

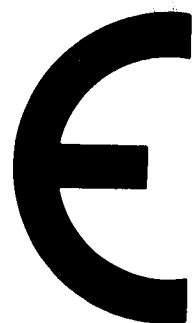
COMMISSION
OF THE EUROPEAN COMMUNITIES

DOCUMENT

**PROSPECTS
FOR WORKERS' COOPERATIVES
IN EUROPE**

Volume II: Country reports — first series:

- Denmark
- Greece
- Ireland
- The Netherlands
- Spain
- United Kingdom



This document has been prepared for use within the Commission. It does not necessarily represent the Commission's official position.

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Commission of the European Communities

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IN
EUROPE**

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by
MUTUAL AID CENTER
LONDON

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VOLUME I

- OVERVIEW

VOLUME II

studies elaborated
by Mutual Aid
Centre, London

- COUNTRY REPORTS, FIRST SERIES :

- Denmark
- Greece
- Republic of Ireland
- Netherlands
- Spain
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Note by the authors

The authors, in their capacity as independent consultants, would like to thank those people in all the different European countries who have helped the Mutual Aid Centre of LONDON and TEN, Cooperative de Conseils, of PARIS to compile this report for the Commission of the European Communities.

We would like to say some words of caution about it. The figures and other facts cited are up to date only the latest year for which information was available at the time the report was written. The figures for different countries are compiled on different bases, partly because the legal and operational definition of what is a co-operative varies from one country to another. An effort has been made to check the facts set out by consultation in the countries concerned ; but we cannot vouch at first hand for their accuracy in every case.

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EUROPEAN CO-OPERATIVES
Perspectives from Denmark

Marianne Rigge

Mutual Aid Centre, London

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MR

1. Introduction

In December 1980 the Mutual Aid Centre was commissioned by the Social & Employment Directorate of the European Commission to collect information on the co-operative movement in a number of EEC countries, including Denmark. The main purpose of our study was to assess the contribution of co-operative enterprises to employment. It was decided in discussion with staff of the EEC and with the TEN Co-operative de Conseils in Paris, who were to carry out a similar study of co-operatives in other EEC countries, that we would concentrate our attention on the workers' co-operative movement because it was in that sector that the greatest potential for employment creation lay. This was not least because of the relatively recent phenomenon of workers taking over ailing capitalist enterprises in the grips of economic recession. The co-operative way of working also has appeal for some people because it represents a reaction against large-scale and impersonal organisations, whether run by multi-nationals, private enterprise or the state.

The prospect of seeing Danish co-operatives at first hand was an exciting one. Before I went to Denmark, I had received the impression that one of the greatest strengths of its worker co-operative movement was its close association with the trade unions. After all, in almost every other country in Europe the attitude of trade unions towards co-operatives has been cautious, and sometimes downright hostile. In the one place where co-operatives have been particularly successful - the Basque region of Spain - the Mondragon co-operatives grew up and flourished at a time when trade unions were banned; at least some commentators have suggested that this might have been in one sense a positive factor. The question of how best to promote a successful working relationship between trade unions and workers' co-operatives has been hotly debated in co-operative circles and frequently written about by academics. Here then was a country in which the trade unions had seemingly from the very beginning not only favoured co-operatives but had actually set up a fund to finance them. Were there not lessons to be learnt in Denmark which could be applied elsewhere?

There are three main types of co-operative in Denmark which broadly fit into the classification of workers' co-operatives:

- the official workers' co-operatives which belong to the Co-operative Federation, DKF, and are largely financed by the labour movement's Co-operative Investment Fund, AKF, and by individual trade unions. The spectrum runs from workers' co-operatives in which all the workers are members, there are no outside members and control is on the basis of one man one vote, to 'trade union' co-operatives in which ownership and control rest entirely with trade unions. The second type is the most numerous.
- employee-owned companies, many of which have been formed in the last decade in response to the threat of closure of traditional capitalist companies during the economic recession of the 1970s and early 1980s.

DK2

- communes and collectives which are also a fairly recent phenomenon and form part of the wider alternative movement.

I shall look at all of these in some detail in the sections that follow and in the case studies which are attached as an appendix. I shall also look at a venture to create jobs for the young unemployed in Jutland which it is hoped will result in the establishment of viable co-operative enterprises. But first I must say something about the co-operative movement in general, starting with a brief history of agricultural co-operatives and then, of consumer co-operatives before summarising the present state of the movement.

* * *

2. Rural Denmark - the agricultural co-operatives

2.1. There are a number of reasons why agricultural co-operatives developed successfully enough in the late nineteenth century for them to serve as a model for other countries, most notably Ireland. In the 1860s three-quarters of the population of Denmark lived in rural areas. The Danish peasant farmer had a number of advantages over his counterpart in other places; perhaps the most important was that he had access to more and better quality land. The average farm was bigger than that in many other countries including Britain and France and much effort had gone into land reclamation and drainage in the two decades between 1860 and 1880. Moreover, the early introduction of compulsory education in Denmark in 1814 coupled with the cultural and educational enlightenment brought about by the Grundtvigian movement, which promoted folk high schools geared primarily towards young people in the rural areas, meant that the Danish farmer was better prepared than many for democratic involvement in business.

2.2. The creation of agricultural co-operatives was directly stimulated first by a sharp drop in the price of grain in the late 1870s and early 1880s which made Danish farmers turn to animal products and secondly by the introduction of new technological methods such as the cream separator. At first these progressive methods had been the monopoly of the big landowners but small and medium-sized farms were not slow to join forces in order to seize this opportunity of competing with their big rivals who were exporting butter to England.

2.3. Dairy co-operatives

The first true dairy co-operative was set up in Jutland in 1882. Six years later a third of all Denmark's dairy farmers belonged to a dairy co-operative and by 1909 this figure had risen to 90%. In 1895 co-operatives had begun to export directly to Britain, cutting out the wholesalers, and by 1916 a third of all the dairy co-operatives belonged to one of the seven export societies.

2.4. Bacon co-operatives

Bacon co-operatives followed soon after dairies; the first was formed in 1887. Although they developed more slowly because of strong opposition from privately-owned slaughterhouses, by 1891 there were 14 co-operatives which between them slaughtered almost half the national

pig production. In 1902 they too moved into direct export and by 1913 they had captured 85% of the market with 41 firms.

2.5. Egg co-operatives

Egg marketing co-operatives began to appear in 1895 but were unable to capture a large share of the market because of competition, not from outside but from the dairy and bacon co-operatives which were already marketing eggs for their members.

2.6. Supply co-operatives

Co-operatives also moved into other essential areas of agricultural activity, beginning to supply their farmer members with fodder in 1898, fertilisers in 1901 and seeds in 1906. Farmers could thus be assured of good quality products in the quantities they needed and at reasonable prices.

2.7. Co-operative banking

De Samvirkende Danske Adelselskaber (The Central Co-operative Committee) - formed in 1899 - is the umbrella organisation for agricultural co-operatives, and still heads the movement today. In 1914 the Committee was responsible for setting up a co-operative bank with the express purpose of helping the new agricultural co-operatives over their difficulties in raising loan capital. Though it suffered severe setbacks in the recession of the 1920s and was actually forced to close in 1925, the co-operative bank was reopened before long and became the Danish Co-operative & People's Bank which still operates successfully today.

2.8. Other new types of co-operative ventures were developed in the 1920s including local co-operative banks based on the German Raiffeisen system. The 1930s saw a fall in co-operative turnover and controversial emergency legislation to regulate production. This somewhat drastic measure combined with favourable trade agreements, especially with Britain, improved matters considerably for the agricultural co-operatives.

2.9. The war and post-war years

Under German occupation in the 1940s Denmark's agricultural co-operatives remained intact but exported to Germany rather than Britain. Nevertheless when the war was ended it took some years for the movement to recover its previous level of turnover and the 1950s and 1960s saw a period of rationalisation with many of the small local co-operatives closing down or amalgamating with the larger ones to improve efficiency. Today Danish farms reflect the move towards specialisation and mixed farming is becoming increasingly rare. Opinion in the co-operative movement is divided as to whether greater or less centralisation is needed.

2.10. As in other countries the members of agricultural co-operative societies are farmers who own and run their farms. In the past in Denmark each farmer member accepted joint liability for any losses incurred by the society he belonged to although it is now much more common for agricultural societies to have the status of limited liability companies. Since there is no specific legislation for agricultural or any other co-operatives in Denmark, it is up to each individual society to formulate the rules by which it is run.

In practice, the generally accepted principles of co-operation are: open membership; limited rate of interest on capital; profit-sharing in proportion to participation; and democratic management by members.

The agricultural co-operative movement in Denmark aims exclusively at protecting the economic interests of its members. It is not seen as the forerunner for a socialist society and is deliberately neutral in politics.

* * *

3. Rural Denmark - the consumer co-operatives

3.1. The development of consumer co-operatives in Denmark was inspired, as in so many other countries, by the Rochdale Pioneers. The first viable co-operative store was set up at Thisted in 1866 and was rapidly followed by others until, by 1900, there were almost 900. But the pattern of development was markedly different from that in Britain where consumer co-operatives were a largely urban phenomenon. In Denmark it was the small farmers already discovering the benefits of agricultural co-operation, who became the members of consumer co-operatives. The workers in the towns, though busy forming themselves into trade unions, were more wary of the notion of providing themselves with cheaper food and other staples for fear that lower prices might lead to lower wages.

3.2. One factor which gave the consumer co-operatives an added boost was a law which prohibited ordinary shops from being built in the country areas within a certain radius of market towns. The co-operatives were not affected because they were societies rather than shops, so they could operate virtually without competition. Nevertheless, they had other problems to face, not least the lack of expert management. It was not until 1896 when the various regional groups of co-operative societies formed the Danish Co-operative Wholesale Society (Faellesforeningen for Danmarks Brugsforeninger, or FDB) that the consumer co-operatives established themselves on a firmer footing.

3.3. Though nowadays consumer co-operative societies like the agricultural and workers' co-operatives take the form of limited companies, the early co-operators were each called upon to take joint responsibility for the debts of their societies. Many of the members of the early consumer co-operatives were landowners, even if only on a modest scale. When it came to raising start-up and working capital, each could offer his land as security with the result that banks were not unwilling to lend to them. A further advantage that came with the formation of FDB in 1896 was the fact that individual stores buying goods supplied by the Wholesale Society were given 30 days credit. The early consumer co-operatives faced considerable hostility from the owners of private businesses. A. L. Godsk, former principal of the Danish Co-operative College describes the opposition they had to meet: "They regarded the activities of the co-operative movement as an almost indecent encroachment on the hard-worn, century-old rights of the mercantile classes, and the men behind the societies as aggressive parasites, who should be treated as such."*

* A. L. Godsk, How We Started: Origin and First Functions of the Danish Consumers' Co-operatives, Forenings-og Oplysningstjenesten, 1976

3.4. The first co-operative stores were run, in Denmark as elsewhere, by their local members. As time went by and retail societies expanded it became necessary to introduce a more complicated democratic structure with store committees electing representatives to district and regional committees. These in turn nowadays send delegates to the Annual Congress at which the 11-member Board of Directors for the whole of the Consumer Co-operative Movement are elected. The process of centralisation accelerated in 1950. FDB itself went into retailing, joining forces with a number of its member societies to set up a department store. In 1973 Hovedstadens Brugsforeninger (HB), one of the biggest retail societies, merged with FDB which thereby acquired a chain of 290 supermarkets and 11 furniture stores. The contribution of FDB to the combined turnover of the consumer co-operative movement as a whole is considerable - 5,782 million Dkr in 1980 compared with combined turnover of 8,794 million for all 1,359 independent retail societies put together.

3.5. Pleas for increasing the participation of members in consumer co-operatives in a period of increasing centralisation and rationalisation are advanced with just as much urgency in Denmark as they are elsewhere. But at the same time the effect of the economic recession and competition from commercial retailers and wholesalers exerts continuous pressure to increase the power of management. The Danish consumer co-operatives, however, still have a strong enough share of the market to exert a powerful influence on the prices and the quality of goods sold generally. They also have an impressive programme for consumer protection in their own stores which covers such practices as more informative labelling, special arrangements for elderly and handicapped customers, greater use of easily decomposable packing materials and the refusal to sell products where manufacturers will not supply information about chemical composition. They also criticise the pressure of advertising on children and young people and supply to them good quality but cheap goods such as records, posters and clothes.

* * *

4. Urban Denmark - the workers' co-operatives

4.1. As I said in the introduction, my main concern is with workers' co-operatives. These have, as elsewhere, a long, if chequered, history. The first manufacturing co-operatives go back to the 1870s. They failed for lack of adequate capital and training. The stimulus for the first successful urban co-operative was the agricultural crisis of the late 1870s and early 1880s which, while causing the price of grain to drop sharply, brought about no corresponding fall in the price of bread produced by the master bakers. In 1884 workers in that industry decided that the time had come to take matters into their own hands and with contributions of anything between 1 and 10 kroner each, they set up the first co-operative bakery with the aim of producing good but cheap bread. By the end of the century there were more than 20 such co-operatives all over Denmark and many of them exist to this day.

4.2. This minor success did not mean that workers' co-operatives were taken seriously by politicians or organised labour. In 1898 the Social Democratic Congress expressed itself cautious about the estab-

lishment of co-operatives. Nationalisation of the means of production was preferred and the means of achieving it were to hand in the trade unions, which were regarded as the builders of socialism. In 1898 there were 1,000 unions with 80,000 members, and that same year the Federation of Trade Unions (LO) was formed.

4.3. The turning point for the labour movement was 1899, the year of the so-called Great Lock-Out when 40,000 workers were locked out of their place of work. The stoppage went on for more than four months but ended with the mutual recognition of workers' organisations and employers' organisations and the acceptance of a General Agreement which lay down the rights and duties of workers and employers respectively and which remains in force today.

4.4. The year 1899 was also something of a turning point for the labour movement's attitude towards co-operatives. Skilled men from the building industry were amongst the first to decide to set up in business themselves as co-operators. The trade unions responded by adding a few thousand kroner to what the workers themselves were able to contribute in share capital. The rules of these early co-operatives were based upon the Rochdale principles, and as in many of the early British workers' co-operatives, there was no attempt to restrict shareholding to the people working in the new co-operatives. Capital was needed and it did not much matter where it came from as long as it was from the working classes. From the very beginning, Denmark's workers' co-operatives were seen as an instrument in the struggle against the power of capital and as a means of improving the standard of living of working class people. The improvement was sought not simply, or even at all, through raising the wages of workers in their capacity as members of co-operatives, but in lowering the prices of goods available to them in their capacity as consumers. It is important to bear in mind this distinction in order to understand the attitude of trade unions towards workers' co-operatives and the way they have developed in the present century.

* * *

5. Relationship to the Danish economy

5.1. Now for the summary of the present state of Danish co-operatives I start again with agricultural co-operatives. These have achieved a market penetration that is as high as in any other European country. The co-operative dairies control 87% of milk production, 92% of butter production and 79% of cheese production. One society, Butterdane, has 75% of the domestic butter market and 96% of the export market. Similarly, 16 co-operative slaughterhouses account for 90% of pig production and 50% of the cattle slaughter. Poultry, egg, seed, horticulture and farm supply societies control around 50% of their markets, and only in farm machinery does the co-operative share fall as low as 15%.

5.2. The consumer co-operatives make a better showing than in many other European countries. Societies affiliated to and shops operated by FDB have 25% of the retail and wholesale market for what they term 'daily consumer goods' - i.e. non-durables - and they run about 50% of all supermarkets in Denmark. But from the point of view of democratic control it would be wrong to overlook the fact that nearly a third of FDB retailing turnover is generated by one single monolithic society with 321 shops, and a further 6% by stores which are run by FDB but are

not co-operative societies at all. The 1,285 locally and regionally organised co-operative societies thus generate less than two-thirds of the total turnover. They do not run any of the four hypermarkets or the five department stores and only just over half of the biggest supermarkets. So long as the trend towards bigger and bigger shops continues they are likely to see their market share further declining.

5.3. The co-operatives affiliated to DKF which include the workers' co-operatives, play but a minor role by comparison with the other two sectors. Leaving aside the rental income of the housing societies and the assets of the Workers' National Bank, the turnover of the DKF co-operatives is thirteen times smaller than that of the agricultural co-operatives and twenty times smaller than that of the consumer co-operatives. The figures for the number of employees (again excluding the housing societies and the Bank) show a similar pattern with the agricultural co-operatives providing 30,000 more and the consumer co-operatives 50,000 more jobs than the DKF co-operatives.

5.4. In both the agricultural and retailing sectors consolidation is being pursued. Agricultural co-operatives are declining in number. For example, between 1979 and 1980 the number of dairies dropped by 23 (or by 13%) and the number of supply co-ops by 55 (nearly 12%). The same trend was visible, if less marked, even in sectors such as bacon factories and cattle marts where the number of societies was already very low. Membership has generally been on the decline over the same period. But it is notable that the number of employees has generally remained stable or risen slightly while turnover has mostly increased. If the two years are any guide, therefore, agricultural societies are maintaining or improving their financial performance.

5.5. A similar picture emerges for the consumer co-operatives; the trend is towards fewer and larger stores. Over the five years from 1976 to 1980 the consumer co-operatives fell in number by 165 (or by nearly 11%) while at the same time they increased their turnover by 5,190 million Dkr (or 54%). This very respectable growth rate was marred, however, by a substantial fall in profits from 190 million to 79.2 million Dkr (a drop of 58%). Again, the number of employees rose slightly, as did the total sales area of the shops. Contrary to the trend in the agricultural sector the number of members also increased, if marginally.

5.6. As far as the numbers of DKF co-operatives are concerned, the picture is one of moderate expansion in some sectors, especially housing where 44 new societies were created between 1975 and 1980, and contraction in others. The number of bakeries fell from 19 to 13 between 1975 and 1980 and the number of canteens from 52 to 35 in the same period. Overall DKF had 28 more members in 1980 than in 1975. All the sectors show a steadily increasing turnover over the five years to 1980.

5.7. The distribution of co-operatives by type, membership, workforce and turnover is shown in the tables. The latest available figures for the agricultural co-operatives were for 1978. The figures for the consumer and DKF co-operatives are for 1980. Figures for the number of employees in the DKF co-operatives are not published annually and those given here are estimates.

TABLE 1

	No. of Societies	Members	Employees	Turnover million Dkr
<u>Agricultural co-operatives</u>				
Dairies (including butter and cheese sales)	179	41,000	8,045	13,416
Bacon factories	20	63,000	15,040	12,400
Supply co-ops	476	70,350	3,833	8,574
Horticultural co-ops	20	3,340	750	1,220
Cattle marts	30	28,900	90	913
Fish marketing co-ops	22	1,100	617	589
Other (egg, poultry and seed co-ops and fur breeders' associations)	9	3,575	1,330	1,512
TOTAL	756	211,265	39,705	38,624
<u>Consumer co-operatives</u>				
Retail co-ops	1,285	595,037	7,454	8,974
FDB outlets	321	365,914	10,721	5,782
TOTAL	1,606	960,951	18,175	14,756
Insurance co-ops	4	-	1,700	2,237
COMBINED TOTAL	2,366	1,172,216	58,580	55,617
Co-operative banks	61	120,000	3,010	15,734 (savings)
GRAND TOTAL	2,427	1,292,216	61,590	71,341

TABLE 2

Workers' and trade union co-operatives
(in membership of DKF)

Type of co-operative	No. of enterprises	Estimated no. of employees	Turnover million Dkr
Housing	544	6,000	4,249*
Building and construction	69	5,000	1,403
Canteens	35	250	72
Bakeries	13	800	271
Fuel societies	5	80	206
Individual societies (e.g. printers, dairies, etc.)	34	882	859
Arbejdernes Landsbank (Workers' National Bank)	1	768	5,147**
TOTAL	701	13,680	12,207

* rental income

** total assets

6. The Danish labour movement

6.1. When I visited Copenhagen in April 1981 one of the first things I was told was that the Danish labour movement is like a tree with three branches: the trade union movement, the Social Democratic Party and the co-operative movement. But despite the recognition of the third branch, it has been true that the trade union movement and the Social Democratic Party have been far more interested in the promotion, first of industrial democracy and latterly of economic democracy than of co-operatives.

6.2. Industrial democracy or worker participation in the control of industry is much more advanced in Denmark than in many other European countries. Any company which employs more than 50 workers must allocate a third of the seats on the board to representatives of the workers. Since in many of the workers' co-operatives in Denmark control is shared with outsiders, notably trade unions, there may often be little difference between an ordinary company and a co-operative in this respect.

6.3. The ultimate aim of the Danish labour movement is that there should be a complete transition from a capitalist economy to one which is controlled by labour. Economic democracy, which was the subject of intense political, public and even parliamentary debate in the 1970s, is envisaged as a system of co-ownership in which workers collectively control industry. One way in which it is proposed this might happen is through investment in companies by pension funds acting on behalf of workers. Other proposals have been that employers should have to pay a fixed sum per employee into a central fund or that 10% of the profits of any company should be paid into a fund to enable the workers to buy shares in that company. But the emphasis would always be on collective ownership, not just by workers in individual companies but by all workers in all companies. Thus the share held by an individual worker would be a share not in his particular factory but in all other workplaces. One consequence of this would be that workers in strong sectors could not benefit at the expense of those in the less strong, including the public sector. Each would have the same share in the collective wealth of all companies and by the same token if one factory closed down the losses would be shared equally amongst all workers and would not fall only on the shoulders of the people who worked there.

6.4. Control is another matter and debate continues as to whether it should be decentralised and rest with the workforce of particular companies or whether it should be somehow exercised centrally and collectively.

6.5. But for all the theorising and argument it is highly unlikely that great strides will be made towards economic democracy in the near future. Quite apart from the fact that the Social Democratic Party does not have a sufficient majority in Parliament to get such a measure enacted Denmark is suffering from the same recession as the rest of Europe. Unemployment is high and the question facing many companies is whether they will survive at all rather than whether they should be collectively owned by the labour movement. Although in these circumstances a number of attempts have been made by groups of workers to take over companies threatened by closure, the resulting so-called

'employee-owned companies' have not been embraced by the co-operative movement and indeed have not sought its support. To see why this should be so it is necessary to look more closely at the workers' co-operatives themselves and at the organisation to which they belong, DKF.

* * *

7. Det Kooperative Faellesforbund (DKF)

7.1. The Co-operative Federation (DKF) is the central union of urban or workers' and trade union co-operative societies. It was founded in 1922 to protect the interests of the workers' co-operatives. With the Danish Federation of Trade Unions (LO) DKF controls the labour movement's Co-operative Investment Fund (AKF).

DKF's membership is broken down as follows:

- 544 housing societies
- 69 building & construction societies
- 35 canteens
- 13 bakeries
- 5 fuel societies
- 34 individual societies (e.g. printers, dairies, etc.)
- 1 Workers' Co-operative Bank

7.2. DKF shares its large 19th-century building beside Copenhagen's main railway station with the Economic Council of the Labour Movement which was established by the Danish Federation of Trade Unions (LO) and by DKF itself in 1936. Together they have 31 employees and are funded by the trade unions and DKF's member co-operatives. The co-operatives' contribution to the centre is based on the turnover of each plus 40 kroner per employee. Most of the people working in the Economic Council are economists and represent the Labour Movement on a wide range of government bodies including the Monopolies Commission and the Department responsible for regional aid.

7.3. DKF offers a financial consultancy service to its member co-operatives. Their 'factory economists' or financial and management consultants give their services free to co-operatives. Each consultant has a different type of expertise. There is one legal expert who advises about such matters as the rules a co-operative should adopt, two consultants who specialise in advising on labour agreements and on disputes, and one consultant on industrial democracy who advises co-operatives on how to work together as effectively as possible and how to adapt their rules in such a way as to enable industrial democracy to flourish.

7.4. Another group within DKF concentrates on education, especially for board members who have been elected from the workforce. They run training courses for them. The same group also deals with general education of the public on co-operative matters. Apart from the consultancy services it provides to its member co-operatives, DKF also does work for trade unions. It might, for instance, be commissioned by a trade union to analyse conditions in a particular factory to find out what the problems in that industry are. DKF is also

involved in international affairs through the Danish International Development Agency on which they have a representative. This agency handles Danish aid to the Third World and has recently discussed courses for workers in co-operatives and trade unionists in under-developed countries with the aim of showing how they can work together. They are keen to persuade trade unions overseas that they can offer more services to co-operatives than they do at present.

* * *

8. Arbejderbevaegelsens Kooperative Finansieringsfond (AKF)

8.1. The Labour Movement's Co-operative Investment Fund was established by the Danish Federation of Trade Unions (LO) and DKF in 1953. Its purpose is to promote workers' co-operatives by investing risk capital in them. It is 75% funded by trade unions who have a corresponding degree of control. The other 25% of the funding comes from DKF and the Workers' National Bank. Its members are organisations - co-operatives or trade unions rather than individuals.

8.2. There are three ways in which the Fund can invest in co-operatives. The first is by buying shares, which brings a corresponding degree of control. The second is by providing what is called 'responsible loan capital' which gives a similar degree of control to share capital. The interest rate is half that of a bank loan. The third way is for the Fund to give a guarantee to a bank which does not involve any element of control in the co-operative.

8.3. Though the membership of the board which administers the Co-operative Finance Fund is prestigious - the general secretaries of the most powerful trade unions and the Chairman of the Federation of Trade Unions belong - the funds it has at its disposal are relatively small. They have never risen above 30 million Dkr. A larger proportion of the Fund's investment has gone to those in the construction and allied industries than to any other. It owns over 44% of the equity in the biggest building co-operative, JME, which accounts for a third of all co-operative building activity in Denmark. The Fund recently had to carry big losses in one factory as a result of which the trade union with the biggest investment in the Fund lost 3½ million Dkr.

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9. The members of DKF

9.1. Co-operative housing

The most numerous of DKF's members are 544 housing societies. Their main purpose is to provide good quality housing at reasonable rents and their contribution to employment is not insubstantial. They employ nearly 6,000 full-time workers. One million people - a fifth of Denmark's population - live in housing society property.

9.2. The aim of the Danish labour movement in promoting housing societies is ultimately to achieve as good standards for those in the rented sector as for owner-occupiers. It has been somewhat thwarted in this policy by the fact that under Danish law owner-occupiers are exempt from income tax on the interest they pay. (In fact, the Danes are exempt from tax on all interest repayments whether or not for the purpose of buying a house.) Housing society tenants by contrast get no relief on the rent they pay.

9.3. Most housing societies are established as non-profit-making organisations, often by local authorities. Although there is no particular law for housing societies the rules they adopt invariably specify that property may only be let at cost price. Government subsidies are available to keep rents down in the first year.

9.4. The members of a housing society may be people who actually live in its property (about half of all members do) or they may be on the waiting list for property or planning to go on to the waiting list at some stage in the future - priority for housing is given according to the length of membership. It costs 100 kroner to buy a share. But only those members who already live in housing society property are entitled to attend and vote at general meetings. It is common for the board to consist of two representatives of the local authority, two elected tenants and two from the housing society management.

9.5. By 1978 330,000 co-operative dwellings had been built in Denmark; these included flats as well as maisonettes and houses. Housing societies cater for a wide range of needs, including those of families with children, single people, students, the elderly and the disabled. Many of the larger housing estates incorporate facilities such as nurseries and community rooms. The co-operative housing sector is represented to government by the National Association of Building Societies which is affiliated to DKF and also works closely with local authorities to ensure that tenants' interests are fully taken into account by those who formulate housing policy and legislation.

9.6. The building co-operatives

In numerical terms the second most important group of co-operatives belonging to DKF are the 69 building and contracting companies. Though they have only a 3% share of the construction market in the country they nevertheless employ some 5,000 people including bricklayers, joiners and carpenters, electricians, plumbers, decorators, manufacturers of kitchen fittings and entrepreneurs.

9.7. Some building co-operatives confine membership to worker/members of particular trade unions. Some are largely controlled by housing societies. Many are almost completely controlled by trade unions and the Co-operative Investment Fund (AKF).

9.8. As in many other countries the Danish construction industry has been hit by the economic recession in recent years and the building co-operatives have been struggling for survival along with commercial builders. With a reduction of new house-building starts from 40,000 per annum to 20,000, the co-operatives have even found themselves competing against one another, this to the dismay of DKF and of Byggefagenes Kooperative Landssammenslutning (BK) - the National Building Trades Co-operative Society to which they all belong.

9.9. The problems caused by this rivalry between the building co-operatives at national, regional and local level were thoroughly aired in a seminar run by one of the biggest trade unions, SiD, in December 1979.* It was suggested that the larger national co-operatives should

* Workers' Co-operatives - The Way Forward, DKF, December 1979

carry out contracts in conjunction with smaller local co-operative companies which would not otherwise be able to become involved. The authors of the report on the seminar warned that the trade unions would have to be satisfied that these problems had been overcome before they could make capital available to the building co-operatives.

9.10. One obvious way in which there could be greater co-operation between the different sectors of the co-operative movement would be for the building co-operatives to take on more of the construction work put in hand by the housing societies. The contracts may be very big indeed. But the housing societies, not surprisingly, put all their contracts out to tender. The building co-operatives have not been competitive enough to win many of them.

9.11. Co-operative canteens

The next largest grouping within DKF are the 35 canteen co-operatives. Like the housing and building co-operatives they aim primarily to serve workers as consumers rather than as workers, and they are not necessarily controlled by the people who work in them. The earliest canteen co-operatives were started in the 1920s to ensure that workers in larger companies had reasonable eating and resting facilities. At that time it was quite common for private 'grocers' to supply workers in the larger factories; since their market was captive, they could make substantial profits. So workers' and trade union clubs within the factories decided to take matters into their own hands and started up canteen co-operatives. Most canteens also operate bulk-buying clubs through which workers can buy a wide range of consumer goods. They also buy their own supplies jointly through the union of canteen co-operatives. All 35 co-operatives belong to this union and together they serve more than 25,000 workers in companies all over Denmark and employ about 250 people.

9.12. When the first canteen co-operatives were set up they were providing a new service but it did not take employers long to realise that employee relations and productivity could both be helped by such provision. Subsidised canteens are now commonplace in Danish factories and workplaces. Nevertheless, it was the co-operative movement which took the initiative.

9.13. In addition, eight hundred people are employed by the 13 co-operative bakeries which have already been mentioned. They are spread throughout the country and have one quarter of the important market for rye bread.

9.14. The fuel societies

The first workers' fuel co-operatives were set up during World War I to alleviate supply difficulties. In 1978 the fuel co-operatives, including Danish OK Oil which had originally been part of the highly successful Swedish OK co-operative, merged to form Oil Company Denmark. With a turnover of 1,000 million Dkr it has an 8.5% share of the domestic fuel market and a 6.1% share of the petrol market.

9.15. The Workers' National Bank

ARB (Arbejdernes Landsbank) was set up in 1919 by trade unions and the co-operatives. It has 34 branches in different parts of the country, a staff of about 700 and is the sixth largest bank in Denmark. 43% of its loans in 1978 went to individual workers and 27% to industry and small businesses. The remainder was made to housing associations, individual housebuyers, students and other organisations. Loans are made to DKF co-operatives at 1% less than the normal commercial rate of interest.

9.16. Co-operative insurance

ALKA, the trade union and co-operative movement's insurance company, provides group life insurance cover for more than 820,000 trade union members and had, in 1978, 35% of the group life insurance market. With 80 staff in its Copenhagen headquarters and a further 60 full-time insurance salesmen working throughout the country ALKA's net capital was 70 million Dkr, its life insurance bonus fund was 129 million Dkr and its premium income was 179 million Dkr.

9.17. The Workers' Press

An important part of the labour movement's information machine is the A-Press which publishes a number of major national newspapers. The daily newspaper Aktuelt had a circulation of 60,000 in 1978 and an estimated readership of 236,000. Søndags Aktuelt, the Workers' Press's national Sunday newspaper, had a circulation of 124,000 and an estimated readership of 395,000. Besides these, the Workers' Press publishes a number of other daily, evening and advertising newspapers.

9.18. This brief rundown shows that the majority of members of DKF are more consumer than worker co-operatives, even though shareholdings are predominantly held by trade unions and labour movement organisations. Their purpose is to provide good quality and reasonably priced goods or services for working people. They are not for the most part companies which are owned and controlled by the people working in them. Indeed, according to a group of researchers at the Institute of Organisation and Industrial Sociology in Copenhagen, only two of the hundreds of co-operatives which belong to DKF are actually controlled by the employees who work in them and not by the unions.* But within DKF's classification of 'separate, individual societies' there are a number of co-operatives which come much nearer to that definition, though with varying degrees of outside control. They include printing and publishing co-operatives, dairy co-operatives, an auditing and a computer co-operative, architectural and planning co-operatives and a musician's co-operative. To illustrate how these workers' co-operatives are organised two case studies are set out in an appendix - one of a dairy co-operative (not run by farmers) and one of a printing co-operative.

