needed and crucial to secure employment protection, decent labour standards, reforms to the welfare state for the self-employed and collective bargaining rights. As the findings in section four highlight, co-operative and mutual organisations are best placed to provide a complementary set of services to self-employed workers, from start-up support to workspace and from credit unions to other forms of financial support. Indeed, the alignment between trade union service provision and other forms of co-operative mutual aid could be key to developing effective and transformative organising strategies for self-employed workers. So how can both movements be reunited and collaborate effectively?

### 5.1 Co-operative, mutual and trade union forms of resistance and development

Threats to the livelihoods of the self-employed can lead to creative solutions through new forms of solidarity. This can sometimes involve mutual or co-operative responses, but may evolve further into a more integrated system of linked services between complementary worker-governed organisations.

The Pharmacists' Defence Association (PDA) represents pharmacists who are employed, as well as locum pharmacists who are effectively self-employed. An evolutionary change in the industry has meant that, instead of most chemists being independent small businesses as in the past, four big corporations dominate the market and today only one in 10 pharmacists owns their own business. Nine in 10 pharmacists are now either employed or self-employed. The traditional professional body for pharmacists also changed complexion during this transformation and is now dominated by corporate owners. An alternative was needed, which has taken the form of the PDA.

Insurance schemes were not sufficient to cover individual pharmacists. In 1998 there was the 'Peppermint Water case' when a child died because of an incorrect prescription. The resulting legal proceedings established that individual pharmacists and support staff (pre-registration trainees) will be held liable in the event of an error. Furthermore, pharmacists and pre-registration pharmacists can face manslaughter charges. By 2003, locums were facing pay cuts of up to 30 per cent and further challenges. As a result of these developments – and following provision of a grant from the Pharmacists Insurance Agency – the PDA was set up to protect both locum and employed pharmacists more comprehensively. The PDA now has over 22,000 members and provides them with four key services:

- Professional indemnity insurance of up to £5 million designed to meet a range of member needs
- Legal defence services (up to £500,000 in legal costs) in relation to civil claims or employer disciplinary action
- Influence through developing as members policy, lobbying and advocacy
- Expert advice and guidance as well as training and education services with a focus on safety and risk management



The legal defence service model of the PDA draws upon a well-established precedent, namely the Medical Defence Union, which was established in 1888 for doctors and now has over 200,000 members.<sup>92</sup> Their 24-hour medico-legal helpline handles over 32,000 calls a year. Their affiliate body is the Dentist Defence Union, which provides similar services. To secure collective bargaining rights with employers on behalf of their members, both employed and self-employed, the PDA Union has been established and is growing. It is a separate legal entity and specialist trade union that complements and supplements the work of the PDA. PDA members have the option to join this union or The Guild of Healthcare Pharmacists, a trade union affiliated to Unite.

There is an interesting parallel between the PDA and the Professional Contractors Group - now called IPSE. Both groups were founded with a fund of £100,000. The PDA received a grant from the Pharmacists Insurance Agency and the Professional Contractors Group (PCG) raised the same level of start-up capital through a crowd funding exercise. Both were founded as a result of external conflict triggers. Both groups of workers are professionals and with reasonable incomes (as their careers mature) and both realised that their professional associations were not sufficient to defend them.<sup>93</sup> This suggests that, if professional workers with means have concluded that they need to be organised, the same must be true of lower-income self-employed people. Lower paid workers who are more disparate may have a greater need, but less organising ability and do not normally share a common trigger for action.

Another example of a crisis leading to a mutual aid response is RICOL in London. To work as a court or public service interpreter has traditionally required accreditation through the National Register of Public Service Interpreters (NRPSI). For many years the court booked the services of interpreters through NRPSI. This changed in 2011 when the Ministry of Justice decided to seek savings by tendering a national contract. The new contract to cover England and Wales was won by Applied Language Solutions, owned by Capita. Work commenced on the contract in early 2012. To secure the work, ALS had promised to cut the interpreting bill by £12 million a year from £60 million.<sup>94</sup>

To deliver on the contract, the contractor offered court interpreters work at between 25 per cent and 40 per cent of the established rate, taking into account the fact that payments no longer covered travel and waiting time.<sup>95</sup> There was a mass refusal to sign up and a protest group was launched, Interpreters for Justice. Many new interpreters hired by ALS were poorly qualified. Severe delays and chaos in the courts were widely reported in the press. With help from Co-operatives UK, RICOL was established in November 2012 as a London-based interpreters and translators co-operative. It is now generating new work and contracts with law firms, commercial companies, human rights organisations and media companies at ethical trading day rates.

---

92 <http://www.themdu.com/~media/files/mdu/membership/member%20guides/mdu-member-guide-2015-2016.pdf>

93 PDA Origins: [http://www.the-pda.org/about\\_us/au\\_origins1.html](http://www.the-pda.org/about_us/au_origins1.html)

94 <http://www.newstatesman.com/blogs/politics/2012/07/cost-savings-court-interpreting-services-are-anything>

95 <https://www.opendemocracy.net/ourkingdom/joel-sharples/realities-of-outsourcing-court-interpreters-mean-miscarriages-of-justice>

## 5.2 Co-operatives as a pathway out of informality and trade union co-organising

The ILO has observed two different international trends. In developing countries, the struggle is for decent labour standards and a movement to overcome the risks of informal labour markets with no social and economic protection. By contrast, in parts of Europe and in other developed economies, the problem is almost the inverse one as social protections, having been secured over decades, are under attack and being undermined.

Paul Benjamin has identified three processes of labour market de-regulation that operate to make conditions of work less secure in developed economies:<sup>96</sup>

**Casualisation:** Essentially the displacement of standard employment by temporary and part-time employment and typically both.

**Externalisation:** a restructuring of work, whereby employment becomes regulated by a commercial contract rather than a contract of employment.

**Informalisation:** The process by which employment becomes increasingly unregulated and workers are not protected by labour law.

In the fight against these processes, there are important lessons to be drawn from progress in developing countries through the deployment of a variety of member-based organisation (MBO) strategies which could be adapted to the UK. In the report *Organisation, Representation and Dialogue*, the ILO provides evidence of how co-operatives of various types provide a set of solutions and pathways for self-employed workers to move out of informality. Based on this evidence, in 2002 the International Labour Conference adopted recommendation 193 for the promotion of co-operatives.<sup>97</sup>

Securing new and better co-operative laws has been a key focus of the work of the ILO and the International Co-operative Alliance (ICA) since 2002. Further work involving the ILO, the ICA and the International Confederation of Free Trade Unions (ICFTU) led to the publication of the SyndiCoop joint handbook in 2006, *Let's Organise!*, produced by Stirling Smith of the Co-operative College in the UK.<sup>98</sup> This is a strategic and highly practical handbook for organisers of informal workers and

**"Governments should promote the important role of co-operatives in transforming what are often marginal survival activities (sometimes referred to as the informal economy) into legally protected work, fully integrated into the mainstream of economic life."**

**Organisation, Representation and Dialogue report, International Labour Organisation**

<sup>96</sup> Paul Benjamin (2006) Beyond 'lean' social democracy: labour law and the challenge of social protection, *Transformation*, 60: 32-57

<sup>97</sup> [http://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_policy/documents/publication/wcms\\_210459.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_policy/documents/publication/wcms_210459.pdf)

<sup>98</sup> [http://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_policy/documents/publication/wcms\\_210459.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_policy/documents/publication/wcms_210459.pdf)

shows how a range of a trade union and co-operative solutions can be integrated by both movements working together. The handbook focuses on trade union alignment with worker co-operatives, savings and credit co-operatives, marketing co-operatives, ethical and fair trade as well as social and health co-operatives. The ILO's work on this subject has continued with the publication of reports *The informal economy: enabling transition to formalisation*,<sup>99</sup> in 2007, *Transitioning from the informal to the formal economy*,<sup>100</sup> in 2014 and *Recommendation 204* in June 2015.<sup>101</sup>

### 5.3 Examples of informality and trade union organising

An example given by the ILO of an integrated model of provision and best practice is SEWA (Self-employed Women's Association) in India.<sup>102</sup> This is a multifaceted member-based co-operative system and trade union sponsored originally by the Textile Labourer's Association in Ahmedabad, a trade union that Gandhi played a role in setting up in 1920. Established in 1972 as a trade union by lead organiser, Ela Bhatt, SEWA has diversified services provision to meet members' needs through affiliated co-operative solutions. Today, SEWA has over 1.7 million members and operates in many states in India. One of its most successful projects is the SEWA bank, a co-operative savings and loan institution set up to tackle the usurious interest rates charged to sole traders by money lenders.

The mission of SEWA as a trade union is to organise women workers for full employment. It describes this as employment providing work security, food security, income security and social security (including at least health care, child care and shelter) for its members.<sup>103</sup> Through its members, SEWA has organised more than 100 co-operatives to meet a range of member needs in different trades. These include artisan co-operatives, worker co-operatives, marketing co-operatives, dairy co-operatives, the Mahila Housing SEWA Trust and social co-operatives that provide both primary health care and child care for the families of members.

Working Women's Forum (WWF) was established in southern India in 1978 by Jaya Arunachalam with a mission to organise and mobilise women workers in the informal economy.<sup>104</sup> WWF is similar to SEWA. Today it has about 800,000 members and it operates primarily through three wings: Working Women's Forum is the mutual association; the National Union of Working Women is the trade union; and the Co-operative Network for Women is the co-operative development service. WWF's co-operative savings and loan organisation is strategically the primary means to attract new members and to build from the grassroots base. It operates with group lending methods and mutual guarantees to reduce arrears and risk. WWF has also established a health care service, childcare, family planning and educational services.

99 [http://www.ilo.org/wcmsp5/groups/public/@ed\\_emp/@emp\\_policy/documents/meetingdocument/wcms\\_125489.pdf](http://www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_policy/documents/meetingdocument/wcms_125489.pdf)

100 [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_218128.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_218128.pdf)

101 [http://www.ilo.org/actrav/media-center/news/WCMS\\_379091/lang--en/index.htm](http://www.ilo.org/actrav/media-center/news/WCMS_379091/lang--en/index.htm)

102 [http://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_policy/documents/publication/wcms\\_210459.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_policy/documents/publication/wcms_210459.pdf)

103 <http://wiego.org/wiego/self-employed-women's-association-sewa>

104 <http://wiego.org/content/working-womens-forum-india>

In 1997, SEWA convened an international event to foster research on informal workers and to pursue collaboration with similar empowerment organisations in other countries. This led to the establishment of WIEGO as the collaborative project. From this experimental beginning the results have exceeded expectations. WIEGO today is a highly influential action research and policy network with groups in 40 countries and 32 institutional members and 142 individual members (including many researchers). Like SEWA, the institutional members are member-based organisations (MBOs) of informal workers.

WIEGO's manifesto is based on a number of core principles. Firstly, it believes that supporting the informal workforce is the key pathway to tackling unemployment, underemployment and inequality. Secondly, it produces evidence to prove that the informal economy provides a major share of total employment and that supporting this sector is crucial. Moreover, attempts to stigmatise it as illegal, underground, or a black or grey market need to be challenged. Thirdly, no amount of social inclusion will compensate for excluding the working poor from economic opportunities, financial and product markets and economic planning. Fourthly, existing laws and regulations are premised upon and tend to be biased towards formal employment and formal enterprises.

The unique approach and working practices of the WIEGO network positions work, workers and their democratic organisations at the centre of the development discourse, policy development and processes. Though a gender focus has been at the core of WIEGO's work from the outset, because women are so commonly invisible as exploited informal economy workers, WIEGO in practice has always fought for women and men and many of its member-based organisations represent both.

Like SEWA, whose success inspired WIEGO, the strategy of the organisation is to empower informal workers by supporting the development and the integration of a range of member-based organisations (MBOs) including trade unions, co-operatives, informal associations and self-help groups. It is the diverse purposes of these MBOs in relation to advocacy with government, representation, employer negotiations, economic democracy tool development, mutual credit provision, co-operative care services, mutual housing and more that, when aligned, provides informal worker movements with a full range of methods for collective empowerment.

