



# Journal of Co-operative Studies

---

## **The impact of the cost-of-living crisis on British credit unions and community lenders**

**Pål M. Vik and Andrew Wallace**

How to cite this article:

Vik, P. M., & Wallace, A. (2022). The impact of the cost-of-living crisis on British credit unions and community lenders. *Journal of Co- operative Studies*, 55(2), 29-34.

*This work is licensed under a Creative Commons Attribution-NonCommercial 4.0 International License subject to a six-month embargo after the article is published in the Journal.*

<https://www.ukscs.coop/pages/journal-of-co-operative-studies>



# The Impact of the Cost-of-Living Crisis on British Credit Unions and Community Lenders

**Pål M. Vik and Andrew Wallace**

Credit unions are often hypothesised to be less vulnerable to crises than other types of businesses. This paper examines the impact of the cost-of-living crisis on the British credit union and community lender sector drawing on interviews with 25 managers and a focus group with four loan officers. This crisis is affecting businesses and households through high inflation, declining real pay, rising interest rates, and falling economic growth. The findings suggest that credit union and community lender customers are experiencing a deterioration in their finances. They save less, have more unsecured debts, are less likely to qualify for a loan, and are more likely to default on loan payments. Lenders are grappling with a tension between supporting customers affected by the crisis and preserving their own financial position. On the one hand, there is evidence of lenders providing additional support to their members, including emergency loans and hardship payments. On the other, they are mitigating the risks of deteriorating customer finances by tightening lending criteria and reducing lending to higher risk groups. The findings underline the need for future research into the long-term effects on the sector and its ability to provide finance to underserved communities.

## Introduction

Today, businesses and households across the world are facing a cost-of-living crisis with rising food and energy prices, and falling real incomes (United Nations, 2022). In the UK, inflation reached 9.9% in the 12 months to August 2022, nearly the highest rate in 30 years (Francis-Devine et al., 2022). Average total pay, conversely, only rose by 5.5% leading to a fall in real term pay of 2.8%, which is one of the greatest falls since records began in 2001 (Office for National Statistics, 2022). The Bank of England and central banks across the world have raised interest rates in response to the high inflation rates, leading to increased borrowing and housing costs. In July 2022, the International Monetary Fund (2022) predicted that global economic growth would fall from 6.1% to 3.2% in 2022 and to 2.9% in 2023 as a result of high inflation.

This paper provides a timely insight into the impact of the cost-of-living crisis on the credit union sector and its customers drawing on qualitative interviews with British credit unions and community development finance institutions (CDFIs). Credit unions are member-owned organisations that provide loans and savings accounts to their members who share an occupational, associational, or residential common bond (Foraker et al., 2014). CDFIs are mission-driven, community-based lenders that specialise in providing loans and ancillary support (budgeting support, advice) to low-income consumers and businesses unable to access mainstream finance.

There has been a longstanding interest in academic and policymaker circles about the behaviour and resilience of credit unions and financial co-operatives at times of crises (Birchall & Hammond Ketilson, 2009; Coen et al., 2019; Goddard et al., 2014). The co-operative model is believed to be less affected by crises compared with other business models because of a geographically concentrated customer base, common identity of members, and fewer incentives for risk-taking behaviour (e.g., bonuses, profit and share options for management) (McKillop et al., 2020). Research, especially in the US, has shown that their lending is less linked to business cycles compared with shareholder businesses (Smith & Woodbury, 2010). In fact, following the global financial crisis of 2007-09, credit unions increased rather than reduced the provision of credit as was the case with banks (Lu & Swisher, 2020; Walker, 2016).

Policymakers and academics are also interested in the effects of financial and economic crises on co-operatives and credit unions because they are often the main or only source of credit and other financial services for some, such as rural communities (Coen et al., 2019). Co-operatives and credit unions often have a wide membership, but many were set up to serve poor, underserved communities (Hoyt & Menzani, 2012; Jones, 2006) that would otherwise resort to costly subprime borrowing with higher likelihood of detrimental customer outcomes (e.g., high debt levels).

The remainder of the article is organised into three sections. The second presents the methods used, whilst the third section presents the findings. The final section concludes with a discussion about the implications of the research.

## Methods

The research consisted of semi-structured, online interviews with managers of 17 credit unions and eight CDFIs between 26 May and 3 August 2022 (Table 1). The interviews focused on the impact of the cost-of-living crisis on customers, lending activity, and operations. We also conducted an online focus group with four loan officers from one CDFI and two credit unions on 23 June 2022. The majority of the organisations were medium-sized, and most were based in England.

Table 1: Overview of sample

|              | Credit unions | CDFIs    | Total     |
|--------------|---------------|----------|-----------|
| Small        | 2             | 3        | 5         |
| Medium       | 10            | 4        | 14        |
| Large        | 5             | 1        | 6         |
| <b>Total</b> | <b>17</b>     | <b>8</b> | <b>25</b> |

Note: Definition of size based on outstanding loan portfolio: <£2m (small); £2m-£9.9m (medium); ≥£10m (large).

The interviewees were recruited through calls for participants issued through the main trade bodies as well as using our network of contacts. We used a theoretical sampling approach seeking to ensure representation from a wide range of types and experiences rather than obtaining a probability sample. All the interviews were transcribed and analysed for dominant themes. The findings we report in the article were widespread across a range of different lenders and material with the organisations.

