



**Co-operative
Business
Survival**

**Co-operatives UK
Research Report**

2019

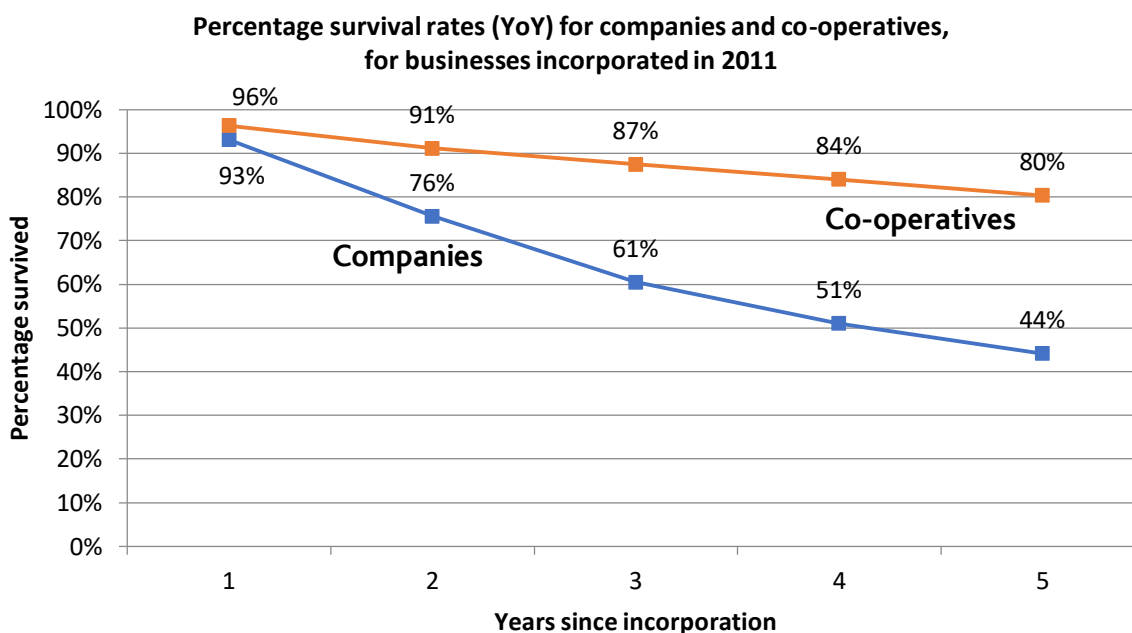
Survival of the fairest? Co-operative business survival

The Co-operative Economy 2018 report states that 80% of co-operative businesses survive the notoriously challenging first five years, compared to 44% of other businesses.

But what's behind this figure? Can co-operatives overcome the long-held "liability of newness" theorised in organisational research?¹. This report details the statistics for the UK and compares these with other co-operative economies internationally.

The data

First, a look at the numbers. The UK data shows that for co-operatives incorporated in 2011 (shown below in orange), the year on year attrition occurs at a much slower pace than for companies registered in the same year (shown here in blue)



The data for companies is derived from the business demography datasets from the Office for National Statistics (ONS)². Comparative co-operative survival rates have been calculated equivalently based on Co-operatives UK dataset, with data derived from a blend of sources including annual reports submitted to the Financial Conduct Authority, published financial information, Companies House data (where applicable), and direct correspondence with our co-operative members³.