Over the past 18 years WIEGO has had success in forging successful policy development by working in close partnership with the ILO, the ICA and the ITUC. There are five areas where WIEGO's campaigns and efforts have made breakthroughs:

- Re-conceptualising the informal economy
- Increasing the visibility of the informal workforce
- Increasing the voice of the informal workforce
- Increasing the validity (legitimacy) of the informal workforce in policy debates
- Building and formalising the WIEGO network

WIEGO members have focused strategically on four main sectors of informal work: home-based workers; domestic workers; street vendors; and waste pickers. WIEGO's informal worker organisations in many African and Asian countries played a leading role in setting up StreetNet International, launched in Durban, South Africa in 2002.<sup>105</sup>

---

105 <http://www.streetnet.org.za/show.php?id=19>

Since then a number of street-vendor organisations in Eastern Europe and the USA have joined. Trade union support is strong in many countries and Public Services International (PSI) and Union International (UNI) have both developed joint organising projects with StreetNet International.

SEWA has been organising home-based workers since its inception in the 1970s. Based on this experience, SEWA has worked with membership-based organisations in South Asia and South East Asia to support the creation of a wide number of national and regional HomeNet organisations to represent homeworkers.

WIEGO's work to link up and connect domestic worker organisations in a growing number of countries has been particularly effective and led to the founding in 2013 of the International Domestic Workers Federation (IDWF) by 14 worker organisations.<sup>106</sup> The WIEGO founding network had earlier secured passage in June 2012 of ILO Convention C189 Decent Work for Domestic Workers. The IDWF has now grown to 47 affiliates from 43 countries.

To spread the successful organising methods developed by WIEGO members, Christine Bonner and Dave Spooner have compiled the WIEGO organising handbook, which describes in detail successful organising strategies for work, primarily in developing countries.<sup>107</sup>

## 5.4 Co-operative innovation and Trade Union links - UK good practices

The Musicians' Union (MU), which supports over 30,000 performers, composers and music teachers, joined forces with Co-operatives UK in 2013 to promote the idea of musicians forming co-ops. The MU had noted with alarm the growing trend by local authority music services to downgrade employment protection and contract peripatetic music teachers as self-employed, often on zero-hours contracts. The MU was keen to counter this trend towards lower pay and conditions. It is estimated that between a quarter and a third of the 12,000-strong workforce of musical instrument teachers in the UK lost their jobs between 2009 and 2015.

"The new contracts minimise teachers' pay and pensions and withdraws protection from unfair dismissal. We're promoting the co-operative model to all our members as a possible way forward to protect their interests and promote better working arrangements in the current challenging economic times."

**Fran Hanley,  
Musicians' Union**

One of this new wave of musicians' co-ops is Sinfonia Musicisti, a 40-piece orchestra which became incorporated as an Industrial and Provident Society in September 2012. Mark Kesel, one of the main drivers behind the launch of Sinfonia Musicisti, said: "The aim of the co-op is that our players will share the benefits and risks of the business and it is this equitable approach that allows us to offer an affordable programme of music from a professional orchestra."

<sup>106</sup> <http://www.idwfed.org/en/about-us-1>

<sup>107</sup> <http://global-labour.net/2012/08/new-wiego-handbook-on-organising-in-the-informal-economy/>



However, while performing musicians invariably grab the limelight, the reality is that around two-thirds of the Musicians' Union members earn their living from working in education as music teachers. One of the oldest running music teacher co-ops is Swindon Music Co-operative, launched in 1998 following Swindon Borough Council's decision to close down its instrumental teaching service.

David Barnard, who at the time was Swindon Borough's director of music, said: "We needed to find a solution that retained a sense of unity and common purpose while reducing the cost of provision and a co-op was an ideal solution." Swindon Music Co-operative is the main provider of instrumental and vocal tuition in over 70 local schools with more than 50 self-employed specialist music teachers.<sup>108</sup>

The MU has supported the formation of other music teacher co-operatives in Milton Keynes, Denbighshire, the Isle of Wight and Wiltshire, and these have joined the longer established co-operatives in Swindon, Newcastle and North East Lincolnshire. In Milton Keynes all instrument teachers were made redundant. Since then 68 teachers have formed a co-operative, providing an accessible and affordable service to schools.

The growing demand is such that a new guide in 2015 has been produced by the Musicians' Union and Co-operatives UK to provide more teachers with advice on setting up a co-operative. *Altogether Now*,<sup>109</sup> authored by David Barnard, provides an overview of the co-operative model and demonstrates how music teachers can apply it. It also looks at key issues, case studies and presents a detailed guide to forming a co-operative. The MU has also published supporting documentation in the form of template legal documents.

Actors' co-operative agencies are separate from trade unions, but are supported and encouraged by Equity, which has worked with the Co-operative Personal Management Association (CPMA)<sup>110</sup> since it was founded with their support in 2002. It now has 30 member actors co-operatives across the UK. Their aim is to promote and support actors' co-operative agencies, helping raise their profile and standing within the industry as well as the profile and standards of co-op agencies in general. Each actor co-op is an employment agency and they typically range in size from 20 to 35 members.

Peter Barnes of the CPMA clarified the relationship with members, their co-op employment agency and the employer.

"Co-operatives allow teachers, who have lost their jobs working for local authority music services, to continue teaching together in an environment that values every contribution and encourages the sharing of expertise.

"Co-operatives also empower teachers to have a greater control over their working lives. They are a progressive option and provide a sense of purpose and unity as an alternative to fragmentation, which can lead to teachers working in isolation and in competition with one another."

**John Smith,**  
**MU General Secretary**

<sup>108</sup> <http://www.swindonmusiccoop.co.uk>

<sup>109</sup> <http://www.musiciansunion.org.uk/Files/Guides/Education/Altogether-Now-a-guide-to-forming-music-teacher-co>

<sup>110</sup> <http://cpma.coop>



He said: "Employment agencies are work-finding services - they connect the work-seeker to the employer. The agency does not employ the work-seeker (actor) - the employment contract is between the work-seeker and the employer. However, agencies must have a written Agreement with the work-seeker which sets out the details of the services provided by the agency, including commission rates (which only entertainment agencies are permitted to charge). An employment business, on the other hand, employs the work-seeker (in effect), as it deals with tax and national insurance contributions."

Typical actor co-op commission charged for placements is 10 per cent but can, for certain contracts, be as low as five per cent or as high as 12.5 per cent. As the co-ops are small, most of them are not VAT registered. Other non-co-op agents charge typically 15 per cent plus VAT. The actors take it in turns to volunteer in the office to run the co-ops. The co-ops are popular and get applications by actors to join all the time. They vet applicants to make sure they will abide by co-op principles and put in work time. The relationship with casting directors is important to all kinds of entertainment agents because it can influence the chances of being seen for a job and securing more money than the figure offered. Actors' co-ops also get to know unscrupulous employers and pass on that information to new members.

The CPMA represents members' professional interests and provides support and advice by putting members' views and issues to industry institutions such as Equity, Spotlight and the PMA (Personal Managers' Association). They have regular input into the development of Equity agreements and are consulted by Equity on industry issues. The CPMA participates in major working parties about future plans in different areas of employment with Equity and the PMA.

The CPMA and PMA work with Equity's negotiating teams to revise Equity's Collective Agreements, which include minimum financial provisions and minimum rates. They have regular input into the development of Equity agreements and are consulted by Equity on industry issues. The CPMA is also represented on major working parties about future plans in different employment areas with Equity and the PMA. In addition, CPMA acts as an advocate for co-operative working by making inputs to trade publications and promoting the benefits of co-op agencies to help raise awareness of the co-operative movement.

As well as responding to members' concerns, the CPMA works with its members to encourage good business practice and develop training skills and opportunities. They hold member-only seminars with casting directors and several members' forums, exchanging views on issues particular to co-ops. They have also organised training sessions run by Equity on the development and use of their agreements. The vast majority of actor co-op members are members of Equity but CPMA cannot insist on this because of restrictions under the Trade Union and Labour Relations Act 1992, which made it illegal for employers and employment agencies to discriminate between union and non-union members.

## **5.5 The Building Trades - Trade Unions and Worker Co-operatives**

While self-employment exists in every area of employment in the UK, in some areas it can cause severe problems, particularly with health and safety. In any aspect of employment, the presence of temporary staff working for different organisations

or none, who may receive different pay-rates for the same work, can cause issues of confusion and resentment, as well as allowing unscrupulous employers to exploit the workforce. On-site confusion can also have fatal consequences. For this reason trade unions in the more dangerous working environments, such as mining, shipping, oil and construction, have long opposed the use of casual and self-employed labour.

With increasing globalisation this has proven almost impossible to achieve in the shipping industry and, despite the efforts of building trade unions, success has been limited by the short-term nature of so many building projects. In these areas, trade union organisation of the self-employed, which would bring them into the mainstream, needs to be accompanied by a workplace structure that brings them together into a properly managed and controlled workforce. The creation of co-operative construction companies of sufficient size to run a construction site, whether binding self-employed workers together as in the French CAE system, or employing staff on PAYE, is probably the only way forward to ensure H&S requirements are properly met. Looser co-operative arrangements, such as those applied by actors' or artists' co-ops, are better suited to less dangerous workplaces, where experience shows they work very well indeed.

### **Examples of trade unions and co-operatives in the building trades**

Cooperativa Muratori e Braccianti (CMB) in Carpi, Italy is a large construction co-operative with 900 workers.<sup>111</sup> All are on permanent contracts and members of a trade union. Post 2009, the co-operative has worked out a diversification strategy that has helped them to move from falling public sector work to other 'socially responsible' real estate work. This has assisted them to minimise redundancies, which they have also managed socially by enhanced contributions to those laid off.

Italy has successfully supported the development of a broad range of worker co-operatives. Housing construction and cleaning co-operatives provide good examples. Italy has been a pioneer of co-operative consortia best practice in Europe. With encouragement from local authorities, three small co-operative consortia supporting construction worker co-operatives in Emilia Romagna merged in 1978 to form Consorzio Cooperative Costruzione (CCC).<sup>112</sup> The consolidation increased back office, legal and financial capacity to negotiate and manage larger building contracts. Since then CCC has continued to expand to become one of the largest construction companies in Italy with 230 worker co-operative members and 20,000 worker-owners overall.

Formula Servizi is a green cleaning co-operative with 90 per cent female worker-owners and a workforce of 1900.<sup>113</sup> The full-time and part-time work schedules are designed to support family circumstances and reduce the co-op's carbon footprint, with work assignments arranged close to home. This policy has cut greenhouse gas emissions and absenteeism. The policy and practices of the co-operative are consistently under review in relation to human development as well as economic and environmental objectives. Continuous effort is focused upon reducing waste, reusing materials, recycling and energy efficiency. Their hospital cleaning service does not use water. All workers benefit from more than 150 hours of training a year.

---

111 Marina Monaco and Luca Pastorelli (2013) Trade unions and worker co-operatives in Europe: A win-win relationship, *International Journal of Labour Research*, volume five, issue two

112 John Restakis (2010) *Humanizing the Economy: Co-operatives in the Age of Capital*, New Society Publishers

113 Marina Monaco and Luca Pastorelli (2013) op.cit

## 5.6 Key findings

- The development of representative organisations such as the Pharmacy Defence Association, IPSE and RICOL was driven by external pressures. If professional workers on relatively high incomes have decided that they need to be organised, it is likely that the same applies to lower-income self-employed groups. More disparate lower-paid workers may have greater need but less scope for organising themselves and there may not be a comparable shared trigger for action
- The difficulties of organising self-employed and informal workers have been much debated. Organisations like SEWA, Working Women's Forum and other WIEGO members use an alignment of trade union, co-operatives and mutual aid organisations to provide integrated services to meet the needs of self-employed workers. This success offers strategic guidance on some of the key principles and practices for effective broad-based organising
- As the experience of WIEGO shows, informal workers often form self-help groups and co-operatives as a first level of mutual aid. With a broader strategic vision and an understanding of the additional role of trade union protection and collective advocacy, they can be assisted to build on that success
- Case studies on the Musicians' Union, Equity and the CPMA show the potential and benefits of combining the strengths of trade unions and co-operatives
- The success of Equity and the Musicians' Union in working closely with co-operatives highlights both how and why trade unions and co-operatives need to find ways of reproducing that approach in order to provide an effective outcome
- Good practice has been codified in handbooks to assist this collaborative process for trade unions and co-operatives to co-design services
- In Italy, France and other countries, social dialogue between trade unions and co-operatives has led to successful social partnerships. In Italy, the national agreement between the co-operative movement and trade unions led to a major expansion of social co-operatives. This created a national network of localised care provision and the generation of over 360,000 jobs
- Co-operative consortia can be a powerful system for building effective co-operative networks. The Italians have demonstrated this with worker co-operatives in the building trades. Social dialogue in Italy between local authorities, trade unions and co-operatives offers good examples of social partnership that offer important lessons for the UK
- The central lesson for trade unions and co-operatives is recognition that there is a balance to be struck between organising self-employed workers and servicing their needs. The aim of organising is to enable the self-employed precariat to be recognised, represented and serviced as a group. Best practice shows that co-operatives are well placed to provide additional services beyond the insurance and representation services that trade unions specialise in. Creative collaboration between trade unions and co-operatives can find solutions otherwise not easy to secure