## Findings

The credit unions and CDFIs were observing several trends indicating a deterioration in the financial circumstances of their customers and members. Lenders were having to reject a significantly higher percentage of loan applications compared with before the crisis. According to one CDFI manager: “Historically, we would decline about 60% of our applicants. That’s now increased to about 75%”. According to another lender:

The volumes of applications have increased considerably over the last few weeks, but unfortunately so have declines. It used to be quite stable around 30% of applications, but in April it was 35% and then in May it went up again to 37% and this month it’s looking to rise again (Credit union loan officer).

As suggested by the above quotes, it was not uncommon for lenders to report percentage point increases of 7-15% in loan application decline rates. Often lenders were having to reject applications from existing customers they would have approved prior to the crisis. The increase in decline rates was mainly caused by a worsening of financial circumstances of applicants,

which would make servicing a loan unaffordable. Salaries and welfare benefit payments were not keeping up with rising prices:

Their expenditures are rising considerably. When they were making their loan previous application, they were maybe quite comfortable, and they were managing to pay fine. Now you're looking at their application and thinking: this person's never going to be able to pay all their bills (Credit union manager).

For some groups, who emerged out of the Covid-19 pandemic with lower income and higher debt, the cost-of-living crisis further exacerbated their financial difficulties. Although low-income customers were seen as especially vulnerable, rising living costs were affecting a wide range of customers:

We definitely are seeing the effects of the cost-of-living crisis and we have even had customers say that they've rung in sick rather than go to work because they can't afford to put petrol in their car, and these are frontline police officers. It's definitely having an impact on members (Credit union loan officer).

As a further signal of worsening financial circumstances, lenders were observing higher levels of unsecured debt on applicants' credit files:

People are more indebted. We have seen the average amount on a credit file go up by a few £1,000 on their credit file as they're juggling and taking out more credit (CDFI manager).

Rising debt levels among customers contributed to the increasing loan application rejection rates because it meant they had less surplus income to service a CDFI or credit union loan. Buy-now-pay-later credit was among the most common and fastest growing sources of consumer debt, with consumers often having multiple such payments going out of their accounts:

Customers' use of buy-now-pay-later seems to have skyrocketed and people that we assessed applications a year ago who did not use buy-now-pay-later are now maybe spending 10-20% of their income on it (CDFI loan officer).

Most lenders reported that average approved loan amounts were smaller than before the onset of the cost-of-living crisis. There were indications that customers were delaying or not going ahead with nonessential expenditure. Instead, customers were increasingly borrowing to cover essential items and living costs:

We did more loans than usual, but probably about 2/3 of the value to what we're used to seeing. It was Christmas kind of numbers, but for smaller amounts. We're doing more loans for unexpected bill payments, which is fine, but we wouldn't usually do loans for regular bills (Credit union manager).

Borrowing to pay for day-to-day living costs and necessities is an important indicator of financial distress and financial vulnerability. There were also indications that customers were saving less compared with before the crisis.

Most credit unions reported an outright fall or a lower than projected growth in savings, due to both lower intake and greater withdrawals. Some of this may be because people were drawing on excess savings accumulated during Covid-19 or because people were moving savings in response to increasing interest rates among competitors. However, managers and loan officers also attributed the fall in savings to worsening customer finances:

We have found in last few months that our members' ability to save has fallen. We tend to see a £1m growth per month in savings. We are now seeing growth of £800,000, which is 20% lower. This is because household bills have increased. For many people the rainy day has arrived (Credit union manager).

Not only were customers, especially those on low incomes, reportedly taking out or not depositing savings "for day-to-day living and necessities" (Credit union loan officer), but credit unions were receiving an increased number of requests to release savings used to underpin loans. The final manifestation of worsening customer finances among several CDFIs and credit

unions was an increase in loan delinquency, especially missed payments and payment holiday requests:

Arrears have been high. They've already grown quite significantly over the last three months by a few £100,000 over and above budget (Credit union manager).

Lenders were particularly concerned about arrears on loans issued prior to the cost-of-living crisis.

The managers interviewed were conscious of and concerned about the deteriorating finances of their members and customers. Lenders were taking numerous actions to try and help them weather the crisis. As noted above, they were making smaller loans for emergencies and bills. They introduced new policies to allow customers to withdraw savings linked to loans. Some lenders had introduced or were considering providing grants or hardship payments for customers not qualifying for a loan:

We've created a small hardship fund as well, which we're going to use to make grant payments to members that apply to us for credit and we can't support them with a loan in good conscience, but we've got genuine concern for their welfare (Credit union manager).

However, managers were also conscious of the financial risks and pressures their organisations were facing as a result of the cost-of-living crisis. Mainly, they were concerned that, unchecked, the deteriorating financial circumstances of customers could result in higher loan delinquency and bad debt provisioning costs:

The big thing we are concerned about is around risk and defaults. We're seeing our customers being impacted significantly by the cost-of-living crisis. Increases for things like the request for payment holidays or we've seen a lot more things like not even the first payment being made on a loan (CDFI manager).

Aside from being a significant cost — the largest after staffing — bad debts are an important source of uncertainty and volatility in the sector. Some lenders were also concerned that smaller loan amounts would translate into smaller future loan books and hence lower interest income. A small group saw the combination of lower future income and higher provisioning costs as an existential threat to the sector:

When the banks collapsed in 2008, I remember being really worried about the future of the credit union. I'm more worried this time than I was back then. I felt like back then it was we were in a better position. Unless things change, we're not going to be here in 5-10 years' time (Credit union manager).

However, the majority did not believe the cost-of-living crisis would negatively affect their viability in a significant way. This was partly because they were well capitalised, had large loan portfolios and generated significant surpluses to weather any falls in income and increases in costs:

I'm concerned about the cost-of-living crisis and the effect it has on our business, but more so on our consumers. It would be nice to be able to lend to more people, but that's not going to happen (CDFI manager).

