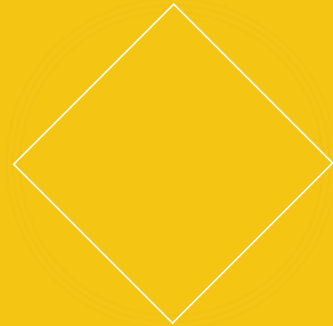




# Co-operatives in the creative industries



## Think-piece

Dave Boyle, Kate Oakley



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## Foreword

The future is creative. That tends to be the consensus, whether commentators are upbeat about the digital tools now available for creative action and interaction, or downcast by the fear that repetitive work and tasks in future will be dominated by robots and automated algorithms. The creative is the space in which we can be fully human and, in a knowledge-based economy, a space in which we can find and add economic value.

But, if the future is to be creative, then there are grounds for saying that it needs to be co-operative too. Why? A key to success in most creative industries is collaboration and it is the co-operative business model which lays the foundation stones for thriving creative environments.

Co-operatives UK has worked with co-ops large and small and across the economy to form a vision for a future co-operative economy – the National Co-operative Development Strategy. This sets a framework for growing the co-op sector in the UK. One of the key themes is around freelancer co-ops – enabling people who work on their own not to be alone, but to operate under a wider co-operative umbrella, whether for marketing, insurance, or as in Northern Italy, whole new chains of design, production and export that compete with the giant corporates.

A second theme is the claim of platform co-ops, where the digital businesses on which we depend can be co-owned by their users on a participative, open and democratic basis. A third theme, and reflected very much in this report, is the relevance of worker co-ops in the creative sector.

A creative, co-operative future requires creative co-operators today. This report is a tool for you, to read, to challenge, to contribute to and to share... creatively.

**Ed Mayo, Secretary General, Co-operatives UK**





## Contents

1	Introduction	1
2	What is a co-operative (and why would they be good for creative industries)?	2
3	The creative industries	3-4
4	Co-operatives in the wider economy	5
5	A brief history	6-7
6	Opportunities for creative co-operatives	8-9
7	Policy to encourage co-operative models in the creative economy	10-11
8	Acknowledgements	12



# 1 Introduction

The creative industries – the media industries, arts and services like design and architecture – have been the focus of policy attention, support and funding for some two decades and more. And not just in the UK. This is a global phenomenon with governments across the world rushing to invest in what is seen as a source of high-value jobs and economic growth in a world, at least in the Global North, where both are becoming scarcer.

The UK sees itself as well positioned in this field, having been an early policy leader and having long-term strengths in music, publishing, television and fashion as well as heritage and associated sectors such as cultural tourism. More recently, videogames, interactive media and immersive technologies have all undergone rapid growth and are believed to have great potential.<sup>1</sup>

But the creative economy has a pattern of growth and development which can be cast in a much less positive light. Despite the rhetoric of diversity and meritocracy, employment favours white middle-class male graduates over other groups,<sup>2</sup> regional distribution is uneven and focused on the urban and many of the sectors – film, TV, videogames and so on - have been at the centre, not only of campaigns like #metoo and #oscarssowhite, but of accusations of long hours working culture, low levels of skills investment, exploitative practices and bullying. This question of who works in the creative industries and under what conditions affects all of us – it is these industries that help to produce our national culture and shape our self-understanding as a society.

Recent media and activist work has drawn attention to these problems and policymakers, trade unions<sup>3</sup> and funders have begun to respond with a series of initiatives, reports and campaigns aimed at putting the creative economy on a more ethical and sustainable footing. Part of that process must surely be looking at questions of ownership and control in the workplace and it is to that debate that this report seeks to contribute.

We want to look at the potential for co-operatives in the creative industries and what they might have to offer to those who work in them and the wider creative economy.

1 See the current AHRC research programme on the 'creative economy' <https://ceprogramme.com>

2 O'Brien, D, Laurison, D, Miles, A. & Friedman, S. 2016, Are the creative industries meritocratic?: An analysis of the 2014 British Labour Force Survey In : Cultural Trends. 25, 2, p. 116-131 16 p.