## 6 Solidarity and digital democracy

Digital technology can be used to lower costs, improve services and create new jobs - but there are also worrying trends towards adverse practices. A growing threat to all forms of secure work is the use by digital economy corporations of platforms to contract freelancers and to re-engineer businesses in ways that destroy formal economy jobs, replacing them with 'precariat' work. The advance of the digital economy is widely forecast to eradicate jobs both on and off the high street. What Amazon has done to undermine the high street is being copied by Steve Smith, the founder of Poundland, for estate agency through estatesdirect.com. This is an online estate agency offering a flat rate on the sale of housing, irrespective of value.<sup>114</sup> This process has been styled the 'internet of things' by Jeremy Rifkin and the advance of a zero-marginal cost economy.<sup>115</sup>

As this report has demonstrated, the co-operative movement has long been skilled in restructuring the economic and exchange relationships between stakeholders to create new social networks based on solidarity, mutual aid and economic justice. Co-operatives enable the creation of new, self-reinforcing networks that remove the opportunities for the extraction of disproportionate profits (or 'economic rent') and ensure all stakeholders are appropriately remunerated rather than exploited. As such, co-operatives can be understood as a vital 'social technology', specifically designed and operated for the recreation of a better society and economic system.<sup>116</sup>

However, digital technology and especially digital platforms, also have the ability to restructure the economic and exchange relationships between stakeholders. Anna Plowdowski of Greenmarque, a London co-operative and ethical business consultancy, has provided evidence to the deliberative inquiry on how digital platforms can create new types of social and economic networks. She makes the case for platform co-operatives as a powerful means for improving conditions for many precariat workers. Plowdowski argues that digital technology can do this in three ways.

Firstly, digital platforms can succeed through their ability to make communication and trade between customers and suppliers easier, more precise, cheaper and faster than was previously possible. They are new online 'marketplaces' where trade can take place. Secondly, computerised algorithms structure the matching of customers and suppliers, eliminating humans from the role of intermediaries. Both of these features enable extremely large, sometimes global, economies of scale and scope that were previously simply not possible. These features of the internet and early digital platforms led to enthusiastic claims for the collaborative or 'sharing economy' which have been heralded to be advantageous for everyone by optimising resource use for mutual benefit.<sup>117</sup>

The third way in which digital technologies and platforms restructure social and economic networks is through their ownership and governance structures, because

114 Christina Patterson 'Now it's the middle class's turn to feel the earthquake', *The Guardian*, 5 April 2014. <http://www.theguardian.com/commentisfree/2014/apr/04/middle-classes-employment-earthquake>

115 Jeremy Rifkin (2014) *The Zero Marginal Cost Society - The Internet of things, the collaborative commons and the eclipse of capitalism*, Palgrave MacMillan

116 Eric Beinhocker (2007) *The Origin Of Wealth: Evolution, Complexity, and the Radical Remaking of Economics*, Random House

117 Rachel Botsman and Roo Rogers (2011) *What's Mine is Yours: How Collaborative Consumption is Changing the Way We Live*, Harper Collins

these determine the algorithms applied and the types of exchanges that can take place. They also, however, determine who has access to and control over the resources of the organisation that owns the platform. Consequently this will require a struggles as there is nothing inevitable about the ability of digital platforms to re-structure existing social and economic networks in the direction of solidarity, mutual support and economic justice.

## 6.1 Digital economy corporations and the self-employed

The accountancy firm Price Waterhouse Cooper (PWC) has identified the five emerging growth areas of the 'sharing economy' as accommodation, peer-to-peer finance, online staffing, music/video down-streaming and car sharing. They have projected a global growth of revenues for these five sectors from \$15 billion in 2014 to \$300 billion in 2025. Digital technology also provides 'feedback loops' between suppliers and users, which can significantly improve quality.

"In some ways the sharing economy is a throwback to the pre-industrial age, when village communities had to share resources to survive. They built up trust through repeated interactions with people they had known all their lives. Modern digital communications allow sharing to happen across a global village of consumers and providers, with trust established through electronic peer reviews."

**John Hawksworth,**  
Chief Economist, PWC

These emerging sectors have, in some quarters, disrupted the status quo. The rapid advance of Uber within the taxi trade has been especially controversial. The proliferation of SatNav technology has devalued the knowledge of taxi drivers. Consequently, Uber has enabled individual minicab drivers to secure more business at the expense of licensed cabs. Their business model has caused the greatest level of social conflict so far. Uber is an app which connects taxi drivers with passengers directly, instead of through a centralised booking service or through a cab being hailed in the street.

Uber is notorious for reducing the price of taxi fares in London by signing up drivers who do not have a hackney carriage licence or 'knowledge'<sup>118</sup> and paying them less than a normal hackney fare. Uber is presented as a new 'sharing economy' alternative, but in reality uses the old model of unlicensed private hire on a new electronic platform, owned by a rapidly expanding global corporation.

Now operating in more than 50 countries, Uber's taxi app attracted \$688 million revenue from bookings in 2013, \$2.9 billion in 2014 and the level is projected to reach \$10.8 billion in 2015 and \$26.1 billion in 2016. Neal Gorenflo, a US expert on the sharing economy, described the threat of Uber to the conventional taxi trade as follows. He said: "Uber's big bet is global monopoly or bust. They've raised over \$8 billion in venture capital, are on track to do over \$10 billion in revenue this year, and have an estimated 200,000 drivers who are destroying the taxi industry in over 300 cities worldwide. They've done all this in just over five years.



Uber has reached a \$51 billion valuation faster than Facebook, and plan to raise even more money. If they're successful, they'll become the most valuable start-up in history. Airbnb is nearly as big and ambitious."<sup>119</sup> Uber says that drivers are self-employed, and the company retains 20 per cent of revenue for its support services. Uber vets the drivers online for insurance cover, commercial driving licenses and vehicle MoTs. The cost of entry is negligible compared with taxi licenses in Paris costing €100,000.

Uber is an exemplar of what is being called the 'gig economy', which marks a major change in the nature of work. A global monopoly has obvious implications for the employment rights of workers in the longer term.<sup>120</sup> In their contracts, Uber drivers are listed as 'partners' of the company. But aside from choosing their own hours they are effectively powerless, unable to challenge the fare structure and employment terms Uber sets.'

The deactivation of participants on platforms such as Uber or Airbnb is the same as dismissal, but the driver has no rights and no recourse. Professor Guido Smorto has described this transformation as full-scale eradication of worker rights through an expanding platform whose clear aim is to eliminate competition from traditional business operations. He said: "Sacking people has moved in effect from the realm of law to the realm of technology."<sup>121</sup> Unsurprisingly, militant protests by cabbies against Uber have spread like wildfire from Paris to Amsterdam, Madrid to Brussels, London to Montreal and Delhi to Gungzhou. Uber's legality has been challenged in the courts in many countries. UberPop, the app, has been banned in Germany, Italy and Spain.<sup>122</sup>

UberPop is appealing against a ban in the Netherlands and Belgium. Attempts in the UK to restrict Uber through tighter regulation by Transport for London have failed in the courts. A ruling by a California labour commission found that Uber's drivers are employees and by implication the company is responsible for payment of social security, workers compensation and unemployment insurance. Uber drivers in California have begun a class action suit for lost benefits.<sup>123</sup>

This case highlights the social protection issues and losses and how bogus self-employment schemes can make vast profits. In its defence Uber claims drivers can earn high levels of income but one investigation of its promised median annual income for New York drivers of \$90,000 after expenses showed that this would require a driver to work 27 hours a day, 365 days a year.

With the digital platforms, information is aggregated by the central body rather than necessarily shared with those involved. Connecting up and exchanging counter and transparent information has become one of the key strategies for defending the interests of those engaged in the 'gig economy'.

119 Gill Carson 'Five key sharing economy sectors could generate £9 billion of UK revenues by 2025, PwC Blog 15 August 2014. [http://pwc.blogs.com/press\\_room/2014/08/five-key-sharing-economy-sectors-could-generate-9-billion-of-uk-revenues-by-2025.html](http://pwc.blogs.com/press_room/2014/08/five-key-sharing-economy-sectors-could-generate-9-billion-of-uk-revenues-by-2025.html)

120 Charles Arthur 'Uber bears brunt of sharing economy backlash', The Guardian, 27 June 2015

121 Presentation made at Les Rencontres du Mont-Blanc, 26 November 2015

122 UberPOP, which exists in the UK and several European countries, claims through its app to operate as a ride-sharing platform, rather than as a taxi service although some say the difference is largely for legal reasons and should be banned: <http://www.telegraph.co.uk/technology/news/11715706/Uber-suspends-controversial-Uber-Pop-service-in-France-after-executives-arrested.html>

123 <http://thinkprogress.org/economy/2015/09/01/3697798/uber-drivers-class-action-granted/>



For example <http://insideAirbnb.com> is sharing information on the effect of Airbnb on local rental prices. Airbnb has rapidly become the biggest hotelier on the planet, with bookings growing from one million a year shortly after they started to one million a night on peak days.<sup>124</sup> In many cities in the USA and Europe this is reducing the availability of rooms to rent by local people and exacerbating the housing crisis. In San Francisco, with the growing accommodation shortage, rent for one-bedroom apartments has soared to an average \$3500 a month. Local opposition has led San Francisco residents to back a referendum, Proposition F, designed to limit Airbnb's adverse impact. In response Airbnb has launched an \$8.3 million counter campaign. The business model of Uber and Airbnb is based on the immense power derived from owning and operating a global platform. Unaccountability is in the design and structure. It cannot function otherwise. In the words of Josh Ryan-Collins of the New Economics Foundation "the information isn't shared, the platforms are not shared, and the profits are not shared".<sup>125</sup>

## 6.2 Co-operatives in the age of Google – creative commons opportunities

Robin Murray of the London School of Economics argues that digital technology enables untapped efficiencies to be secured and that the creative industries are a prime example of this.<sup>126</sup> One in 12 jobs in the UK (more than 2.5 million workers) work in the creative industries. This sector of the economy is growing fast and the UK is a world leader. IT, computer and software services hold the largest share with around 30 per cent of creative industry jobs. Publishing employs 15 per cent, TV, film, video and radio employ another 15 per cent and performing arts 14 per cent.

"By contrast to Uber there are more positive online commercial platforms, especially those like etsy and notonthehighstreet.com which have been hugely positive for many of the designer/makers I work with via the Crafts Council and elsewhere. Notonthehighstreet.com provides valued training and support to makers that it accepts on the platform. Those craft and design platforms have significantly expanded incomes and opportunities for many precarious self-employed people I support and in many ways provide a mutual approach to micro-business sales and marketing."

**Erika Watson,  
Enterprise Advisor**

Erika Watson, an enterprise advisor and advocate for trade union solutions for the self-employed, points to the popularity of the Not on the High Street platform used by creative industry workers, and ETSY, the peer to peer site for artists and artisans of handmade goods.