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* Dino Raymond Hausen & others, Producer co-operatives in Denmark
Acta Sociologica 1980, vol. 23 no. 4

10. Law and organisation

10.1. Now that the different categories of workers' co-operatives have been detailed it may be as well to turn to the legal regime under which they operate. Denmark is unusual in having no legislation for co-operatives. Consequently there is no legal definition of what a co-operative is. Nor are there any requirements for co-operatives to register publicly. This makes it virtually impossible to get an accurate picture of the number of co-operative enterprises apart from those in membership of DKF. The law does, however, permit any group of people to get together in some form of business, though with unlimited liability. In practice most co-operatives are registered as companies and so do have limited liability although it is necessary to accumulate a minimum shareholding of 30,000 Dkr to fulfil the legal requirements for the formation of a limited company. Many small co-operatives may have to start life as partnerships for this reason.

10.2. The members formulate the rules by which the co-operative is run. Just as there is no law to which co-operatives must conform so they are not legally bound to adhere to any particular set of rules. However, DKF lays down Standard Regulations to which its member co-operatives are supposed to conform. Controversy has arisen over some proposed amendments to these Standard Regulations, in particular the issue of consumer representation on boards of directors (see Section 10.4.).

10.3. Loans from individual workers are not generally encouraged. The principal source of capital available to workers' co-operatives is the Co-operative Investment Fund. This generally takes the form of share capital. Where co-operatives have raised loan capital from banks they have had to pay commercial rates of interest and, in some cases, their members have had to give personal guarantees.

10.4. According to the standard model the General Assembly of members elects the Board of Directors and the Chairman. Under the Companies' Act it is a legal requirement that all limited companies employing more than 50 people should ensure that one-third of the board of directors are employee representatives. In co-operatives it is common for a similar proportion of employee representatives to be elected whether or not more than 50 people are employed. The controversial amendment to the Standard Regulations proposed by DKF would mean that one-third of the board members in workers' co-operatives would also be representatives of its consumers defined as:

- other co-operative enterprises which use the co-operative's services or buy its goods;
- consumer organisations;
- local authorities;
- trade union or consumer organisations other than those with shares or an interest in the co-operative.

Although the amendment was endorsed at DKF's Annual Congress as long ago as 1977 it has not been widely embraced by individual co-operatives, some

of which have been extremely reluctant to hand over any control to 'consumers'. DKF is no longer insisting on the amendment being adopted but neither has it backed down completely. New draft regulations specify that 'efforts should be made to ensure that the consumer point of view is also represented on the individual board'.

10.5. Elections of the employee representatives normally take place by secret ballot before the Annual General Meeting, the remaining board members being elected at the meeting itself. Individual members have one vote each, regardless of the size of their shareholding. Corporate members such as trade unions, workers' clubs, consumer organisations, etc. may be allowed a maximum of 40 votes depending on the size of their shareholding, although it is more normal for the rules to allow them 10 or 20 votes. Until now the Co-operative Investment Fund has had a similar number of votes in those co-operatives in which it has invested share capital. A somewhat controversial proposal by the Fund and by DKF is that in future the Fund should only invest in co-operatives if it has voting rights in proportion to its investment. Thus, if the Fund were to put up 90% of a co-operative's share capital, it would have 90% of the votes.

10.6. Managers are generally appointed by the board of directors. In a paper presented to a conference in Copenhagen in the spring of 1981, Jeppe Als of the Sydjysk Universitetcenter, quoted from the conclusions of an investigation of ten co-operative enterprises which he himself had helped to conduct in 1979.*

'With regard to internal conditions within these enterprises, i.e. the employee/enterprise relationship, a characteristic feature is that all enterprises without exception are run on the traditional hierarchical pattern of management. Not even in enterprises in which the employees themselves constitute the Board and are thus solely responsible for deciding the form of direction has the wish ever been expressed to limit the powers of the board over employee, nor have alternative or supplementary organs of management or control been introduced to the management or boardroom level.'

10.7. Since there is nothing in Danish law to distinguish between a co-operative company and any other company it is not easy for co-operatives to be taxed more favourably than other companies. There is anyway no state financial aid for co-operatives nor is there any specific aid for workers in companies threatened with closure who wish to form a co-operative. In recent years attempts by workers to save their companies from liquidation have increased in number but neither DKF nor the state have been involved in any of these attempts. Banks generally treat co-operatives in the same way as any other commercial company although, as I have said, the Workers' National Bank may in some cases be prepared to make loans to co-operatives at 1% below the normal rate of interest for commercial loans. Local authorities are not empowered to give financial or other help to co-operatives although there is clearly considerable scope for them to do so

* Jeppe Als, The Danish Trade Union worker co-operatives. History and current trends, 30.4.81.

in order to save or create employment.

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11. Employee-owned companies

11.1. I have talked so far only about those workers' co-operatives which are members of DKF and are closely affiliated to the trade union movement. But since the economic crisis of the 1970s a new form of co-operative, the employee-owned company, has emerged. Because there is no central support agency for employee-owned companies and there are no statistics, it is difficult to get hold of any precise information about them. Some researchers at the Institute of Organisation and Industrial Sociology in Copenhagen have, however, so far identified 30 such enterprises. Their two-year research project should be completed early in 1982.* In their preliminary classification of employee-owned companies they identify three types:

- job-saving enterprises set up by groups of workers when their jobs were at risk because a traditional capitalist firm was ailing;
- production collectives or communities whose members not only work but also live together;
- organisations which fall somewhere between the job-saving enterprises and the collectives in that they are often set up in order to save jobs but at the same time the workers are ideologically disposed towards working in a democratically-controlled enterprise.

11.2. These new types of co-operatives differ from the traditional co-operative in that they have no connection with the established working-class organisations and are not dependent on them. Indeed, relations with the trade unions have often been strained, especially when workers in enterprises set up in times of financial crisis have had to accept reduced wages. In this section I shall concentrate on the first and third categories, leaving the second 'collective' category for the section on the alternative movement in Denmark and the case study of Svendborg in the appendix.

11.3. The job-saving enterprises

Leaving aside the study being carried out at the Institute of Organisation and Industrial Sociology, very little has been written about this type of employee-owned company. A number of those identified by the Institute have already failed and others have returned to a traditional form of organisation. In the course of my visit to Denmark I asked Peter Mortensen, the industrial democracy consultant at DKF, why they had not been more involved in advising and helping workers who were trying to save their jobs. He replied that three

* Dino Raymond Hausen, Poul Ingersler, Finn Junge-Jensen, Hardy Roed-Thorsen, Helge Telzschner, Ann Westenholz, Producer Co-operatives in Denmark, Acta Sociologica, 1980, Vol. 23 No. 4.

years before he might have said that DKF's most important job was to help rescue ailing companies and to help workers take them over as co-operatives. But he had become very much more sceptical because too many workers had tried to take over their factories and had failed. They often went wrong because they lacked management experience but also because they adopted the wrong sort of rules and ended up with ownership being vested in the hands of just a few workers. If DKF had been involved in helping them they might have advised them to adopt rules which made ownership collective through a workers' club. But as it was, most of the new enterprises had simply been unaware of DKF's existence and so had been unable to seek their advice.

I asked whether DKF could not publicise itself more effectively so that they could play a part in helping to create new co-operatives. But Mr. Mortensen thought that the scope for DKF's involvement was in any case limited because they would not be able to solve the main problem, the lack of capital. This could not come just from the trade unions who are the main source of finance for the traditional co-operatives. In his view the most positive way to help workers take over their firms would be to amend the legislation to allow local authorities to provide finance.

11.4. By way of example, the newspaper Information* is well-known as an employee-owned enterprise identified by the researchers at the Institute of Organisation and Industrial Sociology as one in which the employees are ideologically disposed towards working in a democratic way. It was started as an illegal news agency during the German occupation of Denmark in the Second World War and later became a daily newspaper which today has a circulation of 305,000. In 1970 the owner of Information offered to sell it to the employees at a very low price on condition that they would own it collectively and that the share capital should be irredeemable. The employees formed an association which holds the majority of the shares; all permanent workers, and only workers, are members. One quarter of the shares are held by outside 'Friends of Information' who sometimes act as consultants and who also elect representatives to the board of directors. The rules provide for a limited return on investment and in fact no dividend has been paid out since Information was converted into an employee-owned company.

The Employee Association meets at least four times a year and discusses all matters of importance with the exception of editorial policy which is the prerogative of the chief editors. Nevertheless the chief editors as well as the managing directors are elected by the Employee Association. A nine-member Council appointed by the Employees' Association and including representatives of each department follows up decisions made by the Association. Day-to-day decision-making has as far as possible been decentralised to the workers in the different departments. This is facilitated by the fact that as much information as possible is shared with the entire workforce. An internal information editor, elected by the Association, produces a weekly internal newspaper which includes details of all meetings that have taken place as well as interviews with workers and others.

The differential between the highest and lowest paid workers has been kept as low as possible. From 1976 to 1980 a minimum wage based

* Ejvind Larsen, The development of collective leadership in a Danish employee-owned newspaper. Paper presented at conference in Copenhagen, May 1981.

on that of a printer on dayshift was paid to all workers, on top of which some received a disadvantage bonus. In practice what this meant was that the traditionally low-paid workers got a lot more than they would normally and the people who normally would be the highest paid got less. In 1980 the newspaper which had until then been performing well experienced a fall of circulation for the first time. The employees had to decide to lower their wage claims for the year if the newspaper was to survive. At that point the Printers' Union announced that it would not allow its members to accept a reduced wage increase. Despite some misgivings the rest of the workforce agreed that they would stick to the original reduced increase even though their fellow employees were getting more.

The economic recession has continued to hit Information, mainly because the amjority of its readers being students and academics, have themselves been hard hit. The situation did, however, improve considerably in the first quarter of 1981. Most of the other Danish newspapers went off the streets when a dispute brought on a lockout of printing workers. But because the workers of Information were also its owners they did not lock themselves out. Information was just about the only national newspaper available and thus received a strong boost to its circulation and advertising revenue.

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12. The alternative movement

12.1. The traditions of the co-operative movement, the folk high schools and a still living spirit of liberalism are (according to Professor Tove Jacob Hegland of the Aalborg University Centre) three of the elements which have uniquely nurtured social experiments in Denmark.* Behind the upsurge of such experiments in the 1970s he identifies the anti-authoritarian spirit of the times, the reaction against the giantism and bureaucracy of modern life and the more down-to-earth protests of the environmentalists, women's liberation and local community movements. Whatever the explanation, there are several thousand communes in Denmark, some experimenting with new styles of work, some with alternative energy projects, some with a new approach to education (perhaps the best known is Tvind), and others where an alternative form of care is offered to disturbed or delinquent children. The most famous, or to some people infamous, member of the commune movement is the Free Town of Christiana which has more than 1,000 inhabitants. What may have been the biggest 'squat' in Europe occurred in 1971 when the Danish army moved out of a 22-hectare site in Christianshavn, near the centre of Copenhagen. The Municipality of Copenhagen had ambitious plans for developing this prime central area of the city but lacked the funds to do so. Large numbers of homeless people, students, minority groups and dissidents took advantage of their inactivity and moved in to make their homes in the empty huts, barracks and workshops. By 1972 there were more than 400 inhabitants who declared that:

* Professor Tove Jacob Hegland, Social Experiments & Education for Social Living, Aalborg University Center, Paper presented at conference in Copenhagen, May 1981.

'The aim of Christiana is to build a self-ruling society, where each individual can develop him or herself freely while remaining responsible to the community as a whole. The society is to be economically self-sufficient, and the common goal must always be to try to show that mental and physical pollution can be prevented.'*

12.2. Cars and hard drugs were banned, though the sale of marijuana was permitted. The people who lived there began to organise themselves into working groups; shops and workshops, a market, places for eating and making music and a weekly newspaper were all set up. People outside were not so happy. Some upright Danish citizens were convinced that it was a breeding ground for criminals, perverts and drug addicts. In particular, the Municipality was unhappy and tried to dissuade the government from its plan to give Christiana the status of a 'social experiment' for three years and persuade them instead to allow the bulldozers to move in.

12.3. The arguments have flown backwards and forwards ever since and have still not been entirely resolved. Christiana has attracted a sympathetic following from outside. Its fate was once the cause of a demonstration in which 30,000 people marched on the town hall and parliament. It has been the subject of debate in parliament on a number of occasions and, following a decision to close it 'without unnecessary delay' in 1976, was the centre of what Per Lovetand describes as 'one of the strangest cases in the history of the High Court ... with a motley crowd of Christainites with children, dogs, horses and music as the plaintiffs, and the Danish Government - the Defence Ministry - as the defendant'.** Christiana lost the case, as they also lost their appeal to the Supreme Court of Justice in 1978. Both court verdicts pointed out, however, that the social and human aspects were exclusively the responsibility of the Folketing (lower house of parliament) and the government.

In a subsequent debate in parliament the Minister of Defence stated that the closing of Christiana would raise a lot of social and human problems, the solution of which would require reasonable time. A respite of three years was therefore allowed and though this has since elapsed, Christiana is still in existence. Though many of the people who live there are 'social losers' and most of them are unemployed, attempts have been made to create jobs in Christiana. One small example is of a group of Christianites who decided to recycle timber from houses that were being demolished. A government grant to buy a chain saw enabled eight or ten people to earn a living making new products out of the timber they retrieved.

12.4. Whatever happens in the future Christiana will long remain in people's memories as a remarkable social phenomenon. The ideas and attitudes it represents were summed up by an anonymous Christianite in a poem quoted by Kar Lemberg, the Planning Director of Copenhagen, in

* Quoted in Per Lovetand, The Freetown of Christiana, from Dominant Ways of Life in Denmark/Alternative Ways of Life in Denmark, United Nations University, 1980.

** Op. cit.

an account of Christiana's recent history.*

'Christiana and the macro-society are opposites.
Not opposing poles of the same unit, but irreconcilable
opposites.

Where Christiana has a VILLAGE COMMUNITY
the macro-society has NUCLEAR FAMILY CELLS

Where Christiana has CRAFTSMEN
the macro-society has FACTORY WORKERS

Where Christiana has RECYCLING OF OLD MATERIALS
the macro-society has OVER-CONSUMPTION OF NEW MATERIALS

Where Christiana has NATURAL MATERIALS
the macro-society has ARTIFICIAL MATERIALS

Where Christiana has CHILDREN, ANIMALS AND PLANTS
the macro-society has CARS

Where Christiana has ECOLOGY
the macro-society has ECONOMY

Where Christiana has TOLERANCE AND TRUST
the macro-society has PREJUDICES AND SUSPICION

Where Christiana has OPEN SUFFERING
the macro-society has HIDDEN SUFFERING

Where Christiana has SPIRIT
the macro-society has THINGS.'

Christiana is not the only manifestation of the alternative movement in Denmark. It is just the best known. During the course of my visit I went to see two quite different types of communal experiment, one in Svendborg and one in Vejle. Both are described in the appendix.

* * *

13. Coda

Denmark is of some special interest because in three important respects it differs, at least in degree, from other EEC countries.

(a) There is no body of law specifically for co-operatives as there is elsewhere. Students of the subject are likely to be taken aback when they first hear this. How can there be 'co-operatives' when there is no legal definition of them nor any legal framework within which they can operate? But clearly there are. Agricultural and consumer co-operatives play a highly significant part in the Danish

economy, and workers' co-operatives even though they are on a much smaller scale, also exist, as the preceding account has shown. The conclusion must be that the possession of a specific law does not matter nearly as much as many outsiders would expect. Man is a rule-making animal. If the state does not make the rules people will make their own, and in some respects they may do so all the more effectively when not constrained by the state. This is not to say that when there is a body of law it does not have a considerable influence on what happens then.

(b) The trade unions have, as I have shown, played a larger part in the support of workers' co-operatives than in most other countries. The enthusiasm for them in the unions has not always been as abundant as some of the keener co-operators would have liked and there have been criticisms of a certain stuffiness being displayed by the unions. As one Danish commentator has put it, rather coolly, 'Worker co-operation in the strictest sense neither really exists nor has it done so in Denmark. Since the beginning of the 20th century, there have, however, been a number of enterprises owned jointly by their employees and their labour organisations'.* But the striking fact from a European point of view is that there are trade union co-operatives at all, and that they have survived. In some other countries trade unions have not been all that sympathetic, leading some observers to conclude that there are fundamental structural and ideological divides which are bound to produce union hostility. Denmark shows that this need not be so.

(c) Some people would see the alternative movement in Denmark as being almost at the opposite extreme from the official trade unions. There is not always all that much love lost between them. But as Denmark is remarkable at the one extreme, in the extent of union involvement, so it is at the other, for the vitality of an alternative movement which embraces co-operatives within it and includes also a number of elements which are peculiarly of this century. The Rochdale Pioneers hoped to make Rochdale a co-operative town; if they had succeeded it would not have looked in the least like Christiana.

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* Jeppe Als, The Danish trade union worker co-operatives. History and current trends, Sydjysk Universitetcenter, April 1981

14. Appendix

Case study no. 1: Co-operative dairy - Maelkeriet Enigheden

The Unity Dairy Co-operative came into being after a strike in a milk plant in Copenhagen in 1896. The strike was as usual over low wages and poor conditions. The President of the Craftsmen's Union was the driving force behind the new co-operative and encouraged workers - including the grandfather of the present Director - Palle Hansen - to invest their money in it. From wages of 25 kr a week the workers bought their 10 kr shares. But that money in itself was not enough and the workers had to persuade the trade unions and local people to put up money as share capital as well in order to get established.

From 1897 until 1978 the Unity Dairy operated on its own as a workers' co-operative. It bought milk from individual farmers, processed it and then sold it in the Copenhagen area. Under a law passed in 1941 to ensure that the population could secure as much milk as it needed the six or seven different milk distribution companies in Copenhagen had each been given their own area of operation and so effectively had a form of monopoly. But Denmark's entry into the EEC in 1972 meant that this somewhat monopolistic arrangement was no longer allowed and strong competition broke out between the dairy co-operatives - all of them except the Unity Dairy owned by farmers. In 1978 when competition between dairies was particularly fierce an agricultural co-operative in Ringsted suggested that they join forces with the Unity Dairy. Since neither co-operative could easily join the other (because the members of the Dairy Co-op were not farmers and the farmers were not workers) it was decided to form a new company in which each co-operative would hold 50% of the shares. So the workers' co-operative still exists and has retained ownership of the building and land but it has sold all the machinery and equipment to the new company which it half owns.

Problems were looming when I visited the dairy co-operative in April 1981 because the farmers' co-operative was threatening to merge with Danmilk, an agricultural co-operative and the biggest competitor of them all. As things are the Unity Dairy is already having to fight fierce competition from other agricultural co-operative dairies. Although the retail price of milk is fixed by the government, many dairies are offering 3, 4 or even 5% discounts to the shops with which they deal, thus cutting their own margins. The trade unions, who are major shareholders in the Unity Dairy, intend to fight hard to keep their members' jobs and if the determination of the Director has anything to do with it they seem likely to succeed.

Ownership

The Unity Dairy, like most workers' co-operatives in Denmark, takes the legal form of a company limited by shares. At the beginning there were three types of share - A, B and C. The A shares no longer exist; they were those shares subscribed by individuals in the local community when the co-operative was first set up. The majority of the B shares are held by 22 different trade unions, mostly in the

Copenhagen area, but some 970,000 Dkr share capital is held by the Financing Institute of 82.44, the Workers' National Bank and the Co-operative Finance Fund (AKF). The Enighedens Workers' Club holds one B share collectively on behalf of the workers. The remainder is own capital, held by the co-operative itself. The C shares are held by individual workers and board members and also retired workers as well as by the co-operative itself.

Each share costs 500 kroner and although individuals can buy more than one share they are entitled to only one vote. After an initial trial period of between one and two years, every worker is entitled to become a member although of the 208 workers employed at Enighedens in 1981 only 57 had done so. If a worker leaves, other than on retirement, however, he must sell his shares. The shares are all held on a parity basis and cannot increase in value. Interest on share capital is paid at 8%, one per cent above the bank rate.

Besides the B and C shares there is a third type of preference shareholding which the co-operative has created for the Workers' Fund. 1.5 million kroner has been invested by the co-operative on behalf of the workers' fund in the form of preference shares. Each year the interest on these shares, which amounts to a fairly substantial 100,000 kroner, is paid into the workers' fund and may be used by them in any way they see fit. In practice the money is generally spent on education courses, on summer houses for the workers and on extra benefits for workers who are off sick for a long time. As the word 'preference' suggests, the workers' fund would be first in line for payment in the event of liquidation.

Although the system of non-voting preference shareholding operates in some private companies, the Unity Dairy system is unusual in that it allows the Workers' Fund some 20 votes on these shares.

Control

Besides the 20 votes allocated to the Enighedens Workers' Fund, individual worker members are entitled to one vote each at the Annual General Meeting. Forty-two retired members of the co-operative also have shares and are also entitled to one vote. Attendance at AGMs by the worker members is high. Mr. Hansen said that it is usually 100% even though the meetings are held in the evening. But he added that this might have something to do with the long-standing tradition of paying 40 kr to each person attending the meeting.

The proportionately higher shareholding of the trade unions and the three financial institutions and the fact that they are collective institutions entitles them to greater voting power, in most cases 20 votes each. They generally send between one and five representatives to the AGM to exercise these votes on their behalf.

Election Procedures

At the Annual General Meeting the President of the Board gives his annual report and the Director presents the accounts. After a

discussion on future policy, elections are held for the six-man board. Under Danish law one third of the Board of any limited company employing more than 50 people must be elected from the workforce. So even if Unity Dairy were not a co-operative they would still have to elect two worker members to the Board. The election of these worker members is carried out by secret ballot before the AGM each year. The other four members are elected at the meeting itself and may include other worker members besides those statutorily elected.

What is particularly unusual about this co-operative is that Poul Holst-Pedersen, who has been Chairman of the Board for the last four years, is also the shop steward. Whenever Mr. Holst-Pedersen goes into Mr. Hansen's office the Director has first to find out which hat he is wearing. If he is coming in as Chairman then the Director is his employee; if he is coming in as shop steward then the Director is the boss. Mr. Hansen said that this could cause problems but his tone of voice and the fact that Poul Holst-Pedersen has been returned unopposed for four years running suggest that they have found a workable solution of a somewhat unorthodox kind.

I asked Mr. Hansen whether people preferred working in the co-operative because they had better conditions than workers in ordinary firms. He replied that that might have been the case ten years ago when they had been able to afford better than average working conditions, but the fierce competition of recent years had changed all that. Nevertheless he did think that some of the workers at least had a different attitude from workers in traditional companies. Though others regarded their job in the co-operative as no different from any other there was a strong group of old timers, some of whom had been members for 25 years, who thought there was something special about the co-operative. They felt that they belonged to the co-op and that it belonged to them. Mr. Hansen thought that another reason why it was a good place to work was that they were very open and there was always plenty of discussion. Meetings were held four times a year which every worker, whether member or not, could attend. More frequent meetings were held of particular groups of workers, according to the type of work they did and almost every aspect of the co-operative's investment policy was discussed in these small groups as well as the day to day problems they encountered.

The wages paid at Unity Dairy are fixed by agreement with the three main unions involved, the officer workers' union, the engineering union and the dairy workers' union, and are generally the same as those paid by the other dairy co-operatives in Copenhagen. The most skilled workers, however, tend to be paid more than the union rates because the dairy is afraid that it might otherwise lose them. Because the majority of workers work at night their rates of pay are higher than the average for daytime workers on that account as well. The differential between the highest and lowest paid workers is no different from what one might expect in any other company with the highest paid earning perhaps 600 kroner a week more than the lowest paid.

The Unity Dairy regards itself as a pioneer in the labour movement's objective of improving industrial democracy. Though nowadays the move towards giving workers greater influence on the policies that affect their working environment is by no means confined to the co-operative movement in Denmark, the Unity Dairy prides itself on the fact that it has been in the forefront of industrial democracy since the 1930s, long before the vogue of the 1960s began to change the face of Danish industry.

Case study no. 2: Printing co-operative - Eks Skolen

Eks Skolen is much more like a conventional workers' co-operative than most of DKF's member bodies because it is owned and controlled by the people who work in it. When I visited Eks Skolen in Copenhagen in April 1981 there were 13 employees all of whom except for one apprentice, were members of the co-operative. It was started in the early 1970s after a group of artists had got together to produce posters. Although the artists did not themselves form a co-operative they introduced the printers, who did, to many of their future customers in universities, trade union and political circles, environment groups and so on. Most of the co-operative's work is done for such groups.

Eks Skolen started off as a partnership because the original members did not have enough capital to fill the legal requirements for the formation of a company in Denmark. (These are that you must have a minimum shareholding of 100,000 kroner for an AS-type of limited company or 30,000 kroner for an APS-type of company.) The original partnership had to wait until it had accumulated 30,000 kroner from profits before it could register as an APS company. At that stage each of the twelve workers was allocated a 2,500 kroner share to be held individually even though they did not actually have to pay for them out of their own pockets. Partly because they have not contributed to share capital as individuals the members of Eks Skolen have amended their rules so that no interest is payable on shares.

Raising capital has always been a problem for the co-operative and the fact that there are no outside shareholders does not necessarily reflect an ideological reluctance to share control with outsiders, although they certainly seem to value their independence. But they did recently seek a loan from the Co-operative Investment Fund (AKF) which would have meant sharing the control with them. In the event they were turned down and had instead to negotiate a bank overdraft. This entailed not only changing banks but also each member of the co-operative giving a personal guarantee. To start with this guarantee was 10,000 kroner each and it has since risen to 25,000 kr. Only one of the members of the co-operative has balked at giving this personal guarantee for family reasons and the others had agreed that he should be exempt.

Decision-making at Eks Skolen is very much a collective affair. Although there is a five-member board, as there has to be by law, it is perhaps a measure of how unimportant it is in the way the co-operative works that Werne Skovborg, the Marketing Manager who showed me around the co-operative, was not sure who the chairman was, but thought that it was the friendly-looking young man I had earlier seen working at a word processor. Instead of policy decisions being made by the board there are weekly meetings of all the members, held on Mondays at 4.00. These general meetings are almost invariably attended by all members of the workforce even though they nearly always go on for several hours after the official working day stops at 4.30.

At these meetings they plan production for the coming week and discuss the past week's work. If there have been any complaints from customers or any technical faults they discuss exactly what went wrong, whose responsibility it was and how they can avoid anything similar

happening in the future. A report is then given by a member of each of the different departments; the camera room, the plate department, the print shop, the typesetting department and the administration department. The jobs of preparing and presenting these reports, of chairing the meetings and taking minutes are given to different people each week so that each takes his or her turn at everything.

Job rotation as such is more difficult because they are nearly all highly skilled in their respective jobs, but the three people who work in the typesetting department take on responsibility for the entirety of each bit of work they do, doing both the typesetting (on micro-processors which the co-operative have recently leased) and the pasting-up. Werne Skovborg thought that this practice might be frowned upon by the unions if they were a big company but it certainly made for more satisfying work for the people concerned.

Once a month the members of the co-operative have a session on the accounts which are prepared for them on a computer by an outside firm. Wages are discussed about every six months and the general rule has been that they are raised in accordance with the cost-of-living index. But they had been through a particularly tough half-year in the six months before my visit and had decided not to give themselves a pay rise at all. Because they had been paying slightly more than the going union rate before this they hadn't actually dropped below it but they nevertheless found it a difficult decision to make. They regarded themselves as lucky that they had not had to make the even more difficult decision of who to make redundant. It had very nearly come to that on one occasion two years previously when they had been through a bad patch, but as luck would have it, two of the workers had decided to leave for reasons of their own. If they had not done so it seems likely that the group meeting would have decided to make redundancies rather than take a general cut in wages. Werne considered that agreeing not to take a rise was about as far as anyone should be expected to go. But when it came to getting rid of people who were inefficient the co-operative had had no qualms. Their previous book-keeper was fired for just that reason; a decision reached by all the members in a general meeting.

One problem which has not so far arisen is what to do with profits; they have not made any since the co-operative was formed, mainly because of lack of own capital and the consequent difficulties of raising loan capital. If they did in the future the first step would almost certainly be to raise their wages. After that they might discuss investment in new machinery and perhaps getting a summer house for the workers.

If the co-operative ever went into liquidation the share capital would probably be paid at its face value to its notional owners even though they had not actually contributed individually. If there were any surplus after that they would probably decide to give it for some social purpose to do with artists or perhaps to the university. Peter Mortensen of DKF says that they are hoping for a change in the rules so that any such surplus would automatically go to the Co-operative Finance Fund.

Eks Skolen has been a member of DKF for the past couple of years and I asked what the advantages of membership had been. In the first place DKF had advised the founder members on how to change from a partnership to a company and also on the sort of rules they should adopt as a co-operative, especially as they wanted to ensure that only workers could be members. After that, when they had been going for a while DKF had sent along a consultant who went through their accounting and other procedures and made suggestions about changes they might make. They have also received quite a bit of extra work through DKF although this hasn't come about in any particularly systematic fashion. Rather, when people like Peter Mortensen are out advising other co-operatives they might hear of some printing job that needs to be done and tell them about the printing co-op.

Eks Skolen's chances of expansion seem somewhat remote given the lack of capital for investment in new machinery. If they did persuade the Co-operative Finance Fund to put up such capital they would no longer be able to operate as they do at present. Two radical changes would have to be made:

- their present rules do not allow for the payment of interest on share capital and the Fund will not invest in any co-operative which does not pay at least 8%;

- more fundamentally they would have to give at least one place on the Board to the Fund and policy decisions would then have to be made by the Board instead of at the weekly meetings of all the members.

Case study no. 3: Alternative way of life in Svendborg

I had wanted to see for myself what was going on in Denmark by way of 'alternative' co-operative enterprise and a friend suggested that I go to Svendborg on the island of Fyn to see Per Løvetand. I arrived there knowing nothing about Mr. Løvetand except that Peter Mortensen of DKF had told me the day before that he was one of the academics and intellectuals who had in the sixties collectively adopted the name Lovetand, which is the Danish word for dandelion! I only later discovered that he is a well-known author of, amongst others, a book on Christiana.

It was a warm, sunny morning when I made my way across the railway track to Per Løvetand's house. From the outside it looked like a traditional worker's cottage, single-storey and made of stone. I rang the bell several times to no avail and then realised that the note pinned to the door, of which I couldn't understand a single word, was probably telling me to try somewhere else. A line of well cared-for bicycles, a dog and some children finally pointed me to the right door round at the side. I was greeted by Per Løvetand and a fellow-member of the collective called Steen who had his leg in plaster. Per himself is a gentle, rather dreamy-looking man. He was wrapped in an orange blanket and it was immediately apparent that he had forgotten I was coming. Moreover, he was about to set off on a journey and I began to fear that my own journey by train, ferry and bus from Copenhagen might have been in vain. But Per was much too polite to leave me in the lurch and as we sat down round his pine table he talked of the collectives springing up all over Denmark, of the growing number of wholefood shops and groups, of the collectives' own newspaper called Kokoo and of Christiana. We talked, too, of the economic recession and of the all too familiar problems facing the 10,000 young people who had been through government employment schemes only to find at the end of a year that there were no jobs to be had. After that Per really did have to go and so Steen took me to meet some of the other members of the collective.

What had looked like an ordinary cottage from the outside was, in fact, just one side of a quadrangle consisting of a group of cottages with a communal garden in between. Steen, who is an unemployed high-school teacher, had bought up three cottages for 375,000 Dkr (about £25,000) three years previously. He had had to do a lot of work to get them habitable but it was, he said, at least as cheap as renting a house would have been, so it was worth it. After a while he sold the houses to a co-operative and along with other members he now rents an individual apartment from the co-op. It costs 100 Dkr to join the co-op after which each member pays 1,100 Dkr per adult and half that per child in rent. This includes lighting, heating, maintenance, even newspapers - everything except food and entertainment. When I went there they were discussing the possibility of a jointly owned car. All the children play together in the vast garden behind one of the groups of cottages which forms the courtyard and they all go to the collective's own school. No one gets any money back if they move away from the co-op and the houses can never be sold for profit. This means that the rent doesn't keep rising, as it would elsewhere.