3 See [www.culturalworkersorganise.org](http://www.culturalworkersorganise.org) for a round-up of much of this activity

## 2 What is a co-operative (and why would they be good for creative industries)?

A co-operative is a business owned and run by its members on an equitable basis. People have a financial stake in the surpluses achieved by the co-operative that is governed by their participation in the efforts to generate the surplus. A consumer co-operative like The Co-op will reward its members with a dividend payment equivalent to the members' level of custom. A workers' co-operative will share out the annual profit according to each person's contribution to the business. But, regardless of how much financial stake in the co-operative a member has, everyone gets one equal vote in the big decisions.

Members might just be a business' employees or could be a wider network of stakeholders with participation by customers, suppliers and finance providers.

Co-ops have the potential to offer greater control over production and distribution of creative products, exactly the sort of control that many creatives want, but are told is only available to them as 'entrepreneurs.' They also have structural features that lead to them being better able to deliver autonomy to creatives, whilst at the same time delivering greater equality – economic and cultural - than that typically found in non co-operative businesses.

We want to challenge the dominance of the competitive, entrepreneurial model that has been central to both business support and educational provision for the creative industries, and argue that the skills of collaboration and co-operation are equally vital.

While we are not suggesting that co-ops are 'the answer' to all of the problems, or that they necessarily guarantee stronger growth, we do believe that the question of ownership and business models have been neglected in creative industries policy.

While entrepreneurial models, whether self-employment or start-ups, have been heavily promoted by policy and in higher education, the various forms of co-operatives and social enterprises has not yet received similar attention. As scholar Marisol Sandoval has noted<sup>4</sup> in discussions of the creative economy we currently seem to be caught between the idea that work is everything – that we must be 'passionate' about it and 'do what we love' – or that work is hell, and is alienating and exploitative. But the desire of people – both young and old – to get involved in the production of culture is deep-rooted and finding ways to support pleasure, engagement and fulfilment in cultural work remain crucial. If we want this sector to be a successful part of our national story – economically and otherwise – then looking at work and at ownership models is vital.

4 Sandoval, M 2017. From passionate labour to compassionate work: Cultural co-ops, do what you love and social change. *European Journal of Cultural Studies*.

### 3 The creative industries

The UK's creative industries are growing and at a much faster rate than the rest of the economy, where growth remains sluggish. According to the Department for Digital, Culture, Media and Sport,<sup>5</sup> growth in the creative sectors was about twice that of the rest of the economy between 2010 and 2015, and more importantly, job growth was several times faster than in other sectors. Overall, creative jobs have increased by around a quarter since 2011. They now account for around 6% of UK jobs, just under 19% of services exports and around 16% of UK enterprises are in these sectors. They are also a source of much new business growth – according to Nesta<sup>6</sup> around 90% of local economies in the UK are seeing growth in creative business start-ups. Forecasts based on the Government's industrial strategy suggest that creative occupations will grow by 5.3% over the next years – maintaining a large lead over job growth elsewhere in the economy.

It is little wonder, then, that policymakers have backed and continue to back the creative industries. At the same time, these industries are far from a panacea for the UK's economic ills. While productivity growth is generally higher in these business than in other sectors, the number of very small companies – fewer than 10 employees – that dominate the sectors exerts a drag on productivity. As Nesta puts in,<sup>7</sup> although creative businesses are more productive than comparatively sized businesses in other sectors, 'they will not materially contribute towards solving the UK's productivity problems unless they scale up significantly.'

In addition to economic motivations, the importance of the arts and media industries socially and politically, means that policy in this area has often been freighted with a variety of expectations beyond simply economic growth. Although economic goals have come to dominate, few policy documents for 'creative' nations, cities or regions are without additional claims for the social benefits of the creative industries from urban regeneration to wellbeing and self-expression. For this reason, concerns about the problems of creative industries growth - socially, spatially and in terms of gender and race - have recently attracted policy and media as well as activist attention.

In the UK, London and the South East continue to dominate in terms of both jobs and growth as they do on cultural and arts spending and in arts attendance and participation. This part of the UK accounts for half of all cultural sector employment and business and London alone has 40% of the UK's cultural workers and a third of all its businesses in that sector. In addition, the disadvantages faced by people from working and lower middle-class backgrounds are magnified in London where the costs of living, scarcity of accommodation and elite social networks all act to entrench inequalities.

