

Mutuality:

*Towards a Renewed Welsh Economy &
The Renaissance of a Radical Welsh Politics*



Foreword by

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In memory of
Geoffrey Howe QC 1926 – 2015

Lord Howe of Aberavon

Former Solicitor General, Chancellor of the Exchequer, Foreign Secretary and

Deputy Prime Minister

Founder member of the Bow Group

Who, in 1959, wrote, with Tom Hooson, the Bow Group Pamphlet

Work for Wales Gwaith I Gymru

About the Bow Group

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Foreword

Globally the co-operative economy is huge. The 300 biggest co-operatives in the world are worth over \$2 trillion. Developed by a Welshman, Robert Owen, the co-operative economic model arguably constitutes one of the most significant ways in which Wales has impacted the world. Sadly, however, as this timely and important publication explains, the size of the Welsh co-operative economy today is smaller, per head of population, than that of Scotland and Northern Ireland. Despite a great deal of talk by the Welsh Government over the last five years about mutuals and co-ops, there has been very little action, suggesting that, at the end of the day, Welsh Labour's loyalty is ultimately to 'top-down' statist rather than 'bottom-up' community based solutions of the kind that inform the mutual endeavour.

The Welsh Conservatives are very clear that going forward there must be a much bigger place for mutuals and co-ops in the Welsh economy and we have a compelling set of policies to help make this a reality which are set out in this publication. Our strategy is good for Wales both because it will strengthen our economy and because the co-operative and mutual model is one that resonates with Wales and Welsh culture. It connects with and affirms far more readily Wales, the decentralised 'community of communities,' than the tired, failed over-dependence on centralising, statist solutions that has characterised Labour.

Mindful of all this, it is quite wrong that mutuals and co-ops are often presented as the preserve of the left in the UK. They are not regarded in this way elsewhere in the world. The truth is that the UK left is far too statist and centralising a movement to make a really credible claim to the mutual-co-operative project. In many ways Conservatism, with its emphasis on civil society rather than the state, provides a much more logical home and Welsh Conservatism, with its stress on Wales as a 'community of communities,' the best home of all.

The power of political thought and ideas should never be under-estimated in politics. This is a pamphlet that makes a very important and well-judged contribution to the development of Welsh political thought and to Welsh political ideas. It should to be read and then acted on.

Suzy Davies
Spokeswoman on heritage
Policy Director, The Welsh Conservative Party

INTRODUCTION

Wales today faces huge challenges. After seventeen years of Labour Government we are now the poorest part of the UK with GVA per head having declined from 76.7%ⁱ to just 71.4%ⁱⁱ of the UK average since 1999. Despite having already received two rounds of Labour administered European Structural Funds, and now being on a third, Wales is still deemed to be as poor as some parts of former Eastern Bloc countries like Poland, Romania and Slovakia. In this context we have also seen our educational standards falling to the bottom half of the PISA League table.ⁱⁱⁱ

I don't begin with these gloomy facts because I want to run Wales down. Far from it! The reason why I am in politics and have written this pamphlet is that I passionately believe in Wales and that with the right policies in place we can be empowered to fulfil our actual potential. I well recall that it was just over 100 years ago in Wales in 1908 that the first cheque for £1 million was signed and that at the same time historians judged our education system to be better than that of England.^{iv} And I believe that with the right leadership Wales' greatest days lie ahead of us and not in the past. The challenge we face is getting the right policies in place to set Wales free so we can realise all our latent capabilities and become the economically successful small nation we have the potential to be.

LABOUR AND PLAID CYMRU'S PROBLEM

I firmly believe that, to a very significant degree, our problem is an over-reliance on the state promoted particularly by the Labour Party and Plaid Cymru. This over-reliance is bad for Wales, first, because of its implications for our economy and, second, because of its lack of connection to our national traditions and identity. Let's consider both these in turn.

1) THE WELSH ECONOMY

Most economists get worried about the plight of an economy when the public sector is much more than 40% of GVA. In Wales the figure is way beyond that. In 2013 total public spending was £30.6 billion^v while GVA was £52 billion,^{vi} which computes to public spending constituting a massive 58.8% of GVA! In this context even the Labour Party is saying that Wales badly needs a bigger private sector. Both Carwyn Jones and Peter Hain have admitted it.^{vii} The trouble is, however, that these disciples of the Big State are not best placed to champion the private sector. The truth is that Welsh Labour doesn't really understand it. Not that surprising when you remember that the current Minister for the Economy, Science and Transport - someone who has been a leading Welsh Assembly Minister since the advent of devolution in 1999 - has confessed to being a bit of a fan of that ultimate champion of the Big State, Karl Marx!^{viii}

Back in 2001 the Welsh Government, led by a Labour First Minister, published its National Economic Development Strategy that set the goal of increasing Welsh GDP per head from 79.4% to 90% of the UK average by 2010.^{ix} After ten years of public sector expansion, far from closing the gap by 10% or even by 1%, they had actually presided over the deterioration of our position to the current 71.4% of the UK GVA (which is now the favoured measure^x) per head figure.^{xi} Instead of coming up with a new policy to increase Welsh GDP/GVA, the best they could do was to argue that Wales is different and that they should not have set this GDP/GVA policy objective in the first place. If the rest of the world is prepared to set GDP/GVA targets to measure economic progress, then I take the view that

Wales should too. Throwing out GDP/GVA targets because you don't get the right results looks exceptionally childish, at best and, at worst it risks seeming manipulative and deceitful. What we need is not to change how we measure progress but rather to change policies so we actually make progress.