Lenders were also taking steps to manage the financial risks associated with the cost-of-living crisis. The most common mitigation was tightening lending criteria:

We've tightened up the minimum credit score that we would expect for the smaller value loans, and we've also introduced new guidance around the evidence that we would require for small value loans. Typically, we would rely on a credit report alone for many borrowers, but we've increased the frequency of doing an open banking affordability assessment for small value loans (Credit union manager).

As per the quote above, this took two main forms. Firstly, lenders heightened lending criteria in terms of surplus household income to service debt and minimum credit score. Secondly, there was increased scrutiny and additional checks of data provided by applicants, especially the use

of open banking data to verify spending data. Possibly as a result of this tightening of criteria, some organisations were shifting lending towards lower risk, better off borrowers:

The cost-of-living crisis will ultimately take some of our existing customers because it will become no longer affordable for them, but we expect that there are people that probably sit price wise below our current segments that will move into our market. So, from that lens alone, I would say we'll be in an acquisitionally commercially neutral position (Community lender manager).

This is significant because it suggests that the finances of prime or near-prime borrowers may be worsening to an extent that they are unable to access mainstream finance, and because serving financially vulnerable, low-income consumers is an important part of the mission of the credit union and community lending sector.

## Conclusion

This paper has shone a light on how the cost-of-living crisis unfolding globally is affecting the British credit union and CDFI sector. This is important because the sector is often held up as a different, more inclusive, and less volatile business model compared with the dominant capitalist shareholder model.

It is important to stress the qualitative nature of this study and the uncertainties surrounding the cost-of-living crisis. We used theoretical sampling to ensure representation of a wide range of experiences and settings rather than a large probability sample. This means that we do not know and cannot say if our findings are applicable to the wider sector. Instead, the findings say something about the range and type of impacts experienced across a range of different providers. Further, given the great uncertainty about the development of the cost-of-living crisis in terms of its duration, nature, and impact, we cannot say anything definite about its future effects on these lenders and their customers. However, the qualitative and quantitative evidence provided by interviewees suggest that the cost-of-living crisis has caused a significant deterioration in customer finances. They face higher living costs, have greater levels of unsecured debts, and less savings than before the crisis.

Lenders are seeking to manage the tension between supporting low-income, financially vulnerable customers, and protecting and preserving their own financial viability through reducing and mitigating the risks associated with the crisis. Whilst they are helping members with smaller emergency loans and, in some cases, hardship payments, credit unions and CDFIs are also tightening their lending process and criteria. There are indications that lenders may be (forced to) shift to lower risk, less financially vulnerable customers to preserve their financial position.

The findings underline the need for research and monitoring into the long-term effects of the cost-of-living crisis on the viability of the sector and its ability to provide finance to underserved communities.

## The Authors

Dr Pål M. Vik is a senior research fellow at Salford Business School at the University of Salford. His research interests focus on financial exclusion, credit unions and microfinance in the UK and Europe. Andrew Wallace is a graduate researcher at Salford Business School at the University of Salford. The research was funded by Fair4All Finance: <https://fair4allfinance.org.uk>

## References

Birchall, J., & Hammond Ketilson, L. (2009). *Resilience of the cooperative business model in times of crisis*. International Labour Organization. [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/documents/publication/wcms\\_108416.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_108416.pdf)

- Coen, J., Francis, W. B., & Rostom, M. (2019). The determinants of credit union failure: Insights from the United Kingdom. *International Journal of Central Banking*, 15(4), 207-240. <https://www.ijcb.org/journal/ijcb19q4a6.htm>
- Forker, J., Grosvold, J., & Ward, A. M. (2014). Management models and priorities in member associations: Is credit unions' community involvement crowded-out? *Nonprofit and Voluntary Sector Quarterly*, 43(2\_suppl), 105S-123S. <https://doi.org/10.1177/0899764013502581>
- Francis-Devine, B., Bolton, P., Keep, M., & Harari, D. (2022). *Rising cost of living in the UK*. House of Commons Library. <https://researchbriefings.files.parliament.uk/documents/CBP-9428/CBP-9428.pdf>
- Goddard, J., McKillop, D., & Wilson, J. O. S. (2014). U.S. credit unions: survival, consolidation, and growth. *Economic Inquiry*, 52(1), 304-319. <https://doi.org/10.1111/ecin.12032>
- Hoyt, A., & Menzani, T. (2012). The International Cooperative Movement: A quiet giant. In P. Battilani & H. G. Schröter (Eds.), *The cooperative business movement, 1950 to the present* (pp. 23-62). Cambridge University Press.
- International Monetary Fund (2022). *World Economic Outlook Update: Gloomy and More Uncertain*. International Monetary Fund. <https://www.imf.org/en/Publications/WEO/Issues/2022/07/26/world-economic-outlook-update-july-2022>
- Jones, P. A. (2006). Giving credit where it's due: Promoting financial inclusion through quality credit unions. *Local Economy*, 21(1), 36-48. <https://doi.org/10.1080/02690940500504814>
- Lu, W., & Swisher, J. (2020). A comparison of bank and credit union growth around the financial crisis. *American Journal of Business*, 35(1), 25-44. <https://doi.org/10.1108/AJB-03-2019-0017>
- McKillop, D., French, D., Quinn, B., Sobiech, A. L., & Wilson, J. O. S. (2020). Cooperative financial institutions: A review of the literature. *International Review of Financial Analysis*, 71, 101520. <https://doi.org/10.1016/j.irfa.2020.101520>
- Office for National Statistics (2022, September). *Average weekly earnings in Great Britain: September 2022*. Office for National Statistics. <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/averageweeklyearningsingreatbritain/latest>
- Smith, D. M., & Woodbury, S. A. (2010). *Withstanding a financial firestorm: credit unions vs. banks*, (Report No. 214). Filene Research Institute. <https://filene.org/learn-something/reports/firestorm>
- Walker, D. A. (2016). Credit Unions' rising share of small business loans. *Journal of Accounting and Finance*, 16(6), 11-24. <https://doi.org/10.33423/jaf.v16i6>
- United Nations (2022, June). *Global impact of the war in Ukraine: Billions of people face the greatest cost-of-living crisis in a generation*, (Brief No 2). UN Global Crisis Response Group on Food, Energy and Finance. [https://unctad.org/system/files/official-document/un-gcrg-ukraine-brief-no-2\\_en.pdf](https://unctad.org/system/files/official-document/un-gcrg-ukraine-brief-no-2_en.pdf)