5 DCMS Economic Estimates for all data <https://www.gov.uk/government/collections/dcms-sectors-economic-estimates>

6 Creative nation, Nesta, February 2018 <https://www.nesta.org.uk/report/creative-nation/>

7 Nesta, Creative Nation [https://www.nesta.org.uk/sites/default/files/creative\\_nation-2018.pdf](https://www.nesta.org.uk/sites/default/files/creative_nation-2018.pdf)

These spatial inequalities interact with others of gender, race and social class, with obvious implications for the kind of culture that gets produced. Women are significantly under-represented in the creative industries; around 37% of jobs in these industries are occupied by women, as opposed to 47% in the economy as a whole. They are concentrated in lower paid sectors such as galleries and museums and in lower paid jobs in all sectors.

Class disadvantages are also profound.<sup>8</sup> If we consider the class origins of those employed in the creative industries it is notable that those from privileged backgrounds – with parents employed in higher or lower professional and managerial occupations – are significantly over-represented throughout the cultural sector. This is true across the UK, but London seems to offer even less opportunity for working class kids. And this disadvantage persists. In what is sometimes referred to as the 'class pay gap,' cultural workers from lower middle class or blue collar families earn less on average than those from more privileged backgrounds. Those from working-class backgrounds face a pay gap of, on average, nearly £6,500 a year compared to those from higher professional and managerial backgrounds.

Tackling these issues is a massive social challenge and requires a wide variety of measures from media monopolies to higher education and from space and rent controls to appointments and hiring policies. Ownership issues and co-operative models have the potential to be an important part of this approach.

8 Oakley, K., Laurison, D., O'Brien, D. & Friedman, S. 2017. Cultural Capital: Arts graduates, spatial inequality, and London's impact on cultural labour markets, *American Behavioral Scientist*, 61,12, pp 1510-1531.

## 4 Co-operatives in the wider economy

Co-operative businesses are a global phenomenon, found in every continent and in every sector of economic and social activity. They range from small-scale rural farmers' co-operatives through to global brands like FC Barcelona and Visa Europe.

The UK economy represents some 15% of the EU total economy, but its 7,000 co-operatives contribute only 3% of the EU total. There are historic reasons for this, ranging from the co-operative movement's internal politics as it developed in the UK which favoured consumer over producer-owned enterprises, combined with an almost exclusive focus on 'traditional' investor-owned business as an object of government policy for much of the post-war era.

However, there are signs that this might be starting to change. The last few years have seen a significant increase, and interest in, more democratic forms of ownership from football clubs to pubs, piers and internet platforms.

A renaissance in co-operative models in community ownership has been quietly building since 2000, and demonstrates the importance of policy support. Governments of all political stripes have variously engaged to support fans to own football clubs, employees to buy their businesses and communities to own their assets. In all cases, that support has led to much broader understanding of the opportunities available and impressive growth of the use of co-operative models in that area of the economy.



## 5 A brief history...

Co-operatives, whether owned by employees or customers are by no means a new idea – the Rochdale Pioneers established the world's first successful co-operative society in 1844. Attempts to create a producer-owned sector were the object of some suspicion, in part based on an industrial culture that saw consumer interests as fundamentally divided from producer interests.

At the same time, nascent experiments in producer ownership in the late nineteenth century, many supported by trade unions, floundered due to the wider economic cycle, and so trade unions equally saw the 'royal road' to equitable pay and conditions being based on organised worker agitation through collective bargaining. As a result, the political economy of British co-operation never went down the road of producer ownership of enterprises that were much more common elsewhere in the industrialised world, and latterly in the developing world.<sup>9</sup>

This began to change in the 1950s and 60s, where a new movement of worker co-operatives were formed in which ownership lay with the workforce of the business, and from the mid-1970s were supported by public investment and support. With some exceptions, the majority of these worker co-operatives are, like the wider small business landscape, small enterprises of fewer than 50 people.

That is not to say that all worker co-operatives are small; Suma Wholefoods in West Yorkshire, for example, has over 200 worker owners who self-manage the business without a hierarchical management structure and operate a very successful market leading business. In addition to their structure enabling them to incentivise workers through profit sharing, their values of worker control make for a compelling brand in the ethically-minded wholefood market.