2) WELSH CULTURE

We have not just been let down by the failure of Labour policy to generate economic growth. We have also been let down by their more profound failure to understand Wales, our history and our identity. Labour like to present themselves as the natural government of Wales and yet it is the contention of this pamphlet that it is under their leadership that we in Wales have actually lost touch with, and become disinherited from, some of our most important national traditions. In this context it is small wonder that Labour's policies should have failed. As any good leader knows, getting a proper cultural fit is central to policy success. If one just considers the post-war period then one could be forgiven for thinking that Wales is a Big State nation. To really understand Wales, however, we must take a longer view. When we do, what we discover is that at the heart of Welsh political culture the dominant theme has not been the Big State but a radical politics informed by a vigorous commitment to community and education, undergirded by a strong mutual ethic and celebration of the local.^{xii} This is Wales the 'community of communities' which is in many ways best understood from the bottom up than from the top down.^{xiii}

The mutual tradition in Wales gained particularly clear expression through the medieval Cymhortha tradition of Welsh farmers helping each other out. Something of this culture was sustained more recently, as academics like the celebrated Welsh anthropologist Alwyn D Rees have demonstrated, through the decentralised culture of the Welsh countryside which contrasted starkly with the comparative centralisation of the English countryside. The reality of our mutualism can still be seen today in the fact that 12% of the landmass of Wales is common land whereas just 3% of the landmass of England is common land.^{xiv} It is also visible in the fact that some of the largest agricultural concerns today are co-operatives.

Standing back from the Welsh agricultural perspective, however, the importance of our mutual tradition has gained its clearest expression through the fact that the founder of the co-operative movement, Robert Owen, was Welsh. He came from Newtown where today there is a fine museum in his memory. Its impact can also be seen in many of the activities of the chapels, Workingmen's Institutes and co-operatives of the late 19th and early to mid-20th centuries.

Mindful of all this, it is no surprise that early Labour history in Wales was not about the Big State and top-down centralism but about localism and promoting policies that sought to build national wellbeing from the bottom-up. One thinks particularly of Noah Ablett's *The Miners Next Steps* which was so central to the development of Welsh syndicalism, a tradition that initially was favoured by Labour icons like Nye Bevan before he embraced the Big State.^{xv} One also thinks of those Labour members like William Hazell who bravely spoke out against the move towards statism and centralisation in the post-war years.^{xvi} In some ways this tradition was even more important to early Plaid Cymru under the influence of DJ Davies, which even ran its own co-operatives.^{xvii}

The truth, however, is that despite having made some contrary commitments, Welsh Labour seems to have, to all practical intents and purposes, turned its back on localism and the bottom-up ethic and argued that the best way forward is via the Big State. To the extent that Labour has been seen as the natural party of government in Wales and statism has been its 'solution,' we have allowed ourselves to believe that statism is the natural way of Wales. It isn't. Indeed the triumph of this mind-set has actually helped disinherit the people of Wales from our bottom-up, mutual tradition. Moreover, as the gospel of the big state gathered momentum, even Plaid Cymru was taken up with it and, by the 1960s, was buying into English Fabianism.^{xviii}

THE WELSH CONSERVATIVE SOLUTION

Going forward the Welsh Conservatives are clear that one aspect of the policy mix must be a much greater emphasis on co-operatives and mutuals. At first glance this might seem odd to those who have embraced the common understanding that left wing political economy is about nationalised industries and co-operatives, while right wing political economy is about the public limited company and shareholders. Although it certainly is not my purpose to suggest that there hasn't been a very strong connection between co-operatives and the left, the truth is that the real gulf is between nationalised industries, on the one hand, and co-operatives and public limited companies, on the other. In this context, while the centre right generally does not opt for nationalisation as a preferred model, there is no reason why it should not celebrate co-operatives with every bit as much enthusiasm as public limited companies. Indeed, as we will see, in some senses centre right thought provides a more favourable assessment of co-operatives than it does of the public limited company.

Centre right political economy is informed by a critique of nationalised industries which asserts that in a context where everything is owned and underwritten by the state, the sense in which a worker can have a genuine, felt sense of a stake in his or her workplace is necessarily weak. In this context Conservatives argue that the culture of nationalised industries is such that it tends to undermine work incentives and fosters an economic climate like that of the early 1970s in which our inefficiency was such that the three day week had no impact on output.

In this regard it is useful to consider two statements by Margaret Thatcher:

In her 1977 Conservative Party conference speech she said:

*'We would like to see the workers who help create the profits sharing them. ... We want more employees voting as share-holders, at company meetings. Under a Conservative Government we hope that more of them will own **a stake** in industry and that more of them will own their own homes.'*^{xix} (Bold added)

After she was Prime Minister, Lady Thatcher made very similar points in 2000:

*'..., the privatisation of industries with special preference for workers and for small buyers began to turn Britain into a nation of shareholders. Of course, ownership of assets brings risks as well as rewards. But the transformation it effects on a society is wholly positive, because it gives people **a stake** in prosperity and trains them to take control of their own lives.'*^{xx} (Bold added)

While the problem of models of wealth creation in which employees do not have a sufficient sense of stake, and therein real incentivisation, can be addressed by share ownership, they can also be addressed through mutuals and co-ops.

Rather than consisting of large, monolithic extensions of the big state, cut off from any sense of market realities as a result of being underwritten by the state, co-operative enterprises depend on everyone concerned investing themselves in the project. Everyone has 'stake.' Indeed in some ways the sense of stake provided by co-operatives and mutuals is stronger in that, while the shareholder may not enjoy any meaningful sense of stake beyond holding shares, those involved in co-ops and mutuals experience a wider sense of stake which, while encompassing finance, tends to be more far reaching, embracing service user, local community and or employment commitments.

The particular strength of the sense of stake and concomitant responsibility in the mutual economy was highlighted very powerfully by the Conservative Minister who until 2015 led government policy on mutuals in England, Francis Maude, in his 2014 Oakeshott Memorial Lecture.