The sun was now quite hot and we sat in the garden, joined by Klaus Eggert Hausen who was an architect in Copenhagen before he moved to Svendborg where he is now a part-time but unpaid teacher at the col-

lective's school. Since both Steen and Klaus were unemployed but seemed to be enjoying life a great deal I asked them to tell me what it was like. They both said that it was one of the biggest potential strengths of people in the alternative movement that they were prepared to look on unemployment positively. For most people being unemployed represented a loss of status which was difficult to bear. But people like them looked on the state of unemployment in a quite different way. They called it 'free from work' and there was much discussion about taking pride in unemployment and showing what could be done by way of collective projects. Both of them thought that there were positive benefits to be gained from working only part-time. Unemployment benefit is still payable, based on the percentage of time per week for which the recipient is unemployed.

I asked them about union membership. Steen is a paid-up member of the Union for High-School Teachers and also belongs to an organisation for unemployed high-school teachers which represents a fairly large minority within the union. In most unions in the U.K. unemployed members are not allowed to vote on union issues. I asked whether the same thing happened in Denmark. Steen said that it certainly did not and that the unions would be too afraid of people forming special unions for the unemployed where they might be tempted to work for less than members of the official unions. Nevertheless, some of the co-operative-type enterprises started by the alternative movement were definitely disapproved of by the trade unions because workers were often underpaid or even unpaid and so they were regarded as unfair competition. They pointed out that unless unemployed people were prepared to work for nothing to get new projects going there would never be any jobs. The government was apparently quite interested in the sort of things they were doing but both the trade unions and the private employers disapproved strongly.

By now I wanted to hear about the projects they had got going in Svendborg, especially the complex of a bookshop, a cafe and a laundrette which had been mentioned several times in the course of our conversation. Steen stayed behind because of his broken leg but on the walk up through the town to see the complex, Klaus told me how it had come about. A lot of 'alternative' people live in collectives or communes in the Svendborg area. Most of them are relatively small - 10 or 20 people sharing a large old house or farm. A few were much bigger with up to 100 people. They call themselves the 2nd October Group (the day in 1972 on which Denmark joined the Common Market) and have been going since 2nd October 1973. I wasn't entirely sure about the significance of the name but suspected that it was tongue-in-cheek! To start with the various collectives belonging to the group used to pool all their income, including unemployment benefit, and then share it out equally. But problems arose because they were geographically split up - with collectives at opposite ends of the island of Fyn from one another - and it was difficult for them to get together as often as they would have liked. Even greater problems arose when some of the large houses they lived in became under-occupied. It got to the stage where they had to take in new 'tenants' regardless of whether they were the right sort of people. In the end, when it had been agreed that one house would have to be sold but not whose house it should be, they abandoned the system of pooling their money and instead each collective now contributes a certain amount to a central fund which is used for projects such as the shop.

The shop project originally got under way because a lot of people wanted a left-wing bookshop in the town. At about the same time one of the collectives bought an old cork factory and wanted to set up some worthwhile project. Together with a number of other groups they formed a non-profit-making 'self-ownership' company. The first board of directors consisted of representatives of the left-wing parties, a women's group and people working on the project.

More and more activists* joined the group, while the political parties gradually left so that within a year or so all of those involved were activists. Problems cropped up over the question of decision-making by the board on the affairs of the individual groups - the bookshop, the cafe and the launderette. People working in these groups didn't like decisions being taken once a month by such a large body so they folded up the board of directors and changed the rules so that decisions were made within each working group instead. That way the workers have much more influence. I asked Klaus how they had raised the capital for converting the factory and buying equipment, especially for the launderette which must have been expensive. He said that about 30 people had taken jobs in factories and saved half a million kroner from their earnings (about £33,000).

By this time we had arrived at the complex and I could see for myself what they had managed to do with the money. It was very impressive and obvious that a lot of care and hard work had gone into renovating the old cork factory. We went first into the cafe which was already fairly full as it was nearly lunchtime. It was very clean, bright and attractive with pine tables and a box of lights up on the wall to tell people when their washing machines in the next-door launderette had finished! The cafe is run by three paid part-timers and a series of unpaid activists who work in shifts from 10 a.m. to 10 p.m.

The launderette was quite unlike any I have ever seen in England and apparently fairly unlike the other launderettes in Svendborg too. The washing machines and tumble dryers were bright red, there was plenty of space for folding washing and there was a giant blackboard and a play area for children. While the washing was being done you could wander out into the garden, sit in the cafe or go into the bookshop. This was up to the same standard as the rest - well displayed books, pamphlets, posters and records. Here, too, they have one or two paid part-timers with activists to help. Although it costs a lot to stock the bookshop it is running on an even keel.

The school was deserted because it was the Easter holidays. There were four rooms in which the 25 children and two teachers spend their working days. All the furniture had been made by the children as part of their first project. In fact there wasn't a great deal; just boxes to sit on and a few low tables. The children also clean the school and cook their own lunch each day but those are the only things they have to do. For the rest they are encouraged to think up their own projects and learn the 'normal' disciplines that way, rather than in any formal or systematic fashion. It sounded quite attractive although I would have had second thoughts about sending my own children there and obviously some of the parents in the collective had been having second

* Activist was a word that was constantly repeated during my visit to Svendborg. It means unpaid worker. The English equivalent might be volunteer except that it clearly does not have 'alternative' overtones.

thoughts too because a meeting had been called for that evening to discuss a disagreement over teaching methods and whether they should adopt a more formal system.

Apart from this little 'free' school which, like others in Denmark, is 85% subsidised by the state (the parents having to find the remaining 15% of the running costs as well as all the capital cost of equipment, etc. themselves) Svendborg has two Folk High Schools - another peculiarly Danish phenomenon which are also 85% state subsidised and which cater for adults of all ages from 16 upwards. The two in Svendborg are called the Red High School and the Workers' High School. Each has about 50 pupils and five or six teachers. The pupils live in the schools for anything from three months to two years and can take different courses during this time. Sometimes a course may be split between academic and practical work, for instance a group of pupils may study the Soviet Union or Cuba for half of the year - these are the examples they gave me - and spend the second half of the year visiting the country itself. One distinct advantage for pupils in Folk High Schools is that they can, according to Klaus, still receive unemployment benefit.

Another project the 2nd October group has not under way is a discotheque. They started it because there was nowhere to listen to decent music in Svendborg, only a rather old-fashioned discotheque 'where people in their "forties" went'! The collectives bought an old restaurant and turned it into a place where you could listen to rock and beat groups. They got a licence which enables them to stay open until 5 a.m. (it was either 1 a.m., which was judged too early, or 5). They had to borrow a lot of money from the bank for this venture and many of them gave personal guarantees and put up their houses as security. Although they have to pay quite a lot of money to get good groups for the discotheque the income from the 30 Dkr entrance fee and the sale of beer has been enough for them to invest in such things as air-conditioning and still break even. When they have paid back all the loans they should be able to employ more than the four full-time paid staff they have now.

The impact of the alternative movement on Svendborg has not been confined to readers of left-wing books or listeners to rock music. Two of its members have recently been elected to the town council. This was regarded as useful in two ways: the alternative movement can get inside information about what the council are doing and they can also get alternative ideas across to the council. Though Steen, Klaus and the others said that they'd only really got elected because there hadn't been any other left-wing candidates it was also because they had got the votes of a lot of elderly people who would never have voted left in a general election but who were prepared to vote for them on environmental issues such as making it safer and easier for cyclists to get around the town.

Employment creation in Vejle

This project in the County of Vejle is the brainchild of a group of unemployed young people and of Arne Thomsen. He is Unemployment Counsellor for Vejle County Council. He started his working life as a blacksmith but after doing his national service decided to go to university to study history. After graduating he became a university teacher for a while but then decided to devote himself to the Workers' Education Association. It was while he was teaching for the WEA that he got to know a group of youngsters who wanted to create jobs for themselves but had no real idea how to raise money or negotiate with the local authority. Arne Thomsen says that he is a child of the fifties and sixties and was brought up with the idea that he could do anything he set his mind to. What he did in this instance was to apply for and get the job of Unemployment Counsellor which he holds today. From this inside position he was able to help his young friends achieve what they had set their minds to.

The three projects which grew from this initiative come under the collective heading of Project New Jobs. It was launched in May 1978 with the twin aims of finding new and permanent jobs through the efforts of the unemployed themselves and of giving the young unemployed confidence in their own abilities and a zest for an active life after completion of the project. With a bit of ingenuity and a lot of hard work on the part of Arne Thomsen, Project New Jobs has secured grants from both central and local government, from the Vejle Labour Market Board and from the EEC Social Fund. The three parts of the project are now described.

1. The Fish Farm

Under the guidance of qualified marine biologists up to ten young people are employed on a fish farm on the banks of a fjord in Fredericia. The project uses the cooling water from a power station which is about 8° warmer than that of the fjord to breed a variety of fish. Experiments elsewhere had shown that breeding in warm water could have a very favourable impact on fish growth in the early months of life. The main 'product' of the New Jobs fish farm is trout but they are also experimenting with turbot, eels, oysters and mussels. There seemed to be little doubt about the beneficial effect of warmer water on size; the fully grown trout I saw looked more like salmon. They are normally sold when between 250 and 300 grammes, but there is apparently a good market for the much bigger trout which sell at a higher price per kilo than the smaller ones. The trout and other fish with which they are experimenting such as eels and halibut are fed on pellets and there is therefore very little risk of contamination. But the farm is also experimenting with shellfish. The research is concentrating on whether there is any danger of metal contamination because of the way they ingest food.

The fish farm group started by making pontoons and nets and planting out fish both in the fjord and inside the cooling water area. The group fed the fish and measured the water temperature and oxygen and chlorine content in various places. Initial trials suggested measures that had to be taken to counteract some of the side effects of using water from the power station such as supersaturation of air, chlorine, and ash. As a result the group built a number of ponds and tanks inshore in which heated water and cold fjord water could be mixed and

careful control could be exercised. Fish are bred in the pond during the winter months and put out into the fjord in wire mesh net installations during the summer.

So far they have sold only about one ton of fish a year because the project has concentrated on research. Although research will continue into which different species of fish might lend themselves to this sort of farming, Arne Thomsen is confident that there is scope for large-scale production of fish for the export market. The biggest problem would be finding the money for the capital outlay that would be needed but if that could be overcome there was no reason to suppose that the project could not combine expansion with the creation of a great many new jobs. Research elsewhere in Denmark suggests that it should be possible to establish between 1,000 to 2,000 new jobs using the cooling water of power stations for fish breeding.

2. The Drier Group

This group works on collecting and recycling swill from hospitals, nursing homes, etc. The food scraps collected are dried in a specially-built machine in the project's plant house. The process takes about ten hours during which it changes from a porridge-like consistency to something resembling dark brown sugar. In the first year the group worked on the construction and installation of the drier and on analysing the dried food to find a relevant use. It was decided that it might be suitable for feeding pigs and, because the authorities insisted that any pigs used in the experiment should be kept isolated, the group rented some old pigsties and cowsheds and themselves converted them for use as a pig unit. The pigs certainly seem to be thriving on their new fare but it is unlikely that the scheme could ever become viable. The Danish bacon industry is very highly automated to the extent that one man can look after as many as 10,000 pigs whereas in this scheme there are up to eight people looking after a few hundred. In any case if the project were to pose any serious threat to the industry it would immediately arouse the opposition of the Danish farmers and their unions. One hope is that there may be some future in the idea of producing pet food.

3. The Greenhouse Group

This group produces traditional and new varieties of houseplants and also experiments with methods of heat and energy-saving. They started by themselves building the 800-square-metre greenhouse. They installed the pipework for the heating and trolleys for the plant trays. The group generally buys small plants from local people for around 3 kr and sells them six to eight weeks later for about 8 kr. While I was there two of the group were hard at work installing an automatic watering system so that they could take time off over the Easter holiday. One of the project leaders was herself a group member when the scheme first started.

Prospects for continuation of the greenhouse project as a profit-making venture are good. With further capital investment the same number of people could run a greenhouse four to five times the size of the present one and the export market could easily take the increased production.

How the project operates

There are around ten participants in each of the three groups with one or two leaders each. All the young unemployed people are girls which Arne admitted was somewhat unusual although he said there was nothing unusual about Danish women doing so-called men's work. It was all the more disappointing that the majority of the group leaders were men. Most of the young people are between 19 and 24 and quite a few of them are single mothers. Day care provision is apparently much less of a problem in Denmark than it is in the U.K. The target group for the project were unskilled and relatively uneducated young people. Most of them were already union members when they joined the project which employs them for a year for around £100 a week. The length of employment is somewhat unusual for Denmark where most similar schemes are only allowed to take people on for six months.

Integral to the project are the regular lessons each group undertakes. The basic week consists of 31 hours' paid work and nine hours' instruction. At the beginning of the year the primary aim of the teaching is to support the daily work of the group and to impart the various skills required, such as the use of tools and measuring techniques. Biology is compulsory for all three groups and is geared specifically towards their particular job: fish and pig breeding or horticulture. Towards the end of the year the lessons centre around career guidance, and subjects of particular interest to the young people such as unemployment, sex discrimination in industry, trade unions, management and organisation. But they also discuss the impact of the project on the local community and cross-fertilisation between that and the group. Throughout the year two lessons a week are devoted to planning the coming week's activities and detailing job tasks.

The project places great emphasis on continuing evaluation of what the participants get out of the project and uses these evaluations for long-term planning of future projects. One important measure of the success of the project has been the rate of placement of participants in jobs and training places at the end of the scheme. In the first year the results were disappointing but after two years the rate of placement from Project New Jobs was higher than the national average for employment projects of all kinds. This was considered to be mainly because of particularly effective collaboration between the project and the Job Centres.

Cost-effectiveness of the project

In a recent report on the economic aspects of the project Arne Thomsen calculated gross and net costs taking account of the subsidies from central and local government on the one hand, and the savings in unemployment and other benefit, in the cost of subsidising new jobs on the private market, and on increased tax revenue on the other. At the most pessimistic valuation the gross cost per person employed was estimated at £5,000 but the net costs were only £466. These figures assume an income from sales of around £137,000. The potential is probably much greater if the fact is taken into account that it has not so far been an objective to attain the highest possible volume of production and that the workers are in fact only working for 31 hours a week.

Future of the project and co-operation

The project has been run as an experiment with three main objects: to find alternative manufacturing processes using relatively few manufacturing units; to find new and permanent placements through the efforts of the unemployed themselves; and to give the young unemployed confidence in their own abilities and a zest for an active life afterwards.

The first and last objectives seem to have been met with some success. What remains in question is whether new and permanent jobs can be created. It is Arne Thomsen's hope that each of the projects will continue as profitable enterprises and that they will be run as co-operatives. He admits that there could be problems because the idea of a co-operative would not necessarily appeal to the target group of unskilled youngsters and even after a year working on the project they might find it difficult to adapt to the rigours of self-management. But he has already proved that it is nonsense to say that it is only possible to produce goods in the private sector or that unskilled, unemployed people would be incapable of such production. If his past record is anything to go on there may be three new co-operatives in Denmark before long.

EUROPEAN CO-OPERATIVES
PERSPECTIVES FROM GREECE

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PERSPECTIVES FROM GREECE

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MY

1. Introduction

Agricultural co-operatives are so much pre-eminent in Greece as to overshadow other types. This pre-eminence has not been becoming any less. The re-introduction of democracy when the Colonels were ousted and, what became possible after that, the accession to the EEC have both worked strongly in favour of agricultural co-ops. This is not to say that the time for worker co-ops may not be arriving.

Farm co-ops have their roots deep in Greek history, owing very little in their origins to the influence of Rochdale or any other foreign example. Informal associations for the common rearing and marketing of sheep, known as TSELINGATA, have a long and honourable history of their own. They can be well-documented in Greece for more than six centuries*, and a more formal co-operative, both industrial and agricultural, at Ambelakia in Thessaly was set up in 1780 to finance and organise the production and export of purple cotton yarn.

The modern form of agricultural co-operative originated at Almyros in 1900. In that case it granted credit to its members and purchased costly farm machinery which could then be used in common by its members. Its counterpart today would be hiring helicopters for spraying the olive trees owned by its members.

The growth after that was sharp enough to justify legislation, and for this foreign example was heeded: the Law of 1915 was modelled on those of Germany and Austria. This Law accelerated the growth still further. A system was built up which was (and is) as highly articulated in its organisational structure as it is comprehensive in its scope.

2. Local farmers' co-ops

The structure is in its basic outline fairly familiar for the EEC. At the base of the pyramid are the usual first-degree co-ops for local farmers - some 7,000 co-ops in all. Nearly three-quarters of a million individual farmers are members. Practically all of them serve a variety of needs - very few, at this local level, being specialised. They supply consumer goods as well as seeds, fertilisers and foodstuffs. They operate small food-processing plants such as olive-mills and fruit and vegetable-packing stations. They market members' products. They supply credit as agents of the Agricultural Bank of Greece. They store.

Above them is a tier of second-degree co-ops, Regional Unions, and another of third-degree ones, the National Central Unions and Regional Central Unions. The Regional Unions, speaking broadly, perform the same functions for the local co-ops as they do for their members wherever it is an advantage to have a larger body covering a larger area which can buy cheaper or in other ways gain economies if the scale of operations is larger. The National Unions, and some of the

* 'The Greek Farmers Co-operative Movement', Panhellenic Confederation of Unions of Agricultural Co-operatives, Athens, 1977 and later editions.

Regional Central Unions are specialised. They market a specific product or group of products, and may process them as well.

3. Paseges

At the top of the pyramid is PASEGES (The Panhellenic Confederation of Agricultural Co-operative Organisations). It is the forum within which and by which decisions about national policy are taken. It is the main representative body of the co-op movement and, as such, deals with government. It provides all the member-co-ops with information and consultancy services. There is no division at this top level, as there is in many other countries, between the roles which national bodies must perform - that is, between assisting member-co-ops to become more effective and pressing the government for more support while negotiating with the government from a non-party point of view. Paseges does both. It is both non-political - it cannot possibly afford to be fully identified with any one political party for fear that the opposition to it will one day be in power; and also political insofar as it must mobilise what political support it can to bring pressure on the government in the interests of the movement. To do and be both can sometimes give an uncomfortable ride. The way has been opened for a new propagandist body to appear - the General Confederation of Agricultural Societies. This is allied with the left in politics and is far more overtly and one-sidedly political than Paseges. If Paseges asks the government for a price rise for a particular product of, say, 20%, supported by a heavily documented and well-reasoned case, the General Confederation will jump in with a demand for 30% or 40%, but without reasoned backing. Such activity has not gained it much support as yet. It does not publish the number of its members. It does not seem to have any member-societies. But it may be a portent.

4. Co-operatives in schools

Before I leave aside the description of the ongoing structure I should move from the top back to the bottom and mention one form of co-operation which does not exist at all in some countries, that is, co-operatives inside primary schools. These engage in economic activities designed to illustrate the advantages of co-operation. The children-members pick aromatic herbs and then dry and sell them, or they sell the seedlings of trees that they have grown or they sell notebooks and other materials to their fellow-pupils. The profits are used to give help to sick and handicapped children, for school visits and for publishing their own newspapers. Paseges publishes a magazine for them call Co-operation with suggestions in it about what they might like to do. The decisions they make, about what to do with the money as well as how to earn it, are the responsibility of a Council elected by all the pupils, and so is the President of the school co-operative. Each one is supposed to give a training in democracy which will bear fruit in the adult co-ops. There are some 680 such school co-ops at present.

5. Recent changes

How about the recent changes referred to at the beginning of this note? One of the effects of the abolition of the dictatorship was short and sharp. Under the Colonels all the elected board members at every level were dismissed; the government appointed their own instead. The 'co-ops' were then co-ops only in name. But as soon as

democracy in general was restored, democracy in the co-ops was also, and elections held within the year in 7,000 primary co-ops and from there on in all the higher tier ones.

The other main consequence has taken much longer to work itself through. The decision to enter the Common Market put paid to several of the monopolies which the government had maintained either directly or through its agent, the Agricultural Bank of Greece. It used to have a monopoly in the supply of fertilisers, fodder grains and seeds even if local co-ops were used as agents for their final distribution. It also had control as far as the purchase of cereals and some other products was concerned.

By and large these functions have been taken over by co-operatives. The purchase and distribution of fodder are now handled by a co-op called Kydep. 80% of the Regional Unions belong to it. A new co-op has also been set up for the distribution of fertilisers.

Other initiatives have followed on these, even though they have not expressly followed the decision about the EEC. A central distribution agency has been set up to handle groceries and to deal with private as well as co-op shops, all in competition with private wholesalers. The plan for this was drawn up by a group of experts from the Swedish Co-operative Movement. A co-operative agency for international transportation has been established to ship goods by road, sea, train and air, and started offering its services in 1981. The hope is that it will help exports by reducing costs, especially of goods sold by co-ops. A new agency to handle advertising for the whole movement was set up earlier in 1981. A co-operative children's theatre has been started in Saloniki. It will tour agricultural communities.

6. Changes in the law

The story of recent changes would not be complete, even in this bare outline, without mention of the changes in the law. Discussions between Pasages and the government started in 1975 and went through many phases, with different drafts being prepared, considered and discarded, before the new Law was promulgated in 1979. Much of the old Law of 1915 was retained and consolidated in it. But there were also some important changes. For instance, before 1979 it was always unclear whether co-ops could handle the processing of this or that kind of foodstuff. Every new factory or plant was liable to be the subject of dispute with private enterprise. So it was with the supermarkets for ordinary consumers set up by the agricultural co-ops. There are now between 200 and 300 of these, mostly in central and northern Greece. In the past, before the new Law, each proposal for yet another supermarket was opposed by private enterprise and sometimes taken to the courts. Since the new Law there can be, and is, opposition to expansion by the co-ops but there cannot any longer be appeal to the Law.

These supermarkets are not consumer co-ops. They do not have consumers as members but (directly or indirectly) producers in the form of the farmers who are the ultimate owners of co-operative assets. By contrast, there are some consumer co-ops. An adviser from Sweden came to Greece as long ago as 1965 and proposed the establishment of some genuine consumer co-ops. Five or six have been started in

Saloniki, four or five in Athens, again by the agricultural co-ops but with consumers in control. They have not grown in the way that was hoped. The other supermarkets have done much better.

7. Resistance to co-operative expansion

The resistance of private enterprise to co-op expansion has been continuous. The passing of the new Law has not by any means reduced the opposition. Complaints by the Federation of Greek Industries, and others - that co-ops can get loans from the state for new investments, on better terms than private companies can get; that co-ops pay 3 or 4% less interest than private enterprise; that co-op advertisements on the TV and the radio were, for a time, charged only at 50% of the full rate paid by private enterprise; that loans were written off during the Colonels' regime - have been as vociferous since the new Law as before.

8. The Agricultural Bank

If extension of the powers of co-ops has been one effect of the new Law another has been a reduction in the power of the state's Agricultural Bank. It used to be responsible both for supervision and auditing of co-ops. Some co-ops resented this and felt that they were not being allowed to take on the responsibilities and risks of their own decisions. They could find that their supply of credit was cut off. That will not happen so easily in the future. For auditing, a new body is being set up independent both of the bank and of Paseges. The job of supervision is left with the state.

9. Shipping lines

Agricultural co-ops are, therefore, progressing steadily and look as though they are going to continue to do so unless the forthcoming general election brings in a government with policies unfavourable to co-ops. There have been important extensions into wholesale and retail distribution. But there has not so far been any sizeable growth of producer co-ops apart from the 400 or so groups of producers involved in cotton production, unless the various shipping lines started between Greek islands count as producer co-ops. Their legal form has been that of ordinary commercial companies. Typically, they have been initiated in order to provide markets for producers of industrial and agricultural goods who might otherwise have had none as a result of the withdrawal of private shipping lines and the failure of the state to intervene. One of the best known and most successful of the new-style co-ops has been Anek. This was started by a churchman, Bishop Irinaios, to run a regular service between western Crete and the mainland. The rule of the company is that no family in Crete should own more than 2% of the equity. Anek was begun in 1972 and has been the spur for others:

Minos Line to Heraklion (1974)
 Ionian Line - Patras to Brindisi (1979)
 Naxos Line (1979)
 Rhodes Line (1979)
 Samos-Ikaria Line (1979)

These 'co-ops' have shown that you do not need to be a Niarchos to run a successful shipping company.

10. The prospects for worker co-ops

Shipping apart, and fishing and forestry co-ops also left on one side since they belong with agricultural co-ops, very little progress so far has been made. As in other countries doctors have established clinics which they own and operate in common, but employing many others as well - sometimes over 200 nurses and other auxiliary staff. These can hardly be called 'co-ops'. A taxi-drivers' co-op has been started here, a waiters' co-op there. But so far worker co-ops have not grown as they have in many other countries. The EEC may again provide the impetus. If any interest is shown from Brussels the agricultural co-ops could be the promoters of a different kind of co-op. If the decision is taken to move in this direction a recent change in the government's stance could prove useful. The Monetary Committee of the government decided on 17th June 1981 - and its decisions have almost the force of law - that employees should have the right (which they had not had before) to buy shares in a bankrupt company to prevent it from going out of existence. When they do they will be able to get loans from banks on favourable terms. But the result may be to establish some de facto co-ops. It is all the more likely to happen since Paseges has already offered its experience and willingness to support the General Confederation of Greek Workers in setting up worker co-ops in the same way it did consumer co-ops. One hopes it will meet with more success.

EUROPEAN WORKERS' CO-OPERATIVES

Perspectives from Ireland

Marianne Rigge

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PERSPECTIVES FROM IRELAND

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MR

September 1981

1. Introduction

The land of Ireland, lush and green in parts, boggy and almost unworkable in others, has always provided the livelihood of many of the people, and it still generates a significant proportion of the national income. It is thus no surprise that the co-operative movement in Ireland is based fairly and squarely on the land.

Three types of co-operative, old and new, predominate in the rural areas. The first, with roots reaching back to the late 19th century, are agricultural co-operatives which market farm output such as livestock, grain and dairy produce and sell farm input such as seeds, fertilisers, feedstuffs and agricultural machinery. Their members are farmers, individual entrepreneurs working their own or rented land. There are 200 agricultural co-operatives, some with turnovers of several hundred million pounds and a substantial share of agribusiness with 90% of the dairy products market and a 60% share of livestock marketing. Jointly they fulfil the same functions as state-organized bodies such as the Egg Marketing Board and Milk Marketing Board in the United Kingdom, while at the same time acting as bulk-buy and service organizations for their members. They also aim to improve farming.

Very different are the multi-purpose community co-operatives which have grown up in mainly remote, declining areas since the 1960s. Their objectives are both economic and social. Attempting to reverse the decline in rural economies, especially in the Gaelic-speaking or 'Gaeltacht' West of Ireland, they have made initiatives in land drainage, water and electricity schemes and farm improvement on the one hand while on the other seeking to halt migration to industrial areas and to revive the Irish language and local communities and customs. By 1981 their number had grown to 25.

The third important group are the credit unions, which represent a new phase in the history of small-scale banking in rural areas. Credit societies, first established in the 1890s in the early days of the co-operative movement, and often known as village banks, had declined into insignificance by the 1940s; but the savings movement has since revived and credit unions, run on the same lines as the old village banks, now have a flourishing membership.

E1 2

The agricultural and community co-operatives and the credit unions account for the vast majority of co-operative enterprises in Ireland. The remainder are concentrated in fishing, home produce and crafts. Only a handful of workers' co-operatives exist (they are treated separately in the fifth section of this report) and Ireland is unique among European countries in having virtually no high-street co-operatives. Among the reasons for this exceptional lack of development is the fact that when consumer co-operatives sprang up elsewhere in Europe during the industrial revolution the vast majority of the Irish population was too poor to trade with any store which had as one of its firmest principles, as the early co-operatives did, that no credit was to be allowed. For co-operation to serve a useful purpose in the 19th century, it had to address itself to the needs of the peasant farmer.

Because of the imbalance in favour of agriculture in the Irish co-operative movement, I have devoted considerably more attention to the history and development of the agricultural societies in the sections that follow than would be appropriate for other countries with a more diversified co-operative sector.

* * *

2. The Place of Co-operatives in the Irish Economy

2.1. Distribution of co-operatives

The distribution of co-operatives by type, membership, workforce and turnover (1979 figures) is shown in the table on the following page:

	Number of Societies	Members	Employees	Turnover £000
<u>Agricultural Societies</u>				
Dairies	54	97,961	13,976	1,525,230
Livestock Marts	41	34,299	1,001	389,358
Meat Processing	4	44,715	2,818	217,201
Wholesale Stores	3	246	707	67,994
	27	11,383	451	31,309
Other (Horticultural, Pig Fattening & Livestock Breeding)	26	10,611	817	26,921
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	155	199,215	19,770	2,258,013
Fishing	18	1,581	114	11,584
Home Produce & Crafts	5	10,615	31	642
Community Co-operatives	24	8,502	200	3,087
Miscellaneous	25	12,772	123	5,234
Workers' Co-operatives	4	456	110	1,669
Common-Ownership Company	1	300	400	4,000
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	77	34,226	978	26,216
COMBINED TOTAL	232	233,441	20,748	2,284,229
Credit Unions	542	386,201	600	70,090 (Savings)
	<hr/>	<hr/>	<hr/>	<hr/>
GRAND TOTAL	774	619,642	21,348	2,354,319

Most of these figures cover societies which are members of the Irish Co-operative Organization Society (ICOS), the main umbrella organization for agricultural co-operatives. The workers' co-operatives operate independently of ICOS, mainly in association with the National Co-operative Council (founded in 1954) and the Co-operative Development Society (founded in 1955) but the figures come from the societies themselves or from the Registry of Friendly Societies. Credit Unions are also independent of ICOS, and the figures quoted come from the Irish Credit Union League.

2.2. Analysis of strengths and weaknesses

From the figures some salient conclusions can be drawn. With just over 600,000 members, nearly 21,000 employees and a turnover (including credit union savings) approaching £2,500 million, co-operatives are established as a significant force in a country with a population of only just over three million and a labour force of barely more than a million.

No less striking is the extent of their concentration in agriculture. Co-operatives dominate agricultural marketing, in particular the marketing of dairy produce, and control a significant slice of the farm supply and service industry in Ireland. Within the co-operative movement, agricultural societies are both financially and as employers of labour without peer. They account for 20 per cent of all societies, 32 per cent of members, 94 per cent of employees and 96 per cent of turnover (including savings). If the credit unions are excluded, and we take only producer and service co-operatives, the predominance of the agricultural societies is even more obvious: on this basis they account for 67 per cent of the total number of co-operatives, have 81 per cent of the members, 97 per cent of the employees and generate 99 per cent of turnover.

The credit unions, while numerous and well subscribed (they account for 70 per cent of all societies and have 62 per cent of the members), are of trifling importance when it comes to employment and financial clout. They have only 3 per cent of employees and turnover.

Going by the figures alone, worker and community co-operatives are insignificant on every count. Together they make up only 3.5 per cent of the total number of co-operatives, possess 1.5 per cent of the membership, 1 per cent of the employees and generate a mere 0.2 per cent of turnover.

2.3. Trends in co-operative development

Looked at over time, however, the performance of the different societies and the nature of their successes and failures can more readily be seen. The number of agricultural co-operatives has been declining sharply - from 366 in 1969, to 243 in 1976 and less than 200 in 1981. The main reason for this decline has been the amalgamation and rationalization of the co-operative dairies. During the same period their membership has gone up from just below 150,000 to nearly 225,000 and their annual turnover from just over £200 million to the 1979 figure of nearly £2,300 million. Discounting inflation, this is a threefold increase in real terms, a performance the societies are justifiably proud of. The words that best sum up their recent development are consolidation and commercial success, features of middle age, one might feel, and no real match for their youthful expansionism in the first two decades of the century, when they more than trebled their numbers, more than quadrupled their membership and increased their turnover by more than seven times.

The community co-operatives, on the other hand, are clearly still in the first phase of youthful growth. They have increased in number from one in the mid-1960s to 15 in 1975 and 25 in 1981; their membership has gone up from a few hundred to more than 8,000 and their turnover from virtually nothing to £3 million plus. When co-operatives are at such an early stage of development, it is tempting to avoid comparing them with the well established and to judge them either by their rapid growth rate or by non-economic criteria. I shall consider these questions and make a full appraisal of the value of community co-operatives in Sections 4.2. and 4.7. The other fast growing co-operatives are the credit unions, which have multiplied from one in 1957 to 453 in 1975 and 542 in 1981.

