

Priorities for the Senedd's Economy, Trade and Rural Affairs Committee

Wales Co-operative Centre Response

- What do you think the Committee's strategic priorities should be over the next six months?
- What do you think the Committee's longer term objectives and priorities should be for the term of the sixth Senedd?

About the Wales Co-operative Centre

The Wales Co-operative Centre is a not-for-profit co-operative organisation that supports people in Wales to improve their lives and livelihoods. We are working for a fairer economy. We help to create and retain wealth within our communities through the growth of co-operatives and social businesses and by providing people with the skills to take more control of their own lives and strengthen their communities.

Our projects are as follows:

- Social Business Wales provides intensive, one-to-one support to new start social businesses as well as those which have ambitions to grow and a viable business proposal.
- Digital Communities Wales: Digital Confidence, Health and Well-being works with organisations across Wales, in order to help people increase their confidence using digital technology so they can improve and manage their health and well-being.
- Our Communities Creating Homes project offers support and advice to new and existing organisations looking to develop co-operative community-led housing schemes in Wales.
- Community Shares Wales Resilience Project is funded by the National Lottery Community Fund and delivered by the Wales Co-operative Centre. We help communities raise investment to protect and strengthen the things that matter to them, such as pubs, libraries or other local services.

Our priorities for the coming period focus on how the role of social enterprises can expand further, and especially in the context of the essential focus on the climate emergency and decarbonisation. In addition, we know that there is significant potential to grow the number of employee-owned businesses in Wales, and would urge the committee to take a leading role in supporting the development of policy that leads to the Welsh Government meeting their ambition to double the size of the sector. In this submission we outline these points in more detail:

Supporting the Social Economy

The Wales Co-operative Centre works to ensure that people and communities work in an economy which is fair and sustainable, in a Wales that is free from poverty and not over-exploiting our resources. We believe we need to substantially change the way we do things in our economy and society to do this. We strongly believe in the benefits of a community wealth building approach, entrusting communities, citizens and workers to deliver a fair economy.

Social enterprises deliver on this ambition by putting people and planet before private profit. They are driven by a social, environmental or community mission and re-invest profits to ensure these goals are met. In Wales, the sector is estimated to include up to 2,309 businesses and up to 56,000 employees, generating £3.1–3.8 billion in value.

Our experience of working with people, enterprises, and communities in a wide variety of sectors gives us a unique understanding of the impact of co-operative values and social enterprise in Wales,

the barriers to developing this sector further, and what needs to be done to ensure these business models are able to grow.

The Importance of Social Enterprise and Specialist Business Support

We believe that one way of putting well-being and resilience at the heart of our recovery from this crisis is to ensure that social enterprises make up a greater proportion of our economy. Social enterprises already play a crucial role in our economy and communities, but they have the potential to do even more. For that to happen specialist business support and finance is essential.

The positive impact of social enterprises could not be clearer. They are essential to the foundational economy and operate across our communities, especially in deprived areas where they are needed the most. Profits are re-invested in their communities. 76% of social enterprises pay the real living wage to all their staff. In the context of the looming unemployment crisis, the fact that 17% of new staff in social enterprises were previously out of work is significant. The social enterprise sector also reflects Wales' diversity – 40% of social enterprises are led by women, over twice as high as SMEs more widely (17%), and 9% of social businesses have a leader from a Black Asian or Minority Ethnic (BAME) background.

Specialist business support for these enterprises has been identified by the businesses themselves as being crucial to their growth. In recent years we have delivered Social Business Wales for the Welsh Government, and survey data shows that clients receiving support from this service rated it very highly. In 2020-21, the Social Business Wales teams delivered 8,559 hours of business support, incorporated 117 new social businesses, and created 85 jobs. An independent evaluation of Social Business Wales highlighted an “ongoing need for specialised support for the social business sector, recognising the multi-stakeholder environments and specific legal, constitutional and financial arrangements that have wide-reaching implications for the successful operational of social businesses”.

The key requirement is that advisors have a specialist understanding of the characteristics of social enterprises – that they are multi-stakeholder, have a triple bottom line, differing legal structures and alternative funding options. This specialist support must be available to social businesses at all stages of the business cycle, from support to nascent entrepreneurs to established firms who are seeking to export or work across borders.