The RSA has reported on craft industry platforms and has shown how these sites are breaking the mould, opening up new horizons and opportunities for generating income and reducing costs.<sup>127</sup>

124 [http://www.shareable.net/blog/how-platform-coops-can-beat-death-stars-like-uber-to-create-a-real-sharing-economy?utm\\_content=2014-01-21%2525252015%2525253A10%2525253A36&utm\\_source=VerticalResponse&utm\\_medium=Email&utm\\_term=How%25252520platform%25252520coops%25252520can%25252520beat%25252520Death%25252520Stars%25252520like%25252520Uber%25252520to%25252520create%25252520a%25252520real%25252520sharing%25252520economy&utm\\_campaign=Platform%25252520Coops%25252520vs%25252520E%25252520Death%25252520Stars%25252520C%25252520Bolivian%25252520Farming%25252520Coop%25252520%25252526%25252520School%25252520Markerspacescontent](http://www.shareable.net/blog/how-platform-coops-can-beat-death-stars-like-uber-to-create-a-real-sharing-economy?utm_content=2014-01-21%2525252015%2525253A10%2525253A36&utm_source=VerticalResponse&utm_medium=Email&utm_term=How%25252520platform%25252520coops%25252520can%25252520beat%25252520Death%25252520Stars%25252520like%25252520Uber%25252520to%25252520create%25252520a%25252520real%25252520sharing%25252520economy&utm_campaign=Platform%25252520Coops%25252520vs%25252520E%25252520Death%25252520Stars%25252520C%25252520Bolivian%25252520Farming%25252520Coop%25252520%25252526%25252520School%25252520Markerspacescontent)

125 Josh Ryan-Collins (2015) The Sharing Economy: The Good, the Bad and the Real, New Economics Foundation

126 Robin Murray (2011) Co-operation in the Age of Google, Co-operatives UK

127 [http://extfiles.etsy.com/Press/reports/Etsy\\_RSABreakingtheMouldReport\\_2014.pdf](http://extfiles.etsy.com/Press/reports/Etsy_RSABreakingtheMouldReport_2014.pdf)

There is trade union organising activity among self-employed workers in many creative industry areas as we have seen. There are also a number of co-operative networks including 102 employee owned businesses and a number of well established, co-operatively owned enterprises including St. Luke's Communications, New Internationalist, Calvert's North Star Press, Co-operative Web, People's Press Printing, Arts About Manchester and Ludus North West Dance in Education. BECTU and Co-operatives UK have produced a guide for co-operative development in media and entertainment industry.<sup>128</sup>

Some employee-owned businesses are large, like Ove Arup whose 10,000 workers own the company through an Employee Share Ownership Plan (ESOP). However, 90 per cent of worker-owned design businesses are small, with under six workers. There are also 89 co-operative consortia operating in the creative industry sector in the UK and supporting a number of the smaller firms.

A co-operative consortium is a network of co-operatives or small firms, typically linked up through a secondary co-operative that unites the co-operatives and enterprises through mutual aid and typically through the provision of a number of back office services. To develop worker and multi-stakeholder co-operatives, they may also provide training, development support and technical aid assistance, thereby replicating other successful co-operative business models. For new worker co-operative development, this approach has worked well in many countries for decades and is being revived under conditions of austerity.

What many parts of the creative industries have in common is a system of teamwork that operates widely and openly with other small teams and enterprises. Such teams, as in the film industry, are put together project by project and work is therefore intermittent and time limited. Murray calls this way of working 'co-operation without walls'. The use of digital technology and platforms by most creative businesses releases the scope for this coproduction among diverse teams, who work together horizontally and flexibly on projects by inter-trading and co-delivering. These shared platforms have become known as the 'creative commons'.<sup>129</sup>

Murray argues that, just as Uber uses these platforms as an investor-owned corporation to extract value from the 'precariat', co-operatively owned platforms have the untapped potential to do the opposite - namely to capture value and 'economic rent' for the common good.

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

#### **The Co-operative Advantage**

128 Chris Funnell (2012) Works for you: a guide to setting up a co-operative in the media and entertainment industry, BECTU and Co-operatives UK

129 Ed Mayo (2015) The Co-operative Advantage, op.cit. Chapter 8, Creative Industries

### 6.3 Digital platforms with co-operative ownership

Traditional forms of resistance are important. However it is also important to see that digital technology can be equitably harnessed in new ways by trade unions and by co-operatives to forge new forms of economic democracy among self-employed workers. These solutions will be increasingly crucial to defend jobs and to protect and enhance working conditions through innovation.

### 6.4 Creative commons and platform co-operativism pioneers

Within the creative industries, Enspiral<sup>130</sup> is a great example of how to unite a 'creative commons' digital platform with new software tools for co-operative governance. Through this approach Enspiral has been pioneering a new and potentially revolutionary 'open co-operative' model. The founder Joshua Veal was a successful computer programmer who began to work part-time in 2008 as a professional contractor, to enable him to spend the rest of his time working on social projects. He went on to set up a co-operative to help other IT workers do the same. The result, Enspiral, is a new form of co-operative with three parts: the Enspiral foundation, which has charitable status; Enspiral Services, a worker co-op; and Start Up Ventures to provide a home for new co-operatives as they emerge.

To operationalise all three structural parts, Enspiral co-operative members regularly pool 20 per cent of their invoice income, put 25 per cent of this into the foundation for good causes, and the remainder goes into a collective bucket which they decide collectively how to spend or invest.

"Platform co-operatives, data co-operatives and fair-shares forms of distributed ownership can be used to co-own our infrastructures of production. The misnamed 'sharing economy' from AirBnB and Uber nevertheless shows the potential of matching idle resources..."

"In the right context of co-ownership and co-governance, a real sharing economy can achieve dramatic advances in resource use. Our means of production, inclusive machines, can be mutualised and self-owned by all those that create value."

**Michael Bauwens,**  
P2P Foundation founder<sup>131</sup>

"The central premise of platform co-operativism is that those who create the most value for the platforms - providers like drivers and hosts - should own and control the platform.....Platform co-ops can share much more than software including data, digital reputation, knowledge, marketing, public relations, legal, lobbying, and physical space. And share all this on a global basis."

**Neal Gorenflo,**  
Shareable co-founder

Enspiral members have developed the successful Loomio software for facilitating democratic decision making and Cobudget as a software solution for 'open co-operative' spending and creative co-operative investment and development work.

In the USA, a movement called platform co-operativism is emerging. The effective and combined use of co-operative

130 <http://www.enspiral.com>

131 <file:///Users/patconaty/Documents/Documents%201/P2P%20Foundation%20-%20Category:Post-Corporate%20webarchive>

methods in combination with digital technology is offering methods for development pointing towards a paradigm-shift in worker self-management. This creative commons thinking and platform co-operatives are attracting growing interest from pioneers of the free and open source software movement. A big next step is to connect this thinking to the threats faced by self-employed workers and in Europe and the USA this is beginning to happen in the alternative strategies that both unions and taxi drivers are considering.

“Like our union, the co-op is based on the values of solidarity, justice, one worker, one vote. Members of the co-op are independent contractors but they have a voice in setting their wages and working conditions, they have a grievance procedure, they have equal standing with management.”

**Lisa Bolton, CWA local branch President**

## 6.5 Towards trade union and taxi co-operative solutions

In London there are around 100,000 private hire or mini-cab drivers and at least 25,000 drive for Uber.<sup>131</sup> The London Private Hire App-based Drivers Association was recently set up for Uber drivers to meet and make plans - in effect a prototypical trade union. In France, a trade union for mini-cab drivers has been formed to oppose Uber's slashing of fares by boycotting their UberPop app, which they claim is undermining their livelihoods and driving them out of business.<sup>132</sup>

In Seattle, drivers for Uber and Lyft, another digital platform corporation, have been granted the ability to unionise to secure better working conditions.<sup>133</sup> In Denver, Colorado closer collaboration between unions and taxi co-ops is emerging. The city's Green Taxi Co-op is seeking regulatory consent to expand their membership up to 800 drivers and to use an app to compete with Uber through a worker-owned platform. The Public Utilities Commission is expected to deliver its decision in April 2016.

The Green Taxi Co-op has developed with union support from the Communication Workers of America (CWA).<sup>134</sup> The CWA has organised two other taxi co-ops in Denver and drivers in Baltimore and other US cities are seeking to follow suit. The widespread potential of these co-operative platform solutions is evident in many other trades and industries.

## 6.6 Buurtzorg's neighbourhood-based social care - digital economies of overheads

Success in the implementation of platform systems for the decentralised delivery of local care services by social enterprises across the Netherlands, and the success in Italy in developing back office services for social co-operatives are indicative of the potential of platform co-operativism. An example of the power of co-operative platform economics in action is the Buurtzorg neighbourhood care model in the Netherlands.<sup>135</sup> This social

<sup>131</sup> <http://www.theguardian.com/technology/2016/feb/12/war-on-wheels-uber-driver-black-cab-driver-debate-london-taxi-trade>

<sup>132</sup> <http://www.france24.com/en/20151013-france-uber-cab-drivers-launch-union-fare-cuts>

<sup>133</sup> <http://www.shareable.net/blog/denver's-green-taxi-co-op-fights-for-its-right-to-compete-with-uber>

<sup>134</sup> [http://www.cwa-union.org/news/entry/cwa\\_local\\_7777\\_builds\\_green\\_taxi\\_coop\\_in\\_denver/#.VroF-POuxIfE](http://www.cwa-union.org/news/entry/cwa_local_7777_builds_green_taxi_coop_in_denver/#.VroF-POuxIfE)

<sup>135</sup> <http://www.kingsfund.org.uk/sites/files/kf/media/jos-de-blok-buurtzorg-home-healthcare-nov13.pdf>

enterprise was set up in 2007 by Jos de Blok, a district nurse. With a team of four other skilled nurses, the non-profit business experimented by using an IT platform to create a localised care provider with self-managing teams.

The design of the business was to evolve and replicate similar, tightly co-managed teams and use a common platform to co-ordinate and expand delivery to more and more neighbourhoods. Year on year this evolutionary expansion has increased. All carer teams are self-managing groups. There is no boss. The Buurtzorg successful experiment created a large and growing manager-less organisation. Buurtzorg operates nationally with over 9000 carers but in a distributed way in small self-managing teams. Each team of typically eight to 12 provides customised home care in a growing range of neighbourhoods.

The use of the digital technology has secured what Robin Murray calls “economies of co operation”. This example shows how small teams can confederate and become powerful through the creative use of the common platform. Within Buurtzorg, the 900-plus neighbourhood care teams across the Netherlands are supported by just 40 back office

and administrative workers, plus 10 coaches who trouble-shoot, train and set up new local care teams. As Murray points out “the result is a reduction of overheads from the industry norm of 25 per cent of total costs, to eight per cent”<sup>136</sup>

Unlike social care services in the UK, Buurtzorg’s use of digital technology has saved massively on command and control overheads. These internalised savings have been used to increase the skill level of care workers; to improve pay and conditions for carers; and to improve the overall quality of care and service provision. This dynamic model has generated widespread interest from NHS nurses, the Royal College of Nursing and care co-operatives in the UK.

## **6.7 Social care and co-operative solutions - solidarity economy methods**

In his evidence to the inquiry, Bruno Roelants of CECOP CICOPA - Europe stressed that worker co-operatives are different from co-operatives of self-employed people like, say taxi co-ops, artists’ co-ops or fishing co-ops. The latter have similarities to farmer co-operatives. However, it is feasible for precarious self-employed workers to develop effective strategies in a number of service sectors and industries to establish worker co-operatives - and they can also do this effectively with an alliance with trade unions.

The Italian co-operative movement has also had impressive success through social dialogue and by working with trade unions and local authorities to provide social care through worker co-operatives and broader multi-stakeholder co-operatives where workers, family carers and service users are all members of a social co-operative. A national trade union agreement with the co-operative movement was forged in the early 1990s after a new law was passed in 1991 approving these innovative forms of care provision. The Italian social co-operatives now operate both in health and social care and also in the criminal justice system, helping ex-offenders to secure work.



With the benefit of enabling legislation and tax incentives, the Italian social co-operative movement has grown from about 1,000 care and job creation co-operatives in 1990 to 14,000 today, each typically small with about 25 employees. They secure 'economies of co-operation' through both regional and national co-operative consortia that provide shared back office services and joint negotiating teams to secure long-term contracts.<sup>137</sup>

The growing social co-operative sector in Italy accounts for more than 360,000 jobs. This new form of co-operative enterprise has been replicated successfully in France, Spain, Portugal, Canada and Japan and is developing in Greece.

In a number of countries, social co-operatives are also called 'solidarity co-operatives' to reflect the collaborative co-production methods that enable jobs and high quality services to develop. In most countries, new legislation like the 1991 Italian law, has provided an enabling policy and a fiscal framework to support the emergence of these new forms of democratic and multi-stakeholder ownership of services, commonly implemented in partnership with the public sector.<sup>138</sup>

To support the development of social co-operatives, legislation like the Italian law has been passed in France, Quebec and in six other EU countries. This legislation has supported job creation and in a number of countries, national trade union agreements have been forged. Italy has led work using social co-operatives to create jobs for offenders both within and upon leaving prison. In the UK two social co-operative development networks are operating in England and Wales and there have been efforts to build public sector partnerships. Public policy support matters as highlighted by the expansion of CAE network in France and in Italy with the partnerships agreed with local authorities and with the prison and probation services.