I shall devote considerable space to the isolated examples of worker co-operatives which, like the community co-operatives, represent a new development in the Irish co-operative movement.

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3. The History of the Agricultural Co-operatives

3.1. The Ralahine experiment

The origins of agricultural co-operation in Ireland are steeped in the same idealism that prompted Robert Owen in the early 1820s to set up co-operative communities in England and Scotland and at New Harmony, Indiana, in an unsuccessful attempt to realize his vision of a 'new moral world'. Owen visited Ireland in 1823, receiving a warm welcome from idealistic members of the landowning class. After hearing Owen lecture, one wealthy landowner, John Scott Vandaleur, was inspired to set up an Irish version of an Owenite community. He proposed that a 600-acre estate which he himself had run as a progressive farm at Ralahine near Bunratty, County Clare, should become a village of co-operation and communal living. In 1831, when famine and agrarian outrage was rife in much of Ireland, surly peasants became willing workers in Vandaleur's Ralahine Agricultural and Manufacturing Co-operative Association. Beginning with 52 elected members, the association rented the land from Vandaleur, paying in barrels of wheat and barley, and obtained livestock and the use of farm implements and effects in return for an annual interest payment on their capital value until such time as it could afford to buy them. The members received wages in the form of labour notes which they could trade at the association's own store or exchange for coin for outside spending. Every evening a committee met to allocate the next day's work.

In his history of the Irish co-operative movement*, Patrick Bolger, an expert on co-operative development, gives a vivid account of this early experiment.

At first the members found communal living (in single-sex dormitories except for the married couples who had cottages) difficult to get used to, but the experiment proved a success. When all around them there was famine and murder, the people of Ralahine were thriving as never before. Harvests were plentiful under the co-operative regime and no one went hungry.

* Patrick Bolger, The Irish co-operative movement: its history and development, Institute of Public Administration, Dublin, 1977.

But the Ralahine commune had no better luck than the other Owenite communities which had all collapsed after short lives. It lasted only two years. Vandaleur gambled at his club, lost all his possessions and sailed for America. The tenants of the commune were dispossessed by Vandaleur's family and Craig, a former editor of the Lancashire Co-operator who had given up everything to further the Ralahine experiment, almost went bankrupt himself honouring the labour notes with which the co-operators had been paid.

Bolger ends his account with a quotation from the preface to Craig's own history of the commune.

'When John Scott Vandaleur gambled at his club he gambled away not merely his own property but what may well have been a happier destiny for his country. It is inconceivable that if the community founded at Ralahine had developed as it began, it would not have affected the rest of Ireland. It might have saved us many years of tragic history and instead of beginning our agricultural co-operation long after Denmark, Germany and France, we might have been the pioneer nation.'*

In the event nothing so thoroughgoing as the Ralahine experiment was ever attempted again in Ireland, for the agricultural co-operatives, when they appeared, were associations of landowners or tenants, not groups holding and working land in common, and neither the workers' nor the community co-operatives have experimented in communal living.

3.2. The age of the famine

After the collapse of the Ralahine experiment half a century passed before co-operation in any form was revived. It was during the period of the Great Famine of 1845-51. Until then, rural Ireland had been very largely in the hands of absentee landlords. The population, at eight million, had grown dangerously large for a small island so dependent on agriculture and in particular on the potato crop. Sub-lettings were so numerous it was by no means uncommon for a peasant farmer to have no idea who owned the tiny piece of land he farmed.

* Patrick Bolger, op. cit.

The famine, caused by potato blight, killed one million Irishmen and caused another million to emigrate. Those who remained were left to the mercies of the 'gombeen man', whom Bolger describes as the 'Irish species of dishonest shopkeeper, produce-buyer, moneylender and usurer'. These men acquired enormous power in the Irish countryside and helped to ensure that the peasant farmer remained tied to inefficient farming and marketing methods by his debts. Arnold Bonner summed up his plight thus: 'Whilst he remained an individualist, freedom and competence were beyond his reach.'*

3.3. The first co-operative creamery and the Irish Agricultural Organization Society

The acknowledged father of co-operation in Ireland was Horace Curzon Plunkett, the son of an English aristocrat. He went from Eton to Oxford and then to the United States of America in 1879 where he is said to have acquitted himself bravely in the face of an Indian uprising and made a great deal of money in ranching and property transactions. He had become interested in co-operation as a young man and had helped to set up a co-operative shop at Dunsany, Co. Meath, where his family had estates; he even served behind the counter for a while. But though he sought the help of the British Co-operative Union to teach Irish consumers and workers the principles of co-operation he realized that the consumer co-operative as it had developed in Britain was not the answer to the problems the Irish peasant farmers faced in competition with the world markets newly opened by railways and steamships.

Ireland had been exporting butter to Britain and in particular to the Co-operative Wholesale Society for more than a generation. But its quality was poor. 'A firkin of Irish butter arriving on the British market would frequently contain layers of butter of varying ages, flavours, colours and textures, not to mention aromas.'** Moreover, competition was fierce. It came chiefly from Denmark where new methods of butter making had been introduced - notably the separator and the power-driven butter churn - and where, by 1890, there were some 600 highly organized and efficient co-operative creameries. The Swedes and French were not far behind in technical and co-operative development.

* Arnold Bonner, British co-operation, Co-operative Union, 1961

** Bolger, op. cit.

Although the new techniques gradually became accepted in Ireland, Horace Plunkett saw that action would have to be taken if they were not to be entirely taken over by middle men. It was not an easy task. 'Opposition from business interests and from various movements in the tangled web of Irish political and social life were encountered, but the most serious difficulties were the ignorance, timidity, hopelessness and mutual suspicions of the farmers themselves.'*

After forty or more meetings had been held around the country in attempts to publicize co-operation, the first co-operative creamery was finally established at Drumcollogher in West Limerick in 1889 and thirty more followed in the next five years. That was a crucial first step, but Plunkett realized that an advisory and propagandist body would be necessary if anything worthwhile was to be achieved. The real turning point for agricultural co-operation in Ireland came in 1893 with the formation of the Irish Agricultural Organization Society (IAOS), the forerunner of ICOS. Its main objectives were to improve the condition of the agricultural population of Ireland by teaching the methods and principles of co-operation as applicable to farming and the allied industries; to promote industrial organization for any purpose which might appear beneficial; and generally to counsel and advise those in agricultural pursuits. In the same year the Irish Co-operative Agency was formed by sixteen dairy societies for the joint marketing of creamery products. Each of the societies subscribed capital and agreed to sell all its butter through the agency. Despite initial setbacks it rapidly developed into one of the largest exporters of butter in the country.

3.4. Government support for collective effort

In 1894 Plunkett became president of the IAOS. Determined to capitalize on the experience of agricultural co-operatives in other parts of Europe, Plunkett sent investigators at his own expense to report on what was being done abroad. The resulting study was coupled

* Bonner, op. cit. p.411

with a detailed report on the economic conditions in Ireland and culminated in a proposal to the government which argued that state aid was needed to bring forth and supplement individual and collective effort. As a means to this end, Plunkett called for a consultative Council on Agriculture, the development of co-operative banking and a new Department of Agriculture and Industries.

As a result of the IAOS call for the development of co-operative banking, agricultural credit societies were introduced into Ireland, the first being established in County Cork in 1894. A major obstacle to the spread of agricultural co-operatives had been the continuing dependence of farmers on the money-lending shopkeeper, the gombeen man. Caught by their indebtedness, they were forced to sell their produce at low prices to the gombeen man and buy inferior goods from him at exorbitant prices. The solution was a credit society run on the lines of the German credit banks started in Westphalia by Frederick W. Raiffeisen in 1849. The Raiffeisen system was based on five principles:

1. The member's liability is unlimited. All members are jointly and severally liable for all the debts of the society.
2. There is no share capital.
3. Membership and activities are limited to a local area, where each member will be personally known.
4. No dividends are paid. Any surplus is used to form a reserve fund.
5. The management is not paid.

Helped by the new credit societies, Irish farmers were freed from debt and enabled to join the developing agricultural co-operatives.

In July 1899, Plunkett's efforts to organize state aid culminated in an Act establishing a Department of Agriculture and other

Industries and Technical Instruction in Ireland. By November of that year Plunkett had been appointed Vice President of the new department. One of his functions was 'to stimulate and strengthen the self-reliance of the people' and part of the new machinery to help him fulfil this was the Council of Agriculture, the majority of whose members were elected by the county councils.

Meanwhile the IAOS was in the midst of its most rapid growth. By the turn of the century it represented 374 co-operative societies with a membership of 36,683, most of them creameries or store co-operatives. By 1904 the number of societies had risen to 900, and by 1920 to 1,114 - a peak. The trade turnover of co-operatives that year reached a previously unparalleled £14.5 million. In other respects, however, the vigour of the movement was tailing off.

3.5. Poor member participation in agricultural societies

Plunkett died in March 1932 leaving behind a co-operative movement no longer much in the eye or the mind of the public. A number of important weaknesses had by then been exposed. When a public commission, the Drew Commission, reported on the movement in 1924, it criticized the 'gross undercapitalization and minimal share capital, which left the majority of its members with no real stake in the business; lack of co-operative loyalty and of "binding rules" to effect it; lax business methods, account keeping and stocktaking; and lack of education and training'.* Two years later, Henry Kennedy, a hard-headed economist and technologist, was appointed secretary of IAOS and launched into an expansion of co-operative creameries in new parts of the country, financed by loans from the newly set up Agricultural Credit Corporation. But Kennedy's almost exclusive concentration on the development of creameries was a source of worry to many who wanted to see a much broader-based co-operative movement.

Between 1931 and 1961 the combined turnover of the powerful creamery co-operatives increased almost ten-fold from £4.68 million to £41.66 million, but it was not matched by a substantial increase in share capital. In the same period share capital did not even double, rising from £340,240 to no more than £547,736. Member part-

* Bolger, op. cit.

icipation in these years was poor, partly perhaps through lack of any real education and partly because it suited the societies' officers for this to be so. In 1904 the IAOS had changed its rules so that it was democratically controlled by its member societies. But the lack of interest at grass root level was passed on, and support from individual societies for the IAOS was consistently poor. The hope had been that the work of the IAOS would be paid for by the subscriptions of its members, but it has rarely been independent of government subsidy. Bolger recalls that in 1916 R. A. Anderson, later president of the IAOS, had made an impassioned plea for societies to subscribe the halfpenny per pound turnover that would give the society the strength and independence it required; Bolger concluded that in 1977 'the halfpenny is still being sought and is still not forthcoming. It remains the most fundamental defect of the whole movement that inadequate funds mean that the IAOS provides a poor service, which in turn makes it exceedingly difficult to collect an adequate contribution from the societies.'* That view is not accepted by ICOS whose Director General claims that the co-operatives' record has steadily improved and that from 1978 over 80% of the required affiliation fees have been fully paid.

Throughout the 1950s Henry Kennedy, Secretary of the IAOS, continued his policy of building up the strongest societies and the result was a very strong creamery movement but renewed criticism from some quarters for his neglect of smaller societies and the areas of greatest need. There was more criticism too of IAOS's failure to promote co-operative education and development.

That criticism was endorsed by a report commissioned by the Department of Agriculture in 1963 and carried out by an American expert on agricultural co-operatives, J. G. Knapp. He concluded with a number of recommendations for the strengthening of IAOS and the reorganization of the dairy industry but more fundamentally he argued that 'the IAOS must become a leader in vigorous new co-operative activity and not a custodian of old-fashioned principles and practices. It must recapture the spirit of the IAOS in its very early days when the IAOS was a driving force with principles which enlisted the interest of the best minds in Ireland'.

* Bolger, op. cit. p.130

3.6. Agricultural co-operatives today

The IAOS, renamed in 1979 the Irish Co-operative Organization Society, did take heed of Knapp's call to strengthen and reorganize itself. Speaking at the National Co-operative Conference in 1978, the Director General of the IAOS said: 'Because of the size, strength and structures it has developed within the last decade, the co-operative movement alone can determine the shape and form of Irish agribusiness and the food industry - it has never had so much commercial influence or strength.' The older established dairy co-operatives have amalgamated into large regional groupings and though this has undoubtedly helped to raise the annual turnover of the agricultural co-operative sector to impressive heights, it has been at the cost of a further decline in member participation, such as has accompanied the centralization and rationalization of consumer co-operatives in many other countries. Speaking at the same National Co-operative Conference in 1978, the Chairman of An Bord Baine, the biggest dairy society in Ireland, identified eight main weaknesses in the relations between agricultural co-operatives and their members:

- a lack of understanding of the co-operative movement, its aims and objects and its role in economic and social improvement;
- communications are inadequate and often unsuitable;
- the co-operatives are not always operating (or seen to operate) to a satisfactory degree for the primary purpose of improving members' incomes;
- there is not a family-type attitude of co-operation between the different sections within a co-operative;
- all members are not always treated equally;
- loyalty is not as high or as apparent as it should be;
- co-operatives tend to isolate themselves, and are not co-operating with each other as well as they could;

- there is too much unjustified and unconstructive criticism and not enough defence from the members and praise for the many good things that co-operatives are doing.*

3.7. Potential for the future

Agricultural co-operatives have raised farming efficiency in Ireland. They have created employment, especially in the small country towns and rural areas where they have based their marketing, supply and processing services. They have nearly 20,000 people already on their payrolls, and in 1978 T. J. Maher, President of the ICOS, claimed that 50,000 more jobs could be created if they developed their own food manufacturing industry.**

There are signs of increasing interest in worker participation in agricultural societies, and this has been encouraged by ICOS especially in societies involved in food processing; this impulse might perhaps help to regenerate democracy among the members of the societies - the farmers.

ICOS and the agricultural societies are striving through budgeting for member relations and establishing advisory committees to keep alive the co-operative ethic. It is, naturally, not an easy task to conjure up within large organizations the same sense of common involvement which grows in small ones. They are also showing some interest in helping the new types of co-operatives discussed in the following sections, commercially weak organizations which can benefit from the training and educational programmes of their powerful agricultural counterparts and perhaps offer back to them some of the community vitality which stimulated the early farmers' co-operatives a century ago.

* * *

* People and their co-operatives, IAOS, 1978

** Maher challenges trade unions on job creation, Irish Times, 6 May, 1980.

4. Community Co-operatives

4.1. A new role for co-operation

At a time when the agricultural co-operative movement was pre-occupied with planning for the commercial expansion and consolidation of its bigger and more prosperous societies, a new and distinctive form of co-operative was emerging in the West of Ireland. The first community or multi-purpose co-operatives were set up in the mid-1960s and by 1981 their number had grown to 25. Unlike any of the more traditional sectors of co-operation their membership is not limited to one particular group - whether farmer, worker or consumer - but is open to the whole community. They are therefore controlled by the community rather than by any particular interest group or group of workers. The type of activities they undertake depends both on the needs of the particular community and on the skills and resources available within it. The range of activities is diverse as can be seen from the Table on p. EI 16 which shows the actual and planned activities of 24 community co-operatives in 1979.

Actual and planned activities in 24 Gaeltacht co-operatives and some co-operatives and development groups in the rest of the country*

	Actual	Planned
Land and Bog development	6	4
Electricity and water	9	-
Ferry/Cargo Service	1	4
Housing scheme	1	-
Machinery sharing/maintenance	1	-
Adjustment (members fatten livestock owned by co-operative)	1	-
Demonstration forum	2	-
Livestock Mart	4	-
Supplies - farm, household, building	13	2
Coal store	1	-
Quarrying, stone crushing	2	1
Blockmaking, building services	2	1
Fish farming	-	4
Services to Fishermen	2	1
Fishing Tackle manufacture	1	-
Tomato/vegetable farming, growing, chilling	3	-
Lamb fattening	3	-
Sheep Marketing and lambs	4	-
Wool purchase, marketing	4	-
Wool sale (manufactured)	1	-
Knitting (hand) marketing	4	-
Knitting machine	3	-
Weaving/tanning	2	-
Fencing posts	1	1
Pottery/crafts	3	-
Printing/publishing	2	-
Stationery/office supplies	2	-
Wood screw manufacture	1	-
Community Hall/Folk museum	9	-
Launderette	-	2
Hotel, hostel	2	1
Caravan/house letting	2	-
Summer Colleges	9	-
Boat hire	1	-
Bingo, dances, festivals, sports amenities	1	-
Licensed club	8	-

* Terence O'Brien, Rural development co-operatives in Ireland; their role as agents of economic and social development; International Seminar on Marginal Regions, Trinity College Dublin, 1979.

The economic and social significance of the community co-operatives has to be judged in the light of the abnormal demographic and economic characteristics of the places in which they have flourished. These are the Gaeltachts, the Irish-speaking areas mainly concentrated along the Western seaboard of Ireland. The population of the Gaeltachts is small - around 70,000 - and more than 50 per cent of the workforce is engaged in agriculture or fishing as against 24 per cent in the republic as a whole. Over two-thirds of the farms are smaller than 40 acres and because the land is poor much of the farming is part-time. The other part of the time is idle time. Almost all the farms are non-viable by EEC standards.* In general incomes are low (about half the national average) and unemployment is very high. Social services and community facilities are meagre. Not surprisingly there has been a history of emigration either to better-off parts of Ireland or to Britain or the USA. This has been particularly marked amongst young women for whom marriage prospects are poor (64% of the farmers in the Gaeltacht areas are over 50 years of age), with the result that populations have further declined.

4.2. A success story in County Kerry

Against that background the achievements of the community co-operatives are considerable. The first, the Ballyferriter Development Co-operative (Comharchumann Forbartha Chorca Dhuibhne Teo), which I visited in the course of my study, serves as an example of what those achievements are. The co-operative is based in the village of Ballyferriter on the Dingle peninsula in County Kerry. It was set up in 1967 by a group of local people, mainly teachers, with the help of the County Development Team. The present manager, Micheal Mac Giobuin, says that it was born out of the frustration of a group of idealistic people who were concerned about the cultural heritage of the area and especially about the preservation of the Irish language. Their concern was prompted by the fact that although most families living in and around Ballyferriter speak Irish at home there is constant pressure from outside to speak English, especially on the young people who tend to go to the English-speaking town of Dingle for their social life. So the founder members of the co-operative set about creating an Irish College where children and teachers from other parts of Ireland could

* Terence O'Brien, Rural Co-operatives in Ireland, their role as agents of economic and social development and Patrick Cummins, Co-operation and Community Development in the West of Ireland, International Seminar on Marginal Regions, Trinity College Dublin, 1979.

come on summer and weekend courses. In 1970 they started with 500 students; by 1980 they had 2,500.

For Micheal Mac Giobuin the Irish language is the key to the country's folklore and cultural traditions about which he cares deeply and he judges the success of the Irish College in terms of its contribution to preserving those traditions. He estimates that 20,000 children a year attend Irish courses in the Gaeltacht areas and that they are different children each year, which means that over five years 200,000 parents send their children on Gaeltacht courses. That thought gives him great satisfaction.

The co-operative has one full-time employee devoted to developing the heritage of the area. He is responsible for a quarterly magazine and newsletter and for organizing an annual exhibition in Dingle which has been a good tourist attraction as well as of educational value to the local people. Micheal Mac Giobuin sees the growing interest in art, music, drama, archaeology and ecology as the foundation stone for Gaeltacht development.

The second major activity to be started by the co-operative was land reclamation. A lot of the land around the Ballyferriter area is very marginal; an impervious iron pan a foot or so below the surface makes it very difficult to work; much of it is bog. With the help of a grant from the Department of the Gaeltacht, the government ministry charged with preserving the Irish language and culture, the co-operative bought bulldozers and special ploughs to drain the land. Local farmers pay about £200 for every acre of land thus reclaimed, towards which they get a 70% grant from the EEC. Since the co-operative started it has reclaimed over 7,000 acres. This achievement has had a very big impact on the lives of the local people. Most of the farming in the area is dairy. The improvement of the land combined with more modern techniques demonstrated on the co-operative's demonstration dairy farm have resulted in a greatly increased milk yield for the farmers.

Unlike Micheal Mac Giobuin, the financial controller, Mr. Brosnam, judges the co-operative's achievement more in terms of the impact it has made on the local economy than its contribution to Irish traditions. Apart from improving farm yields, the co-operative has created employ-

ment - 40 full-time jobs and up to 100 part-time jobs in the summer - where before there were none. Another economic benefit for the local community is that most of the students at the Irish College stay with Irish-speaking families during their summer courses. Since there is hardly any employment for women in the area, the income they can earn in this way is very important. A further spin-off is that the children bring up to £50 pocket money with them which they spend in the local shops.

More direct employment was created in 1973 when the co-operative built glass houses to grow tomatoes. The capital came from the co-op itself, from the Department of the Gaeltacht and from the Irish Sugar Company which invested in the project without taking any control. Despite the high cost of electric heating, the greenhouse venture has broken even over the years and the co-operative is beginning to experiment with new methods of growing such as hydroponics. In addition to tomatoes the co-operative grows potatoes, corn, cabbages and cauliflowers, some of which are sold locally and some to the same marketing co-operative which buys the tomatoes. This helps to ensure a healthy cash flow because the members do not have any worries about chasing debtors or finding sales outlets themselves. In pure money terms the co-operative is doing well - it made a profit of £30,000 on a turnover of £1,000,000 in 1979 - but the contribution it has made to improving the quality of life for the people of Ballyferriter is of greater significance still.

4.3. The making of a community co-operative

Ballyferriter is just one of the community co-operatives, each of which has its own story to tell. But the steps leading to their formation tend to follow a common pattern, frequently beginning with the initiative of one committed individual. In her paper on community co-operatives in the British Isles, Leonora Stettner sets out the following essential procedures:

- The activator arranges for small group discussions within the community.
- A public meeting is convened and a small steering group (up to ten members) is appointed to examine possible projects, determine priorities, plan a

fund-raising campaign and prepare detailed proposals for projects.

- A systematic survey of community needs and resources is undertaken.
- A campaign is launched to sell co-operative shares to households in the community.
- A general meeting of shareholders is convened at which a managing committee is elected.
- A constitution is drafted, discussed and adopted.
- The community co-operative is legally registered.
- Application is made to the development authority, Udaras na Gaeltachta, for a management grant and subsequently a manager is recruited.
- Application is made to the development authority for an establishment grant.
- General meetings of the co-operative are called as often as required.*

4.4. The will of the local people

The single most vital ingredient for the success of a community co-operative is a desire for change within the community itself and a willingness to participate in the process. This may come about naturally as a response to economic and cultural decline or it may be prompted by some outside stimulus such as the Save the West campaign started by Father MacDyer, founder of the forerunner of the community co-operatives, a group of 13 co-operatives known collectively as Glencolumkille. At least five other co-operatives have been started on the initiative of parish priests, while in other instances it has been the local teacher or an outsider such as an agricultural adviser

* Leonora Stettner, Community Co-operatives in the British Isles, 1980

or community development officer who has ignited the first spark of enthusiasm. For that to be kept alive there must usually be at least half a dozen local people who are prepared to put in a lot of hard work to get the co-operative off the ground. Where the main aims of the community co-operative are agricultural, for instance land reclamation, the founder members are likely to be farmers.

Much of the initial effort must go into encouraging the involvement of the community at large. Ideally the members' involvement should be more than just financial but even that poses serious problems. The minimum shareholding in a community co-operative is £1.00 but it is not unusual for each family to be expected to contribute £50, perhaps over five years. Of course, community co-operatives are not alone in having difficulty raising adequate share capital but their problems may be exacerbated not only by the fact that they are operating in poverty-stricken communities but also because they tend to have a high proportion of elderly members who are less likely than other potential co-operators to want to invest in the future. Nevertheless, the contribution of share capital by the community itself signifies the commitment of local people to provide themselves with the services, employment and income they lack. It is the key which is needed to unlock additional sources of funding.

4.5. Helping those who help themselves

It probably has to be accepted from the outset that many community co-operatives are going to need government subsidy or outside financial backing if they are to flourish on the stony ground of the remote areas. As more than one co-operative manager pointed out to me, if the communities they serve were well off there would be no need for the co-operatives in the first place. A wealthy community would provide itself with the basic services either by its contributions to local taxes and rates or by attracting commercial enterprise.

The two main sources of government funding for the community co-operatives are the Department of the Gaeltacht and Gaelterra Eireann, the elected development authority.

Both are charged with preserving the Irish language and culture and both participate in the government's policy of encouraging industries to establish in designated regions. Tax and other concessions have done much to encourage foreign investment in the country but it

is recognised that there is also a need to give special assistance to smaller enterprises and to set up industries where private enterprise has not come forward, especially in the remote areas. Community co-operatives can attract grants both for their contribution to preserving the Irish language and for their initiatives in setting up small enterprises. They are eligible for a variety of subsidies including capital grants to cover 60% of the cost of buildings, machinery and equipment; training grants; and grants of up to 70% of managers' salaries and office costs.

None of the grants available in the Gaeltacht areas are specifically for co-operatives. The criteria used by the Development Authority to decide whether a co-operative is eligible for grant aid are exactly those used for private enterprise: a substantial proportion of the capital must be put up by the applicants, the enterprise must be commercially viable and there must be evidence of sound management. One further criterion which applies only to the community co-operatives is that the members should be Irish speakers and that the manager should be able to transact his duties through Irish. If that criterion were removed there would be immediate scope for the development of community co-operatives in other parts of Ireland which are just as much economically and socially deprived but are not Irish-speaking.

In the past Gaelterra Eireann, now Udaras na Gaeltachta, has come in for a certain amount of criticism for failing to take sufficient account of the social and cultural objectives of community co-operatives when deciding whether to issue grants. It has responded by appointing a full-time liaison officer and improving the training and advisory services it provides. Another way in which the Development Authority can help is to guarantee loans from banks which are even less likely to appreciate the social as opposed to the economic motives of the co-operatives.

Local government can also play a part in supporting community co-operatives, in particular by awarding them contracts for the provision of infrastructure such as water supply. Indeed community co-operatives can fulfil many of the functions of local government. For a County Council to undertake the provision of basic services to a remote community can be extremely expensive. The Islands Development

Co-operative in West Galway is just one which has provided group water schemes at half the cost of an official scheme. For good measure it has given employment to nine men. There is also scope for community co-operatives to supplement the social services and provide help to the community for less than it would cost the state or local authority - assuming they were willing or able to provide such services at all.

Examples of the type of service that has been provided include schemes for delivering fuel to needy people, and an intercom system which one community co-operative installed in forty houses where elderly people were living so that they could call for help when needed. The provision of school transport is another service that might be provided with significant savings.

Apart from central and local government grants and bank loans and the money they have themselves provided many community co-operatives have succeeded in raising money through appeals to emigrants living in other parts of Ireland or even in Britain and the USA.

4.6. Education and training

Apart from finance, the areas in which community co-operatives most need help are management and administration. For people who are unfamiliar with running a business let alone running one democratically, some form of training is almost bound to be essential. Support of this kind has come from academics who have seen the potential of community co-operatives for economic and social revival in rural areas and are interested in developing it, and from ICOS. Terence O'Brien and Liam Kennedy of the University of Ulster have played an active part by bringing together managers of small rural co-operatives on both sides of the Northern Ireland border. One positive result of this initiative has been the establishment of a Managers' Association whose objectives include the bringing together of managers to seek common solutions to their problems and the establishment of a better structure of financial support for small rural co-operatives. ICOS services the Association and provides a Secretary.

An important initiative which is not confined to community co-operatives has come from the Bank of Ireland Centre for Co-operative

Studies at University College, Cork. Opened in March 1980 with the financial backing of the bank and ICOS, the Centre has brought together a number of people from diverse professional and academic backgrounds to work on issues of importance to the co-operative movement. As a first step they are working on a comprehensive examination and re-evaluation of co-operative philosophy and intend to develop a set of guidelines against which co-operatives can measure their performance. Research apart, the Centre also provides training; the first course for co-operative managers on Management Communications was held in March 1981.

An important job for the newly-formed Managers' Association and ICOS is to study the special circumstances of the community co-operatives and help evaluate the contributions which could be of most lasting benefit in the remote areas. It is certain that much more could be done in the basic job of educating people about the various forms and purposes of co-operatives, stimulating interest in them and training managers. ICOS already sets funds apart for education and training. Among the community co-operatives a real need exists for just that.

4.7. The potential of community co-operatives

The achievements of co-operatives in other sectors and in other countries are relatively easy to quantify in hard terms of jobs created or saved and of financial stability. No such obvious success can yet be claimed for community co-operatives in Ireland.

In terms of providing jobs and generating revenue, the community co-operatives represent a marginal sector of the co-operative movement in Ireland. But then on the other hand they are operating in areas of marginal agriculture, areas indeed that are marginal in every respect. Thus even a small showing on the balance sheet can be significant in the place where work and money have been created. The non-economic consequences have to be taken into account also, especially the pride that comes from a successful initiative in self-help, the confidence that is built up in what was a residual peasant community, the lasting advantages of reclaimed land, increased farm yields and an infrastructure of services such as water, drainage or other essentials which previously did not exist. If the revival of remote rural economies, the halting of urban emigration and the revival of traditional lang-

uage and culture is judged to be worthwhile, then for all their financial weakness the community co-operatives should also be judged worthwhile.

They represent a series of experiments which have developed in a haphazard fashion with varying degrees of support both from within the communities they have sought to help and from outside. If the experiment is to be given a proper chance a much more conscious attempt should be made to incorporate the role of community co-operatives in an agreed rural development programme which defines the parts to be played by statutory and voluntary agencies, and ensures that financial advice and support and training are available. If, given these more favourable conditions, the experiment proves a success, then the lessons that can be drawn might be applied in similarly deprived areas in other EEC countries and Ireland's community co-operatives will have produced benefits of value to Europe as a whole.

* * *

5. Workers' Co-operatives

5.1. An uphill struggle

Ireland has less than a dozen workers' co-operatives. Until 1954 there were no support organisations nor any model rules for this kind of society. Even now the two sponsoring bodies, the National Co-operative Council and the Co-operative Development Society are without resources and staff. They share the same Honorary Secretary, John O'Halloran, a hard-working and deeply committed man who spends a great deal of his free time travelling round Ireland addressing meetings of people in the hope of interesting them in the idea of co-operatives. It is an uphill struggle but he takes comfort from the fact that the father of co-operation in Ireland, Horace Plunkett, held forty meetings throughout the country before a single agricultural co-operative got going.

The NCC is a largely promotional body, intended to raise interest in co-operative principles and practice. It was founded in 1954 by Brendan O'Cearbhaill, the now retired General Treasurer of the printing

union, the Irish Graphical Society. A year later Mr. O'Cearbhaill and a group of trade unionists, businessmen, a Catholic priest and a Church of Ireland rector set up the Co-operative Development Society to assist in the practical task of forming co-operatives in urban areas. They drew up a set of model rules more appropriate than those of the agricultural societies for the new co-operatives they hoped to foster.

Apart from workers' co-operatives, they were keen to promote consumer co-operatives and actually started a co-operative shop in Dun Laoghaire in 1955. It was quite successful in the grocery business for some years. Unfortunately, the supermarket era was beginning. The loyalty of the members succumbed in a cut-price war which sounded the death knell of the small grocery co-operatives. Although in Northern Ireland the Belfast Consumer Co-operative Society has been very successful, the idea has never taken off in the South.

Though now in his seventies and showing no sign of losing his commitment to co-operation, Brendan O'Cearbhaill admist with a wry twinkle in his eye that the general attitude of the Irish to co-operatives is apathy and distrust. He says that the agricultural co-operatives are strong in every sense except genuine co-operative spirit. That is what he seeks to kindle and he remains convinced that there is no point in starting new co-operatives without it.

O'Connor and Kelly* have suggested that the NCC might form the basis of a Workers' Co-operative Agency (WCA) which they see as an essential step if industrial workers' co-operatives are to develop and have a chance of surviving in Ireland. Funded by central government on an annual grant-in-aid basis, the WCA would have a full-time secretary and a Development Officer whose job would include advising private firms wishing to convert to co-operatives as well as helping groups of people to set up new co-operatives. In 1980 the CDS, ICOS, the Irish League of Credit Unions and the National Association of Building Co-operatives made a submission to the Government proposing the establishment of a Co-operative Development Agency.