'Staff engagement surveys bear out the simple truth that service improves and productivity rises when the staff have a stake; when they feel they belong; and that their individual voice and actions count. Our latest data shows that after an organisation spins out as a mutual absenteeism falls by 20%; staff turnover falls by 16%. Take City Healthcare Partnership based in Hull as an example. 91% of staff said they now feel trusted to do their jobs – and this level of empowerment has had a knock-on effect in the quality of care they give. Since they left the NHS in 2010, there has been a 14% increase in patients who've rated their care and support as excellent, and 92% say they would recommend the service to family and friends.'^{xxi}

The mutual stake is particularly important from a Welsh point of view because it affirms Wales' strongly mutual heritage and identity. Its development therefore not only has the capacity to generate more wealth and a better standard of living but also to, at the same time, renew our traditions and identity. Promoting greater wealth creation for Wales through the co-operative economy would thus be a very Wales affirming project both because it increases our wealth *and also because it renews and strengthens our national traditions and identity.*

LABOUR'S FAILURE

Endowed with the fantastic mutual heritage of both the Cymhortha and community of communities traditions, Robert Owen and interestingly proportionately more Labour Assembly Members with a Co-op party affiliation than any other UK legislature (!!), one would expect that the co-operative economy in Wales today would be strong. The tragedy is that this is not the case. As Prof Kevin Morgan and Adam Price pointed out in their important 2011 publication, *The Collective Entrepreneur*, the co-operative economy in Wales is relatively weak. They stated:

'The growth record of the industry in Wales so far is disappointing. The RBS Social Enterprise 100 which tracks growth among UK social enterprises shows that growth is slowest in Wales. Despite Wales "co-operative advantage" it would appear that we once

again find ourselves at the bottom of the growth league even when measured by the social yard-stick.^{xxii}

Why is this? The Welsh Government, to their credit, have spoken about the importance of the cooperative tradition for Wales and have produced a Social Enterprise Action Plan which contains many noble commitments, including an undertaking to look at the possibility of transferring responsibilities from our Big State to social enterprises. For instance it states:

'All Welsh Assembly Government departments and the wider public sector have been challenged to identify opportunities for social enterprises to compete to deliver high quality and citizen centred public services – as well as other benefits, such as local wealth creation and community regeneration, in inclusive and sustainable ways.'^{xxiii}

Later this is restated:

'We will require each Assembly Government Department to identify opportunities for social enterprise solutions within its functional area, and we will encourage other parts of the public sector to do likewise.'^{xxiv}

Moreover, the Action Plan argues that there is very considerable further capacity for social enterprise in Wales.^{xxv}

Despite these clear commitments, however, as Kevin Morgan and Adam Price highlighted, the Welsh Government seems to be dragging its feet in terms of implementation. They were particularly critical of the failure of the Welsh Government to allow the development of public sector mutuals in Wales - as in England - for the provision of health services. They stated:

'At the basic level, Welsh healthcare workers should be given the right, as in England, to form employee owned co-operatives or community mutuals where they can demonstrate community benefit. At a more radical level, thought should be given to the means by which social business may be able to assist with the process of NHS reconfiguration – a must do in the next twenty years if the national health Service is to survive – with acute and specialist services provided in regional centres by the central NHS and primary services being managed progressively by the social enterprise sector, whether local GP co-operatives, community-owned hospitals, charitable organisations or genuinely mutual healthcare providers.'^{xxvi}

Perhaps in response to growing unease from Labour's backbenches following the publication of this important paper, on the 16th July 2012 Edwina Hart announced the setting up of the Welsh Co-operative and Mutuals Commission, under the chairmanship of former Welsh Labour Government Minister, Professor Andrew Davies, Swansea University's Strategic Adviser. After considerable delays the Commission's report was finally published on 21 February 2014. The report contains a number of particularly striking findings:

First, contrary to the Collective Entrepreneur, the Report is remarkably upbeat about the strength of the mutual economy in Wales vis-à-vis the rest of the UK. It stated that the sector is:

'...relatively strong compared with other parts of the UK...'^{xxvii}

'Latest estimates suggest that there are 446 co-operatives in Wales which are members of Co-operatives UK. There are many more co-operatives and mutuals which are not members, and about which less is known. The number of Co-operatives UK members is nearly 50 per cent more than might be expected simply on the basis of Wales' population. The largest one hundred members of Co-operatives UK include eleven based in Wales (Table 2), twice as many as might be expected simply on the basis of Wales' population.'^{xxviii}

This attempt to put a positive spin on the size of the Welsh mutual economy, however, is based on a strategy of counting the numbers of co-operatives and mutuals which rather obscures the more important point, namely that the Welsh mutual economy is actually smaller than it should be based on the size of the Welsh population. If you look at the size of the co-operative economy, as set out in Table 1 below, it enables you to say that Wales accounts for 4% of that UK co-operative economy even whilst it accounts for nearly 5% of the UK population. Contrast this with Scotland which accounts for 11.4% of the UK co-operative economy but 8.3% of the UK population!

Table 1: Share of the Co-operative Economy Across the UK 2015

| | | | | | | |
|-----------|-------|-------|------|------|-------|-------------------------|
| NI | 250 | £1.1 | 1.8 | 2.9% | 2.97% | £1.036 |
| Wales | 452, | £1.5 | 3.1 | 4.8% | 4% | £1.7982 |
| Scotland, | 567, | £4.2 | 5.3 | 8.3% | 11.4% | £3.0784 |
| England, | 5527, | £30.2 | 53.9 | 84% | 81.6% | £31.043 ^{xxix} |

Column 1 lists the numbers of co-operatives in the respective parts of the UK in 2015 according to Co-operatives UK. Column 2 values the co-operative economy for the different parts of the UK in 2015 according to Co-operatives UK in billions. Column 3 lists the population of each UK nation in millions. Column 4 lists the proportion of the UK population represented by the part of the UK in question, while column 5 lists their actual share of the UK co-operative economy. Column 6 concludes by listing the value of the co-operative economy one would expect in each part of the UK on the basis of population share.