Ex-offenders struggle to get formal work and the CAE co-operatives offer a bridge into supported self-employment that can reduce re-offending rates significantly. In Italy, the partnerships with the public sector has helped develop a range of Fair Trade businesses for ex-offenders to secure work. Good examples include Pausa Cafe, a growing chain of co-operatively owned cafes, a co-operative brewery for real ale that is popular and exported and Exodus, a door and window manufacturing co-op operating within a prison that also creates jobs for those released installing the joinery on building sites.

This growing movement towards the use of public and social partnerships in Europe, Canada and the USA (often involving collaboration between local authorities and trade unions) to advance a new sector of co-operative services has become known as the 'solidarity economy'. The success of such methodologies has been recognised in France under the 2002 law to promote the solidarity economy and to introduce the SCIC as a multi-stakeholder social co-operative. Recently, the UN began promoting this approach by pointing to the enormous potential of solidarity economy strategies for advancing social inclusion, generating good work and jobs and in the tackling of inequality.<sup>139</sup> Ripess is an international network promoting Solidarity Economy solutions through five languages. There are now solidarity economy movements in 13 European countries.

137 Ed Mayo (2015) op.cit. Chapter 12, Social Care

138 Pat Conaty (2014) Social Co-operatives - A Democratic Co-production Agenda for Care Services in the UK, Co operatives UK

139 <http://www.unrisd.org/80256B3C005BCCF9/search/AD29696D41CE69C3C1257D460033C267?OpenDocument>



The Japanese network of co-operatives, Seikatsu, is a member of Ripess. The co-operatives operate locally in co-operative clubs and, since the late 1980s, have replicated the Italian social co-operative system to develop a growing range of social care services. They have also been a leader in the global development of community-supported agriculture uniting consumers with local farmers. The Seikatsu movement's innovation has proven how solidarity economy methods can work to advance the green economy as well as social care provision.

Co-operatives UK and the Wales Co-operative Centre are supporting networks and forums in England and Wales to introduce social co-operatives and the solidarity economy model to the UK.

## 6.8 Worker co-operatives and the solidarity economy in the USA

Worker co-operatives have been attracting growing interest in recent years, particularly in the USA. The American co-operative movement includes 30,000 organisations with \$3 trillion in assets, \$500 billion in annual revenue and a workforce of two million people. However worker co-operatives represent only one per cent of US co-operatives. This may be set to change as the US Solidarity Economy Network develops.

One example of the Solidarity Economy in the USA is WAGES (Women's Action to Gain Economic Security) that was set up jointly by a house cleaning co-op manager and a social worker to create decent paying work for cleaners in the San Francisco Bay Area.<sup>140</sup> It was launched as a 'green cleaning co-op' with over 100 worker members, each of whom agreed to pay in \$400 through payroll deductions to capitalise the business and to set up a personal equity account. The pay for cleaners averages \$15 an hour and members also accumulate equity shares in the co-operative. For most workers, these personal equity accounts have accrued to about \$9000 in a few years. Using this system, five worker co-operatives have been established so far and a new trading name, Prospera,<sup>141</sup> has been adopted.

Arizimendi Associates is another worker co-operative network in the San Francisco area. They have developed a co-operative consortium model for setting up worker co-operatives for bakeries to reduce the risk of new ventures. The consortium investigates good locations, recruits new founding worker members and provides a full range of support services including business support, marketing and bookkeeping that the co-operative bakeries benefit from as joint members of the consortium.

COLORS is a Co-op Academy and Incubator in Detroit affiliated to the Restaurants Opportunities Center (ROC) in New York. ROC was formed in the aftermath of 9/11 as an organisation to assist displaced restaurant workers, whose restaurants were destroyed by the Twin Towers attack or subsequently put out of business. The ROC founders identified worker co-operatives as a key development path.

Through the academy, COLORS organises education and practical training services to support those seeking to start up worker co-operatives. To provide job mentoring, technical knowhow and management experience, they arrange five-month

<sup>140</sup> Nina Misauraca Ignaczak 'It takes an Ecosystem: The Rise of Worker Co-operatives in the US', <http://shareable.net>, 16 July 2014

<sup>141</sup> <http://prosperacoops.org>

apprenticeships in established restaurants. The restaurant partners are committed to creating a democratic workplace. COLORS also helps new co-operatives launch with support and assistance in finding resources.

For any move to develop worker co-operative solutions like these, access to patient and co-operative forms of capital is crucial. The mayor of New York City has announced new funding for a specialist revolving loan fund for co-operatives. Co-operative and Community Finance provides similar services in the UK.

## 6.9 The US Steelworkers and the Union Co-op model

The US Steelworkers Union has become increasingly interested in worker co-operatives. The failed struggle in Youngstown, Ohio to save a steel mill through a worker buy-out in 1977 led to the setting up of the Ohio Employee Ownership Center that has built close links with US Steelworkers over the years. In 2012, the union worked jointly with the Ohio Employment Ownership Center and the Mondragon Corporation in Spain to produce a strategy and Union Co-op model. Mondragon is the largest worker co-operative network in Europe with 74,000 worker owners and a network of 257 co-operatives. The new joint model includes union representation from the outset.

Through the three-way partnership, eight Union Co-ops have been created using the model. These include the Clean and Green Laundry in Pittsburg and seven Union Co-op Initiative ventures in Cincinnati, Ohio. Among them is a co-operative food hub, a railway manufacturer and a jewellery manufacturer. There is work underway in Los Angeles to develop Union Co-ops with the US Steelworkers. The Los Angeles Union Co-op Initiative is developing an electrician's co-op to install solar power for businesses and homes.<sup>142</sup> Another Union Co-op is converting a privately owned car wash into a worker co-op.

The solidarity economy in the USA is advancing diverse forms of economic democracy projects with the support of a range of research and development services including the Solidarity Research Center, a worker co-operative, and the Los Angeles Co-op Lab at Antioch University.

## 6.10 Evergreen Co-operatives - Cleveland, Ohio

An ambitious project to develop worker co-operatives is the Evergreen Co-operatives network in Cleveland, Ohio, set up in 2008 as a co-operative consortium.<sup>143</sup> The Mondragon co-operative corporation in Spain has also been the inspiration for Evergreen. Cleveland, like Detroit, has been losing manufacturing jobs for decades. Work on alternative industrial strategies has led to the Evergreen Co-operatives as a joint venture. This is an ambitious co-operative development plan and is supported by the City Council, the Ohio Employee Ownership Center, the Democracy Collaborative and the Cleveland Foundation.

The Evergreen mission is focused on developing a co-operative economy in Cleveland in new green industries that are democratically owned by workers living in low-income communities. So far, three worker co-operatives have been established by Evergreen the

<sup>142</sup> <http://lacooplaborlab.aulacourses.com/portfolio/3748/>

<sup>143</sup> <http://www.evgo.com/>

co-operative consortium. These include: Green City Growers, the Evergreen Co-operative Laundry and Evergreen Energy Solutions. The city and other anchor institutions like the universities and hospitals in Cleveland spend some \$3 billion in procurement contracts annually. The Evergreen strategy is being implemented through a public social partnership to create new jobs in six low-income neighbourhoods (with 43,000 residents) that have experienced disinvestment for years. The strategy meets social justice and carbon reduction objectives simultaneously. Evergreen is achieving this with a three-part shift from fossil fuels to renewable energy, from unemployment to new green jobs and through local food production on inner city sites supplying fresh food to anchor institutions and local restaurants.

The laundry co-operative is a state of the art 'green' operation that has trained and hired local people who were previously out of work. The same 'green economy' approach is being made by the renewable energy co-operative that has secured contracts from anchor institutions to install solar power on city, hospital and university buildings. Patient 'co-operative capital' is provided within the co-operative consortium by an Evergreen community development finance institution (CDFI), investing \$200 million at one per cent interest to enable the worker co-operatives to retain earnings, build their balance sheets and develop in similar ways to the Mondragon co-operative model.

## 6.11 Key findings

- Digital platforms can be used to capture and dominate markets as evidenced by Uber. The key is ownership of the platform, not the technological detail. Privately owned platforms, such as Uber, Airbnb, Facebook, Trip Advisor operate for the benefit of private investor owners, contrary to the rhetoric of a sharing economy
- The need to provide a return on venture capital and dividends for shareholders, combined with the elimination of competition (which is the basis of the model), inevitably reduces the earnings of the workers involved and undermines their ability to secure reasonable terms and conditions of employment. All the intellectual content remains the property of the private owners of the corporation, including all the information the platform users, both workers and customers, have uploaded to the site. In the case of Uber and Airbnb, the app users, must provide the capital items (i.e. cars or accommodation) specified by the platform owners
- The same digital technology can be adapted and used to create new jobs through open 'co-operatives without walls' as Enspiral is showing. Buurtzorg, in the Netherlands, has demonstrated how a similar harnessing of digital technology can be utilised to create manager-less care networks, delivering higher-quality social care with a highly skilled workforce on better pay and conditions than other providers. Green Taxis in Denver, USA are aiming to protect their jobs and improve their working conditions in their battle with Uber using their own app
- Co-operative consortia can be a powerful vehicle for building effective co-operative networks and the Solidarity Economy. The Italians have pioneered the solidarity economy in Europe and demonstrated this in the successful development of worker co-operatives in the building trades and in multi-stakeholder social co-operatives in the care sector. In the USA, Evergreen Co operatives, Prospera and the Arizmendi Associates are also demonstrating the potential of the solidarity economy
- Co-operative capital is different than venture or bank capital. This is partly because it is 'par value' and does not increase over time and partly because it comes

from members and other stakeholders, directly and democratically involved in the business, who are unlikely to pull out their own capital and destroy their own livelihoods or the local economy solutions they are seeking to co-develop. Evergreen Co-operatives and Prospera both highlight how to mobilise and manage co-operative capital systems

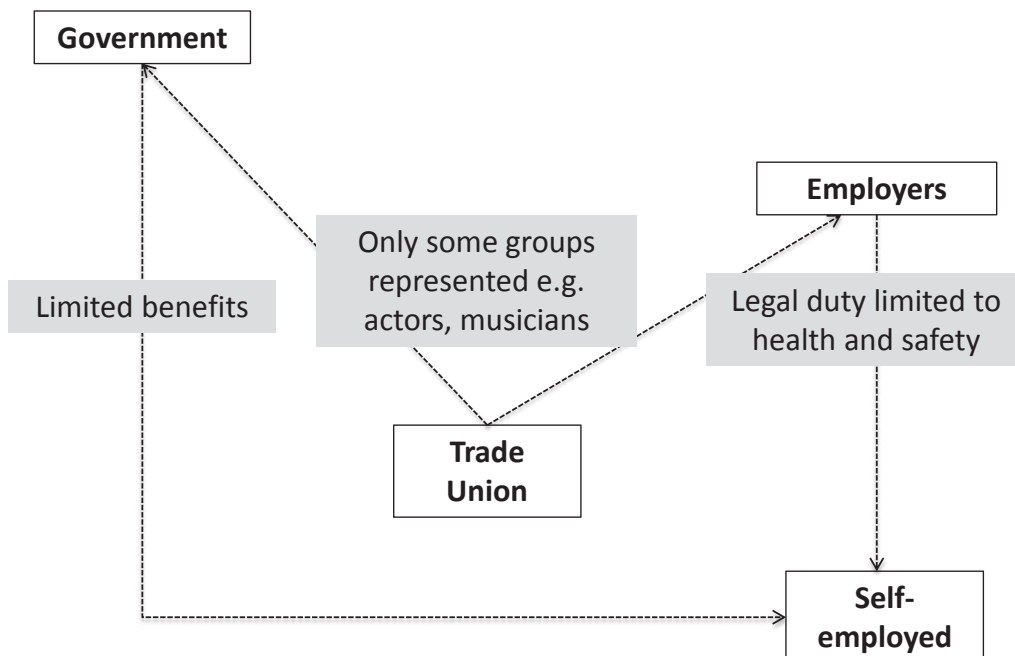
- Mutual guarantee schemes can reduce risk, but public-social partnerships like those in Italy and like Evergreen Co-operatives in Cleveland can also be forged with municipal authorities and other anchor institutions in low-income areas with high unemployment. Indeed, with joint commitment they can be developed to build an economy for the common good
- Support from US Steelworkers for worker co-operatives is an example of a trade union helping to create new jobs in the green economy and in other service and manufacturing sectors. Much more needs to be done, but innovative good practice is emerging and in some countries like Italy and Japan the solidarity economy has a proven and growing track record