One important task for any new co-operative agency would be to seek solutions to the perennial problem of raising finance. Even

* Study of Industrial Workers' Co-operatives, Robert O'Connor and Philip Kelly, Economic and Social Research Institute, Dublin, April, 1980.

though workers' co-operatives tend to develop in the most labour-intensive sectors of industry it is unrealistic to imagine that workers will be able to contribute more than a small proportion of start-up capital required, especially when the country is in the grip of economic recession. One suggestion made by O'Connor and Kelly is that capital raised in the form of bank and other loans, and repaid by deduction from salaries, should be allowable for tax purposes.

5.2. The co-operatives themselves

Despite the fact that they are so few there seems to be some disagreement about precisely how many worker co-operatives there are in Ireland. The Co-operative Development Society and the NCC acknowledge the existence of four: Graphic Arts in Dublin, the Crannac Co-operative in Navan, and Irish Springs and Castle Shoes in Dundalk. Both O'Connor and Kelly and Robert Oakeshott* include Bewley's Cafes which is a member of the British Industrial Common Ownership movement and is a non-profit making company limited by guarantee. Ownership of the company is vested in a trust which holds the shares on behalf of the staff.

The only workers' co-operative to be set up from scratch is the Graphic Arts Co-operative Society in Dublin. The other three were formed as a result of private firms getting into difficulties: Castle Shoes in 1971 after the original company went into receivership, Crannac after a highly publicized sit-in in 1972 and Irish Springs in 1973 when the previous owners decided to shut the firm down after three years of losses.

In the course of this study I visited and looked in detail at two of these co-operatives, Crannac and Graphic Arts. I also found out about one which failed to get off the ground despite a great deal of effort from all concerned because it illustrates some of the problems faced by workers trying to save their jobs.

5.3. George Watts & Co.

Late in 1980 the Co-operative Development Society was approached by the Combat Poverty Group to see whether it could help to save at least some jobs when the oldest established engineering company in

* Robert Oakeshott, The Case for Workers' Co-ops, Routledge & Kegan Paul, 1978.

Dublin, George Watts & Co., ran into severe difficulties and went into liquidation. It was felt that the unfortunate combination of events leading up to the closure of the firm made it a special case. Two years before, the managing director, who was then 86, and the firm's business manager had both died suddenly. The company had been a family-run business, but now a business consultant was appointed and given full control of it. On his advice the firm bought property, but this move proved a mistake and the purchase contributed to the firm's downfall shortly afterwards.

Those workers who were aware of these events were convinced that the biggest single cause of failure was poor management and that there was a good chance that with outside help the workers themselves might make a go of it. The idea of a co-operative was first mentioned by Mick Doyle of the Combat Poverty Group. It was greeted with scepticism by some, enthusiasm by a few and ignorance by most. To help overcome the latter Mick Doyle asked the CDS for help. Its secretary, John O'Halloran, met the workers and explained just what was meant by a workers' co-operative. He also went to see the directors of the company who said that they would do what they could to assist the workers, although by then there was precious little that could be done.

Sixteen of the workers, including three apprentices, decided to join the embryonic co-operative and they stuck together throughout the months that followed until it became apparent that there was no hope. Their first job was to draw up a profit and loss account for the co-operative's first 18 months. They did this with the help of an accountant who was one of the 16. Then they approached the Industrial Development Authority. Having approved the financial forecasts and the proposed management structure, the IDA said that they were prepared to make a grant of £91,000, which should enable the co-operative to buy the engineering works. Unfortunately the liquidator turned down their offer and insisted that the assets be sold by public auction. The premises alone went for £81,000, leaving the equipment to be sold separately. At that stage the IDA suggested that it might be better to rent a factory in any case, but the workers felt that their only hope was to take over the existing premises and with them the firm's existing customers. The last nail was hammered into the co-operative's coffin when the equipment and machinery was auctioned a few weeks later. Most of it was bought up by the firm's competitors

who subsequently offered it to the workers but at too high a price. Even though they had had the support of the CDS, the financial backing of the IDA and were themselves prepared to put in their redundancy money, the workers did not in the end have the resources to compete against their capitalist rivals. The result might have been different if the liquidator had been prepared to accept their offer and several of the people involved to whom I spoke thought that there was a good case for amending legislation so as to allow workers first option on buying their workplace in such circumstances.

5.4. Crannac Co-operative Society Limited

The Crannac Co-operative Society makes furniture in the small town of Navan, about an hour's drive from Dublin. Its history goes back to 1945 when it was started as a private company, John Hogg & Co. It was subsequently taken over by Gael Linn, an organization for the promotion of the Irish Language and a somewhat unlikely owner of a furniture-making factory. Nevertheless the firm did reasonably well to start with and developed the contract side of the business, furnishing hotels and buildings of large organizations. But the hotel trade was badly affected by the start of the troubles in Northern Ireland in 1969 and when government grants failed to keep the firm solvent Gael Linn sold the factory for £13,000 to a company which already had a furniture factory in Co. Monaghan in 1971. The new owner received a grant of £6,000 towards the purchase price from the Industrial Development Authority on condition that the factory be kept open for at least a year. The factory closed twelve months to the day later.

The liquidator was called in on a Friday and after a preliminary appraisal told the workers that their jobs would be safe. They returned to work the following Monday, May 1st 1972, to find themselves locked out. What happened next helped to make Crannac the best known if not the most infamous of Ireland's workers' co-operatives. The liquidator was persuaded to allow the shop steward and branch secretaries of the workers' trade union into the factory. Within a short while they had opened the gates to let in the rest of the 45-strong workforce. They occupied the factory for the next three months.

The first problem for the workers was their immediate economic survival. When the factory was closed down they were owed a week's

wages and the liquidator refused to allow them to receive either wages or redundancy payments while they were occupying the factory. The local Trades Council organized a distress fund out of which each worker received £12.00 a week during the sit-in.

Although the workers formed a committee, they at first hoped that someone might be found to take on the factory as a going concern. They had never really considered the idea of a co-operative. The first suggestion that they might run the factory themselves came from the curate of Dundalk, Father Campbell, who had been involved in the Castle Shoes co-operative, and from Sam Dowling who was on the committees of both Castle Shoes and the Graphic Arts Society. When they had heard how a co-operative might work, nearly half the workers decided to have a go and agreed to commit £200 each to the venture from their redundancy money.* With £4,000 of their own and with the help of the local parish priest the workers then raised a further £18,000 in share capital from local people and well-wishers. Having demonstrated their own commitment and the support of the local community the workers approached Foir Teoranta, a state-sponsored body which gives assistance to industrial concerns in danger of closing down. They requested a loan of £50,000 which they were given, interest free over three years. The loan enabled them to buy the factory and its contents. One of its conditions was that they should appoint an outside manager. Jim Thornton who had been sales manager of the old company, but was not a member of the co-operative, was given the job.

In its first year, 1972, the Crannac Co-operative made a profit of £11,000 although this was partly due to the fact that they had inherited a lot of stock and also had fairly substantial orders in the pipeline when they started. Turnover increased in the following year, but profits fell because they had got their pricing policy wrong. In 1974 profits were back up to £12,000 but 1975 saw a complete reversal of fortune and a loss of £16,000.

They decided to put less emphasis on contract work and go into the production of domestic furniture, a change of policy which entailed considerable expenditure on new stock. Things picked up again, but competition in the domestic furniture market was fierce and after a

* Not all the workers had this much redundancy money but the local credit union agreed to lend them their contribution to be paid back out of wages when the co-operative got going.

good deal of deliberation it was decided to sell direct to the public rather than through shops. The moment they did so they found themselves blacked by all the shops they had previously dealt with and even banned from exhibiting at trade exhibitions. Despite this unnerving experience they persevered and were rewarded by steadily increasing profits and a much improved cash flow for four consecutive years. Most of the profits were ploughed back into the co-operative to enable them to build an extensive showroom and to install new finishing equipment and a sprinkler system which helped significantly to reduce insurance premiums.

By 1980 the effects of the economic recession were taking their toll on Crannac and profits fell from an all-time high of £46,000 in 1979 to just over £9,000. The Auditor's report for 1980 concluded by exhorting the management to keep day-to-day running costs in line with sales so that the Society should be in a position to capitalize on the trading opportunities that should arise when the economic recession finally ended.

At the outset Foir Teoranta had refused to accept a manager from the shopfloor; indeed the workers had not expected them to. But since 1974 the General Manager of Crannac has been Oliver Travers, an upholsterer and one of the original workers. The Sales Manager is Paddy Brennan who started as a chairmaker; he is also Chairman of the Management Committee which makes all the co-operative's policy decisions and has the power to appoint and dismiss staff.

All 49 employees at Crannac are members of the co-operative. The original workers had each subscribed £200 and held 40 £5 shares; for a time all new workers were required to subscribe a similar amount. But this rule was later abolished and although any worker may hold up to £200 in shares the minimum insisted upon is only one £5 share. All members are entitled to one vote at the society's Annual General Meeting regardless of the size of their shareholding.

When a worker leaves the co-operative he is entitled to withdraw his shares although he is discouraged from doing so. Interest on shares may not exceed 5% per annum.

The Management Committee consists of the Chairman, five workers - of whom three are from the factory floor - and three shareholders from

outside. Committee members are elected at the AGM and serve for three years. Each year two worker members and one outside shareholder must stand down or present themselves for re-election. The Chairman must put himself up for re-election each year; Paddy Brennan has stood unopposed since 1974.

The Management Committee meets on the second Friday of every month and its decisions are passed on to a General Workers meeting the following Monday so that all the workers are kept informed. Relations between the management committee and the workers have been fairly harmonious. The Chairman told me that there was, perhaps, still a bit of 'them and us' feeling and an idea that the manager 'has a great job', but if the firm got a big order all the stops would be pulled out and the staff would work extra hard to get it completed.

Perhaps the other reason for the lack of industrial unrest is the fact that the workers get about £5 a week more than the going rate for their jobs. Although the General Manager, the Production Manager and the Sales Manager get paid more than the skilled workers they do not get paid overtime as do the others.

Relations with their trade union, the National Union of Woodworkers, have been good. Wage bargaining is centralized and does not therefore impinge much on the co-operative's internal affairs and the union is represented on the management committee by one of its branch secretaries. In the view of Crannac's Chairman, Paddy Brennan, trade unions should be encouraged to invest in co-operatives.

The Crannac Co-operative was set up to save jobs rather than as any sort of experiment in democracy. From initial hardship and a good deal of courage it has helped to prove that workers can make a success where capitalists had failed. If the liquidator had had his way in 1972, there would have been no jobs where now there are 49. To most of the customers who come to Crannac to buy good quality furniture the notion of a workers' co-operative is probably fairly meaningless but the results are tangible enough.

5.5. Graphic Arts Co-operative Society, Dublin

The Graphic Arts Society was the first workers' co-operative in Ireland. Set up in 1956, it is to this day the only co-operative to have been started from scratch. When Griff Cashman, the founder manager of the co-operative, and a small group of people associated with the printing industry decided to set up Graphic Arts they had three main objectives:

- 'to prove that the workers in our industry could set up, own and control an enterprise of their own;
- to endeavour to create the best conditions and pay the highest wages possible; and
- the most important of all, to educate our members and others in the worldwide co-operative ethic of self-help for ourselves and the community, not for charity, not for profit, but for service'.*

The problems they faced were daunting. First of all they had to raise the capital they would need for equipment and premises. The notion of a workers' co-operative was entirely unfamiliar to financial institutions and it took three years for the founder members to get together the capital they needed. They raised it entirely from their own resources, without financial help from any outside body.

It was not just the fact that they had no track record; nor even the unfamiliarity of the idea of a workers' co-operative which made life difficult for Graphic Arts in the early days. As the present manager, Noel Murphy, explained, they started at the time when McCarthyism was rampant in the United States and anti-communism widespread elsewhere. To many Irish people the notion of workers owning and running their own enterprise was rather like having 'reds under the bed'. When the new co-operators applied to join the Federation of Master Engravers their cheque was returned.

* Griff Cashman, Speech at a dinner to celebrate the 21st birthday of Graphic Arts in 1977.

Graphic Arts had to survive in an industry which was and still is undergoing tremendous technological changes. From being a leader in colour engraving the co-operative has had to restrict itself to black and white work because it cannot afford to invest in the expensive equipment needed for modern colour reproduction. From an all-time high of 23 employees in the 1960s, Graphic Arts was reduced in 1981 to nine. This contraction has mainly come about by natural wastage - not replacing workers when they left - but in the 1973 recession they had to make two of their number redundant. Those that remained took a voluntary reduction in wages of £3 per week. As Griff Cashman put it in 1977, 'The greatest achievement is that we have survived.' In fact, they have done better than just survive. 1980 was Graphic Arts' best year ever, with profits of £11,000.

The co-operative has 100 shareholders who have between them contributed share capital of £4,288 on which interest is paid at the rate of 5%. All except one part-time member of the workforce are shareholders by choice. The governing body is the management committee of 12, at least four of whom must be workers in the co-operative. Elections, at which each member has one vote regardless of the size of his shareholding, are held at the Annual General Meeting. One third of the management committee members must stand down or offer themselves for re-election each year. Amongst the outsiders on the management committee in 1981 were a retired worker, the Chairman of the Crannac furniture-making co-operative, a trade union secretary and a plumber and an electrician both of whom have given their services to the co-operative free.

Relations with trade unions at Graphic Arts are good. If any conflict does arise the shop steward can ask to see the management committee and in practice problems are quickly sorted out. The manager, Noel Murphy, chats with the workers informally as often as he can and holds a general meeting once a month to discuss the way things are going. There is no clocking on at Graphic Arts because there is no unpunctuality or absenteeism. This may be because the workers get better holidays and overtime pay than others in the industry but Noel Murphy is convinced that it is also because working at Graphic Arts is not just an ordinary job.

5.6. Bewley's Cafes

The Bewley Community Limited is an example of a successful firm that has been handed over by its private owners to its workers and as such it is unique in Ireland although it falls into that category of common-ownership companies in Britain which Robert Oakeshott calls 'high-minded'.* Among the aims in the company's constitution is 'to encourage thinking in terms of the welfare of the community in which we live rather than a desire for personal gain at the expense of others'.

The firm's history goes back to the 1840s when it was established by a family of Irish Quakers. It owns a number of coffee houses and restaurants, a bakery and a farm and employs 400 people. It has assets of about £1 million and a turnover of £4 million. In 1970 the Bewley family headed by Chairman, Victor Bewley, decided to vest ownership of the company in the workforce. A new company limited by guarantee was set up called Bewley Community Limited. There is no individual ownership of shares which are held in trust for all those working in the firm, past, present and future. The company is registered under the British Industrial Common Ownership Movement rules and because it is non-profit making any surplus must either be ploughed back into the firm, distributed to the staff in the form of a bonus or used for some social purpose. If the company went into liquidation its assets could not be distributed but would have to be used for social purposes or for co-operative development.

Although ownership of Bewley Community Limited is clearly vested in the people who work in it, control is not nearly so clear cut. A company council consisting of the heads of departments and an equal number of elected representatives meets once a month under the chairmanship of the company chairman. But the Board of Directors is still controlled by members of the Bewley family who may fill vacancies by appointment rather than election. Nevertheless the loyalty of the workforce has been amply demonstrated on more than one occasion and reflects the change in attitude from the traditional 'them and us'.

* Robert Oakeshott, op. cit.

On one occasion, when the Irish government imposed strict price controls and at the same time decreed national wage increases, Bewley's found itself in a dilemma. The Chairman, Victor Bewley, was convinced that the wage increase should be paid, but the company was running at a loss and could not put up prices to match the increase. Although the Board had the final decision the matter was put to the Council. Almost unanimously they agreed that the wage increases should not come into effect. Their view was apparently shared by the majority of workers. When it was later announced that any employee who felt that he or she really needed the extra money could take it as of right, only a tiny minority did so. In the bakery, where the wage increase was paid so as not to cause a dispute with the union, many of the workers quietly loaned back the extra money to the company.

After a loss-making year in 1974 when Bewley's were not alone in facing financial problems they showed small profits for the rest of the decade and in the last few years there has been a steady improvement. It is unlikely that the example of Victor Bewley giving away his company to his workers will be followed by many others but the British Industrial Common Ownership Movement is currently negotiating with the Irish Registrar of Friendly Societies a set of model rules which would make it easier for new common-ownership societies to be started from scratch. Bewley's itself seems set to stay.

* * *

6. Irish Co-operative Law, Taxation and Finance

6.1. Legislation

There is no distinct concept of a co-operative in Irish law and in theory a co-operative could take any of the following forms:

- legal partnership
- company limited by shares
- company limited by guarantee
- industrial and provident society.

In practice virtually all Irish co-operatives are registered with the Registry of Friendly Societies under the Industrial and Provident Societies Acts which date from 1893 and have been little amended since. The only category of co-operative to have specific legislation is the credit union, which comes under the Credit Union Act of 1966. However, following a submission by ICOS in 1978 the government made a commitment to introduce a new Co-operative Societies Act enshrining co-operative principles.

The main difference between a co-operative society and a limited liability company is that a member's shareholding may not exceed certain limits - £10,000 in an agricultural society or £3,000 in a workers' co-operative.

6.2. Registration and transfer

A co-operative starting up has to register with the Registrar of Friendly Societies and pay a fee of £50 unless it uses model rules (provided by the Irish Co-operative Organization Society for agricultural and community co-operatives and the Co-operative Development Society for workers' co-operatives). In that case the registration fee is reduced to £10 although the sponsoring organization may charge a fee for its services. It generally takes 4 - 8 weeks to register a co-operative. Conversion from a company to a co-operative is relatively simple. A general meeting is called and provided a resolution is passed by a special majority of the shareholders of the company, registration is made on application to the Registrar and the company's assets are automatically transferred.

6.3. Statistical information

The Registrar of Friendly Societies has the power to prescribe the form of co-operative societies' annual returns. They must include income and expenditure accounts and a balance sheet. Details of membership and shareholdings have to be given triennially. Although these returns are not published they are available for public inspection at the Registry and statistical information culled from the returns is published in the Registrar's Annual Reports.

6.4. Membership

No maximum is set on the number of members a co-operative society may have but there must be a minimum of seven. Membership of a workers' co-operative is not confined to workers, nor do workers have to become members as a condition of their employment. Although the law makes no provision for membership applications, in practice applicants have to be approved by the committee of management before they can join a co-operative. It is common for the number of members to exceed the number of workers, generally because of the difficulty of raising adequate share capital where membership is restricted to workers. Most outside members are individuals but in two of the workers' co-operatives other co-operative societies or companies are also members.

6.5. Shareholdings

Interest payable on shareholdings is not limited by law but in practice most societies' rules set a limit of between 5% and 10%. Except in credit unions, where members are required to hold at least one share each, there is no explicit provision in the law governing the size of shareholding. Again, it is common for the rules to set down a minimum shareholding as a condition of membership, although this may be as low as £1.00.

Societies' rules generally provide for the transfer of shares subject to the approval of the committee of management. In that case the person wishing to transfer his shares would have to find another member prepared to take them on. There is no legal provision for the amount that may be paid on the transfer of shares but in practice it is their nominal value. There is no legal obstacle to increasing share capital and this is usually done through reserves, though non-agricultural co-operatives must seek the approval of the Minister to do so.

6.6. Loan capital

There is no legal limit to the amount a society may borrow other than fixed in the society's own rules nor is there any limit on the amount of interest that can be paid. However workers' co-operatives in particular may face legal difficulties in raising

loan stock. Unlike agricultural societies or credit unions they must seek the Registrar's approval before taking on any loan which is over £10,000 or from other than a bank and it is not clear what criteria he adopts when deciding whether a workers' co-op may take on such a loan. In the words of the Industrial and Provident Societies Amendment Act of 1978 'The Registrar shall not give permission ... unless he is satisfied that it is in the interests of the public or of the creditors of a society or of the orderly and proper regulations of the business of the society to do so'.

6.7. Distribution of surplus

There is no law governing the distribution of surplus or profits in a co-operative although provision has to be made for this in the rules. Most societies' rules provide for the application of profits in any or all of the following ways as decided by the committee of management:

- to reserves
- to interest on share capital
- to a bonus to members and employees in such proportions as the members see fit
- to a purpose connected with the society or the co-operative movement
- to the issue of bonus shares.

In practice profits are generally put into reserves and it is rare for them to be distributed.

6.8. Taxation

Credit unions are exempt from all taxation and certain activities of agricultural and fishery societies are exempt from tax. The only other major exception to the rules of taxation as they apply to ordinary companies is that dividends or bonuses paid by a co-operative society are deductible as an expense provided that the payment of

such dividend or bonus is in proportion to the magnitude of the transaction and not in proportion to their shareholding.

6.9. Financial aid from public authorities

There are a number of state funding agencies whose function is to provide financial assistance to industry. Co-operatives are judged by the same criteria as any other type of business. The main bodies are:

- The Industrial Development Authority whose primary aim is to create employment and much of whose work is devoted to attracting foreign industrialists to Ireland. However it does have a special scheme to promote small industry, and co-operatives engaged in manufacturing industry may be eligible for aid under this scheme.
- The Industrial Credit Corporation is a merchant bank providing long-term and other loan facilities to all forms of business including service industries. Co-operatives may be at a disadvantage in fulfilling the criteria for loans which include the necessity for firm security.
- Foir Teoranta is a government-funded body which was set up to help manufacturing industries that are in such difficulty as to render them incapable of obtaining financial assistance elsewhere. As such it would be an obvious source of help for any co-operative formed as the result of the failure of a capitalist concern.
- Udaras na Gaeltachta, formerly Gaelterra Eireann is an agency set up to promote and finance development in the Irish-speaking areas concentrated on the West Coast. It has given considerable help to the community co-operatives.

- The Department of the Gaeltacht is similarly responsible for the development of the Irish-speaking areas and can make grants and loans to co-operatives although only on the same criteria as those applied to other types of business.

6.10. Management

The law merely requires that provision be made in a society's rules to deal with 'the appointment and removal of a committee of management, of managers or other officers and their respective powers and remuneration'. In practice the General Assembly of members elects the committee of management which in turn appoints the managers. In workers' co-operatives it is common for the manager to be a member of the co-operative but outside forces may sometimes force the committee of management to appoint a professional manager - for instance as a condition of grant aid, as happened at Crannac.

Although the law does not require the holding of annual general meetings, nor govern the voting rights of members, in practice the rules of individual societies provide for annual general meetings and voting is on the basis of one member, one vote.

6.11. Liquidation

Under Irish law a co-operative is wound up in the same manner as a company, which means that any surplus assets are distributed to the members in proportion to their shareholdings. A special method of winding up is available to agricultural and fishery co-operatives. They may wind up by means of an 'instrument of dissolution' signed by 75% of the members and under this method the distribution of surplus assets is in accordance with the members' decision as set out in the instrument of dissolution. Bewley's Cafes, as a common ownership company, is an exception. If it ever went into liquidation any remaining assets would have to be used for social purposes or for co-operative development with no possibility of distribution to members.

* * *

7. Conclusions

The co-operative movement in Ireland can be described as strong in parts and vigorous in other parts, but not both throughout. The individual societies are either commercially strong or they have strong member participation, but in very few cases are the two elements combined to create an image approaching the co-operative ideal. The agricultural societies have won commercial success at the cost of declining member participation. The community and worker co-operatives, on the other hand, while exhibiting the vigour of youth, are with isolated exceptions commercially weak or insignificant as employers of labour, or both.

Workers' co-operatives, which are mostly small, have the best chance of running in a truly co-operative manner. Workers who provide their own employment, who jointly own capital and manage themselves are the ones who receive the most tangible benefits from the co-operative form. In practice, however, such benefits have been realized only to a limited extent.

The workers' co-operatives which have succeeded have done so without the help of strong support organizations and against a background of public ignorance and even apathy. Probably the main obstacle to the development of workers' co-operatives in Ireland is the unfamiliarity of the concept. Any attempt to encourage their development would have to start with an education drive directed not only at the public but at government departments, trade unions, voluntary organizations and the legal profession. The five existing workers' co-operatives have proved that it is possible for workers to run their own businesses successfully and even, in the case of Crannac, Castle Shoes and Irish Springs, to make a success where capitalism had failed. Recession is a good time for co-operation to be tried, when people see their jobs at risk or actually disappearing. With advice and support, other groups of workers could follow the trail that has been blazed and experiment with the virtues of self-help. It makes sense to tap resources that lie fallow in the community, and to promote small ventures in which those human resources can be liberated and put to work. Though contrary to the prevailing mood of society, in which

individuals wait upon the big corporations and the state to work out their salvation for them, any initiative that demonstrates how small-scale self-help can produce benefits is worth exploring. As the community co-operatives have shown, the pride and self-confidence of a whole community can be rebuilt even when the circumstances appear almost hopeless.

EUROPEAN CO-OPERATIVES

Perspectives from the Netherlands

Michael Young

Mutual Aid Centre, London

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1. Introduction

The story of co-operatives is in most important respects the same as that in most other EEC countries. The Federal Republic of Germany and Belgium have been sufficiently unusual to put themselves in a category of their own.* In all the other countries the old-established agricultural, credit and consumer co-operatives have been joined by an increasing number of worker co-ops. These last are, according to a German legal term which has the advantage of precision, Arbeiterproduktionsgenossenschaft.

2. Agricultural co-ops

Before coming to this most recent development a word should certainly be said about the other forms of co-operative. Agricultural co-operatives are as much of long standing in the Netherlands as they are elsewhere. The first co-operative for the joint purchase of artificial manure was founded in 1877, the first co-operative-owned dairy factory in 1886, the first co-operative vegetable market in 1887, the first co-operative sugar factory in 1889, and the first co-operative strawboard factory in 1900. Since then solid progress has been made in farmer-owned organisations which were initially financed largely out of capital supplied by their own members. Each member has his vote and between them the members elect the boards of management. The Common Market has itself contributed to the growth of agricultural co-ops, here as elsewhere. They have quite deliberately expanded in sectors where competition between dealers is far from being perfect and have also co-operated between each other in a manner which could be a model for workers' co-ops.** Agricultural co-ops are now, quite apart from anything else, important employers. Between them they employed 80,000 workers in 1979. The main sectors they operated in were -

Purchasing co-ops	- 270 agricultural co-ops accounted for 60% of all farmers' purchases
Manufacturing and processing of farm products	- 50 co-ops accounted for 85% of the whole sector
Selling co-ops	- 90 co-ops accounted for 70% of all the farm products sold
Farm services	- 310 co-operatives provided a wide range of services from the hire of tools and equipment to book-keeping and storage.

The combined turnover of the first three of these types totalled over \$12 milliards.

* The reasons for the failure of worker co-ops to take hold in Germany are well set out in H-H Münkner, 'The Position of Workers' Productive Co-operative Societies in the Federal Republic of Germany', Review of International Co-operation, Vol 72, No 3, 1979.

**F. Terlow, 'The role of co-operation in agricultural and food marketing in the Netherlands', National Co-operative Council for Agriculture and Horticulture, The Hague.

3. Credit co-operatives

Credit co-operatives are also strongly developed. The first co-op banks came into existence towards the end of the last century, the Raffeisenbank being formed as a unified affair in 1889 in Utrecht and the other, Creditbank, for the south of the country, in Eindhoven. The members of each were themselves independent co-op banks directly responsible to their own individual members.

They survived the depression and the war and grew rapidly thereafter. One third of Marshall Aid was allocated to the agricultural sector; this helped to bolster not only agriculture but the banks that more and more farmers grew accustomed to using. Then early in the 1970s a fusion was agreed on and in 1979 the Central Rabobank was established. This is the second largest bank in Holland with a balance-sheet value of \$43 millions. Its members are 990 local co-op banks with 3100 branches. They have between them just under one million individual members and 25,000 paid employees. In banking co-ops have gone from strength to strength.

4. Consumer co-ops

This is not the same success story. Consumer co-ops emerged in the 1860s not long after the first one of all was formed in Rochdale, and from that time on for a period enjoyed steady expansion. By about 1920 there were 700 local consumer co-ops with some 400,000 members. At that time the government was prepared to advance interest-free loans to co-ops in order to keep prices down.

Conditions have been far from so favourable since the second world war. Competition in retailing has become more intense. The economies of scale, reflected in purchasing and in the size of supermarkets, have been considerable, and the need for capital, if these economies are to be realised, has become correspondingly great. Consumer co-ops have not found it as easy to raise capital as their competitors, and have been further hampered by a decline in the co-operative spirit.

The decline has been a gradual one. In 1959 a powerful central body was set up in the form of Coop Nederland. In the 1960s it still had 7% of the national turnover in retailing, 13% of all the supermarkets that existed, and 500 grocery shops in all. But the centralisation left very little scope for member participation. Shares were replaced by membership cards until these too were abolished. Dividends were replaced by trading stamps. All this did little except, perhaps, to accelerate the decline. Coop Nederland was finally dissolved, leaving behind only five regional co-operatives which had stayed out of the 1959 amalgamation. In 1979 these five remaining co-ops set up a consultative body known as Coop Holland.

5. Worker co-ops

This sketch is the background to the special interest of this report in worker co-ops. They have an even more venerable history than the other three forms of co-ops I have mentioned. Dike-builders set up an organisation in 1825 and peat-cutters one in 1830. But there was no striking development until much later. In 1901 the Common Land Ownership Movement was founded on the initiative of the physician-poet-philosopher, Frederik van Eeden. His hope was that farmers would be persuaded to own and work the land in common. Two years later some 800 people had joined the movement and were living on the land in the way their founder had proposed. But the experiment was short-lived. A few worker co-ops survived in printing, cigar-making and construction. The numbers were small until well after the second war.

Not until 1959 did the federation for worker co-ops come into existence in the form of A.B.C., the *Associatie van Bedrijven Op Coöperatieve Grondslag*. This can be translated in English as the Association of Businesses formed as Co-operatives. Co-operatives which satisfy the necessary conditions can become members, these conditions being broadly that they should conform to the principles laid down by the International Co-operative Alliance. At ABC's General Meeting every member co-op has one vote irrespective of the number of employees it may have.

Growth in the 1960s was slow. Only in the 1970s was there a spurt. This was facilitated by the help received from the *Confédération Générale des SCOP*, the federal co-op organisation in France which is referred to at some length in the comparable report to this that has been prepared by TEN for that country. As a result, a publication was prepared about the constitution and potential of co-operatives which had a wide circulation in the country. Dutch trade unionists and politicians began to take an interest in what for them was the new notion of self-management. Students made enquiries about it. Newspapermen wrote articles about it. Self-management, if not exactly at the centre of the news, was at any rate on the fringes of it.

One sign of the increasing interest was a decision by the two most influential trade union federations to set up a study project on co-operatives. The enquiry moved slowly and did not in the end issue its conclusions in public until 1979. The report is the fullest account yet given of the progress made so far by worker co-ops in the Netherlands and, by way of comparison, in France and England; and also of the steps that needed to be taken to promote their further growth.* An official interdepartmental committee was also set up, and this has led to a continuing interest being taken by the government. In a general way, all but one of the main political parties, that is the Christian Democrats, Socialists and Young Democrats (or D66 as they are called by way of abbreviation) are favourable to worker co-ops. This does not mean that any affirmative action

* *Werken in Koöperatie*. Stichting Wetenschappelijk Onderzoek Vakcentrales, 1979. 326 pages. A 40-page summary with the same title was also published in November 1979. The report is also available in English translation.

has yet been taken. It does mean that there is altogether a more auspicious atmosphere and a much better chance of action being taken.

Before the trade union report was published ABC had already started its own study. This was carried out on its behalf by Adviesgroep Mens En Organisatie (Man and Organisation - a consultancy group), itself a co-operative and a member of ABC. I will come back to the outcome of that exercise a little later in this report.

6. Growth of ABC

As in many other countries there can be no authoritative figures for the growth in the number of co-ops. This is because co-ops can be registered as ordinary companies or as co-ops under that name if there is any procedure for so registering them or not registered at all with any formal legal character. The best that ABC has been able to do is to collect as full information as it can about existing and new co-ops from newspapers and other published sources. On this basis ABC estimates that the number of worker co-ops has risen from 80 in 1978 to over 200 in 1981.

By no means all these are members of ABC for the simple reason that it does not as yet have any full-time staff even to tackle the work that the existing member co-ops give rise to without seeking out new members. For fear of adding to the load on the unpaid members of the ABC Board there has not even been any deliberate attempt to gain publicity, at any rate since the pamphlet I have already mentioned was published early in the 1970s. As it is, the members of the Board are kept extremely busy. Amongst other duties they are very much in demand to serve on the Boards of individual co-ops which cannot allow their own members to serve on them. This is because of the manner in which the law on social insurance discriminates against co-ops. I will come back to this point later to explain it in a little more detail.

