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# The Preston model: UK takes lessons in recovery from rust-belt Cleveland

**As councils struggle with cuts, one Lancashire city adapted a pioneering grassroots approach from America to tackling inequality and keeping profits local**

**Hazel Sheffield in Preston**

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Ted Howard looks out on a group of people drinking tea from styrofoam cups at Preston town hall on a Monday afternoon in March. The social entrepreneur and author from [Cleveland](#), Ohio, is the special guest at the city's monthly social forum. "What's happening in this community is historic – it blows my mind," he tells the city councillors and local business owners. "We're working out how to build an inclusive economy."

Howard's infectious enthusiasm has made him the de facto spokesperson for "[community wealth building](#)", a way of tackling inequality by ensuring the economic development of a place is shared more equally among its residents.

To do this, Howard harnessed the co-operative model, in which an enterprise is jointly owned and operated by members for their mutual benefit. In Cleveland, he helped set up worker co-operatives to supply local institutions – such as hospitals, councils and universities – in order to keep profit localised. Redirecting local spending for community wealth through the use of worker co-operatives has now become known as "[the Cleveland model](#)" – and cities around the world suffering the negative effects of globalisation are looking to it to help them recover.

This grassroots economic development approach originated in the Basque region of Spain, where the [Mondragon Corporation](#), a federation of worker co-operatives that now employs more than 74,000 people in finance, retail and other sectors, was set up in 1956, based around the ideals of social responsibility and participation.

[Preston is] creating an ecosystem of change that will be the engine for a new, fairer economy

Howard and his organisation, [the Democracy Collaborative](#), applied the idea in Cleveland by establishing the worker-owned [Evergreen Cooperatives](#) in 2008, in collaboration with the city government and the Cleveland Foundation, the world's first community foundation, which dates from 1914. An [industrial-scale laundry](#) and energy business were set up as co-operatives to serve the biggest spenders in the city. [Green City Growers](#), a co-operative urban farm, followed in 2012.

When Evergreen Cooperatives began, Cleveland badly needed change. Its population had shrunk by more than [58% since 1950](#) due to the decline of manufacturing jobs in the city. In 2007, Cleveland's poverty rate [was among the worst in the US: 27% of residents lived in poverty](#), a much higher proportion than the US national average of [12.5%](#).

While Cleveland voted for Hillary Clinton in last year's election, 70% of [Ohio](#) voters chose Donald Trump, who appealed to the disaffection of workers feeling the impact of deindustrialisation.

Many US and UK cities are waking up to the power of service-based anchors as local employers and earners as manufacturing jobs move overseas. In the US, universities [spend \\$400bn \(£320bn\) every year and have total endowments of over \\$350bn](#). Nonprofit hospitals have annual revenues of [more than \\$500bn](#). Redirecting that money locally could have a profound effect, the Democracy Collaborative argues.

In Cleveland, the Evergreen laundry and energy company are now profitable and the urban farm is getting there. They collectively employ around 150 people, many with barriers to employment such as criminal convictions or low education. The plan is to increase the number of employees to at least 1,000.

The laundry was established in Glenville, one of the poorest parts of Cleveland, where adult unemployment was around [40% in 2010](#) and higher still for those who had been in prison. Evergreen was about more than just giving these people jobs. "A job is not enough. For people to stay out of poverty they need to be able to acquire assets," Howard explains.

Around half of Evergreen workers own a stake in their company. They are eligible for pension payments, profit sharing and even help buying a home.

Claudia Oates, who works in sales and marketing for the laundry, tells the story of one worker-owner of the laundry and his wife, who works at the greenhouse, who got a home under the Evergreen housing programme. "The people here are good, they just need a second chance," she says.

It was different when she started at Evergreen in 2011. “At that time, they were losing customers,” Oates remembers. But the laundry turned a corner with contracts from major institutions such as University Hospitals, and was [in the black](#) by the second quarter of 2014.

“Before, we were owners in name, but now we are learning how to really be worker-owners, with quarterly statements, profit-sharing and looking at how to reinvest our money,” Oates says.

Other US cities are learning from Cleveland about how to make co-operatives competitive as they implement their own iterations of the model. The mayor of [Rochester](#), New York, commissioned the Democracy Collaborative to look into whether the model could work there. In Denver, Colorado, nonprofit funding has gone towards setting up worker-owned co-operatives for veterans and low-income families to grow food.

The inclusive economy’s time has come

*Peter Rankin, Preston council leader*

Council leader Peter Rankin believed [Preston](#) could also benefit from these ideas. “We have a government that states this country is doing well economically – but we know as people in the community that’s not true,” he says. [Preston](#) voted leave in the EU referendum, like every other district in Lancashire. It sent a clear signal that a new approach is desired. “For too long we said social policy is separate from economic policy,” Rankin adds. “The inclusive economy’s time has come.”

