

Co-operative Purchase of Companies

Volume 700: debated on Wednesday 8 September 2021

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🕒 11.00am

Geraint Davies >

(in the Chair)

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🕒 11.01am

Christina Rees >

(Neath) (Lab/Co-op)

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I beg to move,

That this House has considered co-operative purchase of companies by employee groups at risk of redundancy.

It is always a pleasure to see you in the Chair, Mr Davies. As a Labour and Co-operative Member, I am delighted to have secured the debate, which provides a vital opportunity to discuss a co-operative way to secure economic recovery after the devastating effects of the pandemic, and to build a UK economy that is more inclusive and more equal than before.

The symptoms of inequality that have plagued our economy for too long were there for all to see a long time before the first pandemic lockdown was implemented in March 2020. In one of the world's richest economies, too many families have been struggling to put food on the table, and the pandemic has highlighted this inequality. I commend all the wonderful people who have worked, and who continue to work, relentlessly and tirelessly during all the severe challenges of the pandemic, in order to make sure that our communities function. However, those wonderful workers take home some of the lowest wages. As Robert Owen, the founder of the co-operative movement, who was born on 14 May 1771 in Newtown, Powys, in beautiful Wales, said:

“The lowest stage of humanity is experienced when the individual must labour for a small pittance of wages from others.”

The economic inequality in the UK has cost lives during the pandemic. It is detrimental to our economic growth, and it ensures that the UK remains fragile and vulnerable to economic shocks. Although those issues were the symptoms, the underlying causes are just as clear. Narrow ownership of our economy has resulted in the problems. Too much power and wealth is concentrated in the hands of a small number of investors, shareholders and executives. As a result, decisions are often made in the interests of the rich and powerful, rather than promoting the interests of communities, workers, consumers and the environment.

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The public agree. According to polling conducted by the UK Co-operative party as part of its "Owning the Future" report, only 10% of people believe that the economy prioritised sharing wealth fairly before the covid-19 pandemic, and nearly seven in 10 believe that our recovery is an opportunity to give communities more of a say in how business and the economy can operate, which is exactly what is needed—a widening of ownership, so that we give a greater voice to people who work for, use and are affected by businesses that shape their lives and our economy. One way in which we can do that is by giving employees the opportunity to buy out and operate companies at risk of closure. The companies would be run as co-operatives, so that each worker had a stake and an opportunity to shape the manner in which the business they had purchased was operated. Such employee buy-outs can hardwire resilience and productivity into our economy by preserving productive businesses and giving employees greater motivation and incentive through their stake in the organisation.

That is particularly important where jobs and the local economy are dependent on a small number of larger employers in areas such as manufacturing, where the collapse or downsizing of those companies has a disproportionate impact on local communities. When large companies fold or shrink, and in cases of potential closure, most often due to conjunctural reasons or succession issues, employee buy-outs give people a viable option for saving businesses and jobs.

We can learn much from Italy and the so-called **Marcora** law, named after the former Italian industry Minister Giovanni **Marcora**, who established the worker buy-out system more than 30 years ago, to divert the money spent on unemployment to retain jobs and continue economic activity. The **Marcora** law gives workers the right and, most importantly, the financial support to buy out all or parts of an at-risk business and establish it as an employee-owned co-operative. Workers are given the opportunity to rescue profitable parts of businesses or the whole of profitable businesses. The legislation in Italy does that by giving those workers at risk of redundancy their unemployment benefits as a lump sum in advance to use as capital for the buy-out, as well as access to the necessary support and advice to make it successful.

The results speak for themselves. Hundreds of businesses previously at risk of closure have been preserved as worker co-operatives, with an economic return of more than six times the capital invested by the funding mechanisms. In Italy, between 2007 and 2013, €84 million was made available for worker buy-outs, generating €473 million and saving more than 13,000 jobs.

Marcora law buy-outs benefit hugely from their co-operative organisation, where employment is safeguarded and fair workplace conditions are guaranteed. The economic and financial performances of co-operative buy-outs are often superior to those of traditional businesses.

UK Co-operative party polling indicates that the public support co-operative buy-out innovation, with 64% believing the economy would be fairer if employees could buy their business if it was at risk of closure or sale. The Co-operative party has long championed the impact that **Marcora** law could have in widening ownership of our economy and reducing inequality, by giving workers a real stake and a practical opportunity to be part of how their businesses are run.

As a Labour and Co-operative MP, I believe the UK Tory Government should give serious consideration to introducing **Marcora** law-type provisions into UK law. They can do that by introducing provisions to give workers rights to take a stake in their workplace by implementing a statutory right to own, supported by financial assistance and advice from the Government.

New legislation should also be introduced to give employees adequate opportunity to request ownership during business succession, alongside an early warning resource capable of informing workers in advance of insolvency, or when viable businesses are at risk of disposal. That would give employees the ability to assess the scope for acquisition, time to prepare a co-operative business model and an opportunity to bid for a business that is at risk of shrinking or closing.