The second striking feature of the report is the fact that it acknowledges the reality of a reluctance to embrace the mutual agenda in Wales where it is concerned with transferring state functions to mutuals, although that reluctance is justified and unpacked narrowly in terms of a rather disingenuous critique of Conservative efforts to promote mutuals in England.

'We recognised the importance of trade unions within Welsh civil society. Although trade unions have an affinity with the co-operative movement and share many of its values – indeed Wales TUC led the creation of the Wales Co-operative Centre – many public sector unions have deep reservations about current approaches to mutualisation. The Commission shares some of the trade union movement's reservations, in particular the assumptions, assertions and motivations associated with the UK Government's approach. The Cabinet Office's promotion of mutual and co-operative organisational models without regard to the underlying principles or values suggests a more measured approach is needed here.'^{xxx} (The idea that the Cabinet Office has promoted mutuals and co-ops without regard for the

underlying principles or values is not substantiated and indeed, as we shall see, is actually contradicted by later comments.)

The third striking feature of the report, however, is that despite giving what is arguably a rather distorted assessment of the wellbeing and size of the mutual sector (which – if accepted – would clearly lessen the pressure to promote mutualisation in Wales) and, despite highlighting what it regards as legitimate concerns about Conservative Public Service Mutuals policy, the report again concludes by supporting the extension of mutuals, including in relation to public services. The Commission sets out this commitment in the following terms:

‘Nevertheless, the Commission is firmly convinced that co-operatives, mutuals and other socially-owned business forms are superior to the privatisation of public services.’^{xxxix}

‘The Commission regards the mutualisation of public services as being fundamentally different in principle and in practice to ‘contracting out’. We see the role of the state as being one of stewardship of services, goods and assets that promote the wellbeing of its citizens – this may not always mean being the provider of services itself. Indeed, mutualisation can be an effective way of involving citizens or service users, sometimes known as co-production, in service planning and delivery.’^{xxxix}

Indeed, not only did the report suggest that there should be a willingness to consider transferring state functions to mutuals, it was actually willing to acknowledge that there was evidence to suggest that service provision by mutuals is superior to service provision through the big state.

‘Our views are supported by research we commissioned on the experiences of housing mutuals, local authorities and housing associations. This found that housing associations and housing community mutuals were more likely to be aware of and demonstrate adherence to public service values than local authorities’ own housing departments. They were no more likely to outsource service provision than local authorities, and indeed some had returned externally procured services to in-house provision. The research also demonstrated that the risks of housing associations or community mutuals going out of business or of assets being transferred to the private sector was very low.’^{xxxix}

Examples of how the mutuals sector could take over state functions are set out by the Commission report in relation to social care in the following terms:

‘The Commission considers that there is a compelling case for a greater role for social care co-operatives because of the added value they can bring to social care services, including:

- High-quality services that are based on co-operative values and principles and not on private profit;*
- Services that are responsive to people’s needs, as they are citizen directed, giving a much stronger voice and greater control to service users and carers;*
- Greater contestability in a market dominated by large, private providers. There is the potential for co-operative day care, social care and community centres to take over community hospitals – possibly with support from the Registered Social Landlords (RSLs).’^{xxxix}*

The Commission also suggests that the mutuals sector has a role to play in the provision of health services and even enthusiastically cites examples from England! Having distanced themselves from the efforts of Conservative Ministers to celebrate mutualisation (see above), suggesting that this was not being done in a way that has proper regard for the mutual ethic; they then praise health service mutuals in England, suggesting that Wales can learn from them!

Consider, first their reflections on the provision of out of hours service:

'In 2012-13, over £5 billion was allocated to local health boards. ...Co-operative provision of health services in Wales is currently very limited. The Commission learned of the many examples elsewhere, e.g. provision of 'out of hours' services by general medical practitioners (GPs), the largest of which is SELDOC (South East London Doctors' Co-operative) which treats around a million patients. The Commission considers that there is potential for GP co-operatives to be established in area of Wales where it is hard to recruit new GPs.'

And then their reflections on the provision of community health care services:

'The Commission noted that Co-operative Pharmacy is a significant provider of community health care services as well as dispensing prescriptions. The Commission considered that new ways of commissioning health services need to be developed that meet individuals' needs and allocate resources accordingly. In particular, local co-operatives offer potential to integrate health and social care services in a more effective way.'^{xxxv}

The Minister for Economy, Science and Transport responded to the Commission report four months after its publication in June 2014 explaining that the Welsh Government was using the findings to refresh the Social Enterprise Action Plan.^{xxxvi} In February 2015 she also announced the commissioning of yet another report, *Keeping it Mutual*, which sought to further assess the opportunities for co-ops and mutuals in public service delivery and was published in May 2015.^{xxxvii} Both the Minister for Public Services and the Minister for Economy, Science and Transport jointly responded to this later report in July 2015 and announced that they would then commission yet another document, an Action Plan.^{xxxviii} This was published for consultation from 13 October 2015 till 13 January 2016.^{xxxix}

LEAST WORST OPTION – PRAISE INDEED!