In addition, as many who work in the creative industries already know, there are governance challenges that come from self-management. Most worker co-operatives eschew traditional hierarchical management in favour of self-organisation. These methodologies can be very successful, but they do require investment in time and energy and perhaps a different approach to training and education. Instead of learning the business-specific skills required to operate at the highest level, employees also need training in how to co-operate, how to participate effectively in the governance of the co-op and the strategic and operational decision-making processes governing the business.

The benefits however, can be considerable. The Employee Ownership Association (EOA) argues that "one of the consistent findings emerging from research into the

9 A note on terminology – it can often be quite difficult to identify precisely what differentiates a worker co-operative from an employee-owned business. In the simplest terms, while every worker co-operative is an employee-owned business, not every employee-owned business is a worker co-operative. The biggest distinction is that in a co-operative, it is expected that worker-owners will play an active part in the management and governance of their enterprise, and a majority of worker co-operatives in the UK will practice self-management via methodologies such as sociocracy. Worker co-operatives are usually explicit about the political and philosophical context in which human labour is understood; the choice of the word 'worker' represents an explicit preference for a description based on the worker as an autonomous subject as opposed to 'employee' which is based on the assumption that some other force is choosing how and where to employ them and to what ends

advantages of employee ownership is that of greater resilience than non-employee owned businesses during the economic downturn. Publicly traded companies are driven by a need to increase share value in the short term and are therefore more concerned with efficiency and cost, whereas employee owned business are more willing to innovate and tackle the risks associated with a longer term focus. It is this commitment to internal growth that is more effective in terms of long term performance.”<sup>10</sup>

The EOA go on to argue that this results from a “more co-operative model of working, where employees use their frontline experience and customer knowledge to influence product development and business strategy. It is this collaborative working, combined with a financial investment in the business, that drives performance.”

**Other research<sup>11</sup> suggests that:**

Worker co-operatives survive at least as long as other businesses and have more stable employment

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Worker cooperatives are more productive than conventional businesses, with staff working “better and smarter” and production organised more efficiently

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Worker co-operatives retain a larger share of their profits than other business models

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Executive and non-executive pay differentials are much narrower in worker co-operatives than other firms

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Much of this will ring true for many workers in the creative industries – even those who have no particular philosophical allegiance to co-operative models. The current fashion for co-working spaces highlights the dependence on conviviality, networking and collaboration that characterizes these sectors along with traditions (albeit not always honoured) of autonomy and desire for independence.

The next section considers whether the creative industries in particular offer opportunities for the expansion of co-ops with benefits both for the wider co-operative movements and the sector itself.

10 The Impact Report, The Employee Ownership Association 2017 (<http://employeeownership.co.uk/wp-content/uploads/The-Impact-Report.pdf>)

11 What do we know about Worker Co-operatives? Virginie Perotin, Co-operatives UK 2016 ([https://www.uk.coop/sites/default/files/uploads/attachments/worker\\_co-op\\_report.pdf](https://www.uk.coop/sites/default/files/uploads/attachments/worker_co-op_report.pdf)); New Economics Foundation, Co-operatives Unleashed, 2018 (<https://neweconomics.org/uploads/files/co-ops-unleashed.pdf>)

## 6 Opportunities for creative co-operatives

We believe there is a particular opportunity for worker co-operatives to flourish in the creative industries. There are a number of reasons for this.

On the supply side there is a growth in qualified young people who want to work in the creative industries, but many of them are currently working in precarious circumstances. The wider social implications of this in terms of narrowing of pathways and exclusion of particular groups is discussed above, but it is also of course a problem for young people themselves – a source of anxiety and mental ill-health in some cases.

At the same time this group have often been educated and trained in entrepreneurial ways of thinking, which, while limited as a business model may have given them a confidence in their abilities to create businesses that previous generations would likely have lacked. Freelancing or self-employment may seem a more 'natural' fit for this group than standard employment models; the goal is to make such non-standard employment less precarious.

In addition, evident growth in inequality, austerity and the burden of student debt have left many people more open to previously minority pastimes such as questioning the basis of the investor-owned enterprise as the sine qua non of a market economy. The increasingly networked nature of this generation who see opportunities for meaningful economic and social reward increasingly foreclosed, has enabled conversations to take place with like-minded fellow excluded workers which have created new worker owned enterprises.