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Not only will the employee buy-outs save jobs and businesses, but their transition to a co-operative model with help to hardwire the principles and values of co-operation into our economy. A co-operative business model gives workers a stake and a voice in how their business is run, and economies with a greater percentage of co-operatively owned businesses have been shown to be more equal, more productive and more resilient. Co-operative communities are more equitable and have a narrower gap between rich and poor. Co-operatives widen ownership and ensure that the businesses on which workers, consumers and communities depend operate in the long-term interests of their workers, not those of long-distance shareholders.

By existing to provide a service for members, rather than generate profits for investors, co-operatives that have formed when businesses are bought by employees are essential to create a better economy that puts people before profit. A larger co-operative sector is a sign of a different economy, where purpose and participation are valued above profit maximisation. A UK **Marcora** law would not just maintain individual businesses but, through the implementation of co-operative ideals, help the UK shift to a fairer and more democratic economy.

On his election as leader of Welsh Labour, my dear friend Mark Drakeford, the First Minister of Wales, appointed a Minister with specific responsibilities for the co-operative sector, Lee Waters, the Labour and Co-operative MS for Llanelli. In May, the Welsh Labour Government were overwhelmingly re-elected on a radical left-wing manifesto, which pledged to provide greater support for worker buy-outs and, with the co-operative sector, seek to double the number of employee-owned businesses in Wales. Perhaps the Prime Minister should take the lead from Mark and appoint a UK Minister for co-operatives, and include doubling the size of the UK's co-operative sector in the next Tory manifesto.

I would like to thank all the amazing co-operators in the UK Co-operative party for continuing to strive to work together in pursuit of Robert Owen's values and beliefs. A special mention goes to my friends on the Wales Co-operative council. Our wonderful assistant general secretary, Karen Wilkie, has retired after 22 years of tireless work championing co-operative values. I thank our long-term and long-suffering secretary, K. C. Gordon, who has worked so hard to keep us in co-operative order, and I thank a stalwart of our movement, Sylvia Jones, who will be 88 years young in December, and has been a member of the Labour party since 1963 and a member of the Co-operative party since 1967, has won many awards, and became the first ever female chair of the TUC on 6 May 1979.

May I ask the Minister to answer some questions? Has he or his Department conducted an assessment of the benefits of the existing co-operative sector to the UK economy? If he has done so, will he publish the results and place a copy in the House of Commons Library? If he has not, will he consider carrying out such an assessment? What consideration has he and his Department given to the potential benefits of employee buy-outs for at-risk businesses? What plans do the UK Government have to increase employee buy-outs through greater legislative support? Will the Government give more financial support to those employees looking to buy out their businesses? Will he investigate the successes of the **Marcora** law in Italy and bring forward an equivalent provision for employees in the UK? What actions is he undertaking to increase the size of the co-operative sector.?

In conclusion, as we look forward to moving on from the worst days of the pandemic, we are presented with a unique chance to do things differently in our economy. Going back to business as usual will not be good enough—not when the economy that existed before the pandemic did not work for so many people. The UK Government have an opportunity to build a fairer economy that works in the interests of communities, workers, consumers and the environment. Learning from the innovation and success of the **Marcora** law in Italy is one way of doing that, by giving workers the legislative and financial means they need to take a greater stake in their business and the economy. The buy-out of at-risk companies by employees would crucially widen ownership. It would safeguard businesses and give workers greater control in the future and a real voice in the decisions that affect them. The opportunity is here, as is the support and appetite from the public and workers to continue the spirit to work together that emerged during the most difficult days of the pandemic.

The UK Government should rewrite the rules governing our economy so that co-operative values are given the opportunity to flourish and grow. I know the Minister is a very magnanimous person, so I urge him to embrace the co-operative sector, implement **Marcora** law and, as my good Hywel Francis, the former MP for Aberavon, used to say, "Get on the right side of history."

Geraint Davies >

(in the Chair)

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I, too, give my best wishes to Karen Wilkie and Sylvia Jones. It is appropriate that we have this debate 250 years after the birth of Robert Owen. With magnanimity, over to the Minister.

🕒 11.16am

The Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy >

(Paul Scully)

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It is a pleasure to serve under your chairmanship, Mr Davies. It is a privilege to respond to the hon. Member for Neath (Christina Rees) and I congratulate her on securing the debate. She asked about a Minister for the co-operative movement. That is indeed the Economic Secretary to the Treasury, my hon. Friend the Member for Salisbury (John Glen). I believe he is the longest-serving Economic Secretary to the Treasury. The reason for that is partly because he is magnanimous and looks at the economy as a whole, beyond the macro down to the human level. That includes the value that he and the Government place on the co-operative movement. Co-operatives bring something different from other forms of businesses to the landscape and communities of the country. They have a clear focus on serving their communities' needs. As I speak, Members will hear about the work that he and the Government are doing.

To answer the specific question about an assessment, we have not done one and do not plan to do so, but we do value co-operatives and have done much to support them. I will cover that in my speech, so that the hon. Member for Neath can hear of the work that we have been doing. She has raised the issue a number of times with the Economic Secretary, and it is right that we are here today to listen to her points about the movement that she supports. There are clearly staunch advocates of workers' co-operatives across the House.