When launching the consultation on the Action Plan, the Minister for Public Services, Leighton Andrews, gave the very distinct impression of being rather reluctant about the role of mutuals and co-ops in public service reform. He stated: 'We are clear that public services delivered by public servants are best, and we advocate co-operative, mutual and related alternative delivery models only as an alternative to ceasing or to privatising services.'^{xl} His consultation made the point even more dramatically stating on its first page: 'We advocate cooperative and mutual models of delivery and other alternative delivery models only as an alternative to ceasing or privatising services, as a **'least worst' option.**'^{xli} (Bold added). Lest this was not enough, this grudging appreciation of co-ops and mutuals is repeated word for word on page 9! Amazingly the resulting Action Plan published on 18 March 2016 contains the same statement on pages 2 and 10.^{xlii} It is now official!

The 'least worst' point is particularly striking because, rather than constituting a step forward, there is an important sense in which the 2016 Action Plan actually presents us with a step back. Unlike the latest Action Plan, the 2009 Social Enterprise Action Plan talked freely about considering whether public functions could be better provided by social enterprises without saying this was only as a least worst option if the other alternatives were terminating service provision or outsourcing to a private company!

Given the centrality of mutualism to Wales' identity and heritage, it seems very sad that Welsh Labour should have to present the provision of public services through mutuals as a 'least worst' option. It is somewhat disconcerting to know that we have a government that sees a mechanism for public service provision that constitutes an important part of our identity (having been pioneered by a Welshman and used all over the world today), as a worse option than an alien, failed statism, whose only redeeming feature is that it is not quite as bad as the service ceasing or continuing through a private company. Such a statement profoundly misjudges not only our political economy but also our history and identity as a nation. Can a party that so completely misunderstands Wales continue to form the Welsh Government?

One can be sure that this would be a great disappointment to William Hazell were he still alive, and indeed those within the Labour movement today who are inspired by his example. In some ways his writings actually anticipated the concept of Public Sector Mutuals as long ago as 1946 and no doubt he would have been shocked to have learnt that it was actually Conservative Ministers that have done more than anyone else to inject greater mutuality into public service provision. As Alan Burge observes, 'In November 1946 - before the nationalisation of the coal industry took effect - he (Hazell) wrote the first of a number of articles that criticised the form by which the mines were to be nationalised. In them he questioned the top-down, statist model of management that was chosen to run the coal industry.'^{xliii} Hazell 'proposed that only co-operative principles could produce the results desired for the industry. He consistently argued that control of industries and sectors of the economy would be better managed if they were based in, or at least included, co-operative principles and people, rather than using state structures, saying co-operation should be more than "a plank of reconstruction" - make it the platform.'^{xliiv}

Now, of course, I recognise that in other parts of the Action Plan the Government makes much more positive sounding comments about co-operatives and mutuals. This actually generates confusion given that if public service mutuals are the least worst option, it clearly does not make sense to see them as *anything other than the least worst option*. One gets the distinct impression in all this that Labour is actually trying to square a political circle, hoping that different constituencies will be placated by different statements and that neither will notice how the statements provided for their benefit are actually contradicted by statements made for the benefit of others. On the one hand, they want to be negative about mutuals/co-ops in order to keep the Big State part of the Labour constituency - especially the unions - happy, and also in order to use the development of co-ops and mutuals as a means of highlighting and criticising the cuts introduced by Conservative Ministers in Westminster. On the other hand, however, they also want to be positive about mutual/co-ops because of the relationship between the Co-op Party and the Labour Party. In adopting this confused approach, however, Welsh Labour has profoundly misjudged the situation.

First, the benefits to them of highlighting 'Tory cuts' is far outweighed by the cost of making themselves look positively unenthusiastic about Wales and the Welsh culture of mutualism, which when seen as the political opportunism that it is makes it look like they have completely lost the plot. Why on earth would anyone who knows and loves Wales construe mutualism and co-operatives as the least worst option?? Of course, the point must also be made that the so called 'Tory cuts' are the result of the UK Conservative Government having to take difficult decisions to ensure that we live within our means after years of irresponsible Labour spending that had no compunction about saddling future generations with debt.

Second, in adopting this odd posture Welsh Labour has demonstrated very clearly the extent to which it is dominated by statist who are really nervous about mutuals. They have thereby also provided a clear explanation of why progress towards mutuals and co-ops has been so extraordinarily slow under their watch. Welsh Labour, or at least important parts of Welsh Labour, is clearly not at all keen.

NO PUBLIC SERVICE MUTUALS

Recognition of this reluctance brings us to the central observation that, while Labour has been commissioning reports, Conservative Ministers in Westminster have been taking action, facilitating the creation of 106 Public Service Mutuals, delivering £1 billion of public services.^{xlv} Had Wales enjoyed a Welsh Conservative Government these last five years, then rather than looking at lots of reports we would today be looking at public services that would have been renewed through the insertion of the core value of mutuality into the organisation of service provision. They would today, as a consequence, be more efficient and enjoy a better fit with our country and our culture.

CONCLUSION: JOHN LEWIS QUALITY PUBLIC SERVICES FOR WALES?

Most people readily appreciate the quality of goods and services from John Lewis, whose operations rest on the mutual principle of employee ownership, of everyone having a stake. Who then would seriously want to pass on the opportunity of exploring the development of public services resting on the same tried and tested foundation and the possibility of 'John Lewis quality public services for Wales?' Mindful of this, the Welsh Conservatives most certainly do not see mutuals and co-ops in public service provision as the 'least worst option' at a time of fiscal constraint. We see mutuals and co-ops as a positive benefit to enhance, reinvigorate and renew our public services in a very Wales affirming manner, making them more responsive to local need. Crucially this is our position regardless of the economic situation. Mutuals and co-ops are not just good for Wales at times of public spending restraint. We would champion their role in public service provision - and indeed in the wider economy - in the middle of a period of surplus just as enthusiastically as when times are hard because John Lewis quality public services would be very good for Wales.