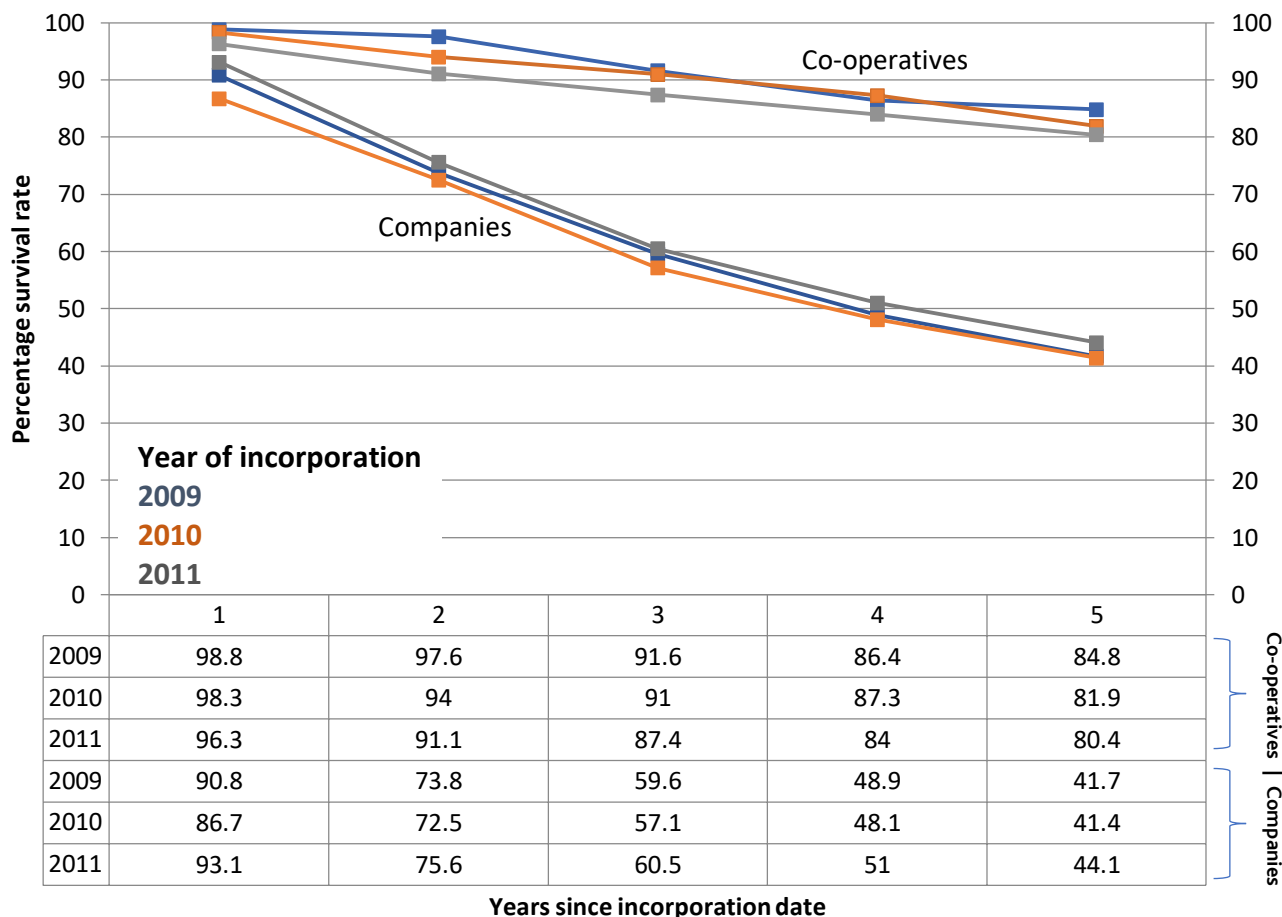
¹ Freeman, J. et al (1983) 'The Liability of Newness: age dependence in organizational death rates', *American Sociological Review* Vol.48 (pp.692-710)

² Office for National Statistics (2017) *UK business; activity, size and location: 2017*, available at <<https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/bulletins/businessdemography/2016> Table 4.1>

³ Co-operatives UK release all datasets as open data, with corresponding documentation and metadata, which may be found at: <www.uk.coop/open-data>

Of course, there is always a chance that 2011-2016 could have been an anomalous moment in business survival for either co-operatives or companies. However, the chart below shows the data for three consecutive years of incorporation/registration dates, and their respective survival trajectories.

A comparison of survival rates (%) for co-operatives and companies over a 5 year period, for businesses incorporated 2009-2011



There is striking consistency year on year for both co-operatives and companies, with co-operative businesses demonstrating greater survival rates over these time periods, covering seven years in total.