We want to see the co-operative sector grow. We see co-operatives in the employee-ownership model as being good for workers, local communities and businesses. That is why we have introduced a series of measures in recent years to support and promote the sector. One example is the Co-operative and Community Benefit Societies Act 2014, which cut the legal complexity involved in running a co-operative. Alongside that legislation, we increased the amount of withdrawable share capital a member can invest in a co-operative from £20,000 to £100,000, which has given a number of societies greater flexibility to raise capital from individual members.

The hon. Lady asked about reviewing the legislation. We do not plan to undertake a review of the 2014 Act, but the Government are open to receiving credible proposals for its reform. I encourage the sector to ensure that it continues to engage with officials from Her Majesty's Treasury on suggestions in that area. We have also rolled out a variety of tax reliefs to support organisations that choose an employee-ownership structure. Like any other business, co-operatives have been able to benefit from the Government's support during the pandemic, including the furlough scheme and business loans.

I turn now to the hon. Lady's proposal that we introduce a policy similar to Italy's **Marcora** law. Although there are currently no plans to introduce legislation of that type, we are always open to receiving proposals that support co-operatives and employee-owned firms. The Economic Secretary and community representatives, along with the hon. Members for Harrow West (Gareth Thomas) and for Cardiff North (Anna McMorrin), are looking to discover what more can be done to boost the sector's ability to raise capital, following the green shares Bill last year.

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In June, the Economic Secretary spoke about a wide range of issues relating to co-operatives and mutuals with the hon. Member for Neath and other members of the all-party parliamentary group for mutuals. As I understand it, the **Marcora** law was mentioned during those discussions. It is only right, however, that we acknowledge the need to take a pragmatic approach to the issue. First, there are clear differences between the Italian and UK economies, which could mean that the positive impacts of a **Marcora** law might not be as strongly felt in this country. The unemployment rate is one of those differences. The most recent UK unemployment figure from the OECD was 4.7%; by contrast, the Italian unemployment level stood at 9.3%. There is clear disparity between those numbers.

That is not all. In addition to the UK's comparatively low unemployment rate, we are rolling out unprecedented levels of job support to get even more people into work. The upshot, according to the latest OECD data, is that UK workers are less likely than Italian workers to be unemployed for sustained periods of time, so it is far from clear that a **Marcora**-style policy here would deliver the same levels of welfare savings for the taxpayer as it does in Italy. As Members may be aware, those savings are sometimes cited as a reason to introduce the policy in this country, as we have heard.

Secondly, we need to learn more about the productivity implications of such a policy. In short, we have to be sure that employee-led buyouts under the **Marcora** law really are long-term solutions. That means gaining a deeper understanding of what is causing the companies to fail in the first place and of whether transforming them into worker co-operatives would really resolve those structural issues. That knowledge is really important, because providing funding to businesses that are unsustainable is a poor use of taxpayer money.

It is clear from this debate, however, that we are united in our desire to protect jobs and employers from the impact of the pandemic long into the future, so I will briefly touch on our work in this area. First of all, let me remind Members that the Government are providing extraordinary levels of financial support to individuals and businesses affected by covid-19. In fact, by the end of this month, the furlough scheme will have helped to pay workers' wages for a year and a half, supporting over 1 million employers and more than 11 million jobs. In addition, at last year's spending review, the Government built on the Chancellor's plan for jobs by giving the Department for Work and Pensions an extra £3.6 billion to deliver labour market support. That includes funding for the Government's new three-year restart programme, which will provide intensive and tailored assistance to over 1 million unemployed people to help them find work.

Last year, the Government launched the £2 billion kickstart scheme, which is rolling out hundreds of thousands of new, fully subsidised jobs for young people across the country. Over 50,000 positions have already been created, and the number of young people supported by the scheme will continue to rise as we approve more bids and as more employers recruit kickstart participants. We also recognise that large-scale layoffs can pose enormous challenges to affected communities, which is why in such circumstances we deploy the rapid response service of the Department for Work and Pensions, which provides immediate and personalised support to mitigate the impact of redundancies.

Undoubtedly, the failure of large businesses can have very significant consequences for local economies. However, it is equally true that the closure of a much-loved pub or long-established village shop can be a major blow to areas, with the loss of jobs and vital community assets. For that reason, at the Budget, the Government announced the £150 million community ownership fund. The scheme operates in a similar way to the **Marcora** law. It allows community groups to bid for up to £250,000 of match funding from the Government, enabling them to take over valuable and viable local assets at risk of closure. We are currently assessing first-round bids, and we believe that this money will save jobs, protect services and help to keep the spirit of co-operative entrepreneurship alive around the country. Successful bids will be announced later this autumn.

Column 116WH

I will end by reiterating my thanks to the hon. Member for Neath for her thoughtful contributions today and to the co-operative movement as a whole for its work. I hope that I have illustrated that the Government are both committed to supporting worker co-operatives and determined to protect those at risk of unemployment as a result of company failure. My ministerial colleagues and I are keen to continue the conversation with co-operative representatives as we work together to secure these vibrant and innovative organisations' future success.

Question put and agreed to.

🕒 11.24am

Sitting suspended.