## 7 Conclusion: The solidarity economy

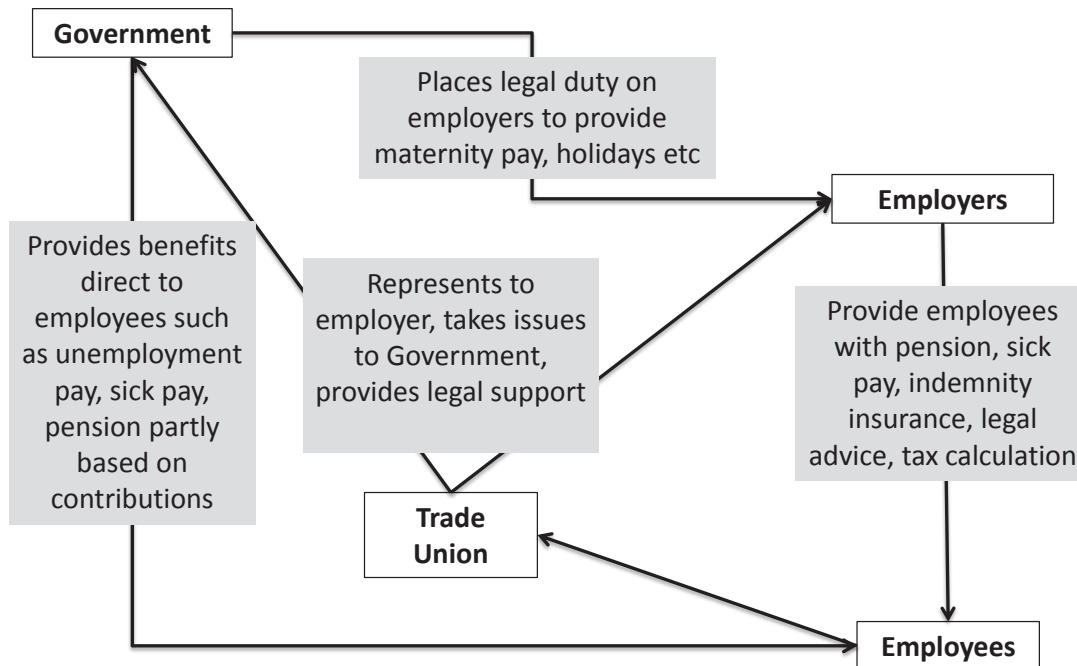
The vast and growing group of workers which we have characterised as the self-employed precariat is an international phenomenon. Its role in the economy cannot be overstated. Although its members are frequently unsung, it is a dynamo for growth. Self-employed workers are creating their own jobs and indeed leading the creation of new work. They lack economic and social protection and securing these rights is a complex and strategic challenge for the trade union movement.

The self-employed precariat is, by its nature, complex and its needs are not uniform or simple to address. Some of the precariat have representation through specialist trade unions, but most have limited social benefits and no representation at all.

### Self-employed Workers lack Legal Protection and Representation



## Employees have the benefits of employment law protection



The self-employed precariat enables many small growing firms to contract labour and skills as and when needed. Many, indeed most, of the self-employed value their independence and do not ask to be rescued or 'saved'. Risks and rewards need, however, to be evenly balanced when the power relationships are anything but. While legislative changes can help to crack down on abuse such as forced or false self-employment, workers need to be able to organise and join forces in order to reduce overheads and, more importantly, defend and assert what rights they do have - including the right to a contract and the right to be paid on time, as well as workplace issues such as health and safety.

The resounding message from the inquiry and this report is that the needs of this important group can, and probably can only be addressed, by a partnership between the trade union movement and the co-operative movement. This is already happening in an international context and this report highlights a number of striking examples of good practice from Italy to India and emerging in the USA under the Union Coop model.

While the context of the digital economy is new, the problems generated by global digital corporations are not (even if their form is very modern). Addressing these problems requires the collaborative adaptation of resources and institutions with a long history and vast experience, created for and by working people, often applied with the support of municipal and local authorities. The prize is the development of a new, innovative and equitable solidarity economy.



International evidence and UK best practice shows that organising self-employed workers is most successful when the trade union and co-operative movements, supported by local authorities, find common cause. In many parts of Europe this convergence and joint working is known as either the 'social solidarity economy' or just the 'solidarity economy'. Both efforts are complementary. Trade unions help self-employed workers get what they are entitled to and co-operatives help them work together to make the most of what they have as common resources.

In the USA, where the solidarity economy approach led to the Union Coop model co-developed by the US Steelworkers and the Mondragon Co-operatives from Spain, there is a different mutual aid logic underpinning the organising approach of precarious workers. This methodology is a throwback to the earlier days of trade unions and co-operatives working hand in glove.<sup>144</sup>

"Originally, unions were organised around a logic of mutual aid, which emphasises that, like an extended family, the union is a corporate entity whose members have multiple obligations to one another and share a collective responsibility for the well-being of one another. This logic enabled unions to survive in a hostile environment characterised by employer and legal opposition. Over time, unions lost their legitimate authority to command members' commitment because they shifted their orientation from involving members in the lives of their unions to a servicing logic, which emphasises the role of leadership in negotiating material gains through a bureaucratic process, especially providing members with good wages and benefits. In today's hostile environment, this logic is no longer effective. In order to survive, many unions are attempting to re-create their old mutual aid logic."

**Mutual Aid and Union Renewal - Cycles of Logics of Action,  
Samuel B Bacharach, Peter A Bamberger, William J Sonnenstuhl**

Given the common dispersed situation of self-employed workers, the evidence of good practice gathered for this inquiry shows that the mutual aid logic for organising strategies is crucial for success - both for trade unions and for co-operatives to collaborate in recruiting and meeting. Moreover, it is the widespread lack faced by self-employed workers of employment protection, sick pay, holiday pay income and the barriers they face to accessing welfare benefits that underscores the importance of solidarity economy solutions co-developed by trade unions and co-operatives.

<sup>144</sup> Samuel B. Bacharach, Peter A. Bamberger, and William J. Sonnenstuhl (2001) *Mutual Aid and Union Renewal - Cycles of Logics of Action*, Cornell University Press, page ix

In his speech to the Labour Party conference on 29 September 2015, Jeremy Corbyn recognised the needs of self-employed workers and their exclusion from the welfare state.

“One in seven of the labour force now work for themselves. Some of them have been driven into it as their only response to keep an income coming in, insecure though it is. But many people like the independence and flexibility self-employment brings to their lives, the sense of being your own boss. And that’s a good thing. But with that independence comes insecurity and risk especially for those on the lowest and most volatile incomes. There’s no statutory sick pay if they have an accident at work. There’s no statutory maternity pay for women when they become pregnant. They have to spend time chasing bigger firms to pay their invoices so they don’t slip further into debt. They earn less than other workers, on average just £11,000 a year.....So I want our policy review to tackle this in a really serious way....Labour created the welfare state as an expression of a caring society but all too often that safety net has holes in it....and it is not there for the self-employed. It must be. That is the function of a universal welfare state.”

**Jeremy Corbyn, Labour Party leader**

**Specific needs of self-employed workers identified by the inquiry include:**

#### **Comradeship and social support**

Whether working on short term contracts in differing workplaces, or working alone at a desk or driving a van, feeling alone is commonplace. Shared workspaces, a mutually developed back-office and membership of a support organisation builds confidence to negotiate better conditions for themselves.

#### **Communication with others**

Being part of some membership organisation or network enables them to share experiences, compare prices and charge-out rates, and identify rogue employers and agencies.

#### **Back office services**

Most need professionally provided back-office services, whether in the form of invoicing, cash-flow management, access to finance, specialist insurance or collecting unpaid debts.

#### **Legal advice, advocacy and support**

All need some legal help and backing, of the type provided by trade unions to the conventionally employed and some freelancers, whether the comprehensive service of the Medical Defence Union, or simple contract advice.

#### **Marketing, sales and workspace**

Every member of the ‘precariat’ is constantly looking for work. An organisation like the French business and enterprise co-operatives, the CAEs, provides a nationwide solidarity economy solution for those new to self-employment.

### Cash-flow protection

This includes the provision of sickness pay to cover periods when they cannot work, as well as managing payment for work done, and providing mutual guarantees and credit facilities.

A number of not-for-profit, social enterprise and co-operative organisations across the UK supply these types of service to a mixture of sole traders, co-operatives, social businesses and small businesses, whose needs overlap with those of the self-employed precariat while not necessarily being the same. There is, however, no joined-up or co-ordinated provision designed specifically for self-employed workers and most operations in England and Wales which seek to assist are very small-scale.

By contrast CAEs in France operate in most cities and provinces. They assist self-employed workers by having them listed on its books, by helping them co-operatively to self-manage, by providing them with workspace and insurance, by help them with marketing to find customers/hirers and also by assisting them to secure and deliver contracts.

## 7.1 Trade unions for the self-employed – the organising challenge

The trade union movement needs a cohesive and sound plan able to respond to the transformational changes taking place in the workforce we have highlighted in this report. These changes are at their most dramatic in the development of the global digital corporations, such as Uber, which have the potential to drive earnings and work conditions catastrophically downwards as they squeeze competition and regulation out of the market.

Trade unions have confronted and practically solved problems facing self-employed workers in the entertainment sector (BECTU, Equity, the Musicians' Union and the NUJ) and they have considerable knowledge and experience of how to organise the self-employed, which they could pass on to other, larger, trade unions. The international dimension is reflected in the fact that the ILO, the International TUC and the International Co-operative Alliance have all recognised that organising the informal workers of the world is strategically crucial. Some general unions for self-employed workers have been successfully set up in the Netherlands and Spain.

The Charter of Freelance Rights,<sup>145</sup> developed by the European Federation of Journalists, has wider applicability to other self-employed workers and provides a template that could be adapted to develop a self-employed workers' charter for the UK and for other European countries.

WIEGO member organisations have shown both how to organise informal economy workers and how to change policy and law through successful advocacy. There is a need to make the self-employed workforce visible, to amplify their voice and to increase their presence and legitimacy in policy debates. What works well in India, which has a limited trade union infrastructure, is a joined up system of co-operatives and member based organisation support systems that in combination operate as new trade unions for the self-employed. This may not be so easy to adapt in the UK, where trade unions are already well established but the system's principles can provide guidance to the TUC and Co-operatives UK.

---

<sup>145</sup> <http://www.ifj.org/issues/freelances-rights/>

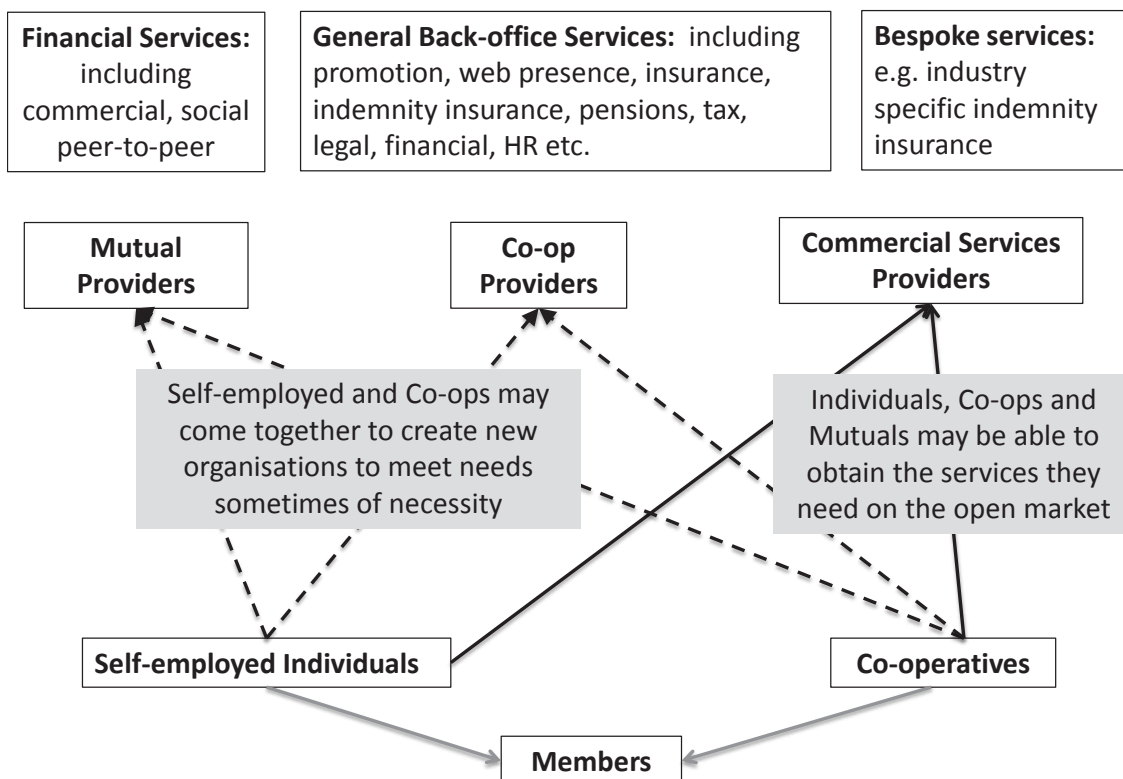
## 7.2 Digital technology – Converting a master into a servant

It is absolutely clear that if collectively owned and run organisations and electronic platforms are not created, transnational corporations will increase their control of the new platform technology and with it the supply of intermediaries and back-office services - to the growing disadvantage of self-employed workers. There is an urgent need to address this issue and work to design digital structures which can support self-employed workers and enable them to maintain their independence and protect their livelihoods against the growing dominance of digital corporations.