International co-operative survival rates

Is this just the case for the UK? Statistics on co-operatives vary greatly in availability and accessibility globally⁴. Despite this, where equivalent research has been conducted the case for co-operatives demonstrating a greater chance of business survival has been supported.

Similar research conducted in Portugal found remarkably similar trends to our UK analysis. Monteiro and Stewart⁵ analysed the business longevity of producer co-operatives in Portugal with at least one

⁴ International Labour Organisation (2018) *Statistics on cooperatives*, available at <https://www.ilo.org/global/topics/cooperatives/areas-of-work/WCMS_550541/lang--en/index.htm>

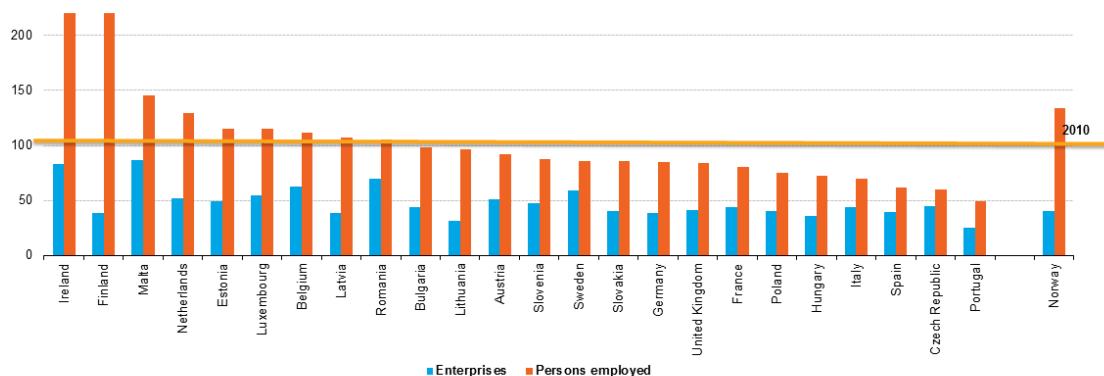
⁵ Monteiro, N.P. and Stewart, G. (2012) *Scale Scope and Survival: A Comparison of Cooperative and Capitalist Modes of Production*, 'Review of Industrial Organisation': August 2015, Vol.47, Issue 1, pp.91-118

employee. Unlike the UK, there is a comprehensive system for classifying all businesses including co-operatives, by legal form in Portugal, with corresponding annual survey data from the Quadros de Pessoal.

This analysis found that the five-year survival rate in Portugal was 75% for co-operatives (compared to ~80% in the UK) and around 40% for companies (compared to ~44% in the UK).

A study of worker co-operatives in France between 1990 and 2009 echoes this statistic, where survival rates were between 81%-89% (the variation is dependent on means of formation as new or converted businesses)⁶. Again, consistency of co-operative survival around the 80% mark is notable. Eurostat data for France demonstrates similar overall company survival of around 40-50% for a five-year period between 2010 and 2015⁷ (see chart 1 below).

Chart 1: Eurostat data for enterprises surviving a five-year period between 2010 and 2015



Note: not available data of Denmark, Greece, Croatia and Cyprus; within 5 years there were breaks in series for the following countries: Finland, Malta, Estonia, Romania, Austria, France, so could be that 5 year survival data are not comparable with reported birth year data in 2010.

A study conducted in Italy found broadly similar trends but on a longer timescale. The research is relatively limited in scope and validity as it is reliant on historical data from a national industry census, but compares the number of co-operatives as a proportion of companies, at ten-yearly intervals between 1951 and 2001. This research also focused on worker co-operatives and employee-owned businesses across a number of sectors.

This analysis found that the proportion of worker/employee-owned firms has increased as a percentage of total businesses from 0.7% in 1951 to 1.2% in 2001⁸, with much of this increase occurring during and after the 1970s despite wider economic stagnation. This trend is mirrored by the increased proportion of workers employed in co-operatives during this time, which remained consistently around 2% until the 1981 census increase to 2.8% and a marked acceleration in growth to 5.8% by the 2001 census^{ibid}.