# The Problem of Social Care: A Co-operative Solution

**Alex Bird, Andrew Birchall, Anita Mangan, Mick McKeown, Cilla Ross, and Simon Taylor**

This short paper responds to Johnston Birchall's observations on the future of the co-operative movement in relation to the crisis of social care in the UK. The authors put the case for a union co-operative model that offers a means for forming worker co-operatives for social care inclusive of trade unions and framed around an ethic of care, enhanced worker voice, and wider democratic participation in the sector. More on union co-operatives can be found at <https://www.union-coops.uk>.

## Introduction

Birchall's (2000/2022) *quo vadis* observations on trends in the co-operative movement predicted that by now the social care sector should have been a major growth area for co-operative development. This has not come to pass, but the ambition and potential for such growth, and how this can be achieved, remains pertinent and is the substantive basis for this paper. If anything, the need for a radical overhaul of social care has never been so pressing and the co-operative model can make an important contribution.

The economics of the social care sector in the UK are highly problematic, to the detriment of both quality of care and workers' rights. Given a context of rampant financialisation and ownership of large swathes of provision by speculators rather than businesses or public services with a prime focus on care, this situation might best be described as market failure. Indeed, many commentators have pointed out the unsustainability of care providers who increasingly cannot square the circle of profitability with a high-quality care experience (Humphries et al., 2016; Pollock, 2021). The commodification of care under neoliberalism involves a profound squeeze on the terms and conditions of care personnel, who were often already in precarious employment, resulting in a substantial workforce crisis as these workers seek better pay and job security elsewhere. Thus, for many care providers a race to the bottom is in train, in a vicious cycle of squeezed resources, staff shortages, and denuded care quality.

For those committed business owners, managers, and workers, there is a heartrending moral dilemma as they are often powerless to deliver best care within the prevailing market circumstances. For the owners of care businesses, often conglomerates, solely interested in return on investment, no such moral compunction exists and a squeeze on profit will result in exiting the market or falling into administration, as with Southern Cross and Four Seasons (Blakeley & Quilter-Pinners, 2019; Harrington et al., 2017). As an alternative, we argue that co-operatively organised solutions represent a viable means for addressing these issues along with a broader political agenda focused on a more just economy framed around an ethic of care, enhanced worker voice, and wider democratic participation in the sector.

## The Crisis of Care

Most commentators view the current UK system of social care provision as unsustainable and facing a tipping point with potentially catastrophic prospects (Manthorpe & Iliffe, 2021). The population of the UK is ageing and the proportion of older people with chronic ill-health, such as dementia or disability, is also increasing. This group and other groups of adults and young people are all in need of good quality, affordable care that meets their needs. Furthermore, the real extent of needed care provision is not fully serviced in the formal care sector, with a significant proportion of care needs being met informally by over-burdened families (Wittenberg et al., 2019).

Scrutiny of the financing and provision of social care exposes some stark inequalities, with those able to self-fund served by higher quality provision within a profitable market. Conversely, people funded via local government receive poorer quality of care provision and face an insecure outlook as funding fails to keep pace with the volume and depth of need. Tensions abound between the rhetoric of an ethic of care and the reality of downward pressure on resources amidst the imperfections of a state-regulated market in service provision (Woods et al., 2017). The social care sector has become divorced from the National Health Service (NHS), which in turn suffers cumulative problems flowing from delayed transfer of patients out of hospital (The Kings Fund, 2018).

In this context, it is not surprising that the overall crisis of care also entails a substantial workforce crisis. Care work itself is typically low paid. Workforce analyses show that around 73% of all social care workers, amounting to over half a million workers, earn less than a real living wage. Furthermore, this a highly precarious sector, with 56% of domiciliary care workers employed on zero hours contracts. It has been estimated that by 2028 there will be a shortfall of over 400,000 social care workers (Dromey & Hochlaf, 2018; Werner, 2021). Large proportions of the workforce are women and people from minority ethnic and immigrant backgrounds. Trade union recognition and density is low in the face of a pressing need for union organising to improve the bargaining position of workers within the sector.

Meanwhile, the government has consistently been unwilling to contemplate deviating from the neoliberal mandate for markets free from state intervention. The material and policy neglect of care services arguably reached its apotheosis in the UK government decision to discharge COVID-19 positive patients into care homes during the first wave of the pandemic, resulting in upwards of 20,000 excess deaths of residents, untold stress for the workforce and the deaths of vulnerable workers (Burki, 2020). Critics have highlighted the gulf between the COVID-19 inspired “clap for carers” and the subsequent virtual abandonment of interest in this essential workforce. Furthermore, the criticism extends to the overarching neoliberal model and its effective treatment of care service recipients as fruitful sources of capital extraction, with an effective socialisation of risk and privatisation of returns (Wood & Skeggs, 2020).