## 7.3 Mutual Aid Logic: Organising and collaborative services models

This inquiry has concluded that two distinct 'mutual aid' organising and services models are required: representation/insurance/advice and services supply co-provision. To get this right requires some degree of experimentation and a creative collaboration between UK trade unions and the co-operative movement and on a much bigger scale than existing good practices in the media sector.

**Co-ops and mutuals can provide a range of essential services to the self-employed**



The representation/insurance/advice bodies will need to be able to address a distinct category of worker, those who are registered as self-employed. The type of legal representation, insurance and advice this group needs is very different to those on PAYE, and it may be that different teams of advisers and lawyers need to be created to provide this. These could be part of the same representation/advice organisation that

serves those on PAYE contract work, such as Trade Unions, or they could be in separate organisations linked federally, so that they can build the expertise to work with both groups.

The services supply organisations can be sector specific (artists, actors, builders) or service specific (back-office, workspace, equipment sharing, finance, insurance). They can address a whole range of needs in addition to their main function, either through partnerships with financial institutions and insurance companies, or if they can build scale they can deliver directly. Examples where the more prosperous self-employed have organised, such as the Medical Defence Association (MDA), or like the National Farmers Union, through its historically associated organisation, NFU Mutual, show what is possible.

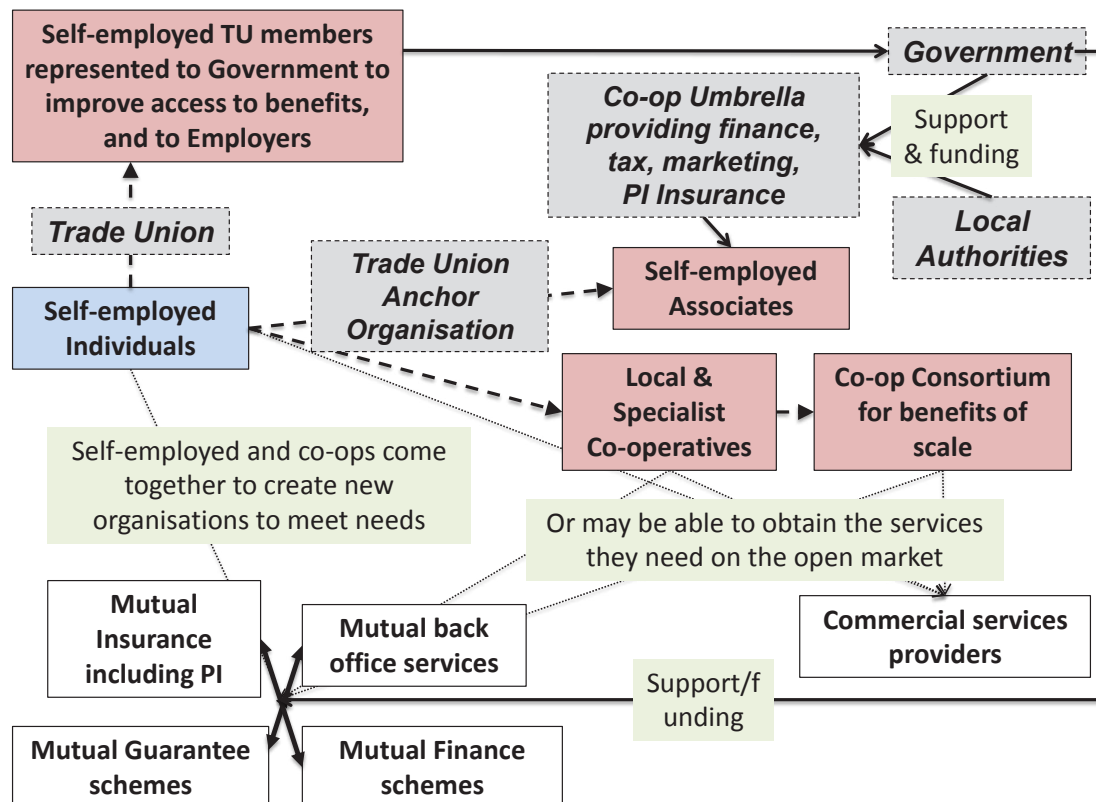
An integrated model of representation and service supply together will be difficult to build in the UK, but whatever solution is found will need to draw upon the expertise of the trade union movement. With the direct involvement of the trade union movement it would be possible to design an organisation that supplies both some generic services and representation.

What is also needed is proactive support and facilitation by trade unions and other anchor institutions to enable and encourage co-ops and the mutual organisations to develop and provide the necessary additional support and back office services.

Bruno Roelants, of CECOP CICOPA – Europe, offered guidance to UK trade unions and co-operatives based on international experience in his evidence to the inquiry. He said: “One key observation regards who should do what in helping the self-employed organise themselves, including in co-operatives. Whereas as indicated in a series of examples, trade unions can indeed provide the self-employed with a series of services, for example, legal contracts, etc, helping people organise themselves in co-operatives is usually the role of co-operative organisations. The case of the French CAE is a typical example. In our experience and from our observation point, the few trade unions... that have committed themselves to organise co-operatives have either separate entities and institutions doing this co-op organisation work (e.g. SEWA or even the Wales Co-operative Centre) or have helped establish institutionally separate co-operative organisations (e.g. CICOPA member UNISOL in Brazil).”

This guidance is consistent with the collaborative best practice in the UK identified by the inquiry. This is evident in the partnership between the Musicians’ Union and Co-operatives UK and the similar division of labour that operates between Equity’s representational work and services and the partnership with the CPMA to widen services through the development of actor co-ops. The illustration below highlights how a Solidarity Economy system could operate through a collaboration between the trade unions and the co-operative movement with additional support secured through Government and local authorities as is the case in France and Italy.

## Uniting Self-employed Workers – What a solidarity economy approach might look like



Liability insurance, tools insurance, debt collection services and sick pay savings schemes could all be rolled up into a self-employed trade union package. A credit union, mutual credit like WIR and mutual loan guarantees, could be co-developed by the co-operative movement working closely with trade unions. Co-operative consortia, shared workspace co-ops and other mutual aid solutions would be complementary. The same would be the case for social co-operative organisations like the French CAEs for start-up support.

Considerable knowledge is already present among the Federation of Entertainment Unions on how to organise self-employed workers and meet their needs. Some of these unions are also supplying specialist services to their members such as debt collection and liability insurance, so there is considerable experience to build on. If the TU movement works with the co-operative movement, with which it shares its values and a common history, a unified service and representation model is possible and would still leave space for specialist bodies supplying services to specialist groups.

### 7.4 Devolved UK governments

The devolved governments in Northern Ireland, Scotland and Wales all have the power over economic development devolved to them. All have established cross/all-party groups on co-operatives and mutuals, and all have policies which promote co-operatives to a greater or lesser extent. Recently, these groups have started to work more closely to develop policy.

There is an opportunity in Wales to blaze a trail within the UK in supporting self-employed people in vulnerable employment and to strengthen their position in



the labour market through co-operative models in a similar fashion to the French CAE model. The Wales Co-operative Centre (WCC) is unique as a co-operative development body for being set up by the trade union movement. It began more than three decades ago. WCC's relationship with the trade union movement remains strong today. It provides the ideal conditions to bring together two key players. Furthermore, the highly successful Enterprise Rehearsal Project, which ran during the early 2000s, means that the WCC already has experience of supporting individuals that are unemployed to become self-employed by assisting them to test trade their business idea whilst still on benefits.

The Buurtzorg neighbourhood care model in the Netherlands and case study (section 3.6) is a model that could be developed in Wales. It could be aligned with the social services and Well being (Wales) Act 2014 which actively promotes the adoption of co-operative models of social care. There is scope to adopt the model to increase the pace of social co-op development, to realise a Wales-wide business that works in a distributed way, in small self-managing teams, providing customised home care in a range of neighbourhoods.

## 7.5 Summary recommendations

Time is of the essence. The self-employed workforce is growing at over a quarter million each year, and accounts for more than 50 per cent of new jobs being created. There is a need to act fast to alleviate the condition of the 'precariat' and offer self-employed workers the services they need. This needs matching with proactive recruitment to help them build a collective voice for change.

The four guiding objectives and recommendations for uniting self-employed workers are:

1. Recognition of the growing self-employed workforce, by developing organising strategies for self-employed workers, bringing together trade unions and the co-operative sector and operating with the support of national union centres such as the TUC
2. The development of organising strategies will involve consideration of key priorities for action, including:
  - Primary sectors, such as the creative industries, care services and the green economy
  - Primary services, such as a credit union for freelancers, provision of micro-insurance and related services such as debt collection, tax accounting and legal advice, the scope for platform co-operatives and sources of capital for co-operative business development
3. The interests of self-employed workers are not well represented in national policy-making, with the result that they face unnecessary regulatory burdens and barriers. The Department for Business, Innovation and Skills (BIS) should identify how to create a voice for self-employed workers at the heart of government, learning from the way in which wider small business has successfully become recognized over time, in business policy, regulatory interventions and commissioning design.
4. Two policy initiatives that are high priority, to unlock the potential for collaboration across self-employed workers, are: the development by the Treasury and Financial Conduct Authority of an appropriate regulatory treatment for mutual guarantee societies; and exploration by the Department for Work and Pensions of the potential for business and employment co-operatives for people on benefit.

## Appendix one

### Co-operative d'Activités et d'Emploi (CAE)

The social economy in France is estimated at around 12 per cent of GDP employing around 1.3 million people, very similar to the level in the UK and indeed the level in other European countries.

As in the UK essentially the philosophy underlying the principles of the social economy include sustainable development, localism and a belief that there are issues other than profit. France however has a more mutualist culture, so the idea that staff and beneficiaries should also play a part in decision-making is much stronger than in the UK, and the idea of a social enterprise run by a lone social entrepreneur which is becoming increasingly common in the UK, would seem unusual to them.

La Maison de l'Initiative (MDI) in Toulouse is a SCOP (Société Co-operative et Participative)<sup>146</sup> offering a general range of business support and advice in a co-operative setting, and a Co-operative d'Activités et d'Emploi (CAE) which is part of a national network of CAEs<sup>147</sup> aiming to explain and promote the idea of 'salaried entrepreneurs'. It has operated for 20 years, employs 14 staff and grew out of a project aimed at encouraging women from economically deprived areas of Toulouse to develop their own enterprises. While it now supports men as well as women equal participation by women remains a core aim.

The learning from the early days of the organisation was that at the end of a period of training and support to develop their enterprise idea, the clients still lacked the confidence and experience to launch their enterprise. The solution they developed was to 'couvrir' them (incubate their businesses in the way a hen incubates and hatches out her eggs) for a period of one year following a period of training and development. During the incubation period, they may continue to draw benefit or unemployment income from the state but also, when their enterprise begins to earn income, they draw a salary from CAE funded by their own earnings. After running the service for disadvantaged women, the organisation decided it could be applied much more widely, to anyone starting up an enterprise who needed training or support – and a period of protection.