Social Business Wales has provided this specialist business support to enterprises in Wales since 2015, which the Wales Co-operative Centre has delivered for the Welsh Government. With new funding arrangements following Wales and the UK's withdrawal from the United Kingdom, the future of specialist business support for social enterprises in Wales is a hugely important topic. We believe continuing this specialist support to social enterprise is an essential part of the “Build Back Better” vision, and would urge the committee to take an active role in exploring how this can be maintained and developed further in Wales.

Maximising the Social Enterprise and Co-operative Sector's role in the Decarbonisation Agenda

The Welsh Government has set out its legal commitment to achieve net zero emissions by 2050, with an ambition to get there even sooner. Achieving this will take specific investments to decarbonise existing infrastructure in Wales, in areas such as housing and transport. The Government has set out its commitment to exploring the role of its procurement in this agenda, and to maximise the economic, social and environmental benefits of this investment and procurement, the role of the social enterprise sector is crucial.

We believe that social value and social enterprise should be embedded within the procurement process. As discussed in the previous section, we know that social enterprises have specific economic benefits for their local communities, making the economy fairer and more resilient. In order for these benefits to be given the same level of value and priority as financial cost, social enterprise and social value must be embedded within all procurement practises at different levels of Government in Wales. There is good practice in specific sectors and places across the country, and good practice should be shared and facilitated. In addition, we would like to explore the potential that setting specific targets would have in facilitating the growth of the social enterprise's proportion of public sector procurement in Wales.

However, in addition to focusing on procurement practices specifically, we would like further exploration of the role of the Government in nurturing the market to take advantage of this significant investment. It is one thing to say we want more of this investment to go to social enterprises, but we also need to know what support is necessary for existing social enterprises to successfully bid for these projects, and what can be done to facilitate new enterprises, co-operatives or community groups to fill any market voids. Our 2020/21 Social Enterprise Mapping exercise has highlighted the strength of the sector, and the significant potential it has to grow. Supporting this in the context of decarbonisation specifically will benefit communities in terms of economic value and creating a greener, more sustainable Wales.

Doubling the Number of Employee-Owned Businesses

The new Welsh Government's Programme for Government has committed to doubling the number of employee-owned businesses over the next Senedd term. We welcome this commitment, which was one of our asks of political parties during the Senedd election campaign.

Research undertaken has highlighted the benefits of employee ownership. For employees, this business model results in higher levels of engagement and wellbeing. Employees can also receive a top up to their salaries as a result of sharing in the capital value they create. For businesses, employee ownership leads to higher productivity levels and better workforce-retention. The wider community also benefits from having good quality local jobs and from the fact that the business is unlikely to be bought out and moved elsewhere.

Last year, we published a white paper on what the Welsh Government can do to promote employee ownership in Wales. We set out 4 recommendations after setting a clear target:

- 1) Establish and fund a Leadership Group, led by the business community themselves, with the purpose of promoting and celebrating employee-ownership in Wales.
- 2) Continue to fund specialist business support with specific knowledge of employee ownership. Social Business Wales has gained considerable experience in this area and has the potential to help many more businesses on their employee ownership journey.
- 3) Embed employee ownership as a mainstream business model in all contexts, in order to make employee-ownership the business model of choice in Wales. For example, this should be a standard business model in entrepreneurship education in schools and in customer-facing business support services.
- 4) Develop a robust framework for implementing a wage-for-equity scheme on a large scale, or a "Partnership Fund". This follows the proposal from the Employee Ownership Association, and is based on the Futures Fund launched by the UK Government in May 2020.

Conclusion

This submission has highlighted some of the key areas of focus that the Wales Co-operative Centre believes should be on the Committee's agenda. To reiterate, we are asking that the committee explores:

- The role, and potential expanded role, of social enterprise in the Welsh economy - and the future of specialist support that can be provided for the sector
- How social enterprise can be embedded in the decarbonisation agenda, to ensure that the economic and environmental impact is maximised
- What must be done to ensure that the Welsh Government meets its commitment to double the number of employee-owned businesses in Wales.