The truth is that despite the Welsh Government's 2009 Social Action Plan commitments to consider transferring public service provision from the state to the mutual sector, as a matter of practice the only real movement we have seen is a requirement for local authorities to 'promote' co-operatives and social enterprises as a model for delivering social care (Section 16 Social Services and Wellbeing (Wales) Act 2014), and the recent Community Asset Transfer Guidance^{xlvi}, which simply allows communities to consider taking over assets that the state wants to sell. While very welcome, this does not measure up well against progress

in England. The Section 16 requirement to 'promote' provides no guarantees. It is not at all clear that it will result in the creation of new mutuals or co-ops, especially given the recent declaration that the Welsh Government only advocates the cooperative and mutual delivery model 'as an alternative to ceasing or privatising services, as a least worst option.' This all stands in stark contrast to the formation of 106 Public Service Mutuals providing over £1 billion of public services in England.

COMPOUNDING THE FAILURE

The dragging of feet by Welsh Labour on mutuals has been compounded by their dragging of feet in the related field of community rights and specifically two decisions made by the Welsh Government in relation to the Localism Act in Wales. In the first instance, they have not given effect to one of the key provisions in the Act that relates to Wales. In the second instance, they apparently asked that another community right set out by the Act should not apply in Wales at all. Let's consider both in turn.

The first community right in question is the 'community right to bid.' It enables communities to designate assets as 'assets of community value' so that should they come up for sale, the community is given 6 months within which to put together a proposal to bid for and run the asset in question for the benefit of the community. This is very relevant to our consideration of Welsh localism and the co-operative and mutual model because one way in which a community can manage and run an asset for local people is as a co-operative or mutual. The legislation enshrining this right applies to England and Wales and was given effect in England in 2012 but, because of the failure of the Welsh Government, has still not been given effect in Wales.

The second community right in question is the 'community right to challenge' and this does not even apply to Wales because – I understand – the Welsh Government asked that Welsh communities, unlike those in England, should not be given this right. It is extraordinary to those with an understanding of Wales, with our radical, bottom-up, 'community of communities,' mutual tradition, that the so-called 'Welsh' Government should have rejected this measure which allows local government employees, and indeed local community groups, to make a case for taking over a local authority function. Far from being inappropriate, it would have been particularly appropriate in Wales, for reasons anticipated as long ago as 1971 by the great Welsh political thinker, and later the Plaid Cymru delegate to the National Assembly Advisory Group, Ioan Bowen Rees. Writing in his seminal book on Welsh local government reform, *Government by Community*, Rees stated: 'one wonders whether social workers and teachers would not be happier and more efficient as independent contractors (individually or in partnership) than under the direct supervision of directors, a point not without relevance to the question of local authority areas.'^{xlvii} Alas, we did not hear any more enthusiasm from Plaid for giving Wales the Community Right to Challenge than we did from Labour.

Interestingly, however, the Co-operative and Mutuals Commission was very clear that the Welsh Government should give effect to the dormant community right to bid and, fourteen months after the publication of their report, the Welsh Government published a consultation in May 2015 which asked people whether or not they would like to see the right to bid given effect.^{xlviii}

Perhaps mindful of the embarrassing delay and the fact that the earliest this community right could be given effect in Wales is four years after it has been given effect in England, the Welsh Government included a consultation option which they argue goes beyond the English model because it would allow communities to proactively propose that they take over the running of a public asset from the state. This is certainly a very welcome development but the best that can be said about it is that it constitutes a weaker form of the 'community right to challenge' that has been operational in England since 2012.

The Minister for Communities and Tackling Poverty formally responded to the consultation submissions on 7 December 2015, acknowledging:

'In view of the consultation responses favouring local control of asset registers, the legislative framework for establishing a Welsh ACV (Asset of Community Value) Scheme could be put in place by commencing Chapter 3 part 5 of the Localism Act 2011 and in subsequent Welsh regulation made under the act.'

Interestingly, though, this still did not give rise to a clear statement of intent to implement:

'I am not in a position to commit a future Government to any specific action, however, I believe there is cross-party support for action on this issue.'^{xlix}

The Minister is wisely very unsure that Labour will form the next Welsh Government but she could have at least said that if Labour forms the next Welsh Government they would implement this important piece of legislation introduced by Conservative Ministers in the Coalition Government. Had Wales enjoyed a Welsh Conservative Government we would not have denied Wales these community rights for the past four years. We would have given them effect at the earliest opportunity and if we form the next Welsh Government the Welsh Conservatives would give them effect as soon as possible after May 2016. The cost of Labour inaction for Wales can be seen in the fact that as of February last year, according to the Communities and Local Government Select Committee, some 1800 community assets in England had been designated assets of community value and 11 had been bought by the community, the first of which was a pub. It is a real tragedy that Welsh communities have not yet been deemed worthy of being entrusted with these rights.

WHAT WOULD A WELSH CONSERVATIVE GOVERNMENT DO?

So how would a Welsh Conservative Welsh Government do things differently?

First, we would make it our priority to grow the mutual and co-operative economy in Wales, helping mutual and co-operative start-ups. The truth is that this economic model, developed by a Welshman, is now worth a huge amount globally and we need to make it worth more to Wales. The top 300 co-operatives in the world today are worth in excess of \$2 trillion, the same size as the seventh biggest economy in the world.¹ On this basis there is surely a strong sense in which the co-operative economic model must be regarded as one of our greatest exports. It is something we should celebrate, something in relationship to which we should seek to lead the way and to which we should seek to add value.