The fact that we can situate many of the problems of the social care sector in moral terms suggests that a more progressive ethic of care is required to underpin solutions to these problems. It is this we turn to next.

## **An Ethic of Care**

Proposals for reforming the care sector can be linked to broader arguments in favour of renewing the whole economy around an ethic of care. The COVID-19 pandemic and its consequences have reinforced the desirability of a universal welfare system involving substantial state intervention alongside demonstrating the value of inter-connected networks of mutual aid. It has prompted a re-energising of expressions of shared humanity, and this in turn opens up contemplation of a new social order framed by considerations of care over profit (Howard, 2020) and a refocusing on social value which aligns with globally agreed co-operative values and principles (International Co-operative Alliance, 2018). The notion of care as an organising principle for a fairer society has long held great appeal for progressive thinkers and activists and is not beyond contention, necessitating attention to the prevailing political context (see Barnes, Branelly et al., 2015, Tronto, 1998). In its simplest sense, an ethic of care could create a protected space within neoliberalism, where alternatives might be nurtured. More ambitiously, an ethic of care could transform neoliberal market economies, replacing neoliberal indifference with a more care-full (Barnes, 2012), relational, co-operative market for goods and services, populated by alternative businesses and welfare services; the range of which would only be limited by the extent of our powers of imagination (Smith, 2005).

It has been suggested that those working within organisations more closely defined in terms of a care ethic might have better experiences of work and gain some respite from the sort of existential anxieties that prevail in modern societies (Elley-Brown & Pringle, 2021). Additionally, an ethics of care can develop novel forms of democratic government that are more reciprocally intertwined with citizens and more responsive to public deliberation and debate (Sevenhuijsen, 2003).

Disability activists have pointed out the compatibility of deliberative democratic dialogue and decision-making for advancing movement politics and organising work under an ethic of care (Barnes, Conradi, & Vosman, 2015). Indeed, Barnes (2012) coined the term “care-full” deliberation to better describe processes of dialogue and debate that take care to achieve ideals of civility and respect at the same time as being replete with care for others. Inquiry into co-operatives also suggests this notion of care for others extends into care for fellow workers within co-operatives, with recognised improvements in the experience of decent work (Bird et al., 2021; Sandoval 2018).

There is thus a compelling case for developing alternative systems of social care provision grounded in a more just ethical value base. For Wood and Skeggs (2020, p. 645):

Recognition and gratitude for care must now turn into care justice. How then do we put the humanity back into care? ... This would require a large-scale social project that must ... shift away from the individualised, competitive and monetised frameworks that have tried to ease out responsibility and compassion.

For us, this shift can be accomplished by a turn to co-operative models of provision. Next, we consider international exemplars of how this can be achieved.

## **Global Examples of Doing a Better Job**

Among a wider panoply of organisational forms and enterprises, including co-operatives and more informal mutuality, a notion of a social and solidarity economy offers new ideas for an economic ecosystem that is associated with ideals of fairness and social justice (Borzaga et al., 2019). There are a number of international examples of co-operative organisations attempting to deliver decent work for care workers and effective care provision for service users (Borzaga, 2020; Borzaga et al., 2014; Campopiano & Bassani, 2021). In Italy, for example, there are over 4,450 co-operatives in the social care sector (40% of all social co-operatives) employing over 170,600 workers (Borzaga, 2020). These are supplemented by a further 32% of co-operatives focusing on providing work for marginalised groups such as the disabled or ex-prisoners. In North America, Cooperative Home Care Associates (CHCA), allied to the Service Employees International Union, is the largest self-defined worker co-operative in the U.S.; established in 1985, CHCA employs over 2000, largely minority ethnic women, care workers.

There have been international calls for co-operatives to play a substantial role in societal renewal programmes, including the potential to transform the care sector (Develtere et al., 2021). Worker co-operatives have been affirmatively singled out for their potential to resolve various paradoxes for social enterprises, including tensions between democracy and hierarchy, individuality and communality, or fidelity to innovative and alternative models rather than reverting to the mainstream (Audebrand, 2017). As such, a persuasive case can be made in favour of establishing worker co-operatives in the social care sector (Berry & Bell, 2018).

In the UK, there are limited examples to date of successful co-operatives operating in the care sector, though some notable new entrants have emerged alongside some older organisations. These span various organisational forms committed to democratisation of decision making, not all are necessarily constituted as fully fledged co-operatives nor allied to trade unions. None are worker co-operatives. Examples include: Co-operative Care Colne Valley, Care Cartrefi Cymru, and the Equal Care Co-op which are multi-stakeholder co-operatives; North West Care Co-operative is a two-tier organisation operated co-operatively at the local level, Sunderland

Homecare Associates, started off as Little Women workers' co-operative in the 1970s and is now an employee-owned social enterprise; Care Plus in Lincolnshire is an old employee owned industrial and provident society. Invariably, these businesses are purposively organised at a small scale.

More usually, the extent of alternatives to either public or private sector care provision has involved the establishment of social enterprises rather than co-operatives. There is little evidence that social enterprises offer a better prospect in substitution for public services, but collaboration between public provision and social enterprise can furnish benefits for service users (Calò et al., 2018). One study, for example, showed that while the advantages of a shift in democratic governance in a multi-stakeholder care co-operative were mostly appreciated by service users and their families, the workforce still struggled with threats to decent work such as low pay (Jenkins & Chivers, 2022). Therefore, while the potential for co-operative organisational forms to improve workers' experiences of work can be demonstrated, such outcomes are variable and the depth of democratic transformations and shift to full employee ownership is crucial.