Preston council committed to a co-operative initiative for economic development in 2011, but the following year invited Howard to talk about the Cleveland model, as inspiration for how the UK city could match the co-operative approach with a way of building localised wealth.

Howard had never heard of Preston before he was invited to visit in 2012. At the time, the city was in the depths of austerity and suffering from entrenched inequality, with a life expectancy of 66 in some areas and 82 in others. One in three schoolchildren lived in poverty. On top of this, the council has had its hands tied by [severe budget cuts](#), and its community engagement team has been cut from 30 people to around 10.

“The system wasn’t working,” says [Matthew Brown, Preston cabinet member for social justice, inclusion and policy](#) – and the driving force behind many of the recent transformations at the council. “Something had to change.”

So in 2013, the council employed a thinktank, the Centre for Local Economic Strategies (CLES), to help identify 12 large institutions anchored to Preston, including the city and the county council, the university, the police and the hospital. It looked at redirecting the £1.2bn total annual spending power of these anchors to local businesses. Preston city council has since spent an additional £4m locally, [from 14% of its budget in 2012 to 28% in 2016](#).

Preston, like any city, has its own particular challenges that mean a straight transplant of the Cleveland model is impossible. So CLES adapted it. Rather than creating co-operatives from scratch, Neil McInroy, CLES chief executive, says they sought existing business that could win contracts, such as a £600,000 printing contract tendered by the constabulary and a £1.6m council food budget, which was broken into lots and awarded to farmers in the region.

After Brexit, it may become even easier for public institutions to pick local suppliers over international ones, without the European procurement law that requires contracts to be tendered widely. But other centralised services, such as the police and NHS, will still be tied to national systems for procurement.

Then there's funding. Cleveland's Evergreen Co-operative Laundry was set up with \$5.8m in part from the city council and the Cleveland Foundation. Setting up co-ops could be more difficult in the UK, which has weaker city governments, less availability of philanthropic capital and the looming shadow of austerity.

Peter Rankin is aware of these limitations. The council is looking at setting up a local bank to provide loans to small businesses and becoming a municipal energy provider. Rankin sees the developments so far as a part of a wider programme of getting wealth to remain local that includes attracting outside investment from corporations that may take their profits elsewhere.

In 2016 Preston was voted the best city in north-west England in which to live and work. Photograph: Christopher Thomond/The Guardian

Julian Manley, a research fellow at the University of Central Lancashire, is in the process of establishing the Preston Co-operative Network. He is working on a curriculum that educates undergraduates about co-operatives and connects them to [Northern Lights](#), the university business hub, where they can get support setting up their own. "We have growing interest from the university in supporting this network through educating students to have skills to fill gaps," Manley says.

The Preston Co-operative Network already includes Link, the UK's first educational psychologists' co-operative and the beginnings of a local food co-op. Kay Johnson, director of the Lancashire and Region Dietary and Education Resource, is piloting an open food network to connect growers directly with local people in disadvantaged areas, where there is often little access to fresh produce.

“The co-op model means that as the the project scales we can create jobs at the hubs,” Johnson says. She has joined forces with Neil Hickson, who runs a community farm in nearby Burscough. “People in cities are the hardest ones to reach,” Hickson says. “For us, taking a vegetable box to central Preston might not be worth it, but if there was a food hub it might be worthwhile – not profitable, but economically viable.”

By creating an education system that promotes co-operatives and networks to support them, Preston, like Cleveland, is aiming for systemic change. While they realise this may take decades, there are already some signs it is paying off. Preston had the joint-second biggest improvement in its position on the [multiple deprivation index between 2010 and 2015](#). In 2016 it was [voted the best city in north-west England](#) to live and work. The changes are profound enough that the shadow chancellor, John McDonnell, has used Preston as an example of how Labour councils can cope with hefty budget cuts.

The day after the social forum in Preston, Howard, Brown and Manley speak at a roundtable hosted by Jonathan Reynolds, the shadow cities minister, at the Houses of Parliament, to try to develop thinking about how co-ops and anchor institutions can work together.

“There’s a real need in local government to understand what the benefits of investment are,” says Meg Hillier, MP for Hackney South and Shoreditch, at the event. “The danger is that it gets easier for procurement officials to deal with big companies.”

McInroy says Preston will be seen as an early adopter as other councils catch on. CLES has already worked with Manchester city council to increase its direct spend to the local economy from 51.5% in 2008-09 to 73.6% in 2015-16. It has now started work with Birmingham city council.

Howard sees Preston as the most comprehensive, holistic application of the Cleveland model yet. “They’re creating an ecosystem of change that will be the engine for a new, fairer economy.” From his community farm in Burscough, Hickson agrees. “I feel like I’m involved in a new movement that’s building,” he says.