⁶ Soulage, F. (2011) 'France: an Endeavour in Enterprise Transformation' chapter 3 in Zevi, A. et al (2011) *Beyond the Crisis: Cooperatives, Work, Finance*, CECOP Publications

⁷ Eurostat (2018) 'File: Enterprises surviving a five-year period, business economy, 2015 (%)', available at <[https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Enterprises_surviving_a_five-year_period_business_economy_2015_\(%25\).png#file](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Enterprises_surviving_a_five-year_period_business_economy_2015_(%25).png#file)>

⁸ Zanotti, A. (2011) 'Italy: the Strength of an Inter-Sectoral Network' chapter 1 in Zevi, A. et al (2011) *Beyond the Crisis: Cooperatives, Work, Finance*, CECOP Publications

Looking beyond Europe, data from Canada further substantiates this trend. Business survival statistics from Alberta show a three-year survival rate of 84.6% for co-operatives incorporated in 2005, compared to an average of 48% for conventional firms in Alberta⁹.

Country/region	Survival rates (five years following incorporation, unless otherwise stated)		Data source and parameters
	Co-operatives	Conventional	
UK	80%	44%	Co-operatives UK open source dataset and government statistics (Office for National Statistics) ^{2,3} .
Portugal	75%	40%	National business data (Quadros de Passoa), with defined co-operative legal form. Includes all businesses with one or more employees, excludes government and domestic workers ⁵ .
France	81-89%	40-50%	Data on worker co-operatives only, data for all enterprises from Eurostat ^{6,7} .
France	82.5% (3 yrs) 66.1% (5 yrs)	66% (3yrs) 50%	Worker co-operatives <i>and</i> multi-stakeholder co-operatives data ¹⁰ .
Belgium	80%	68%	Cera Coopburo data ¹¹
Alberta, Canada	84.6%	45%	Canadian Centre for Community Renewal ⁹
Uruguay	29% lower 'hazard of exit'		Worker managed firms 1997-2009, data from government source Banco de Previsión Social. Extensive statistical analysis ¹² .
Italy	Increase in the proportion of total businesses that are worker owned, and proportion of total workforce employees employed in worker-owned businesses.		National industry census data taken at 10-yearly intervals. Worker owned businesses only ⁸ .

Summary

It's worth noting that there are limitations to all these studies. All are inherently constrained by the quality and availability of data for their respective countries and co-operative economies, which varies significantly internationally¹³. In addition, individual research projects deliberately (and justifiably) select and refine data to analyse specific sectors, co-operative ownership types, time intervals, or precise geographical areas.

This heterogeneity makes the apparent consistency in survival rate differences, of around 80% for co-operatives and 40% for other businesses over the first 5 years following incorporation, all the more remarkable.

The answers, as ever, raise questions. It would take further data collection and statistical analysis to confidently ascertain the magnitude and statistical significance of these divergent survival figures, and

⁹ Stringham, R. And Lee, C. (2011) *Co-op Survival Rates in Alberta*, Canadian Centre for Community Renewal

¹⁰ CECOP CICOPA-Europe (2013), *Business Transfers to Employees under the Form of a Cooperative in Europe – Opportunities and Challenges*; available at: <www.cecop.coop/Business-Transfers-to-Employees>

¹¹ Cera Coopburo (2018) 'More cooperatives than other businesses survive, in the UK & Belgium', available at <https://www.cera.coop/nl/Cooperaties/Nieuws/2018/20180724_E_Coops-UK-better>

¹² Burdin, G. (2013) *Are Worker-Managed Firms Really More Likely to Fail?*, Discussion Paper No.7412, IZA

¹³ Birchall, J. (2017) *Use of statistics on cooperatives in national policy making*, International Labour Organization

to explore to whether these patterns are due to chance or variables extraneous to co-operative structure.

Finally, in the light of available statistics and consistency across co-operative and mainstream economies, perhaps the above report most emphatically begs the question 'why?'. Why do co-operatives appear to be more resilient, both in overcoming the 'liability of newness' and in times of economic crisis? Such analyses could both better inform the narrative of co-operative resilience, and uncover the co-operative difference consistent across such a diversity of countries, economies and cultures.

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