## **A Democratic Dividend**

The forms of respect for worker and service user voice that can potentially be supported by co-operatives and worker co-operatives appear to have helpful analogues in various policy provisions related to health and social care work. The NHS and social services in the UK for instance, have for the last few decades sponsored various policy turns associated with so-called user involvement, shared decision making and, more latterly, an ideal of co-production. Arguably, all of these initiatives are characterised by a commitment to democratisation, especially efforts to improve the extent that service users or their family carers might have a say about how their care is organised. Co-production, in particular, emphasises a specific democratic circumstance, whereby professional staff work in alliance with service users and communities to bring into being their wishes and demands for care and support (Dzur, 2019).

Co-production is not without problems. There is an ever-present threat of co-optation and incorporation, with existing inequalities and power relations often reinforced rather than reduced (Turnhout et al., 2020). Critical commentators have argued that the full, collective potential of democracy across public services is constrained by the intrusion of neoliberal consumerism, quasi-markets and so-called new public management approaches (see Moth, 2022). Whilst the democratic potential of such work has to date been fairly limited, the demand for democratic participation in the organisation and delivery of health, care, and welfare services in the UK arguably begs two substantial questions. Firstly, we might question the relative lack of co-operative organisations within the totality of UK welfare provision. Second, if democracy is to be more fully realised, why not democratically transform the internal governance of public services such as the NHS congruent with co-operative principles. The former would result in an expansion of social co-operatives, ideally inclusive of the social care sector, organised into an interconnected ecosystem, and allied to wider moves to deliver fairer economies such as community wealth building. The latter would render the presently hierarchical, top-down management of public services much more open to democratic participation of workers, service users, carers, and communities. Arguably, this would mean a governance approach for the NHS much more aligned to Bevan's original imaginings (Foot, 1973).

## **Union Organising**

Union organising in the social care sector has proved challenging but recently has involved imaginative efforts around the interlinked objectives of ethical concerns, living wage and sectoral bargaining. Unison, the largest trade union organising in the social care sector has produced and with some success campaigned around an Ethical Care Charter (Johnson et al., 2021). The

union's overarching policy commitment is for insourcing of privatised care work and, ultimately, the establishment of a fully nationalised country-wide care service. In reality, the union finds itself campaigning and attempting to build organising strength in a sector characterised by low union membership and highly precarious work in a largely outsourced operating environment. The Ethical Care Charter addresses both care quality and employment concerns. The main employment provisions seek an end to zero hours contracts, building for regular working hours, proper recompense for travel time and securing a real living wage. Organising using the charter has engaged 25% of commissioning bodies across England, Wales, and Scotland and formed some key alliances with national employer representatives. This has resulted in a degree of voluntary commitment to the key goals of the charter, with some notable localised successes, but minimal impact on standards across the sector (Johnson et al., 2021).

Precariously employed workers are difficult to organise into unions, partly because of the piecemeal and fragmented context of work setting but perhaps more importantly because of worker fears of employer retributions for trade union activism. A mainstay of union and community organising in the care sector is campaigning and bargaining for a real living wage (Werner, 2021). There is broad community support, as expressed in the vitality of campaigns led by citizens movements in alliance with unions and other stakeholders (Heery et al., 2017). Such campaigns bring together union and community organising, which can also be a useful precursor for co-operative development. In turn, the worker power represented in the democratised governance of co-operatives is a tangible route to wages uplift.

## **Union Co-operatives**

A particular form of worker co-operative is the union co-operative, which connects union-community organising to co-operative development and opens up possibilities for simultaneously establishing workplace democracy and achieving union renewal goals, not least enhancing union legitimacy and growing membership amongst previously precarious workers (Bird et al., 2020). The governance model includes a requirement for worker members to be a member of a recognised trade union, and for the trade union(s) to have a specific place in the co-operative's governance to represent member's interests as workers rather than as employers and business managers. For social care, a multi-stakeholder union co-operative is most appropriate, with workers having a controlling interest, usually through at least 51% of the board members being reserved for workers.

Trade union activists and leaders have expressed certain anxieties about co-operatives, reflecting latter-day tensions between labour and co-operative movements, though, there has also been a rediscovery of interest in worker co-operatives by international unions (Esim & Katajamaki, 2017). UK union concerns regarding the care sector involve the, often abstract, objection to co-operatives as a perceived incipient form of privatisation, contrary to union objectives to ensure insourcing of care sector provision. This neglects the fact that much of the provision of social care has never been directly provided by the state and, pragmatically, unions need a strategy that allows for contingencies when insourcing is highly unlikely to be achieved in the short term. More pertinently union concerns relate to the challenges of organising a precarious, vulnerable and legitimately fearful workforce and concerns over issues such as securing workers' pensions at scale in potentially small worker co-operatives (Bird et al., 2021). If such concerns can be addressed, union/left desires for a National Care Service could be realised via an aggregation of co-operatives (as opposed to the marketised Trusts model that exists at present for the NHS).