The methodology for working with the client that they use is fairly standard across all the CAEs:

- Potential clients have to present themselves for interview where their aspirations and ideas are discussed and developed. Are they serious about the idea of their own enterprise? Do they realise it may mean some 24/7 commitment? How much to they hope to earn?
- This is then followed by a period of training. People may already have a qualification or a trade but may know nothing of marketing or business development; or they may have no existing qualification or experience and need to develop that too

<sup>146</sup> SCOPs in France use the same legal forms as other companies (SA, SAS, SARL) but with the key difference that at least 50% of both the capital and the Board are controlled by the salaried employees who vote democratically on running the organisation. SCOPs are essentially the French form of worker co-operative

<sup>147</sup> Cooperer pour Entreprendre – Co-operate for Enterprise <http://www.cooperer.coop>

- They then launch their business which the CAE helps them promote via the website. The initial earnings may be €0 in which case nothing is payable and no salary is received. When the number of hours of employed work exceeds 25, they become salaried employees and receive a salary based on what their business is earning. The SAE approaches the calculation of the salary in a very sophisticated way. If for example €800/month comes in the first month, they may base the salary on €600 so that peaks and troughs can be evened out. Any surplus is held back, and can be paid when the business is on its feet. During this period the client must issue their own invoices and prepare and understand their own accounts, and 10 per cent of gross earnings are paid to the CAE to cover its costs
- After two years a decision has to be taken whether to leave the umbrella of the CAE and strike out on their own, or to become an associate (associé), which still allows them to be employed up to half-time in another job
- As an associate, they continue to receive a salary and remain in effect an employee of the CAE. An agreement is signed between them and the CAE setting out the basis for the working relationship which includes a commitment to the social economy and provides them with accounting support (detailed in the additional bullet points)
- Chasing up bad debts and late payments (and the associates salary is still paid even if the payment of their invoices has been delayed)
- Assistance in completing and submitting tax and social contribution declarations
- The necessary 'agrément' – proof of qualification of experience in the relevant area of work - which CAE holds and is insured for collectively, on the basis that CAE has assured itself that the individual has the required competence if not the relevant piece of paper
- Insurance (for which they pay a further €50 per annum on top of the 10%) provided through MACIF<sup>148</sup> itself a mutual. (MACIF will not insure specific employments of a professional nature and has certain exclusions so that not every area of work can be supported)
- In the case of the building trades CAE, entrepreneurs also access a Groupama policy which provides their work with the 10 year guarantee required by French law
- Access to their network so that they are aware of opportunities and so they can work with other associates or other known social economy organisations when tendering for larger schemes or for jobs which includes competences they do not have

The number of associates at Mdl in Toulouse has grown steadily from three initially to 60 – covering 25 different types of enterprise including some esoteric ones (like a provider of draft oxen to extract timber from awkwardly sited woodlands). Mdl does not pay dividends to its members – all funds are re-used for its objects - but as a SCOP has the right to do so if it chooses although dividends would obviously be small.

There is also a second CAE in Toulouse Coop'Action<sup>149</sup> which deals with people who want to start something related to the building trade and supports its 34 associates to take on contracts alone or together. Coopénates<sup>150</sup> is based in Alsace, and specialises in home care services. The Penates were the Roman household gods and the French still use the familiar expression 'regagner ses pénates' to mean to get back to one's country or home. Coopénates aims to meet the rising demand for care services both for an ageing population and also for working parents as a result of the rise of the birth rate in France.

148 <https://www.macif.fr/web/site/offres/particuliers>

149 <http://www.coopaction.com>

150 <http://www.coopenates.com>

The Government's 'Plan Borloo' launched in 2005 created a favourable tax regime that facilitated the launch. Like all CAEs individual entrepreneurs create their own business in its shelter. Artenréel,<sup>151</sup> also in Alsace is similarly a CAE working since 2004 in artistic and cultural fields under the legal form of a Société Coopérative et Participative (SCOP). Antigone,<sup>152</sup> the third Alsace CAE, is similar to Mdl, working with self-employed people in a range of fields. The CAE model has many of the features that a mutual for the self-employed would also wish to have, in particular the provision of insurance and other services, but it has others besides including:

- Enabling people to test their idea for self-employment in a protected and supported environment, without risk
- Providing the professional agrément (certification) which the individual may lack
- Provision of training
- Connecting enterprises with each other to enable them to make bids for larger items of work and to join together to offer services generally

A crucial difference however is that the self-employed associates within the CAE have arrived there after two years of a) training, advice assistance and support, and b) testing the enterprise in a sheltered environment with the limited pressure that the enterprise must sustain at least 25 hours work per week within 12 months or be abandoned. By contrast many of the five million self-employed people in the UK who earn on average £10,000pa (compared to the average of £15,000 in 2010 when the number of self-employed was 4.2 million) have arrived there often with very little help, support or shelter. Having been in many cases forced into unsatisfactory and unrewarding self-employment, they may not be open to a general offer that it would be in their interests to join the self-employed mutual and pay for the services it offers.

Other key differences with the UK may be:

- Following the abolition of the English Regions as part of the UK government, ESF in England is managed through Local Enterprise Partnerships (LEPS) that includes groups of local authorities. It tends to be subject to a bidding process which forces voluntary organisations to join into large consortia and to make bids which conform to pre-determined criteria. Making a successful bid, in effect to create the equivalent of a CAE, would need a lot of preparation to persuade those allocating the funds that it could be an effective use of resources as it needs to operate on some scale. ESF in Wales is distributed differently but with some similarities. There are no LEPS and ESF is operated through WEFO, the Welsh government body
- Other funds from local authorities are hard to come by as economic development is not a statutory duty, and so is not a key function of most local authorities
- The CAEs operating via the SCIC legal form where co-operators share services but each run their own enterprise and receive salaries related to that enterprise would be a new one for the UK, but there seems no reason in principle why a co-operative could not be set up which pays salaries on this basis. Some legal advice would be needed to ensure that minimum wage legislation is not a barrier. This is of course a very different model from a self-employed mutual or co-operative consortia, which are co-operatives of independent individuals and organisations who run their own enterprises without any direction or control from the co-operative, but come together to create a service provision organisation to meet their needs

151 <http://artenreel.com>

152 <http://www.antigone.coop>

## Appendix two

### The European Federation of Journalists Charter of Freelance Rights

Freelances are the most vulnerable workers in the media sector. This Charter is a vital tool in the EFJ campaign for improved legal protection for freelance journalists.

Every freelance has the right to organise in a union and by collective work seek to improve the situation for freelances and other journalists. Freelances and their unions should have the right to offer services to foster the solidarity among freelances and between freelances and staff, such as recommendations of fees and collective bargaining.

Every freelance should have the same professional rights as an employee, the same right to seek information, to protect sources, to uphold ethical standards. Every freelance has a right to a written contract. Every freelance has the right to be treated as a fair partner when negotiating.

Every freelance has the right to hers/his authors' rights. All freelances must have unwaivable moral rights. Freelances must have the right of collective bargaining regarding their authors' rights.

Every freelance has a right to choose the best suitable form for hers/his way of freelancing. A fake or forced freelance who is economically dependent should be treated as an employee and will receive all statutory rights and benefits.

Every freelance should have the right to equal protection by social security institutions on equal terms with employees' such as:

- sick pay
- retirement pension
- unemployment allowance
- maternity/paternity allowance equivalent to a comparable employee

Every freelancer has the right to equal treatment and to receive decent fees and thus not undermine the positions of staff through providing cheap work. This includes the right – when sent on dangerous assignments – to have the same training, insurances and security system as employees in the same situation.

This Charter has been adopted by the EFJ Annual Meeting in Bled, 6-9 April 2006.

## Appendix three

### Money advice and cash-flow support for the self-employed

There are a number of voluntary sector organisations offering advice to the public in difficulty, which are also able to offer advice to the self-employed. Most are members of Advice UK,<sup>153</sup> which is the representative body for advice service providers across UK. Based in London it has member organisations that are local, and others, which operate nationwide. Membership ranges from Christian groups to large legal practices. It has 800+ members, 18 staff based in London, and a £1.5million turnover

TaxAid is an HMRC and Lottery funded organisation, which is able to assist self-employed people on low incomes who have been unable to resolve their problems with HMRC. Accountants provide advice pro-bono to try to assist them out of their difficulties.

Business Debtline is a free money and debt advice agency for the self-employed and micro-enterprises. Established 25 years ago in Birmingham it now operates across the UK.

StepChange is a similar organisation providing free advice gives advice to all in difficulty, and has a dedicated team specifically to deal with the self-employed.

Pennysmart CIC<sup>154</sup> based in Chester, is a small local provider of debt and money advice, typical of the many others in towns and cities across the UK. They estimate that around 10 per cent of the clients they see are self-employed. Like most of the other local advisers, they don't have a specialist advice service for the self-employed, but they are eligible for their general advice service.

### Cash-flow smoothing for the self-employed

Invoice discounting and factoring are services offered by mainstream banks and their finance house subsidiaries to businesses to ease their cash flow. Like all private sector services offered to small businesses, Discounting and Factoring are offered by banks to generate income, not to serve their customers.

#### Invoice discounting - How it works

The bank or finance house agrees and credit checks a list of the businesses' customers, and a special bank account is set up to which both the business and the finance house have access. When the business invoices these customers, it submits a copy Invoice to the finance house, which then pays them around 90 per cent of the invoice value within a few days. Once the invoice is paid to the business, the finance house takes back the 90 per cent advance plus a percentage fee.

The business has to do its own payment chasing, and if the bill is not settled in an agreed time, the Finance House takes the advance payment back, plus its fee.

This system improves the businesses' cash-flow dramatically, but the customers are unaware of the arrangement.

---

153 <http://www.adviceuk.org.uk>

154 <http://www.pennysmart.org.uk>



**Factoring – How it works**

This is a more comprehensive service, but it is visible to the customers. The finance house pays out a percentage of the invoice value a few days after the business issues an Invoice, but the finance house then owns the debt. The customer has to pay the finance house direct, and they will chase any unpaid bills and take the customer to court for non-payment if it comes to that. This gives a similar improvement to the businesses' cash-flow, but the charge is higher.

In practice however, neither of these services is available to the lone entrepreneur, even those that are not in the 'precariat', as banks are not interested in supplying such a service unless there is sufficient volume of sales. This service is in effect supplied by some of the service co-operatives, and by the CAEs in France. In the UK there remains a great opportunity to provide a similar service to those not part of such a co-operative as collecting payments is a problem for most self-employed workers.

**Mutual alternatives to factoring and discounting**

Mutual organisations can offer other ways to smooth cash-flow. Those that offer an invoicing and debt collection service can include an automatic invisible loan facility, paying invoices out to members on time, and then collecting any overdue debts on their behalf. Alternatively they can operate a programmed, regular payment system such as that offered by the French CAEs (see appendix one).

In a mutual organisation this cash-flow smoothing operates by using the pooled funds held within the organisation. Such a system removes the need for an outside service from a bank, and thus the leakage of profits to the private sector

## Appendix four

### Terms of reference for the deliberative inquiry

To investigate the practical pathways to service growing levels of need for self-employed workers, this project will conduct an independent deliberative inquiry involving a range of organisations that are well placed to collaborate to develop a 'mutual aid' economy framework to support the self-employed 'precariat'.

The terms of reference for the project are as follows:

- The research will build upon the research of Co-operatives UK, New Economics Foundation and that of other studies by the ILO, UNI Global Union and other trade unions
- The project will conduct telephone interviews with trade union, co-operatives and mutuals operating in the UK and abroad that offer a range of integrated services for self-employed workers
- Models developed for self-employed members by trade unions will be appraised for their packages and experiences to date
- Co-operative sector service models including the Business and Employment Co-operative (BEC) systems in a number of European countries will be investigated for good practices
- The work will be guided by key stakeholders for appraising and commenting on the findings and to provide expert guidance on the preparation of the final report. These stakeholder organisations include Co-operatives UK, the Community Development Finance Association, the TUC, the Wales TUC, The Wales Co-operative Centre and Unity Trust Bank
- Consultation methods for the inquiry will take evidence, invite presentations from practitioners to assist in compiling a solutions oriented report with key strategic recommendations for developing collaborative economy systems that harness the creativity of the co-operative movement, the trade union movement as well as the social banking and community finance sector.



# *Thousands of businesses, one network*

Co-operatives UK is the network for Britain's thousands of co-operatives. We work to promote, develop and unite member-owned businesses across the economy. From high street retailers to community owned pubs, fan owned football clubs to farmer controlled businesses, co-operatives are everywhere and together they are worth £37 billion to the British economy.

[www.uk.coop](http://www.uk.coop)