But without any recruiting drive the membership of ABC has been on the increase all the same. At the end of 1975 it had eight member societies employing 400 workers. By 1980 there were 38 societies employing 1980 workers, as shown by the table which appears below. On 1 January 1981 ABC had 46 member-societies. 30 co-ops started as such, six transformed from sound capitalist companies and two from ailing capitalist companies. The growth has been steadily upwards. No worker co-op in the Netherlands has yet collapsed or had to withdraw because of failure.

Growth of Co-operative Societies affiliated to ABC

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980*</u>
Workers	1387	1666	1735	1980*
Incl. members	408	485	634	770*
Turnover**	152	163	195	221*
Member societies	15	18	25	38

* Estimated

** In Dfl. millions

Worker co-ops are not distributed evenly between different industries. The majority are in or closely connected with the construction industry. There are six building contractors, seven firms of architects and seven others, including civil engineers, carpenters, plumbers and housepainters. Several of them are at work in the building of public housing and in the renovation of old buildings, neither of which are particularly profitable so that the competition is not very strenuous. Their members are also well motivated to the task of improving housing for specially needy people. No doubt the labour-intensive character of building also lends itself well to co-operative organisation. Once a few well-known building co-ops have shown that they can be commercially successful that can act as a spur to others. Also, they can support each other within the same industry as well as being competitive. Thus, Werkplaats, an architectural co-operative, designed a factory which is at present being built by GCB, a straight building co-operative. Another and larger co-op, MOES, recently built the extension to the factory belonging to Artioplast, a plastics co-op.

Another interesting feature of ABC's membership is the sizeable number of professional practices which belong to it. Architects and civil engineers have just been mentioned. In addition, there are several advertising and publicity consultants, a firm of accountants, personnel consultants, housing consultants and Man and Organisation which calls itself not a management but an organisation consultant. It will not accept assignments unless it is able to consult people at different levels in any hierarchy, not just the 'management'.

Any kind of professional is permitted to be a co-operative except for lawyers. In this respect Dutch law is different from that in some other EEC countries which require that professional practices should have the legal form of an unlimited partnership. In Holland co-ops can themselves be set up with unlimited liability, restricted liability or without any liability at all falling on individual members. Professional practices are not

compelled to be in the first of these categories. The civil engineering co-op, the Van Steenis Coop, which is led by the President of ABC, has restricted liability. Each member is required to have a share worth f 4500 and in addition to that would be liable on a default for another f 3000. Five small case studies of co-ops are included in the Appendix:

Moes in building
 Artioplast in plastics
 Mens en Organisatie in consultancy
 Ver Nobel in children's clothes
 Sara in feminist publishing

Discrimination against co-ops

The report compiled for ABC that I have already referred to pointed out that co-operative law as it operates in the Netherlands was drawn up with the needs of agriculture very much in mind. It is not nearly so suitable for worker co-ops - this for three reasons.

1. Agricultural co-ops have as members of their Boards farmers who are not employed by themselves. But it is intrinsic to the notion of a worker co-op that those employed by it should also be on its Board of Management. The Dutch practice over most but not all of the country is that if full-time employees are also in the position of employers, that is on the supreme governing body, then they are self-employed, or employed by themselves. Like other self-employed people they are not eligible for unemployment or sickness insurance. The rates are substantial, starting at a level of 80% of previous income for the first six months of unemployment. The same applies to sickness. So the right is not lightly to be foregone by anyone.
2. An agricultural co-op does not need to have an 'open door' in quite the same way as a worker co-op. Every farmer living in a certain place may be eligible for membership. But it may not necessarily be known, or be of great moment, if all the eligible farmers are in fact members or not. In the case of a worker co-op it is perfectly clear. Either all the employees, that is all eligible people, have the right to be members or they do not. According to the ABC this right should be unequivocally written into the constitution of every worker co-op.
3. Agricultural co-ops have employees who are not members, or not necessarily members. For the same reason that has just been given this is not acceptable in a worker co-op.

The differences between agricultural and worker co-ops are such that ABC has asked the government for legislation that will be tailormade for their purposes. This will require a new juridical form. They do not expect it to materialise for some years yet.

The bottlenecks

Legal reform is not the first priority being put to the government as the result of the Man and Organisation report and the follow-up symposium to it in April 1980. This was addressed by Wil Albeda, the Minister of Social Affairs as well as the Vice-Chairman of the Federation of General Unions, the Chairman of the Protestant trade unions and by Mr. Provily. The present priorities of ABC are as follows:

1. Amend the social insurance law to allow employee-directors to be covered for unemployment and sickness. This point has already been discussed.
2. Co-ops are liable to be chronically short of capital, including working capital. Banks are usually suspicious of them. Where is the continuity of management, they ask, when members of Boards are elected afresh each year, or can be; and when employees through their Boards have the power of appointment of the managers? Since they are so suspicious, guarantees are normally needed from the State before any banks, including co-op banks, will put up money. Until recently the Ministry of Economic Affairs, immediately it received a request for a guarantee, consulted the very bank which had not been prepared to act on its own. A recent and welcome change is that the Ministry has agreed to seek the views of ABC itself when it is asked for a guarantee. It used to be a requirement that at least 10% of capital should come from the workers. This condition has been relaxed. The present figure is 2%. But even that limit puts some new co-ops in difficulties. The financial arrangements for co-ops undoubtedly need a thorough overhaul.
3. Co-ops, like companies, ordinarily have to bear a heavy tax charge if they acquire from the liquidator a company that has failed. If, for example, a company shows in its books that its stock and equipment is worth f 100,000 as it has been written down over the years, but if the real net worth of the stock and equipment is adjudged to be f 400,000, then that company is deemed to have made a 'profit' of f 300,000 on which no tax has yet been paid. The tax on profits is 50%. So right away the government takes f 150,000. This is the amount that a successor co-op would have to find. In the discussions with the government it has been fully accepted by ABC

that if a co-op were not liable in this way a restriction should be placed on the manner in which 'profits' are disposed of. There would be no question of distributing them amongst the members of the co-op. A change in the law in this respect could help to save many thousands more jobs.

4. ABC would greatly like it if the French practice prevailed and profits could be put before tax into indivisible reserves. This is an important advantage enjoyed by French co-ops which could well be made more general.
5. The books of co-ops are open to all members. There is full publication. There is no hiding of figures as there quite often is with capitalist companies. This fact should be more fully acknowledged by the government when possible concessions are being discussed.
6. ABC has asked for a grant from the government so that it can afford to hire some paid staff - it has none at the moment - and so help set up more co-ops which could mop up some of the unemployment in the country. The membership fee for most member co-ops is only nominal, the fear being that many of them would not be able to afford more. This request was resisted because ABC has been regarded by the government - for reasons that are not altogether clear - as an 'employers' organisation', and that has in the past ruled it out. ABC is therefore setting up a 'self-management foundation' alongside itself which will not be debarred from receiving a grant designed to advance the central organisation of worker co-ops to the point where it can be self-supporting. The first step will obviously be to recruit membership from the many co-ops which are still outside its ranks and whose members do not see the value of joining unless a more effective support service can be given.

Worker co-ops in Holland are very far from having developed as far as agricultural ones. But they are clearly on the increase. If the present rate continues they are going in time to amount to an important force in the economy, and will do so the more readily if some of the problems mentioned can be overcome.

Addendum

Since this report was written the Netherlands government has announced that it will grant aid ABC at the rate of D.fl 500,000 a year for the next four years. This will enable ABC to appoint a permanent full-time staff and clearly represents a major step forward for the worker co-operative movement.

APPENDIXCase Study No. 1: Moes Co-operative Building Firm

The firm started in 1932 as a small business. It employed only about 20 people until 1945. Mr. Moes, the founder, was a carpenter and builder. After the war a great deal of rebuilding was needed to make good war-damage and the co-op expanded rapidly. New polders had to be constructed to replace the demolished ones destroyed by the Germans. On the polders farm houses had to be built. The firm grew as more and more land was reclaimed. In 1967 a new town, Lelystadt, was founded on one of the largest polders. Now it already houses 40,000 people. Another new town, Almere, was founded in 1974 and is planned to have 240,000 people by the year 2000. The co-op builds 600-700 houses a year, mainly rehousing people from Amsterdam who have been displaced by their old houses being pulled down or rebuilt. The co-op also builds offices and factories there. They have to compete for each new contract against keen opposition. Price-cutting is continuous. The co-op specialises in building on polders, using a system of concrete-casting on the site which enables them to build very fast. They can complete 15 houses a week on one site making up a total of about 700 in a year.

Their knowledge of the building techniques they specialise in stems from a single individual, a civil engineer, who became very important to the firm in 1969 when he was appointed Director of the company. Mr. Van de Graaf came from a company that itself specialised in concrete building and he knew about prefabrication and casting. His knowledge and drive gave a new impulse to the company. His appointment coincided with the firm's need to move to new premises as they outgrew their old one. In 1971 they made the move. All that time the firm was still owned by the one family. Mr. Moes had one son and two daughters. But he knew that none of them was capable of leading the company after his retirement. Already, too many of the top managers were from the family, which accounted in part for the fact that to 1975 business was very bad and they made more losses than profits. Mr. Moes's first idea was to sell out to another large building company. That firm said they would only buy if Van de Graaf came with the firm. Van de Graaf did not agree to this; he wanted to remain with a smaller unit. At that juncture the workers' council of the firm proposed turning the company into a co-operative. Many of them had been employed by the same firm for a very long time, a tradition in that part of the country. They had a family spirit. They did not want the company sold to a larger one.

Once the idea of the co-operative was advanced the problem was to clothe it with reality. By chance a sociologist was at the time studying how the workers' council operated. Through

his connections and knowledge of the working of government Mr. Werkman managed to put the workers' council in touch with government officials. Out of the discussions came the plan to transform the company from a private family business into a co-operative. Mr. Werkman was supported in this by Van de Graaf who wanted to keep it as a separate entity.

Once Mr. Moes realised that he could not sell the firm without Van de Graaf he was ready to accept the case for a co-operative. Money was borrowed from the National Investment Bank. The capital had to be 'in a dead hand', meaning indivisible with no single worker able to run off with it. The bank loan had to be guaranteed by the Ministry of Economic Affairs. Altogether 4,200,000 guilders was paid over and Mr. Moes left 1,000,000 in the company without interest as his stake. By 1981 he had been repaid this one million in full.

The co-operative was first set up in 1976 and the workers' general meeting decided that no profits should be distributed to the workers until at least 4 million guilders had been accumulated in the reserve fund. Thereafter one third of any annual profit could be paid out to workers, one third put into the reserve fund and one third used as surplus tax to the government. 1981 is the first year that any money can be paid out to the workers.

The co-operative has 400 members out of about 1,000 employees. Only about 200 come to the general meeting which is held normally once a year in June unless there is an emergency. Company policy is made by the Board of Directors who put up proposals to the Board of Management which is in turn elected by the general meeting.

Any worker is entitled to become a member after having worked for the company for one year. All workers are entitled to participate in profits, not only members. The calculations to be made this year will be very complicated because some of the members and workers have left. But they are still entitled to their share of the profit calculated back to each of the years during which they were employed by the company. Only retired people so far have been given their share of profit at the time of retirement. This was because of the need to pay the 4 million guilders into the reserve fund.

In the company there is a high turnover of labour. People want to work near where they live; depending on where the work sites are they change jobs. Last year out of the 1,000 workers in the company, 400 were new ones. These 'casual' workers don't feel the same commitment to the co-op as more permanent employees.

Mr. Van de Graaf died of cancer in 1978. This was a great loss to the firm. They knew that his illness was fatal for six months beforehand. It was decided to set up a management team of four people to replace him rather than appoint just one person.

Mr. Van Veen, the Commercial Director whom we interviewed, came to the firm in 1977 from another building firm, also a family firm, where his advancement was blocked by the sons of the founder. When asked whether he thought a co-operative was a better system of organisation all he would say was that it was not worse; it was difficult to say whether it was better. He thought the process of changing over to co-operative organisation had to be long drawn out. 'You have to change people's mental attitude.' Some of the difficulties he mentioned were the size of the co-op, the fact that it had to work on widely scattered sites and that consequently the ties between the different sections and between workers were not all that strong. It was hard to get them to work together. He also said that in Holland the general attitude is acquisitive. The members, the 400 committed people, believed strongly in the co-op and some of the other workers did too. They enjoyed better working conditions and felt they were all actively creating a better company. The profit sharing was also attractive. He himself wanted to promote the co-operative but he was aware of needing, as he said, two legs on the ground. With 1,000 people in a company you were liable to get 1,000 different views of what a co-operative should be.

We asked about the attitude of government departments and local authorities who gave the co-op its orders. He said that some firms were nervous about giving them orders because they were a co-operative. Sometimes these orders came from large insurance companies and pension funds. In order to convince them that the company was viable he had to take their accounts whenever he went to meet a new client and go through the accounts with them. He felt very proud when he did this. Much of their work is in public housing and other low-cost housing for local authorities, also premium housing. The firm worked with teams of architects, construction engineers and housing corporations in order to build large low-cost estates. About 70% of their work was in public housing. They also built some private housing (called premium housing) which is cheap housing with large government subsidies. Apart from that, they build factories and shops and restore old buildings.

Many other companies started in the 30s were now in the same position as Moes. The original founders want to retire and hand over the company but without suitable heirs from the family. Some of these companies have come to Moes for advice on how to form a co-operative.

Trades unions

Sixty percent of the workers are in unions, either in the Christian Confessional Union or in the General Workers' Union. At first the unions were very happy that the firm was saved. But since then they have to some extent lost power. When workers take part directly in making policy the old workers' councils have tended to lose power. By law every company above a certain size in Holland has to have a workers' council. In Moes the union members are the most highly motivated and involved people of all.

The directors of the firm have to persuade both the workers' council and the board of management of the rightness of their plans. The workers' council tends to be interested in short-term advantages such as wage increases, whereas the board of management is more concerned about the long-term prospects for the company. If every worker in the company was a member of the co-operative they would not then be obliged to have a workers' council which in effect represents the union.

The wages the company pays have to be agreed with the unions in the normal way. The whole salary structure of the firm is planned by the directors and put to the board of management, who if they agree, take it to the general meeting. The differentials are on a scale of roughly not more than 3 to 1, the average salary of the manual workers being the base line. On salaries they cannot move far from the general norm or they would lose good people to other companies. At first all manual employees had equal pay. They then found that among the manual workers the less efficient stayed and the best left. So equal pay was abandoned. Mr. Van Veen, the Director, is often rung up by headhunters who offer him double his salary. He has not so far been tempted by these offers; he has seen people who go up high very fast come down equally fast in other companies. 'Stars fall as fast as they rise.' If you lose capacity in any way you can get kicked down in an ordinary capitalist concern.

He felt that people were given too much information to digest. He used the analogy of the helicopter. When very close to the ground the pilot can make very little of what he sees, whereas once it rose higher (like a manager) he could see a bigger view and make more sense of it.

In every section of the company they have working groups for discussion purposes. Such a group may meet on the site every week. In the financial section at head office they may meet every month, in the commercial section every two weeks, depending on the need. The head of each of these discussion groups meets with the next section above him. He called it the lynch-pin system. The link person in these groups is always the supervisor or manager of the group. If anyone below him is dissatisfied he can take his case to a complaints committee.

Case Study No. 2: Artiplast Co-operative at Lelystadt

Lelystadt is a new town some 30 kilometres from Amsterdam. It is built in a polder. Many of the houses there have been built by the Moes Co-operative.

Our guide, Hugo van de Zwaluw, began almost immediately by giving his views of the co-operative although he did stress his limited experience. He considered there were both disadvantages and advantages to it.

First, as to the disadvantages, he thought that relatively uninformed people had to make decisions above their competence. Nor can decisions be taken quickly. For anything important he always had to wait until the Wednesday management meeting. He also thought there was a good deal of time wasted in discussion.

On the other hand the advantage is that people do seem to be more committed, more involved and work harder than in ordinary companies.

Hugo referred to the director in his rather good English as 'the boss'. His name was Mr. Stuifzand. He founded the co-operative 11 years ago. He had been in the same line of business (plastic injection moulding) in partnership with his brother before he broke away from him and decided to start a co-operative. He provided all the initial capital.

People have to be members of the workforce for two years before they are entitled to join the co-operative.

One man in the workshop had ginger hair and rather bright blue eyes. It turned out that he was a member of the board. He said it was much better to work in a co-operative than an ordinary company because you have a say in what happens. At the last meeting of the board they'd discussed whether to have a new management. They are 'walking warm' on the question at the moment. It will be further discussed at the annual meeting of the co-operative which is on Easter Friday, the 'day when Jesus came up from the ground'.

We were joined at the tea table by a mould maker called Theo Fleere. Theo was another member of the elected board.

Theo explained that Mr. Stuifzand started the co-operative because that was his ideal. He still believes in it very strongly. It's his style of life. He loaned 125,000 guilders to it as its initial capital. 25,000 were paid back to him rather recently. Everyone calls him the boss - he's the chief designer as well as being the director. But he does not behave like a boss so to his face they do not refer to him as boss but by his surname. He is not elected each year by the board or the general meeting. It is taken for granted that he will remain the director as long as he wants to be. He has said that he intends to leave the co-operative in five to ten years and start a new firm.

Some people are in positions where they are really being asked to do more and decide more than they are capable of. Perhaps the firm has grown too fast. When Theo joined it, it only had 8 employees. Now it has 30.

The difference between the highest and the lowest wage is in the ratio 1:2.5 before taxes. The wages of the shop floor workers are somewhat higher than those that would be laid down by trade unions. Mr. Smit is the highest paid. He is the technical maintenance engineer. The boss gets just a little bit less but then he only works four days whereas Mr. Smit works five.

Theo was in the same job before in Amsterdam. He wanted to move out of the city because he didn't think it was a good place for children to be brought up in. He moved to Lelystadt for that reason.

Members do not put in any money themselves but leave their profit-share in the company. Theo thought that two years as a qualifying period may be too long although the difference in practice between members and non-members was not very great. Non-members can take part in discussions although they cannot vote. The statute which provides for the two-year period could be changed at a general meeting if people wished.

At the general meeting of which there are four to five in a year some 20 members attend. They meet in the evenings, as does the elected board of management which consists of only 3 people. The boss is not on the elected board but he does come to the meeting every alternate week. They have fairly lively discussions about finance and about the eventual withdrawal of Mr. Stuifzand. They have more or less decided that when he does leave they will replace him with a management team rather than with one person.

The only general meeting held in working time is the annual one at Easter. All other meetings are outside working hours.

The last dismissals were in 1973 when two men were sacked after the oil crisis. The director decided who should go. Two of the non-members were the ones to leave. Members themselves can only be dismissed by the Board.

They had a good deal of discussion recently about one unpopular person in an important job. The members voted against him. They did not want him to be in that job and he had to change over to another. There are only two trade union members in the whole factory.

'I want to say what I think and help decide things'. Theo said that he'd prefer to work in a co-op rather than an ordinary company even though he had to get less money for it.

Last year was the first in which there was a distribution of profits. At the general meeting they decided to put 40% into reserves and the rest into the distribution. In previous years they did not want to pay out profits because it would have meant people were paying more income tax as well as tax for the co-operative itself. But they had hit on a device for at any rate cutting down the tax. Before if the profits had been, say, 100,000 guilders 50% of that had gone in tax, leaving 50,000 guilders over. If they put 30,000 into reserve that left 20,000 for distribution, all of that being taxed as it was received by the workers. The new system was this: out of the 100,000 the workers gave themselves a bonus of 40,000. This was subject to tax. After the bonus was paid, 60,000 was left. 50% of this had to be paid to the government, but it was only 30,000 instead of 50,000, once again leaving 30,000 guilders over for the reserve.

Case Study No. 3: Advies Groep Mens En Organisatie

Mr. Cassee is the Vice-President of the ABC. He came into his office in a beautiful old house on the canal in Amsterdam, one of the many with which the city is adorned, just about the same moment that we did. He had been walking fast from the central station. It is about four minutes from his office through the 'red light district' as he put it. He is a short man with a face largely covered with beard. Very energetic. Very forthright manner of speaking. He is a former professional soldier who'd retired or at any rate resigned early, it seemed partly because he did not approve of the involvement of Holland with nuclear weapons. He said, that although the government denied there were nuclear installations on Dutch soil, he knew there were because he used to be responsible for some of the stores that went onto the sites when he was in the quartermaster general's office. The installations were all guarded by American soldiers, not Dutch.

He said that the body he worked for was very much a co-operative. They do not want to advise managements. They want to advise people at every level. As an example of the sort of work they did, he said that for some years now he and his colleagues have been advising the Labour Inspection Department of the Ministry of Social Affairs. It's a five-year project. The Labour Inspectorate have had a narrow view of their functions. He and his colleagues had been trying to help them to take a wider view of the influence they could have on the quality of work in the places that they inspect as well as its safety.

His body had been established with eight members. They are all employees, shareholders and members of the board. The legal constitution is that of a company. They chose this in order to prove that self-government can work in an ordinary company. Only workers can be shareholders. On the board each

man or woman has one vote irrespective of the amount of shareholding he or she has. That is in the constitution. In practice each one has the same shareholding.

The methods they use for their consultancy mirror their constitution. They are different from other consultancies. They are well known in their trade for their democracy.

As another example of the work they are doing he mentioned the reorganisation of the Personnel Department of the Free University of Amsterdam. Yet another was the construction company known as GCB. It's the oldest co-op in Holland. They go back to 1922. It now has about 140 employees. He and his colleagues had helped them to make a policy plan for the next five years which could be, and indeed had to be, discussed with all the members of the group. He thought GCB had a good collective leadership and did not need a manager or a clearly demarcated management of any sort.

The priority in most organisations is that the manager should have the right 'feeling' of responsibility about what decisions he can take and what decisions he needs to share with others. The elected members of the board need to have the right feeling too. The formal constitutions do not matter so much. What matters always is how things really work in practice. He instanced a firm he knew well which was started by one man and now has 120 employees. It is really a democratic firm, much more so than some of the co-ops he knows. The employees have a real feeling of 'we'; he knows co-ops with no feeling of 'we' at all. In that firm the profits are distributed just as they would be in a co-op with the same amount going to each person irrespective of his salary or what he has contributed during the year.

All this is not to say that legal ownership does not matter. It matters for instance that in a co-op it is not possible to sell out. The whole 'company' cannot be sold out to some other larger or different firm or taken over without the workers themselves wishing it.

'You can't set up a co-op for anyone else. You can perhaps help with advice, that's all. Generally people are much too keen on rules.'

One advantage of co-ops is that they are much cheaper to set up than an ordinary company. There has been a rash of very small companies set up in the last years made up of one or two people which are expressly concerned to avoid taxes. In order to prevent that the State has laid it down that a new company has to issue at least 35,000 guilders in shares. There was no such provision for co-ops. There are virtually no costs in setting them up.

Ordinarily a trade unionist is not the right person to advise in a time of crisis for a commercial organisation. He does not have the right frame of mind. And he does not feel altogether happy when people work far beyond the ordinary trade union hours at less than trade union wages. But it may be quite essential that people should be willing to work for 70 hours a week at any rate for a period in order to preserve their jobs. The willingness to work hard is a great asset. In times of crisis people are able to change their attitudes more readily than at ordinary times.

He said about GCB that they probably have kept on more people than they should. It was easy to see that co-ops could save some ailing firms. It is also clear that because they are committed to the maintenance of employment they avoided sacking people when a capitalist firm in similar circumstances would have little compunction about doing so. Some of them may have rules about not being able to dismiss any member. 'Who is firing who?' is a very important question in a co-op. If it has to be done, people like to make the directors responsible for it instead of taking responsibility themselves. No co-op has collapsed in the last ten years to his knowledge.

His consultancy firm was started in 1974. They were almost immediately in difficulties. The eight founders came from a large management consultancy firm whose methods and attitude they did not really approve of. They came with rather high salaries. He himself had a salary of 3,300 guilders a month when the new co-operative was formed. He had to reduce it to 2,500 to make it possible to survive. Other people took similar cuts. One member borrowed money, or at any rate was willing to on the security of his car in order to put it into the co-op.

They decided early on that everyone would have the same salary. As a result of this, over the years something like five people had left them. There is only one exception to the rule of equality. They do allow older people to get larger salaries than younger, although the difference between the top and the bottom is only about 15%.

He thought that it should be laid down in the constitution of any co-op that every worker should have the right to be a member from the very first day. There should be no probation period and no conditions. This is psychologically very important. A co-op should not have any employees. The present constitutions of many co-ops have too many loopholes in them instead of making it absolutely clear that every worker has a right to be a member. Also the law should provide that once a co-op has been created it cannot be transformed into a capitalist or other organisation.

Then again back to his own consultancy. He said the seven members there are at the moment meet every Monday morning. There are two sociologists, one psychologist, one technologist, one economist and one former army officer, namely himself. The Chairman changes each week and the Chairman does the minutes on his own meeting. The Chairman has to lead the discussions and stop them when he likes. Everyone is equally but informally responsible for the management.

On the question of size he said this is a matter of organisational philosophy. He thinks people ought to be able to meet each other. But you could sustain a fairly large undertaking if it was imbued with 'small thinking'.

He recognised that not everyone could work in the way that they do. They had chosen out of the 100 or more staff of the consultancy firm from which they sprang the eight they thought would be especially suitable for it. Even so they had lost five. Given the way people are brought up and given the way that most organisations operate, it is perhaps not surprising that so few people are able to operate a genuine co-operative.

The most important file of all in the office is the day report. This is contributed to by all members of staff. Everyone has a duty to write in it and other people have a duty to read it. 'Sometimes people say to me that I am only writing - I don't put enough in. I say that I am only writing for myself. It's of no general interest. But they say we'd like to know about it.' The minutes of the weekly meeting also matter. Everyone has their own copy.

Case Study No. 4: King Nobel Co-operative

This co-operative in Zutphen makes clothes for babies and young children. It employs 25 people. Five of these are part-time. We talked to Freek Clappers, who described himself as the overall manager in charge of finance, planning and the co-ordination of work. The sales manager is Mr. Nobel himself, a third man is the works manager and another man was the maintenance man. The rest of the employees are all women. The most important of them is probably the designer who works part time. Mr. Clappers described her as 'not an expensive designer'. It must be in part due to her that they are now looking as if they are going to make a success.

This co-op started as a result of a business failing. It was a family firm owned entirely by Mr. Nobel who founded it. About a year ago he had such a problem of debts that he could not pay his workers. The whole factory was about to close down. It could not compete with Hong Kong and Taiwan. These problems had been evident for about 3 years and they had brought in a designer as a part-time worker for 3 days a week. But this cost money and Mr. Nobel did not have enough money to pay for the changes

he wanted to make. They had decided to go up-market and make more luxurious clothes. The problem was now how to sell these clothes and to find a secure market for them.

When the firm was on the verge of going into liquidation the suggestion that they should turn it into a co-op came from Mr. Addink, who was the union organiser for the FNV to which the workers belonged. The sequence of events was as follows. In May 23 people were employed by the old factory. On the 14th May the old firm went into liquidation and the factory closed. Of the 23, five left because they did not believe in a co-operative, while two were unwell and therefore decided not to stay on. The 16 others opened the new co-op on the 19th May. Nine new workers joined them. On the 3rd June they became a legal co-op. The new co-op bought the old company from the liquidator. There was no tax paid on the changeover. The local government helped them with finance by offering a loan at 10% interest to be repaid out of the profits when possible. This loan was 50,000 guilders. They also bought the machines from the old company on HP terms and had to pay 59,000 guilders for those. They were the first factory to apply for a loan to the local authority. Within a week 47 others had asked for similar facilities. There is now a development board to help small businesses as part of the local authority.

The workers did not put in any money themselves but they offered to work more hours than they had before for the same wages, so that in effect they were contributing a certain amount of free labour. They did this for three months until the company got onto a better financial footing. Each worker did 6 hours a week unpaid.

Mr. Clappers said that there had been many problems at the beginning. He himself had been financial administrator in another factory previously and then worked as a social worker with young people. The trades union organiser had asked him to take on the job because he had many connections with members of the ABC and was very interested in co-operatives. He said that at first none of the workers knew what a co-op was. Everyone wanted to be a leader. He said 'Practice isn't like theory. In the beginning it's difficult to get started. There are many ideas. People have to try it in practice. It takes a long time to grow up in the co-op movement.'

He said it took three months to develop a proper managerial system. The factory workers do not have any managerial know-how or sales experience. They have had to learn it all from scratch. They had five advisers as follows:

1. The Trades Union organiser
2. A representative from ABC
3. A representative from the local Chamber of Commerce
4. The local authority specialist adviser on textiles
5. Someone from the small businesses development board

Three of these five advisers (numbers 2, 3 and 5) form the board members of the co-op. Because of the problems we had been told about previously to do with social insurance, workers cannot yet both be on the board and receive social insurance. So they have no elected board as yet. The existing three-persons are unpaid. They have open meetings to which anyone in the company can come. Membership of the co-op is open to all workers after they have worked for two months. At the moment all are members. Most are also union members. There is no workers' council as there are under 100 people employed in the factory.

They work a five-day week from 7.30 to 4.30 on a shift system. They don't need more hours than that to keep up with their orders.

The setting up of the co-op was done as a crisis measure. They only had two-three days to prepare this. Nobel himself could not get a loan because of the bad state of the company's books. He owed too much money. A new company had to be started. The advisers listed above persuaded the local government to make the loan and local MPs to ask questions in Parliament. The actual negotiations for the loan were conducted by adviser No.3. The bank allowed an overdraft while the loan was being arranged. In order to set up a co-op the ABC needed to send one person full time for four weeks to help them. This posed a great problem because the ABC has no full-time staff as yet.

Cash flow is a headache. Because of the firm's bad reputation they cannot obtain credit for raw materials. There is a three-month gap between the orders' payments being met and the time when they are delivered. There is also a problem about the timing of the new designs. The summer collection is ready in January but they cannot get any cash back until September. So it is with the winter collection. In spite of these difficulties Mr. Clappers thinks they will survive. They now have orders for four months ahead which is good for the textile industry at this moment. This is why the bank is allowing them to have the necessary overdraft. In the past they had sold 80% of their production to one firm, C & A. Now they only sell them 60% and the other 40% to other outlets. The old owner, Nobel, was kept on because of his contacts and know-how about the whole business. Now he specialises in sales instead of trying to cover the whole management. In the financial year 1979, the loss under the old management was 150,000 guilders. The current loss, between May 1980 to December 1980, was 35,000 guilders. He thinks they may break even by August or September and then make a profit in the following year if things continue as they are.

We asked what difference the changeover had made to the workers. The main one he could point to was that the sickness rate was 10% less than before. He thought there would be a

problem in getting the workers to take an interest in management since most of them were young girls who had left school at 15 or 16 years old. However, when we spoke to one of the older women she said she liked the co-operative system better - it gave you a feeling that you were working together and for yourself which was not there before. She said she herself would be interested in discussions about future planning.

Case Study No. 5: Twee Jaar Sara (Two Years - Sara - taken from a report produced by the co-op itself)

Why a feminist publishing house?

1. To control the profits made from feminist books
2. To eliminate the alienation one finds in most jobs
3. To create jobs for women - particularly those with skills in publishing, but who had become disenchanted with that field

The co-operative began with women who had worked in publishing. All participants would attend meetings and work in diverse ways. Everyone would share in both management - intellectual - tasks as well as manual work. The group should not be too big so that decisions could be made effectively. Most women taking part described themselves as socialist-feminists. They wondered if they would have the energy and finances to start an independent publishing house, or whether it would be wiser to join an existing one. They contacted the small publishing house, Bold Mina, and found their ideas so similar that they decided to become one house. They had difficulty deciding on a name, then when after a meeting Sara the cat walked in they named the house after her.

One of the first problems was money. They applied and secured a grant from the Ministry of Cultural Recreation and Social Work for Fl 200,000 with the condition that an independent accountant would control their books. They were also supported by the feminist movement. They accepted many small loans offering 6% interest with promise to repay in 5 years. They collected Fl 150,000 in this way, and decided that was enough to start. They also started a foundation in order to apply for grants. The wider aims of the foundation, Sara's Mother, is to stimulate women to express their thoughts in writing.

They agreed to work on an equal basis. They did not want a company with a director at the top, a group of stockholders who make decisions simply because they have money, then employees at the bottom. They wanted to have approximately the same income for everyone with consideration for personal situations, e.g. children, also distance from work. The initial group consisted of 13 women all of whom would be equally responsible for the

collective. Evaluated later on, this decision turned out to be naive for some were far more energetic and motivated than others. They were too accepting and not sufficiently critical of each other. However, they wanted to avoid a role structure, hiring procedures with fixed selection criteria, etc. as in normal companies. They found that the most important thing working in such close collaboration was that they personally like each other.