## **Conclusion**

It is difficult to see any effective remedy for the crisis of social care that does not involve trade union and community involvement and pursuance of alternative approaches for organising care work. We argue that the union co-operative model, implemented under an ethic of care

justice, draws upon and reflects international co-operative values and principles, and promises a progressive solution. Co-operative governance systems offer the potential to democratically transform the organisation of social care work and the experience of care for service users, their families and communities; with all having a meaningful say in how the service is planned for and delivered. Trade unions' wider political aspirations for a future national care service are not undermined by the establishment of union co-operatives in the present. Rather, to update Birchall's (2000/2022) original argument, an ecosystem of union co-operatives could form the foundation for a democratic national system, state-funded, and delivering high quality care optimally responsive to need. The union co-operative model offers a means for forming worker co-operatives for social care inclusive of trade unions and congruent with broader organising goals.

## The Authors

All authors are members of union-coops:uk. Alex Bird is a worker co-operative and unions activist. He spent 20 years as Head of Chapel in a print co-operative, 8 years editing Cardiff Trade Council's newspaper, and 20 years as a co-operative business adviser. He chairs union-coops:uk and is working on the UK's first mutual bank — Banc Cambria. Andrew Birchall is a founder member of Preston Cooperative Education Centre (PCEC) which is the first union co-op to be established in the UK. Its aim is to support the creation of worker-owned co-operatives for Preston and the region. Anita Mangan works in the University of Bristol and her research focuses on co-operatives, credit unions, and union co-ops. One of her key concerns is the invisibility of co-operatives in the media, business education and policy debates. Mick McKeown works in the School of Nursing at the University of Central Lancashire and is a longstanding trade unionist interested in issues of power and equality within mental health services and wider society. Cilla Ross is an adult and trade union educator and activist. She teaches for University College Union and is an Honorary Professor of Co-operative Education at the University of Nottingham. Simon Taylor is a trade union activist seconded full time to union duties in a large local authority and he has a Master's degree in International Labour and Trade Union Studies, having researched union co-ops for his dissertation.

## References

- Audebrand, L. K. (2017). Expanding the scope of paradox scholarship on social enterprise: The case for (re) introducing worker cooperatives. *M@n@gement*, 20(4), 368-393. <https://management-aims.com/index.php/mgmt/article/view/3854>
- Barnes, M. (2012). *Care in everyday life: An ethic of care in practice*. Policy Press.
- Barnes, M., Brannelly, T., Ward, L., & Ward, N. (Eds.). (2015). *Ethics of care: Critical advances in international perspective*. Policy Press.
- Barnes, M., Conradi, E., & Vosman, F. (2015). Deliberation and transformation from the ethics of care. *Ethics and Social Welfare*, 9(2), 109-112. <https://doi.org/10.1080/17496535.2015.1022358>
- Berry, D., & Bell, M.P. (2018). Worker cooperatives: Alternative governance for caring and precarious work. *Equality, Diversity and Inclusion: An International Journal*, 37(4), 376-391. <https://doi.org/10.1108/EDI-02-2017-0027>
- Birchall, J. (2022). Co-operatives in the Twenty First Century. *Journal of Co-operative Studies*, 55(1), 94-100. (Original work published 2000).
- Bird, A., Conaty, P., McKeown, M., Mangan, A., Ross, C., & Taylor, S. (2020). *Union-coops: UK — A manifesto for decent work*. Union Coops: UK. <https://www.union-coops.uk/a-manifesto-for-decent-work>
- Bird, A., Conaty, P., Mangan, A., McKeown, M., Ross, C. & Taylor, S. (2021). Together we will stand: Trade unions, cooperatives and the Preston Model. In J. Manley & P. Whyman (eds) *The Preston Model and community wealth building: Creating a socio-economic democracy for the future* (pp. 93-110). Routledge.
- Blakeley, G., & Quilter-Pinners, H. (2019). *Who cares? The financialisation of adult social care*. IPPR. <https://www.ippr.org/research/publications/financialisation-in-social-care>
- Borzaga, C. (2020). *Social enterprises and their ecosystems in Europe, (Country report: Italy)*. European Commission. <https://doi.org/10.2767/173023>