As well as these social drivers, the creative sector itself offers advantages over more 'industrial' sectors of the economy. Firstly, as the New Economics Foundation note, "the comparative advantage of co-operatives is typically most pronounced in employment intensive, as opposed to capital intensive sectors, making them well suited to the high-skilled, human-focused provision of services."<sup>12</sup> As a result, the lack of access to capital markets is less of a barrier in a sector where financial capital is less of a necessary condition for business growth and success.

Second, the kinds of skills required to practice self-management are precisely the skills that the creative sector already requires in order to be successful – human skills of listening, creative problem-solving and providing platforms for highly intelligent people to self-manage to better be deployed in the service of the enterprise.

Finally, the economic structure of much of the creative industries is still based on partnerships or founder-ownership. Whilst there are publicly listed businesses, the majority retain a smaller ownership base that traces its lineage back to founders of the enterprise, many of whom remain connected to the business. As a result, the same dynamic found in family-owned firms pertains: who will run this business in the way we have run it successfully and remain faithful to the values that have driven our

12 New Economics Foundation, *Co-operatives Unleashed*, 2018 (<https://neweconomics.org/uploads/files/co-ops-unleashed.pdf>)



success, particularly in respect of retaining the business as a worthwhile place to be employed?

That in turn creates the dynamic of a choice for existing owners of practices in the creative sector as to how they see their exit from the business. Are they primarily driven by securing a trade sale (often to a competitor in the same line of work) and the resultant capital gain, or is there scope for a more nuanced conversation about what value the founder wishes to extract for their engagement and over what timescale?



## 7 Policy to encourage co-operative models in the creative economy

Given the potential benefits of co-operative ownership in the creative industries, and the scope for co-operative businesses to expand in the sector, a number of ideas should be considered to stimulate and support them. Some of these are more straightforward than others, and all would require development and refinement, but together they form an agenda for a co-operative creative economy to flourish.

**Promoting the co-op model:** It is striking how low levels of awareness of co-operatives are among creative professionals. A promotional campaign led by industry associations, trade unions and other groups is needed to showcase best practice in the creative and other sectors, increase knowledge and raise the visibility of co-ops across the industry.

**Enhancing business education:** In recent years business teaching and study has embraced the creative industries with MBA and degree courses increasingly focusing on issues relating to creative enterprise. But the perspective remains a narrow one, in which the entrepreneurial model dominates. Curriculums and teaching need to expand and enrich, to incorporate wider models of ownership and the skills and challenges associated with co-operative management.

**Broadening business support:** Not only do universities provide business education, they are often at the heart of business support and cluster development. Across the UK, funded through a range of bodies (especially the EU), there are local training programmes, incubators and finance initiatives to assist small creative businesses and start-ups. These should form basis for a network of advice and guidance on creative co-operatives.

**Funding support:** The UK's cultural and creative industries have long benefited from a range of significant public funders. Bodies such as the Arts Council, Innovate UK and British Film Institute have provided the investment that has enabled the sector to flourish. These bodies should engage more closely with the co-operative movement to ensure that creative co-ops can fully benefit, and that funding programmes do not exclude or discourage them.

**Improving access to finance:** A major barrier to growth for all creative businesses is access to finance, but this is particularly acute for co-operatives, with external investors sceptical about the risks and exit strategies associated with shared ownership. There needs to be an accessible form of finance, provided by commercial or public lenders, which employees and converting businesses can draw upon to provide the capital required for co-operative conversion and co-operatives can access for business development.

**Fiscal incentives:** The UK's creative industries already benefits from a number of national policies specifically designed to encourage growth, including film production subsidies and tax credits. Consideration should be given as to how such schemes, many of which are of substantial value, can be refined so as to better encourage co-



operative ownership, and thereby widening the financial benefits for creative workers, as opposed to simply the investors.

**Greater research and understanding:** Research and policy on the creative industries has almost been an industry in itself over the last two decades. Given this, it is notable how little attention has been paid to the co-operative, as opposed to the standard entrepreneurial model. The establishment of the new Creative Industries Policy and Evidence Centre provides an ideal opportunity to co-ordinate academic research into this area, and to undertake in-depth research and analysis into how creative co-operatives operate.



## 8 Acknowledgements

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