Second, where public services can be better provided by public sector mutuals, we would seek to encourage and facilitate their development, as has been the case in England. As noted earlier, Conservative Ministers in Westminster have not simply been making rhetorical

public sector mutual commitments; they have actually been delivering them - 106 to be precise - in practice.^{li} These come in all shapes and sizes: On the one hand, there are smaller initiatives like the Staffordshire based new employee-led mutual - a 'social work practice' called Evolve YP. Evolve YP supports more than 150 children and young people aged between 12 and 25 years old. It comprises 15 staff, consisting of 6 social workers, 5 personal advisers, 1 project worker and 3 office staff. On the other hand, there are larger initiatives like the Anglian Community Enterprise (ACE), a Mutual Pathfinder with over 1,000 staff, which delivers community healthcare services, and a range of learning disability, GP and dental services for the population of North and North East Essex. A top priority for a Welsh Conservative administration in Cardiff Bay would be to promote the formation of public service mutuals.

Third, we would introduce the full suite of community rights currently enjoyed by our cousins in England, with all that this means for the mutual and co-operative models and localism in general. We would move to immediately give effect to the 'community right to bid,' learning whatever lessons can be learnt from the last four years in England. We would also move immediately to introduce the requisite primary legislation to apply the 'community Right to challenge' in Wales.

CONCLUSION

The Welsh Conservatives are much better placed to deliver policies to give effect to this Cymhortha agenda in Wales today than Labour or Plaid because we are not inhibited by an ideological commitment to the Big State. We would work hard to reconnect Wales with its radical, mutual tradition, giving our nation all the opportunities afforded England through our own Public Sector Mutuals Programme, Localism Act and more.

Anyone who knows anything about Welsh history will recognise, in the words of the famous Welsh historian KO Morgan, that the late 19th and early twentieth centuries witnessed the 'rebirth of our nation.' Moreover, they also know that this national renaissance had at its heart the expression of a radical political tradition - central to which was a focus on newly empowered and articulate local communities - which became a key part of Welsh identity. To begin with this tradition was associated primarily with the Liberal Party although it went on to transfer its affections to Labour. People like Labour MP Jim Griffiths, the first Secretary of State for Wales (who voted liberal at his first General Election) talked about Labour as the most appropriate vehicle for the Radical Liberal Tradition, suggesting that he saw this radicalism as his ultimate political identity and socialism as merely the means.^{lii} It is my contention that today, in 2016, it is actually the Welsh Conservative Party - with our commitment to the mutual and co-operative economy and Welsh localism - that is now best placed to express, uphold, champion and fight for this radical bottom-up tradition that is so central to our national identity.

The Welsh Conservatives want to see the co-operative and mutual economy enjoy significant growth in Wales. We want to see this happen both to enhance our standard of living and to renew our national identity. In prioritising policy to enhance this mutualism we are best placed to reconnect Wales with its radical political tradition from which it has been both sadly and largely disinherited thanks to the statism of Labour and Plaid because, whilst we are very happy to use the state, we are not inhibited by statism. This is a seminal

moment for Wales, a moment when we can reconnect with an increasingly obscured tradition from our past and move, with new found confidence, into the future.

About the Author

Dr Dan Boucher is a Welsh Conservative candidate on the South Wales West Conservative List. In 2011 he was Welsh Conservative Candidate for Swansea East, moving the Party forward two places from fourth to second and securing a 4.8% swing. He also stood in the 2014 European Elections. His previous publications include *The Big Society in a Small Country* published in 2013 by the Institute of Welsh Affairs. Dan works in public affairs and is also the co-Director of the Wales Korea Connection. He is married to Emma. They live with their four year old son, Sam, in Morriston, Swansea.

ⁱ National Assembly for Wales, Regional and Local Gross Value Added, December 2011, Table 1.1. <http://www.assembly.wales/Research%20Documents/Regional%20and%20Local%20Gross%20Value%20Added%20-%20Research%20paper-16122011-228955/11-073-English.pdf>

ⁱⁱ <http://gov.wales/statistics-and-research/regional-gross-value-added-sub-regional-gross-value-added/?lang=en>

ⁱⁱⁱ Gareth Evans, 'Pisa results: Wales going backwards in all core subjects,' *The Western Mail*, 3 Dec 2013.

^{iv} Morgan, *Rebirth of a Nation: A History of Modern Wales*, Oxford, Oxford University Press, 2002, p. 37.

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^{vi} Regional Gross Value Added (Income Approach): December 2014, National Statistics, 10 December 2014 www.ons.gov.uk/economy/grossvalueaddedgva/bulletins/regionalgrossvalueaddedincomeapproach/2014-12-10

^{vii} Peter Hain, 'Rebalancing the Welsh Economy, 2008 and Carwyn Jones, The Andrew Marr Show, 14 February 2011.

^{viii} 'Edwina Hart under fire for capitalism remarks,' *The Western Mail*, 10 November 2011.

^{ix} National Assembly for Wales, The National Economic Development Strategy: In search of economic growth, social justice and sustainable and balanced development: A Consultation Document, February 2001, chapter 6. See: <http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/rel/regional-accounts/regional-gross-value-added--income-approach-/december-2015/stb-regional-gva-dec-2015.html> and *A Winning Wales*, 2002, p. 20.

^x Please see the slightly different definition of GVA compared with GDP: <http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/national-accounts/gva/relationship-gva-and-gdp/gross-value-added-and-gross-domestic-product.html>

^{xi} Regional gross value added (GVA) and sub-regional gross value added, National Statistics, 16 December 2015. <http://gov.wales/statistics-and-research/regional-gross-value-added-sub-regional-gross-value-added/?lang=en>

^{xii} Peter Stead, 'Wales 2010: Year Zero', *Agenda*, Institute of Welsh Affairs, Summer 2010, p. 7.

^{xiii} See for example: Presenting Saunders Lewis, Ed Alun R Jones and Gwyn Thomas, Cardiff, University of Wales Press, 1973, p. 34; Ioan Bowen Rees, *Government By Community*, London, Charles Knight and Co, 1971, chapter 9 and Dan Boucher, *The Big Society in a Small Country*, Cardiff, IWA, 2013, chapter 2.