They decided that the collective would make all important decisions such as which books to publish and how to divide up the work. They agreed that one member should be full-time employed, the others began on a freelance basis or worked voluntarily. There were many tasks to be done - reading of manuscripts, translating, editing, typing, packing, cleaning.

They felt that all women should be paid properly for the work they do, but in starting out it was clear that they would need many volunteers. As time went on they reached a decision as to which tasks specifically should be done on a freelance basis, which ones voluntarily, and which ones by a full-time employed person. They were able to provide more full-time employment and paid themselves a basic wage of Fl 1,700 per month after tax, a relatively low income.

At present five women are on a regular salary. Packing, reading manuscripts, attending conferences and book fairs, and arranging meetings are done voluntarily. Writers, translators, and illustrators are paid on a freelance basis. They are reluctant to employ more women, for that might force them into a purely commercial operation, and too many people would be dependent on the house.

In the beginning everyone shared in all areas of work. This was a good arrangement to cover absences through illnesses and holidays, but it was found better to take into consideration each person's skills and preferences. So some division of labour has evolved. The five employed women rotate the secretarial work; and each spends one day a week doing unpopular odd jobs. The work is discussed regularly at a weekly meeting. Once a fortnight the entire collective gets together, and every year they spend a weekend reviewing the entire business.

A problem arose in that the law governing foundations forbids that employees are also directors of their company. The employees reluctantly resigned, but feel that this severely compromises the whole point of the co-operative. They are trying to get around this ruling.

The collective has established 'workgroups' made up of members as well as outsiders. They propose ideas for books and run associated activities, e.g. a children's group and an art group.

The collective is reviewing the voluntary situation and may have to put packing and cleaning on a freelance basis.

The first pressures really began as members started to notice differences in commitment. They have found that regular meetings are essential and as important as office work. If members miss meetings, decisions have to be discussed all over again.

Much time and energy goes into personal relationships. They have learned that they must be clearer in what they want from each other. Criticism should be expressed before it turns into personal conflict. However, so much time is spent in discussing internal workings that essential tasks do not get done.

The original group has held together - only three have left of the 13 founding members. The co-operative has become firmly established.

EUROPEAN CO-OPERATIVES

Perspectives from Spain

Robert Oakeshott

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1. The Mondragon Group of Co-operatives - Overview

It is difficult to resist the conclusion that the industrial enterprises which are at the heart of the varied group of co-operatives centred on the small town of Mondragon in the Basque provinces of Spain are qualitatively different from all similar ventures elsewhere. Over a period of roughly 25 years their total individual employment has grown from a score or so to 18,000 and the number of industrial enterprises has grown from one to eighty-three. Moreover with only a small minority of exceptions we are dealing with new co-operative ventures started from scratch rather than with the conversion into co-operatives of pre-existing capitalist undertakings. Even the critics of Mondragon must acknowledge that the group has been quite exceptionally successful in that most difficult of all entrepreneurial tasks: the formation of new and durable businesses.

This job creation achievement is worth highlighting at the outset of any discussion of the Mondragon group. It is also important to be clear that despite the ferocity of the current recession, which is especially severe in Spain's Basque provinces, the group remains committed to sustained further job creation in the future. Its latest five-year plan foresees the creation of new jobs, through the expansion of existing industrial co-ops and the start-up of new ones, at an annual rate of 1,000. Of course the actual outcome may fall below the target. But there is no reason to doubt that the group remains genuinely committed to what it calls its 'open door policy': the policy of expanding industrial employment in co-operative ventures.

But the qualitative aspect of the group's job creation achievement is worth at least as much attention as the numbers. Two points stand out. The first is that unlike the vast majority of industrial co-ops elsewhere in the world and in past history these Mondragon enterprises are characteristically not engaged in petty artisanal activities. We are dealing rather with a group of manufacturing businesses. There may be no examples of the highest, or the most capital-intensive technologies - no computer manufacture and none of the new biology-based industries. But we are nevertheless dealing with high quality manufacture in consumer durables, in capital goods and machine tool building, and in a wide range of electronic and other components. Broken down by sector at the end of 1980 the largest sub-group among the industrial co-ops was engaged in component manufacture:

<u>Sector</u>	<u>No of co-ops*</u>
Capital goods (including machine tools)	24
Consumer durables	18
Foundries and forges	7
Components (intermediate goods)	29
Building materials (and construction)	5
	<u>83</u>

Second, and at least up to the middle of 1981, the failure rate of the new businesses launched under the auspices of the Mondragon group has been virtually zero. The only actual failure occurred not among the industrial co-ops but when a co-operative of fishing boats was ill-advisedly encouraged to launch itself. Among the manufacturing co-ops there has been no case of actual failure. But perhaps it would be truer to say that none of these ventures has been allowed to fail. Where failure has threatened recourse has been had to more or less drastic remedial measures. Frequently the top management of the threatened business has been replaced. In at least one case an entire product line has been discontinued and new products have been supplied to new markets.

I shall look briefly in a later section at the key supporting institutions which the group has developed and which have clearly been crucial to its success. I shall also glance at the non-manufacturing co-ops in the group, its chain of consumer stores, its co-operative schools and housing organisations, its agricultural co-ops. But none of that should detract attention from what is the group's main and outstanding achievement over the 25 years since the first manufacturing venture, Ulgor, was established in 1956: the creation of a dynamic and highly successful cluster of medium-sized industrial ventures.

* * *

2. Short early history

There is no particular controversy, either ideological or otherwise, about the main facts in the group's history. The following account is drawn from various sources. The direct quotations are from a paper by Sr Antxon Perez de Calleja who was, for ten years or so up to the end of 1980, chief executive of the 'Empresarial'

* Caja Laboral Popular, Annual Report 1980

(or management services) division of the Caja Laboral Popular (CLP) - the bank which was established in 1959 to cater for the financial and technical assistance needs of the actual production co-operatives.

"Formally, the Mondragon experience began in 1956 when Ulgor, the first and still the most important of the co-operatives, came into existence. But to understand why the movement was born one must go back another 15 years.

At this period the Basque country was in ruins having supported the losing side during the Civil War. Politically and economically broken, individual suffering was acute: death, exile and imprisonment had taken their toll, particularly among the natural leaders of the community.

Such was the position when a priest (Fr Jose Maria Arizmendiarrieta), who had himself fought in the Civil War, arrived in the small town of Mondragon. Much influenced by the social doctrine of the church, he sought to heal the wounds inflicted by the war by ministering to the social and cultural needs of the suffering population ... Fifteen years went by before it was decided to set up the first of the co-operatives. These years were nevertheless essentially devoted to a preparatory co-operative endeavour: training the managers of the future. These men were busy acquiring university degrees in engineering.

Following the reformist doctrine of the church, their first efforts to bring about social change were channelled into pressing for an internal re-organisation of the firm for which they worked. (This was the Union Cerrajera, a steel-making firm and then easily the largest enterprise in Mondragon). Having tried in vain to persuade the Union Cerrajera to change its capital structure, they finally decided (in 1956) to leave and set up their own enterprise. Up to a point it was pure chance that this enterprise became a co-operative. A co-operative was the only type of legal entity recognised under Spanish law which corresponded at all closely to what they wanted to do and the basic social principles which they wished to build into the enterprise structure".

Several more general background factors need to be taken into account if we are to understand clearly what made possible the establishment of Ulgor and the earlier development of Fr Arizmendiarrieta's technical school. The town's industrial tradition is of cardinal importance in this respect. "... The Mondragon experiment has taken place in a highly developed region with a long

industrial tradition." The tradition can be traced back to mediaeval times when furnaces in Mondragon produced much of the steel which was subsequently beaten into swords in the famous workshops of Toledo.

It is also worth emphasising that in the fifty years which preceded the outbreak of the Civil War trade union activity had grown strongly in the town. There was a tenaciously fought strike and lock-out at the Union Cerrajera in the early 1900s; and the Mondragon workers sent a contingent to support the rebellious miners of the neighbouring Asturias region during their short-lived revolt in the early 1930s. The international trade union left has, with some notable exceptions, been more suspicious of than enthusiastic about the Mondragon group in recent years. But there should be no doubt about the fact of the town's impeccably 'working class record' from the arrival of industrial capitalism in the late 19th century to the start of the Civil War.

Chris Logan, in a forthcoming book which he has jointly written with Henk Thomas, draws attention to the fact that the Basque trade unions - and the region's labour movement more generally - showed an unusual interest in the possibility of co-operative ventures in the 1920s and 1930s. On the other hand there is no very clear evidence about the extent to which this earlier co-operative thinking was an important influence on Fr Jose Maria Arizmendiarieta or on the founders of Ulgor. It is also unclear to what extent the traditional values and practices of pre-industrial Basque society should be seen as contributing to a pre-disposition towards co-operative ventures. Peasant thrift has doubtless been an important factor behind the group's success in mobilising local savings. It is perhaps also plausible to suggest that there is some congruence between the combination of rugged individualism and small village solidarity, characteristic of traditional Basque agriculture and the combination of values which underlie the Mondragon co-operative structures. But the precise nature of any direct linkages - assuming that there are some - is another matter.

Two further sets of points must be included in any summary of the relevant background. The first is in some sense negative. At least in private conversation the founders of Ulgor will readily concede that the absence of any developed welfare state in Franco's Spain of the 1940s and 1950s and the outlawing of independent trade unions under his regime was more helpful than unhelpful to the early development of the Mondragon group. Second the group has undoubtedly benefitted from the excellence of Franco's co-operative laws and from the favourable tax arrangements which such enterprises enjoy. In a sense it matters not that the intended beneficiary of this legislation and those tax arrangements was agricultural and not industrial co-operation. For the benefits to

Mondragon have been both real and large. Unlike co-operative law elsewhere in Europe, Spain's legislation effectively insists that there should be an identity (or near identity) between those who work in a co-operative on the one hand and those who own and control it on the other. Spanish co-operative law is superior in other more detailed respects as well. It is also true that co-ops enjoy a complete holiday from corporate taxation over the first ten years.

Common sense suggests that it would be methodologically wrong to seek out in a discussion of the relevant background one factor or set of factors as pre-eminently important in explaining the formation of the first co-operatives at Mondragon. For what it's worth, on the other hand, Fr Arizmendiarrieta himself used to place the greatest emphasis on just two: his own insistence on the need for high quality technical education and his own commitment to the progressive social doctrines of his church.

* * *

3. From the late 1950s to the middle 1970s

By 1960 there were a total of eight industrial co-ops, including Ulgor, and they employed together between 300 and 400 people. The subsequent growth of the co-ops' industrial employment down to the middle 1970s shows a sustained and dynamic upward trend.

Industrial Employment by Mondragon Co-operatives 1961-1975*

1961	395	1969	7,945
1962	520	1970	8,570
1963	1,780	1971	9,416
1964	2,620	1972	10,055
1965	3,395	1973	11,621
1966	4,202	1974	12,491
1967	5,082	1975	13,169
1968	5,981		

There is a similar growth over this same 15 year period in the number of industrial enterprises and once again it needs to be stressed that, with a small minority of exceptions these were new start-ups rather than conversions.

* Robert Oakeshott, The Case for Workers' Co-ops, Routledge & Kegan Paul, 1978

Nos. of Mondragon Industrial Co-ops 1961-1975*

1961	12	1969	46
1962	18	1970	46
1963	29	1971	48
1964	32	1972	49
1965	36	1973	52
1966	40	1974	59
1967	43	1975	60
1968	44		

Ulgor, the first co-operative, has been throughout and remained far and away the largest of these enterprises. By the middle 1970s its employment total was already close to 3,500. Employment in none of the other co-operatives has ever reached four figures. A breakdown by employment totals early in 1974 was:

<u>Employment numbers</u>	<u>Numbers of co-operatives**</u>
0 - 100	26
100 - 250	14
250 - 500	11
500 - 1,000	6
1,000 plus	1

It is worth emphasising that had it not been for a policy of hiving off detachable parts of Ulgor its total employment by the middle 1970s would have been not much less than 1,000 larger. Two of today's larger co-ops, Fagor Electronic and Fagor Industrial, were originally part of Ulgor. Together with Ulgor and three other co-operatives they now form the sub-grouping Ularco which has developed an array of common services and has established a set of tight links between its member enterprises. The rationale of Ularco is clear: it aims to enjoy the economies but to avoid the diseconomies of scale.

In their forthcoming book, Henk Thomas and Chris Logan are able to compare the performance of these Mondragon co-ops in the late 1970s with the performance of a control group of conventional capitalist firms. Their results suggest that by most measures of efficiency the co-ops have been out-performing their competitors. The performance of the co-ops has been especially impressive in the sectors of domestic consumer durables - in which Ulgor has achieved a leading position in the Spanish market (and increasingly, as we shall see in export markets) - and in machine tools.

* Robert Oakeshott, op. cit.

** Alastair Campbell, Charles Keen, Geraldine Norman and Robert Oakeshott, Worker-Owners: The Mondragon Achievement, Anglo-German Foundation, 1977.

4. From the middle 1970s to the end of 1980

Ignoring for a moment the current recession and its effects, the record of the industrial co-ops over the last five years can be most simply presented in statistical form.

	Employment nos.	Sales Pesetas m	Exports Pesetas m	Investments* Pesetas m
1976	14,510	24,833	3,007	3,578
1977	15,716	34,119	4,115	3,977
1978	16,230	43,753	5,884	3,671
1979	17,128	57,099	9,040	4,262
1980	18,058	68,705	13,504	4,251

Perhaps the most impressive aspect of this record of the last five years is the expansion of exports as a percentage of total sales. From barely 12% in 1976 these had risen to over 18% by 1980. The current group assessment is, of course, that impressive as this expansion has objectively been, it is going to be vitally necessary to achieve much higher export percentages in the future. The current five-year plan sets a target figure of 25% of total sales by the middle of the decade. Given the amount of work which is being devoted to the development of promising new markets - in Mexico, Venezuela and Algeria, for example - it is not altogether unrealistic to suppose that this target will be met.

The total working population of the three provinces of the autonomous Basque region, together with the semi-Basque province of Navarra, amounted to some 800,000 people at the end of 1980. Thus even if the non-industrial employment of the group is taken into account - in the consumer stores, in the schools, in the agricultural co-ops and so on - Mondragon currently provides employment for not much more than 0.25% of the total Basque labour force. On the other hand its percentage share of Basque manufacturing employment is more than double that. And in those sectors in which it is most developed - domestic appliances and machine tools for example - Mondragon's share of output and employment is significant not only within the Basque country but within the Spanish economy as a whole.

Two final points are worth making about the state of the key industrial enterprises in the Mondragon group in the middle of 1981. The first is that while unemployment across the Basque region averages 15% the industrial co-ops have so far managed to avoid declaring a single redundancy. They have done this partly by cutting profit

* Caja Laboral Popular Annual Report 1980

margins almost to nothing, partly by redeploying labour between different enterprises and partly by persuading themselves to make additional capital contributions to their own enterprises and to accept increases of nominal income which fall below the rate of inflation. Moreover the view of senior management is that though there may have to be temporary lay-offs the recession will be weathered without any permanent redundancies. So it seems that the co-operatives enjoy a comparative advantage when it comes to preserving existing jobs as well as in the creation of new ones. As to the latter, the target of 1,000 extra jobs annually over the period of the current five-year plan has already been mentioned.

But finally the proper statistical and quantitative emphasis in any account of the Mondragon industrial co-ops in 1981 must not allow the quality of the whole operation to be obscured. By comparison with all or almost all jobs in industrial co-ops elsewhere the quality of those in the Mondragon group is in a different league. To understand why we must look first at the key supporting institutions which the group has created: the bank with its management services division, the Polytechnic and professional training school, the social welfare organisation LagunAro and the research agency Ikerlan.

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5. The Caja Laboral Popular

The dynamism and the success of the Mondragon group cannot be understood without taking full account of the contribution which has been made by the CLP. According to Sr. Perez de Calleja it has three main roles:

"The Caja is the headquarters of the movement, the centre round which the group of enterprises is organised. This means that the Caja gives cohesion to the movement as a whole; it lays down rules and co-ordinates both the activities of existing co-operatives and new initiatives.... Even with the individual enterprises that are autonomous and self-governing, it is important to see that they remain committed to the same social principles; the maintenance of these principles is a condition of association with the Caja. The group must have fixed guidelines and objectives; this is the very reason for the movement's existence.

"The Caja, as a financial institution, is responsible for finding the funds required to sustain and extend the co-operative experiment. It became apparent at a very early stage that the co-operatives were not themselves capable of raising the finance to back future development, their individual investment programmes, let alone handle the equally acute problem of day-to-day liquidity. Without the Caja the group could not have expanded so rapidly. It has become an instrument for channelling local savings towards an end eminently desirable from the point of view of the community, namely the creation of jobs.

To those two roles, overall direction and banking services, a third was added in 1960 - management consultancy and promotion. This embraces advising existing co-operatives on the whole range of management problems and helping to launch new enterprises.

Financial support, however indispensable, is not enough to ensure the continuity and healthy expansion of the co-operatives. For this, technical assistance, promotional and organisational advice must be constantly available, the object being to guarantee the optimum use of resources and to see that the Caja's objectives, specifically the creation of new jobs, are not forgotten. Further since risks cannot be spread (the Caja having only a small number of active clients) members have to be carefully watched, their informal guarantee to operate on a profitable basis in the only security against which loans are made."

The headquarters role of the Caja needs no special description. But it is worth making clear that the main instrument by which commitment to the group's basic principles is maintained is the Contract of Association which the Caja signs with all the directly productive co-ops. The Contract of Association spells out, among other things, the key organisational, financial and other guidelines with which the production co-ops must conform. They will be considered under the heading of structural features below.

Turning to its financial role, essentially as a mobiliser of local savings for investment in co-operative employment, there can be no doubt that the Caja has been an enormous success. A useful proxy for its overall growth is provided by the increase in its own resources, capital and reserves, over the fifteen years to end 1980.

CLP Capital and Reserves 1966-1980 in millions of pesetas*

1966	60.5	1974	1,069.3
1967	73.1	1975	1,519.5
1968	151.3	1976	1,982.2
1969	236.9	1977	2,612.7
1970	311.9	1978	3,377.2
1971	415.8	1979	4,991.2
1972	572.2	1980	6,117.9
1973	778.0		

During the same fifteen-year period the number of the bank's branches has risen from 26 to 103 while the number of its savings accounts has grown from just over 20,000 to roughly 300,000. More important perhaps are two points of a rather different kind. First, since the early 1970s, the bank's resources available for new investment have consistently exceeded the amounts required by the group's development programme. Secondly, all through the inflationary years of the 1970s, total deposits with the CLP have grown faster than the rate of inflation and the bank has increased its share of total Basque savings. In effect the success of the CLP as a mobiliser of local savings and thus as a source of investable finance has reversed the normal comparative disadvantage of industrial co-ops in the matter of access to capital. Both in today's world and for most of their history, industrial co-ops have been at a disadvantage, compared with conventional business, in their access to new capital. At least since the early 1970s the opposite has been true of the Mondragon co-ops.

It is tempting to make a similar judgement in relation to professional management. Partly because of the high-level team which has been built up in the Empresarial (or management services) Division of the CLP, partly because of the place assigned to management in the co-ops' structures, there is little doubt that Mondragon management is now superior to that of its conventional competitors. Here again we have the reverse of what has been and remains normal in the experience of industrial co-operatives. By the middle 1970s the staff of the CLP's Empresarial Division totalled well over one hundred of whom roughly two thirds were professionals. There were accountants, economists, architects, industrial psychologists, experienced managers and engineers. But undoubtedly the key section of the whole division consisted then, as it still does today, of its 'promotion and intervention' staff. This is the group which has main responsibility for the launching of new enterprises and

* Caja Laboral Popular

for the mounting of rescue operations when danger threatens an existing one. The group is small, currently no more than eight people. They are all engineers by training and they all have direct management experience. Their role in Mondragon's success story cannot be over-estimated. Evidence for it is the record of high-level job creation and the absence of failure which we have already considered.

* * *

6. LagunAro

Under Spanish law worker members of co-operatives are treated as if they were self-employed and are therefore not eligible to come under the state's normal social welfare arrangements. Thus the Mondragon group has been forced to establish its own social security organisation, LagunAro, which was originally a subdivision of the CLP but has operated independently since the middle 1970s.

LagunAro is described and examined in some detail by Henk Thomas in the forthcoming book previously mentioned. What apparently emerges from this study is that both in terms of its welfare benefits and in terms of its unit costs LagunAro is superior to the Spanish state's social security organisation. Assuming that the evidence for these judgements is soundly based LagunAro clearly makes a most valuable contribution both to the cost-effectiveness and to the morale of the group.

* * *

7. Ikerlan

The research and development agency, Ikerlan, is the most recently formed of the supporting organisations which the group has created. It started in business only in 1978 and currently has a staff of about 30. The prevailing view at Mondragon is that it is too early to judge what its long term contribution is going to be. One key area in which it is concentrating attention is robotics. The group's top managers are inclined to argue that the scope for humanising the repetitive tasks of manufacture is rather limited. They are looking rather to the replacement by robots of human labour. But the time scale of any such changes is still far from clear.

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8. Escuela Profesional Politecnica (EPP)

If Inkerlan is the newest of the group's supporting organisations the Escuela Profesional Politecnica is the oldest. It has developed out of Fr Arizmendiarrrieta's original apprentice school foundation in the early 1940s. Today it includes among its courses all levels of technical education from craft apprentice programmes to top engineering degrees.

The doors of the EPP are open to young people with no connections to the Mondragon group. Its part-time courses are open to the employees of capitalist firms as well as to co-operative members. On the other hand for our purposes here its main importance is that it enables the co-operatives to be largely self-sufficient in the supply of high-level manpower. This near self-sufficiency is, of course, achieved as much through the retraining of existing workers as through the training from scratch of new recruits.

Alongside the EPP, though since the early 1970s formally separated from it, is a co-operative (Aleco-op) in which, from their third year onwards, the EPP's students may work part-time. Aleco-op produces components as well as various final products - including equipment for teaching electronics - of its own. It also sub-contracts labour to the industrial co-ops in the group. To the students it offers the opportunity of paying their EPP fees, including fees for board and lodging, and of earning a little pocket money on top. It also offers them an introductory experience of co-operative working. It is clearly a most remarkable and original organisation. Though not centrally germane to this study, Aleco-op might perhaps be one of the best starting points for Mondragon building initiatives elsewhere.

All these supporting organisations, the CLP, LagunAro, Ikerlan, the EPP are, in technical language, 'co-operatives of second degree'. That means that their structures differ from those of the 'base co-ops'. I shall look at the structures of the latter first; and then return to those of the co-ops of second degree.

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9. The structures of the base co-operatives

9.1 Control, organisation and management

Central to any understanding of how Mondragon's base industrial co-ops are formally organised is the crucial distinction between overall policy making and final control on the one hand and executive management on the other. The former is seen as an essentially political task which must therefore be based on a democratic

system of one member one vote. The latter is seen as a quite separate and essentially professional task. Management is, of course, constitutionally subordinate to - and answerable to - the political democracy. But within its own professional sphere it is free to manage - to carry out the democratically agreed policies of the co-ops - without undue interference.

Ultimate sovereignty in Mondragon's base industrial co-ops rests, of course, with an assembly of all the co-op's worker members in which all decisions are reached on the basis of one member one vote. This assembly elects a control board (Junta Rectora) which can be thought of as roughly similar to the board of directors in a share company. The Junta Rectora in turn appoints - and may dismiss - the chief executive, or in the case of some of the larger co-ops, the top management team. Both the members of the Junta Rectora and the top managers are to some extent formally protected against the risks of anarchic or demagogic uprisings - and of stasis - in the sovereign assembly. The former are elected for periods of six years with one third of the membership retiring every two years by rotation. The latter must be appointed for minimum periods of five years.

It is true that the sovereign assembly is free - and must be free - to overrule these provisions. Managers can be, and are, dismissed before the end of their appointed term and directors can be subject to votes of no confidence and be forced to resign. Nevertheless the existence of these quite long terms of normal appointment clearly acts as a check on irresponsible decisions by the democracy. Though there is no question about the constitutionally subordinate position of the top management as against the elected board, in practice the relationship between the two varies from co-op to co-op. On the whole the prevailing view in the CLP is that a base co-op will function better if the board is relatively stronger vis a vis the chief executive and top management team. On the other hand it is worth emphasising that only the chief executive is precluded from being elected to the board. Other senior managers may be and quite frequently are. So it would be a mistake to see the two groups, the top management and the elected board, as quite distinct and in some sense necessarily opposed.

But, of course, the democratic involvement of co-op members in the control of their working lives is bound to be rather limited if it consists mainly of electing board members every two years. To fill this gap the larger industrial co-ops introduced in the early 1970s an additional set of elected representative bodies: social councils. The social councils are elected by

'constituencies' of around 200 members each. These councils, in Antxon Calleja's words "can resolve such questions as concern them directly as workers, or groups of workers (hours worked, wages, conditions of work etc). Not only are problems discussed and formulated in a manner suitable for passing up to the control board for decision, but certain executive powers are also delegated to these councils so, at their own level, they have a real decision making role."

In the early 1970s when the social councils were first introduced the formation of independent trade unions was still illegal in Spain. To some extent they can be seen as playing the part assigned to trade unions in conventional firms. The fact that trade unions have since become legal has so far not affected Mondragon's social councils and has had only indirect effects on the co-operatives more generally. However that issue is discussed at the end of this report.

Two final points are worth making about these control and organisational arrangements in the Mondragon base co-ops. The first is that rights to membership of a co-op's sovereign general assembly are explicitly stated to derive from the fact of working in it. Though, as we shall see, all worker members must also be shareholders their 'political' rights in the enterprise derive from their status as workers and not from their status as shareholders.

Finally it is worth emphasising that, with two minor qualifications, the base co-ops are so structured that there is an identity between those who work in them and those who control them. All workers must be members and only workers can be. The only two qualifications to this fundamental rule are that there is an initial period of probationary employment and that, in order to provide some flexibility in relation to sudden fluctuations in labour demand, the co-ops may hire non-member employees up to a maximum of 5% of their total workforce. With these minor qualifications the fundamental 'identity rule' applies. This is perhaps the single most crucial difference between the Mondragon structures and those of most industrial co-ops elsewhere in today's world and in the past.

9.2 Ownership and participation in profits and losses

Just as the 'identity rule' applies in the case of the control of the base co-ops so it does too in the case of their ownership. No outsiders may participate in ownership as shareholders; all workers, with the same exceptions as for membership above, must do so.

The second point to grasp about the ownership of the base co-ops is that it is split between the ownership of individual members on the one hand and indivisible ownership, vested in the co-op as a collectivity, on the other. Profits (or losses) are split each year as between the individual owners and the collective owner. A part of each new member's initial shareholding is immediately transferred to collective ownership.

The third key point about these ownership arrangements is that the annual profit shares of the individual members must normally be reinvested. An individual member may not normally withdraw his or her shareholding except on departure (through retirement or for other reasons) from the co-op and its membership. These arrangements ensure a very high degree of re-investment.

A member's ownership starts when, following the successful completion of a probationary period, he or she is admitted to membership. He or she must then put up a capital contribution which, after 20% of it has been transferred to the co-op's indivisibly owned funds, forms his or her initial shareholding. This capital contribution may be subscribed in a lump sum, or it may be paid in instalments over a maximum period of two years. Currently the amount to be subscribed for those joining established co-ops is the Peseta equivalent of roughly £1,500. For those joining new start-up co-ops the figure is approximately twice that. Thereafter an individual's shareholding is adjusted upwards or downwards at the end of each accounting period depending on the co-op's results. If these are positive then not less than 20% of the profits must first be transferred into the co-op's collective funds and a further 10% must be allocated outside the enterprise - to social or educational projects in the neighbouring community.

If the results are not only positive but if profits also exceed a certain level in relation to members' direct monthly earnings, then the proportion which must be transferred to the co-op's collectively owned funds rises above 20%. This happens according to a precise formula which is available in the main published sources. On the other hand if the results are negative then the obverse of these rules apply. Not more than 20% of these losses may normally be dealt with by writing down the co-op's collectively owned funds. The balance of the losses must be absorbed by the writing down of the shareholding accounts of individual members. The participation of individuals in these profits or losses is not on a basis of equality. As with the traditional 'patronage dividend' of the consumer co-ops it is differential. Members participate differentially according to the sum of their work earnings in the co-op or the interest due on their accumulated shareholdings. The maximum interest payable is 6% and this will normally be paid in cash. Finally, as a protection against

inflation members' shareholdings are adjusted annually according to a set of indices compiled by the CLP.

The two most measurable effects of these arrangements are, first, a very high degree of re-investment. Normally at least 90% of annual profits are re-invested. Secondly it is easy to see that if a co-op can maintain reasonably profitable operations then individual members will accumulate quite substantial sums in their personal shareholding accounts. Over a 25 year period these shareholdings could easily be, and have been, built up to a level such that they may be equivalent to half a dozen years or more of work earnings.

At the end of this report a number of criticisms and question marks about these membership arrangements will be examined. But here it is worth emphasising their motivational benefits. These and other features are well brought out in a short discussion by Antxon Calleja.

"Many people, even economic theorists, are convinced that loan capital is preferable to the ownership of capital by workers. As far as this argument concerns us we are opposed to loan capital, not only because we have not ourselves adopted that route, but because we consider it to have many negative implications.

In the first place the worker's capital stake is not just a means of financing enterprises; above all it is a means of involving workers in the success of their own enterprise. The psychological attitude of a man who has invested capital, thus putting his own financial position at risk, is radically different from that of a man who has kindly granted a loan; the latter rarely completely identifies with the success of the enterprise he works for.

Furthermore ... the experience of Mondragon is clear: the 15,000 million or so pesetas which worker members have invested, both through initial capital contributions and through the annual investment of profits over 25 years, have played a crucial role in the development of the co-operative experiment and in bringing it up to its present size. If the workers had not made this contribution, and capital had been provided by a bank or outside agency, the Mondragon group could only have grown to half its present size - if the experiment had succeeded at all.

"It is altogether more logical that workers themselves should put up most of a co-operative's working capital, calling on outside resources only during start-up or periods of very rapid expansion. In a non-Socialist country it is difficult to find financial institutions which are prepared to put up capital for a co-operative without having a say in management. This seems to us to mean that loan capital, which makes things so easy for the co-operatives but gives them no financial motivation, is a mistaken course. Quite apart from the fact that it is often an alternative which is not even a real possibility."

9.3 Solidarity - inside the co-operatives and with the community

We have seen that participation in profits (and losses) is differential and linked to monthly earnings. The maximum permitted differential of these earnings is in turn strictly limited. Up to the early 1970s the differential limit was 3:1. More recently the larger co-operatives have allowed themselves, in a few exceptional cases, to raise the upper limit to 4.5. But less than 1% of those working in the industrial co-ops receive incomes at the top limit of the scale, four and a half times larger than the lowest paid. And at the bottom end the great majority of new recruits rise rapidly from the lowest income defined as 1.0 to 1.2 or 1.3. Overall the incomes of more than 80% of the workforce fall between 1.3 and 2.6 on the scale. Antxon Calleja's discussion of these arrangements is once again worth quoting:

"In choosing a 4.5:1 ratio we have tried to hold a balance between the desirability of worker solidarity (implying the minimum variation in levels of pay) and the need for managers and technicians of a high enough calibre to ensure dynamic growth of the co-operative (implying that they must not be paid too far below market rates)."

Current market rates are, in fact, such that Mondragon's top managers could expect incomes at least twice as large as those which are paid in the co-operatives if they worked for capitalist firms. On the other hand, at the other end of the scale the policy is that the incomes of the co-ops must not be lower, and nor must they be substantially higher than those paid in the neighbouring capitalist world. Calleja explains the rationale behind these policies:

"In the first place wages should not be lower than elsewhere because this would reduce the earnings and standard of living of the rest of

the community. At the same time they should not be higher because this would set them apart from workers not involved in the co-operatives."

These wage arrangements can be seen at one level as a form of consensual incomes policy within a local economy. But they can also be seen as an expression of the determination of the co-ops to maintain solidarity with their local community and, more widely, perhaps with the Basque people as a whole. The 10% allocation from the co-ops' profits to social and educational projects in the local community is, of course, a further expression of commitment to that same solidarity. And so, for example, is the policy of welcoming part-time enrolments by workers in neighbouring capitalist firms for technical and other courses at the EPP.