- Borzaga, C., Salvatori, G., & Bodini, R. (2019). Social and solidarity economy and the future of work. *Journal of Entrepreneurship and Innovation in Emerging Economies*, 5(1), 37-57. <https://doi.org/10.1177/2393957518815300>
- Borzaga C., Bodini R., Carini C., Depedri S., Galera G., & Salvatori, G. (2014). *Europe in transition: The role of social cooperatives and social enterprises*, (Working Paper n. 69|14). EURICSE. [https://euricse.eu/wp-content/uploads/2015/03/1405514708\\_n2553.pdf](https://euricse.eu/wp-content/uploads/2015/03/1405514708_n2553.pdf)
- Burki, T. (2020, May 23). England and Wales see 20,000 excess deaths in care homes, (World Report). *The Lancet*, 395(10237), 1602. [https://doi.org/10.1016/S0140-6736\(20\)31199-5](https://doi.org/10.1016/S0140-6736(20)31199-5)
- Calò, F., Teasdale, S., Donaldson, C., Roy, M. J., & Baglioni, S. (2018). Collaborator or competitor: Assessing the evidence supporting the role of social enterprise in health and social care. *Public Management Review*, 20(12), 1790-1814. <https://doi.org/10.1080/14719037.2017.1417467>
- Campopiano, G., & Bassani, G. (2021). Social innovation: Learning from social cooperatives in the Italian context. *Journal of Cleaner Production*, 291, 125253. <https://doi.org/10.1016/j.jclepro.2020.125253>
- Develtere, P., Leuven, K. U., & Papoutsis, B. G. (2021, June 2-4). *Rebuilding and realizing a resilient global society through cooperatives* [Paper presentation]. Expert Group Meeting: The role of cooperatives in economic and social development. <https://www.un.org/development/desa/dspd/2021-meetings/coops.html>
- Dromey, J., & Hochlaf, D. (2018). *Fair care: A workforce strategy for social care*. Institute for Public Policy Research. <https://www.ippr.org/research/publications/fair-care>
- Dzur, A. W. (2019). *Democracy inside: Participatory innovation in unlikely places*. Oxford University Press. <https://doi.org/10.1093/oso/9780190658663.001.0001>
- Elley-Brown, M. J., & Pringle, J. K. (2021). Sorge, Heideggerian ethic of care: Creating more caring organizations. *Journal of Business Ethics*, 168(1), 23-35. <https://doi.org/10.1007/s10551-019-04243-3>
- Esim, S., & Katajamaki, W. (2017). Rediscovering worker cooperatives in a changing world. *IUSLabor*, 1, 1-8. <https://www.raco.cat/index.php/IUSLabor/article/view/327020>
- Foot, M. (1973). *Aneurin Bevan: A biography. Vol. 2 1945–1960*. Davis-Poynter.
- Harrington, C., Jacobsen, F. F., Panos, J., Pollock, A., Sutaria, S., & Szebehely, M. (2017). Marketization in long-term care: A cross-country comparison of large for-profit nursing home chains. *Health Services Insights*, 10, <https://doi.org/10.1177/1178632917710533>
- Heery, E., Hann, D., & Nash, D. (2017). The Living Wage campaign in the UK. *Employee Relations*, 39(6), 800-814. <https://doi.org/10.1108/ER-04-2017-0083>
- Howard, N. (2020). A world of care. In M. Parker (Ed.), *Life after covid-19: The other side of crisis* (pp. 21-30). Bristol University Press.
- Humphries, R., Thorlby, R., Holder, H., Hall, P., & Charles, A. (2016). *Social care for older people: Home truths*. The Kings Fund. <https://www.kingsfund.org.uk/publications>
- International Co-operative Alliance. (2018). *Cooperative identity, values and principles*. <https://www.ica.coop/en/cooperatives/cooperative-identity>
- Jenkins, S., & Chivers, W. (2022). Can cooperatives/employee-owned businesses improve 'bad' jobs? Evaluating job quality in three low-paid sectors. *British Journal of Industrial Relations*, 60(3), 511–535. <https://doi.org/10.1111/bjir.12637>
- Johnson, M., Rubery, J., & Egan, M. (2021). Raising the bar? The impact of the UNISON ethical care campaign in UK domiciliary care. *Transfer: European Review of Labour and Research*, 27(3), 367-382. <https://doi.org/10.1177/10242589211028460>
- Manthorpe, J. & Iliffe, S. (2021, January 18). Care homes: Averting market failure in a post-covid-19 world. We need public and political consensus about long term options, [Editorial]. *The British Medical Journal*, 372(118), 1-2. <http://dx.doi.org/10.1136/bmj.n118>
- Moth, R. (2022). *Understanding mental distress: knowledge, practice and neoliberal reform in community mental health services*. Policy Press.
- Pollock, A. (2021, September 14) Multinational care companies are the real winners from Johnson's new tax. *The Guardian*. <https://www.theguardian.com/commentisfree/2021/sep/14/multinational-care-companies-new-tax-privatised>
- Sandoval, M. (2018). From passionate labour to compassionate work: Cultural co-ops, do what you love and social change. *European Journal of Cultural Studies*, 21(2), 113-129. <https://doi.org/10.1177/1367549417719011>
- Sevenhuijsen, S. (2003). The place of care: The relevance of the feminist ethic of care for social policy. *Feminist Theory*, 4(2), 179-197. <https://doi.org/10.1177/14647001030042006>
- Smith, S. J. (2005). States, markets and an ethic of care. *Political Geography*, 24(1), 1-20. <https://doi.org/10.1016/j.polgeo.2004.10.006>
- The Kings Fund (2018, January 4). *Delayed transfers of care: a quick guide*. The Kings Fund. <https://www.kingsfund.org.uk/publications>

- Tronto, J. (1998). An Ethic of Care. *Generations: Journal of the American Society on Aging*, 22(3), 15-20. <https://www.jstor.org/stable/44875693>
- Turnhout, E., Metze, T., Wyborn, C., Klenk, N., & Louder, E. (2020). The politics of co-production: Participation, power, and transformation. *Current Opinion in Environmental Sustainability*, 42, 15-21. <https://doi.org/10.1016/j.cosust.2019.11.009>
- Werner, A. (2021). *Living wage implementation in adult social care: Challenges, solutions and benefits* (Research report — key findings). Middlesex University London. <https://eprints.mdx.ac.uk/33834/>
- Wittenberg, R., Knapp, M., Hu, B., Comas-Herrera, A., King, D., Rehill, A., Shi, C., Banerjee, S., Patel, A., Jagger, C., & Kingston, A. (2019). The costs of dementia in England. *International Journal of Geriatric Psychiatry*, 34(7), 1095-1103. <https://doi.org/10.1002/gps.5113>
- Wood, H. & Skeggs, B. (2020). Clap for carers? From care gratitude to care justice. *European Journal of Cultural Studies*, 23(4), 641-647. <https://doi.org/10.1177/1367549420928362>
- Woods, M., Phibbs, S. & Severinsen, C. (2017). 'When morals and markets collide': Challenges to an ethic of care in aged residential care. *Ethics and Social Welfare*, 11(4), 365-381. <https://doi.org/10.1080/17496535.2017.1287210>