^{xiv} See: <http://naturenet.net/law/commonland.html>

^{xv} Dan Boucher, *The Big Society in a Small Country*, Cardiff, Institute of Welsh Affairs, 2013, chapter 2.

^{xvi} See for example: '...the people are in danger of perishing upon a cross of ideologies and spurious-State worship, an erection which is democracy degraded into anti-democracy and a Socialism which is no longer social but retains only the "ism".' William Hazell, *Congress Creed: Democracy for Man – Not Man for Democracy*, CR, April 1953, pp. 82-83 and, eleven years after coal nationalisation 'Eleven years have passed, and such is the whirligig of time and its strange revenges that thoughtful ones now inquire whether the board is just a new type of monster...? What kind of men is it breeding and evolving? They are better off but are they better men? Will nationalisation take the place of the older, voluntary betterment methods such as co-operation and friendly societies with their self-government and character-building, thrift inducing ideals?' 'Vale of Clydach (IV): Invasion by the Monster – Coal, SWS, November 1957, pp.i.ii.

^{xvii} DJ Davies, *The Economics of Welsh Self-Government*, Plaid Cymru, 1931,

^{xviii} Laura McAllister, *Plaid Cymru: The Emergence of a Political Party*, Bridgend, Seren, 2001, pp. 166-177.

^{xix} Mrs Thatcher, Conservative Party Conference Speech, 14 October 1977, <http://www.margaretthatcher.org/speeches/displaydocument.asp?docid=103443>

^{xx} Lady Thatcher accepting an honorary degree from Hofstra University, 27 March 2000, <http://www.margaretthatcher.org/document/108387>

- xxi Francis Maude, The Oakeshott Memorial Lecture, 25 March 2014. <https://www.gov.uk/government/speeches/francis-maude-oakeshott-memorial-lecture-2014>
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- xxiii Welsh Government, *The Social Enterprise Action Plan 2009*, para 1.2, p. 5.
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- xxv *Ibid.*, Figure 1, p. 9.
- xxvi The Collective Entrepreneur, chapter 2.
- xxvii Report of the Welsh Co-operative and Mutuals Commission, p. 8.
- xxviii *Ibid.*, p. 18.
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- xxx Report of the Welsh Co-operative and Mutuals Commission, p. 27.
- xxxi *Ibid.*
- xxxii *Ibid.*
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- xxxvii Keith Edwards, *Is The Feeling Mutual: New Ways of Designing and Delivering Public Services in Wales*, 15 July 2015 <http://gov.wales/topics/improvingpublicservices/publications/is-the-feeling-mutual-report/?lang=en>
- xxxviii Ministerial Statement and advice on the report 'Is the feeling Mutual?' 30 July 2015. <http://gov.wales/about/cabinet/decisions/2015/jul-sep/communities/10412875/?lang=en>
- xxxix Alternative delivery models in public service delivery: an action plan for consultation, October 2015. <http://gov.wales/consultations/improving/alternative-delivery-models-public-service-delivery/?status=open&lang=en>
- xl National Assembly for Wales, Record of Proceedings, 13 October 2015. <http://www.yoursenedd.com/debates/2015-10-13-3-statement-alternative-delivery-models-in-public-service-delivery-an-action-plan-for-consultation>
- xli <http://gov.wales/docs/dpsp/consultation/151013-public-services-action-plan-consultation-en.pdf>
- xlii *Action Plan: Alternative Delivery Models in Public Service Delivery*, March 2016 <http://gov.wales/docs/dpsp/publications/160318-alternative-delivery-models-action-plan-en.pdf>
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- xliiv Alun Burge, *William Hazell's Gleaming Vision: A Co-operative Life in South Wales, 1890 – 1964*, p. 152.
- xlv The Mutuals Information Service: <https://www.gov.uk/government/groups/mutuals-information-service>
- xlvi Community Asset Transfers in Wales – A Best Practice Guide' 31 March 2015 <http://gov.wales/newsroom/finance1/2015/150331guidance/?lang=en>
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- xlix Ministerial Written Statement: Lesley Griffiths AM, Assets of Community Value, 7 December 2015. <http://gov.wales/about/cabinet/cabinetstatements/2015/communityvalue/?lang=en>
- ⁱ 'The 2015 World Co-operative Monitor looks at data for 2013, and shows that the total turnover of the world's Top 300 co-operatives and mutuals increased from USD \$2,205.70bn to USD \$2,360.05bn. The world's largest 300 co-operative businesses recorded a 6.9% growth in combined turnover to just under USD 2.4 trillion. The Top 300 of the 2015 Monitor were spread over 25 countries, with 40% based in the insurance sector, 32% in agriculture and food industries, and 17% in wholesale and retail trade.' <http://mmonitor.coop/>
- ⁱⁱ <https://www.gov.uk/government/groups/mutuals-information-service>
- ⁱⁱⁱ Griffiths wrote: 'The radical Liberal forces of the 19th century nurtured the democratic radicalism which we in Wales have inherited. Expressing it in political action fell mainly to the Labour Party then as now. ... To my comrades in Wales – who through the years have been so generous to me – my message is Guard our Inheritance.' Rt. Hon. Jim Griffiths, *Welsh Politics in my lifetime*, p. 57 in J Beverley Smith et al James Griffiths and his times, 1978. Commenting on Griffith's approach, J Beverley Smith wrote: 'The kernel of his message was the need to secure for labour the radical liberal vote. The radical tradition was for him an important part of Labour's heritage and it had to be nurtured.' J Beverley Smith et al James Griffiths and his times, 1978, p. 100.