9.4 Structures of the co-operatives of second degree

As noted earlier the key supporting institutions of the group, the CLP, the EPP, Ikerlan and LagunAro are all structured as 'co-operatives of second degree'. As such, and essentially because of their group-wide functions and responsibilities they are owned and controlled not exclusively by those who work in them but by a combination of their own workers and elected representatives of the base co-ops. For example half the members of the CLP's control board are elected by the base co-ops and half by its own staff. Similarly the CLP's sovereign general assembly contains representatives of the base co-ops as well as its own workers.

It is worth emphasising, on the other hand, that those who work for these co-operatives of second degree are required, in the same way as their fellows in the base co-ops, to make a capital contribution on admission to membership. This applies just as much to the technical instructors and professors in the technical school, to the actuaries and others who work for LagunAro, to the researchers in Ikerlan, as it does to the CLP staff.

But there is an important difference when it comes to the profit (and loss) participation of those who work in the co-operatives of second degree. Their shareholdings are adjusted annually by the amount of the average results for the base co-operatives concerned with direct industrial production. These arrangements may be seen as reflecting a commitment to what Fr Jose Maria Arizmendiarieta used to call 'the primacy of production'. They also clearly reflect a commitment to group-wide solidarity. Thirdly, for those who work for the bank, they mean substantially lower profit shares than they would receive if their own shareholding adjustments were based on the results of the bank itself.

In all other respects the position of those who work for the co-operatives of second degree is the same as that of those who work for the base co-ops. In particular they are subject to precisely the same earnings differentials.

* * *

10. The other Co-operatives in the Group

To complete this description of the Mondragon group, the other co-operative undertakings, those which are neither industrial nor co-operatives of second degree, must be mentioned briefly. At the end of 1980 the numbers of these by different sectors of activity were:

Schools	40
Housing co-ops	14
Agricultural co-ops	6
Chain of consumer stores	1
Services and other	5
	<hr/>
Total	66
	<hr/>

Since the end of Franco's regime the group has become increasingly and openly involved in the promotion of schools in which the medium of instruction is the Basque language. These are characteristically controlled by a combination of their own teaching staffs, the parents of their students and elected representatives of the co-ops. It is notable that Basque parents seem ready to send their children to these schools and pay fees for doing so notwithstanding the availability of free places in Spanish speaking schools.

The group's interest in the promotion of housing co-ops is again a fairly recent development. It reflects in part a strong dissatisfaction with the work of private housing developers in the area during the 1960s and early 1970s. However given the group's continuing commitment to the creation of new productive jobs it is unlikely that the resources which it is able to devote to housing will ever be more than modest.

The same is probably true of the agricultural co-ops. As compared with their industrial counterparts these have been only moderately successful and moderately dynamic. It seems that, anyway for the moment, a career in farming is not especially attractive to the more energetic of the Basque country's young people.

On the other hand the group's chain of consumer stores, Eroski, seems to have performed with exceptional dynamism especially during the current recession. It has considerably increased its membership over the last few years. By the end of 1980 the total was 105,000, representing some 15% of all households in the Basque country. Market share has increased in parallel: sales rose by 38% between 1979 and 1980, well ahead of the rate of inflation. This is in marked contrast to the recent experience of consumer co-ops in the U.K. and elsewhere. It may be due in part to the fact that those who work in the Eroski stores participate directly in their control and in the ownership of their profits. That has not, of course, generally been the case in the traditional consumer co-ops. In today's world it seems plausible to suppose that it is the workers in, rather than the customers of, a consumer store who have the greatest real interest in its success.

Finally, among the co-ops classified under services, it is worth mentioning Auzo-Lagun. This enterprise provides catering, cleaning and similar services, to the co-ops in the group. All or almost all its members are part-time women. By all accounts it works well.

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11. Criticisms and Question Marks

To begin with there is, of course, no shortage of criticism from the bureaucratic and collectivist left. These critics, whose thinking has recently been reflected in a Labour Party discussion pamphlet, tend to focus their objections on the degree of individual ownership in the Mondragon structures which they affect to find unacceptable. In many cases of criticism from this quarter unspoken objections are probably even more important; they can be boiled down to the point that the success of the group weakens the forces working for the overthrow of capitalism.

A second set of criticisms has come to the fore lately as the success story of the co-operatives has been drawn to the attention of a wider public and in particular to established trade union hierarchies in the U.K. and elsewhere in Europe. With some notable exceptions the trade union response has been more suspicious than enthusiastic. It would be surprising if it were otherwise. For independent trade unions have played no part in the building of the Mondragon group. More important, the 'free collective bargaining' activities of independent trade unions are clearly incompatible with the successful operation of the co-operatives as they are at present structured. It is important to be clear about this

point. Certainly the senior Mondragon managers are in no doubt about it. And it is very much a topic for debate in the co-operatives at the moment. The probability is that sooner rather than later those standing for elections in the co-operatives will have the right - which they do not enjoy at present - to declare their affiliation either to a trade union or to some other 'interest group'. An example of the latter would be the affiliation to an ecological grouping. But the key point is rather different. Whether or not these changes would constitute 'trade union recognition' it is clear that they would not introduce anything analagous to 'free collective bargaining' into the group's operations.

A third set of criticisms comes from a combination of libertarians on the one hand and those especially concerned with the 'quality of working life' on the other. The creation of the social councils should, of course, be seen as one of the steps which have been taken to meet these criticisms. Experiments which have now been going on for several years and which seek, following Volvo's example, to replace the assembly line by group working, are another. There should be no question about the group's commitment to develop more participatory arrangements and new methods of working which are less repetitive, less mindless and less boring than those of traditional manufacture. Yet this commitment will, it seems certain, continue to be tempered by a hard-headed realism and by giving top priority to the maintenance of existing employment and the creation of new jobs. In this context the research and development work of Ikerlan in the area of robotics probably offers a better clue to the long-term future than the Volvo type experiments.

Finally there is the criticism that while the degree of industrial ownership embedded in the Mondragon structures has so far worked well, it contains a risk of decapitalisation in the future. The argument is that the success of these arrangements when the workforce is young and the group is expanding tell us nothing about what will happen when large numbers of people start to retire and when the co-ops stop growing. When that happens, so the argument runs, the co-ops will be paying out much more to those retiring than they can hope to recoup from the capital contributions of new members. So their financial base will be undermined. There are several answers to these criticisms. The first is straightforwardly arithmetical. So long as it can avoid contracting and so long as it can move towards an even workforce distribution by age, the group need not be over-concerned about decapitalisation. For it can be demonstrated arithmetically that in a steady state, with even numbers of people leaving and joining each year and with an even age distribution in between, the

individual capital base of the group will not diminish. It will remain the same.

The second and more important answer to these criticisms has two parts. The first is that so long as the co-operatives can remain profitable then any problems of their capital base must be seen as essentially secondary and soluble. Secondly we can be confident that if there were ever to be a serious risk of decapitalisation the co-ops would modify their structures to take account of it.

* * *

12. Conclusions

It seems perverse not to acknowledge that the Mondragon group of industrial enterprises offers a success story without parallel among co-operatives in today's world and in history. They have outperformed their capitalist counterparts in Spain first when the local and national economy were growing and now when they are in deep recession.

It seems perverse too not to relate this astonishing comparative success story with the institutions and structures which the group has developed. By their institutions they have overcome the management and financial weaknesses so characteristic of traditional co-ops. By their structures they have secured a much greater identity of interest between the worker and his or her co-operative than has been achieved ever before. Of course there is not much that can be done about those whose objections to the Mondragon model are ideological. But for others it can hardly fail to compel attention and to raise questions of replicability.

There is no theoretical way of settling these questions of replicability. That issue will only be resolved if there are real attempts at replication elsewhere. But it is worth highlighting in conclusion that the balance of evidence has lately shifted against those who see Basque cultural and solidarity factors - rather than the group's structures and institutions - as the crucial ingredient of success. This is because recent studies have shown that a majority of those working in the co-ops value the fact that they are co-operatives more than the fact that they are Basque.

EUROPEAN WORKERS' CO-OPERATIVES

Perspectives from the United Kingdom

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Mutual Aid Centre, London
January 1982

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1. HISTORICAL BACKGROUND

1.1 Reaction to Industrial Revolution

It is no merit in the United Kingdom that Co-operatives, in their modern form with a capital C to denote a distinctive form of organisation, should have developed there first. The country was first in the fully fledged Industrial Revolution of the 18th and 19th century. The new industrialism which Karl Marx described in such painstaking detail in Book 1 of Das Kapital also produced its stock antidotes other than the critics like Marx himself. It produced labour laws to prevent the extremes of exploitation; it produced trade unions and it produced co-operatives. Both trade unions and co-operatives were to begin with expressions of working-class solidarity, were efforts by working people to protect themselves and enhance their interests in a largely hostile environment through mutual aid and support of one kind and another. They both preceded the more or less benevolent welfare state which has appeared throughout most of Europe in the second half of the 20th century. Consumer co-operatives were the means whereby workers could assure themselves of supplies of unadulterated food and other well-made goods at reasonable prices instead of being dependent for them upon employers or shopkeepers who were none too scrupulous. Producer co-operatives were the means whereby they could stop themselves being exploited not as consumers but in their capacity as workers. Both forms were also inspired in part by the desire to preserve the co-operative spirit which had been a feature in the life of the villages from which the new townspeople came.

1.2 From Rochdale

Historians disagree about the originators of this particular reaction to the new capitalism. There were many who could lay claim along with the first great figure, Robert Owen. His Owenite communities were not just single purpose co-operatives: co-operation embraced every facet of life in the communes he started in Britain and in the USA. They lasted only a short time in practice and a very long time in their reputation. They have continued to enjoy the opposite of a succes d'estime. Owen's influence has been long-lasting: it has been felt once again in the last few years when a co-operative for disabled miners in a valley in Neath in S. Wales was called ROWEN after him. He is one of the founding fathers. But it is perhaps inappropriate that a single individual should be allowed to claim the credit for a movement which stresses the values of the community rather than the individual. It is more fitting that a collective should be given responsibility for forming a collective. The group of working men who created the Rochdale co-operatives were the ideal founders. As the Rochdale Pioneers they have been honoured far beyond the shores of Britain, all the more so because they created both a consumers' co-operative and, in their textile factory, a workers' co-operative as well.

1.3 Growth of consumer co-operatives

From its modest beginnings in Rochdale, the consumer co-operative movement expanded steadily for over a century. Over much of this time consumer co-operatives operated on a much larger scale than most other

retailers. Though its market share was and is less than that of some Scandinavian co-operatives, the British consumer co-operative movement was larger absolutely than that of any other country in Western Europe and dominated the co-operative movement as a whole to a greater extent than in any other country. Co-operation was very much identified with retail trading.

Consumer co-operatives grew partly because until the 1930's their trading surpluses were not liable to tax. It was argued that dividends on purchases were a rebate on price and not an addition to income and that ploughed-back surpluses should, therefore, also be exempt from tax. Only interest on co-operative shares and interest on co-operative investments were liable to tax. In the first half of the 20th century many societies paid substantial dividends on purchases and tended to measure their success by the size of their dividends. There was a tendency to plough back a lower proportion of earnings than private retail chains and to seek high margins rather than large volume. Managers were often appointed from inside the movement and paid somewhat less than their counterparts employed by private retail chains.

The impressive achievements of the British consumer co-operative movement were praised by economists; Professor Alfred Marshall served for a year as President of the Co-operative Congress. In the years after the Second World War consumer co-operatives in Europe pioneered self-service which had developed in the USA following an experiment by Mr Clarence Saunders in Memphis, Tennessee, in 1912. However, the consumer co-operatives had difficulty in maintaining their lead in this more capital-intensive type of retailing. Private chains were able to build self-service supermarkets and hypermarkets on a larger scale and achieve greater economies of scale. Moreover, they were able to buy on a larger scale and on more favourable terms. The abolition of retail price maintenance in 1964 intensified competition. The 1958 Independent Commission (whose secretary was Tony Crosland) recommended amalgamations between retail societies in order to achieve economies of scale; and the number of retail consumer co-operatives in Britain declined from 918 in 1958 to 170 in 1981. It is the policy of the Co-operative Union to encourage a further reduction in the number of retail societies until there are only 25 large regional retail societies. Co-operative Retail Services, the organisation that rescues retail co-operatives in difficulties, took over the London Co-operative Society in 1980. CRS now has something like 20% of the turnover of the British consumer co-operative movement. The consumer movement had 1.75 million members in 1901, 6.5 million in 1931, nearly 13 million in 1961 and 10.2 million at the end of 1980. By 1980 its market share had declined to 6.4%. The movement has been on the defensive and it is difficult to know what it can do.

1.4 Agricultural co-operatives

Agricultural co-operatives are not as strong in Britain as in some other European countries, partly because a high proportion of agricultural marketing is undertaken by public boards such as the Milk Marketing Board. Agricultural co-operatives in Scotland, Wales and Northern Ireland are associated in Agricultural Organisation Societies; the Agricultural Organisation Society for England collapsed in the 1920s

and was succeeded by Agricultural Co-operative Marketing Services Limited which is closely associated with the National Farmers' Union. These four promotional organisations come together in the UK Federation of Agricultural Co-operatives which is based at the NFU headquarters in London and is represented on COGECA in Brussels. British agricultural co-operatives increased their trade significantly during the 'seventies. Their market share for the sale of farm products was nearly 14% in 1979-80 and in the same year they had a 10% share of farm purchases of feed, fuel, fertilisers and other farm supplies. There were some 546 agricultural co-operatives in the United Kingdom at the end of 1980. They had 329,528 members, sales of £1,699 million and employed 17,395 people.

Like consumer co-operatives, agricultural co-operatives have had to face tough competition from large companies and have had to plough back a high proportion of earnings. Between 1969 and 1978 the share capital of agricultural co-operatives doubled from £21.4 million to £43.8 million and loan capital increased more than three times from £14.1 million to £45.9 million; their reserves increased more than five times from £8.2 million to £43.7 million. Though sales of the UK agricultural co-operatives are only about half those of retail consumer co-operatives, sales per member are about thirty times as great as those of the consumer co-operatives. UK agricultural co-operatives have a considerable trade with the Co-operative Wholesale Society. The Plunkett Foundation for Co-operative Studies in Oxford keeps a close watch on the progress and problems of UK and other agricultural co-operatives.

1.5 Worker co-operatives

The self-governing workshops of the Christian Socialists in the 1850s were not much more successful than the Owenite communities had been. It was the difficulty of forming industrial co-operatives that could compete successfully with private enterprise that led to the gradual identification of socialism with state enterprise. Many of the early leaders of the co-operative movement such as G J Holyoake and Edward Vansittart Neale, the first General Secretary of the Co-operative Union, were advocates of co-operative production and of worker participation in consumer co-operatives. E V Neale was happy to sit on the same platform with Karl Marx in advocating socialism through co-operative production and was at the same time a life-long Conservative.

The most ambitious attempt at co-operative production in the 19th century was the formation of the Ouseburn Engineering Society at Newcastle in 1873 by Dr John Rutherford. He was a Congregationalist Minister and a Doctor of Medicine, though quite inexperienced in industrial management. High quality marine engines were produced. They were priced too low and the co-operative collapsed in 1875. The co-operative and trade union movements lost a great deal of money; and the collapse of the Scottish Co-operative Ironworks at about the same time cost the Scottish Co-operative Wholesale Society about 10% of its capital. In spite of these setbacks co-operative production continued to be widely advocated and the Co-operative Productive Federation (CPF) was founded at the Co-operative Congress in Derby in 1882. Many new productive societies were formed, especially

after the appointment of Thomas Blandford as Secretary. But there were also strong opponents of co-operative production and of workers' participation in consumer co-operatives, most notably J T W Mitchell, the redoubtable President of the Co-operative Wholesale Society, and Miss Beatrix Potter, later Mrs Sidney Webb, who published her book The British Co-operative Movement in 1891. She argued that productive societies were inherently unstable.

Productive societies nevertheless continued to be formed and there were more than a hundred by 1900, of which a respectable number survived. In the early 1920s Building Guilds were organised as productive societies and one of them, Chesham Builders, survived for fifty years. Other productive societies were also successful and well-managed enterprises. Equity Shoes Limited, formed after a strike at a Co-operative Wholesale Society shoe factory in 1887, still employed 200 people in 1977 and paid a bonus on wages of 20%. Walsall Locks, founded in 1873, had sales of more than £1 million in 1978. Nevertheless, there has been a steady decline in the number of productive societies in the second half of the 20th century and by 1981 there were only nine traditional productive societies affiliated to the Co-operative Union. The previous year the Co-operative Productive Federation, with only eight members left, amalgamated with the Co-operative Union.

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2. NEW WAVE OF WORKER CO-OPERATIVES

2.1 The worker co-operative movement today

Though there were only so few CPF societies left in existence in 1980, an extraordinary development had taken place in the preceding twenty years. Before explaining the background it may be as well to give some of the figures for the worker co-operative movement today. The fullest list, covering 329 worker co-operatives, was given in the Directory of Co-operatives published by the Co-operative Development Agency in September 1980. This total compares with the 200 enumerated a few months before in the Directory of members of the Industrial Common Ownership Movement. The figures suggest that between 1976 and 1980, 250 new worker co-operatives were established in the UK. This is even more than the 139 which are reported to have been started in France during the same period. In fact, the latest ICOM figures which have not yet been published suggest that a further 138 new worker co-operatives have registered since September 1980 bringing the total to 467 at the end of 1981. For this report we have used the numbers in the CDA survey which were analysed as follows:

a) Distribution by size of workforce

Over 500	1
250 - 500	2
100 - 249	7
50 - 99	8
20 - 49	25
10 - 19	54
Under 10	234

The great majority of new start co-operatives are very small businesses - some operating only on a weekend or part-time basis. The Rochdale Pioneers' Society started in this way.

b) Distribution by turnover

10 had a turnover in excess of £1 million
 12 between £500,000 and £1 million
 12 between £250,000 and £500,000
 16 between £100,000 and £250,000.

The remainder had a turnover of less than £100,000 per annum. This includes many recent formations that had not completed a full year's trading.

c) Distribution by sector

Retail, distributive, catering and food producing	112
Printing and publishing	61
Building, house renovation, house decoration, cleaning and waste recycling	33
Record, film and music making, theatre (including actors' agencies)	28
Engineering, electronics and chemicals	26
Advisory, consultative and educational (including computer software, insurance and language schools)	21
Footwear, clothing and textiles	19
Craft, carpentry, furniture making and joinery	19
Provision and hire of transport, bicycle and motor vehicle repairs	11

Distribution stands out. The great majority of co-operatives in retailing are part of the wholefood network, which is itself part of the 'alternative scene' associated with the ecological movement although in many cases the demand for workers' control is the principal aim and wholefoods simply the means of achieving it. The main ecological groups - the Ecology Party, Friends of the Earth, SERA - all favour co-operatives as decentralised, democratic, responsive and responsible organisations which are likely to have social objectives consistent with ecological principles. The position of printing and publishing as the second largest group is also a creation of the alternative movement. Many co-operatives belong to a radical publishing network involved with community, feminist and other alternative groups.

The third category - building and house renovation - shows more of a parallel between French and British experience. The construction trade unions in Britain have always been favourable towards co-operatives which have been seen as a means of de-casualising the building industry by putting construction workers in control of their own employment. Co-operatives would be a responsible alternative to 'lump' labour taking on labour-only contracts in order to avoid tax.

Among the other groups the record, film, music-making and theatre sector is growing because these ventures appeal to professionals who want the structure of their work to be a way of life, according to a new style. The other sectors are more traditional and include the largest co-operatives such as Scott Bader, Trylon and the Metropolitan Cab Co-operative. The latter is a flourishing co-operative of taxi drivers in London.

d) Geographical Distribution

Greater London	85
North East	47
South Midlands	30
North West	21
West Midlands	19
Scotland	18
East Midlands	16
South West	14
Wales	11
South East	8
Northern Ireland	8

Some 50% of co-operatives are located in only three areas, namely:

Greater London
 North East (Yorkshire and Tyneside)
 South Midlands

Within each of these areas of relative concentration are to be found national and local promotional agencies. On a county basis the greatest concentrations are:

Northamptonshire	14
West Yorkshire	19
North Yorkshire	10
Strathclyde	10
Lancashire	13

In Northamptonshire is located the headquarters of the Industrial Common Ownership Finance, the nearest British approximation to the Caja Laboral Popular in Spain. In Leeds, at the junction of West and North Yorkshire is the Industrial Common Ownership Movement and Beechwood College, the co-operative training centre. Strathclyde has the very active Scottish Co-operatives Development Committee with highly committed full-time and voluntary workers. London has the national Co-operative Development Agency and also a high proportion of the active local Co-operative Development Groups with full-time staff, notably in Brent, Hackney, Islington, Lambeth, Lewisham and Wandsworth. The latest figures from ICOM show that 40 worker co-operatives registered in Greater London alone in 1981, the majority of them in areas such as these where there are local Co-operative Development Groups with paid staff.

2.2 The Scott Bader Commonwealth

How did this sudden spurt of development come about? Its origins can be traced to a strike in 1949 at a small chemical company in

Northamptonshire. The Scott Bader Company, which manufactured (as it still does) polyesters, resins and intermediates, was owned by Ernest Bader and his family. He had come to Britain from Switzerland in 1912. When faced with a strike, Mr Bader called in Robert Edwards, then General Secretary of the Chemical Workers' Union and later a Co-operative Member of Parliament. Mr Edwards suggested that Mr Bader should get to the roots of industrial conflict by handing over the factory to the workers and letting it be run democratically on a basis of common ownership. Mr Bader, a Christian and a pacifist, agreed. So in 1951, 90% of the shares of the company were transferred as a gift to a company limited by guarantee without share capital, the Scott Bader Commonwealth Limited. The workers became members of the Commonwealth company; they were entitled to elect a Community Council which appointed some of the members of the board of the operating company. In 1963 the remaining 10% of the shares were transferred to the Commonwealth company and Mr Ernest Bader was succeeded as Chairman by his son, Godric. After conversion to common ownership the company prospered, employing some 450 people most of whom became members of the Commonwealth. The achievements of the Scott Bader Commonwealth are described by Susanna Hoe in her book The Man Who Gave His Company Away, published in 1978.

In 1958 Mr Bader convened a meeting in London with Mr Harold Farmer, a printer, to form the Society for Democratic Integration in Industry. Mr Farmer had converted his small printing company, Farmer and Sons Limited, to common ownership by transferring all the ordinary shares of the company to a co-operative society of which the workers became members. Mr Farmer described his experiment in the booklet Christian Principles Practised in Industry.

The success of the Scott Bader Commonwealth attracted considerable interest, and while the Society for Democratic Integration in Industry made limited progress, a number of other companies converted in a similar way and became practising members. Among these were Landsmans (Co-Ownership) Limited of Huntingdon (1964); Rowen (Onllwyn) Limited, of Neath (1965); Trylon Community Limited of Wollaston (1968); Michael Jones Community Limited of Northampton (1970); Share Community Limited, London (1973); Sunderlandia Limited of Sunderland (1973); Bewleys Cafes Limited of Dublin (1973) and KER Plant Limited of Moulton, Northants (1974). Some of these companies were organised in the same way as the Scott Bader Commonwealth with a company limited by guarantee holding the shares of a conventional company. Some were organised differently, such as Landsmans in which the workers held shares carrying a limited return but with voting in proportion to shares. They were all incorporated as companies and run in the interests of the worker members.

One famous 'near co-operative' which chose a different legal form is the John Lewis Partnership, a highly successful chain of department stores employing about 25,000 people. As in a workers' co-operative, the return paid on share capital is limited but the Chairman has the right to name his successor and to appoint half the members of the Central Board. It is difficult to know quite how to describe organisations such as these which are very like co-operatives without quite being so. Some of them, like John Lewis, are clearly too hierarchical to be regarded as co-operatives, especially where members have voting powers in proportion to their share-holdings. Nevertheless these new enterprises paved the way for a remarkable development of more genuinely co-operative enterprises in the second half of the 1970's.

2.3 The Industrial Common Ownership Movement

In 1971 the Society for Democratic Integration in Industry changed its name to the Industrial Common Ownership Movement. It published a series of pamphlets about 'common ownership', one of which discussed the advantages of registering in accordance with the Companies Acts compared with registering in accordance with the Industrial and Provident Societies Acts under which most co-operatives in Britain are registered. In September 1975 a Special General Meeting approved some Model Rules for registering common ownership enterprises as co-operative societies under the Industrial and Provident Societies Acts. These model rules were as short and simple as the Registrar of Friendly Societies was prepared to accept and much simpler than the conventional 1969 model rules of the Co-operative Productive Federation. They differed from the latter in a number of important respects.

In the first place shareholdings were limited to one £1 share per member so that the share became a kind of membership certificate instead of a source of capital. In eliminating personal share capital as far as possible the Industrial Common Ownership Movement was to some extent following the example of the Scott Bader Commonwealth where there are no personal shareholdings. The Registrar, however, insisted that each member should hold at least one share. Under the conventional model rules of the CPF there was no maximum shareholding other than the legal maximum which in 1981 was £5,000. Though there is nothing unusual about the ICOM rule of a minimum shareholding per member, a maximum shareholding of £1 per member is very unusual indeed. Most co-operatives need as much capital as they can raise and the ICOM rules effectively mean that co-operatives are completely dependent for their capital on loans, some of which may be short term. Though loans provided by members of ICOM co-operatives may be of a semi-permanent kind and may be subordinate to other loans both for the payment of interest and for the repayment of principal, it is nevertheless likely that a very high proportion of loan capital will have an adverse effect on a co-operative's borrowing capacity.

The second way in which ICOM model rules differed from those of CPF was that they insisted that only workers should be members and that, apart from probationary arrangements and provision for seasonal workers, all workers should be members. With the capital contribution set at such a nominal level, workers were expected to become members after an appropriate probationary period. Membership was considered to be by virtue of work done, not by virtue of capital contributed. By contrast, the model rules of the CPF allowed outside shareholdings and many of the old productive societies had found outside shareholders - consumer co-operatives, trade unions or others - necessary in order to raise sufficient capital. CPF critics argued that such shareholdings undermined the cohesiveness of worker co-operatives and CPF bowed to them in 1978 by producing an alternative set of model rules in which shareholdings are restricted to workers. These have since been approved by the Registrar of Friendly Societies.

The third main difference between the two sets of rules was that ICOM model rules prohibited the distribution to members of any residual assets on winding up and said that instead they should be transferred to another common ownership organisation, to a central fund or to a charity. It was claimed that there is an inherent weakness in the CPF model rules in this respect. So long as a CPF co-operative is trading, the shares of its members are worth no more than their nominal value. But if the co-operative winds up they may become worth very much

more so that outside shareholders, in particular, may be tempted to wind up the co-operative for the sake of capital gain. This 'un-co-operative' behaviour is exactly what took place in the case of Wigston Hosiery in the 1950s, later at Cardiff Printers and, in 1977, at Bristol Printers.

In line with its policy on the distribution of residual assets, ICOM recommends that saving by a common ownership co-operative should be 'collective saving' without any member participation in the growth of assets. This means effectively that saving by the co-operative is sacrifice by the members and, although such collective saving increases the capital of the enterprise, it may mean that too much money is distributed and too little ploughed back. The same danger exists in ordinary companies where trade union pressure for large wage increases may result in too little being left over for investment, for the provision of new jobs and even, perhaps, for the survival of the company. Governments and employers may appeal for restraint, but trade unions know that what is distributed in wages belongs to the workers whereas what is ploughed back belongs to the shareholders. Since co-operatives inevitably find it harder than companies to raise share capital, it is even more important for them to accumulate capital out of earnings. Provision for some measure of workers' participation in the growth of assets when earnings are ploughed back can be an important way of ensuring that investment will be adequate. In CPF co-operatives provision is made for the issue of bonus shares to workers, just as in consumer co-operatives dividends on purchases may be credited to share accounts. There is nothing against this in co-operative principles and it may be a weakness of the ICOM model rules that they make no such provision.

The two sets of rules differ in a variety of other ways. For example, the CPF model rules are much longer than those of ICOM and 43 of the first 78 rules are about the management and administration of the co-operative, laying down the powers and duties of the President, the Management Committee, the Secretary and the Chief Executive or General Manager. The ICOM model rules, on the other hand, have only one rule out of twenty-one about management. Some of the smaller ICOM co-operatives dispense with formal management altogether and instead have frequent meetings of all the members.

It is fairly plain that there are advantages and disadvantages on both sides: neither the ICOM nor the CPF model rules can be said to be perfect. But the fact remains that the vast majority of new co-operatives which have been formed in the past decade have done so with ICOM model rules, even though these have sometimes been modified to meet their special needs. By the end of August 1981 there were 350 worker co-operatives, forming at the rate of two a week, affiliated to the Industrial Common Ownership Movement. The striking difference between the energy and dedication of ICOM and the apparent lethargy and apathy of the CPF may derive from the fact that ICOM is more than a federation of co-operatives; it is a movement, an association of individuals convinced of the importance of promoting co-operative production on a common ownership basis. The Federation, on the other hand, was an organisation of established co-operatives more concerned with what the Federation could do to help existing enterprises than with promoting new ones. The more successful societies did not really need the help of the Federation and the Federation was not able to do very much to help the less successful.

2.4 Inspiration from Mondragon

In the last couple of years a third set of model rules has been produced by a new co-operative support organisation, Job Ownership Limited (JOL). It was set up in 1978 with the purpose of promoting in Britain industrial co-operatives like those radiating out from Mondragon in the Basque provinces of Spain. JOL argues that neither the CPF nor the ICOM model rules are conducive to the ploughing back of a high proportion of earnings which is one of the distinctive features of the Mondragon co-operatives, enabling them to develop in capital-intensive forms of production. JOL has chosen not to embrace the existing co-operative legislation, whether the Industrial and Provident Societies Acts or the new Industrial Common Ownership Act, but to use instead the Companies Acts. It has drawn up special articles of association for what it calls a 'Job Ownership Company'. These articles do not exactly conform to the Mondragon model because they allow workers to be issued with ordinary shares which appreciate in value with the growth of the enterprise. However, since these shares are held in proportion to pay members effectively participate in the changing net worth of the company on the basis of the amount of work done rather than merely by virtue of their shareholding. So far only two, Manchester Cold Rollers and Bourlet Frames, have been formed, although JOL's consultancy work has included advising a number of groups of workers considering the possibility of 'workforce buy-outs' in both privately and publicly-owned enterprises.

Another initiative prompted by the Mondragon co-operatives has come from a somewhat surprising quarter, the Wales TUC. A visit by a delegation of Welsh trade unionists to Mondragon early in 1981 led to proposals to create 20,000 new jobs in co-operatives in Wales over the next ten years. The plan for achieving this was drawn up with the help of a firm of management consultants, Logica, and government grants of £45,000. The first co-operative to be formed as a result is Aberystwyth Engineering. The eleven workers are each putting up £500 and will each take the same wage of £80 a week. Grants of £45,000 have been put up by the Rural Development Board for Wales, the local authority and the Dyfed Industrial Agency. A rather unusual source of finance is the Granada Television Company. The new co-operative won a £7,000 prize in a competition for the best plan for a new co-operative.

2.5 Job saving and co-operative rescues

The traditional worker productive co-operatives were concentrated for the most part in three industries: clothing, printing and shoes. The new wave of ICOM co-ops, while somewhat more diverse, has shown a marked propensity for retail distribution and printing, in both closely associated with the 'alternative movement'. A case study of one wholefood distribution co-operative is given in the Appendix.

Another type of worker co-operative which might be accorded the status of a sub-sector of its own is that which is set up to provide jobs for a specific group of people who are at a disadvantage on the labour market. Two case studies, one of a cleaning co-operative set up by and for a group of women and one of a restaurant set up and run by a group of Bengali workers (both of which have been helped by local authorities) are also given in the Appendix.

Apart from the spate of conversions of traditional companies to common-ownership in the early 1970s the majority of co-operatives formed

in Britain since ICOM came into being have been started from scratch. There have, however, been attempts by workers whose jobs were under threat to take over their companies and run them as co-operatives. Their success rate has been sporadic, as it has been in other countries and as, perhaps, is to be expected when workers, unfamiliar with management, attempt to make a success where capitalist enterprise has failed. All too often, survival has been achieved at the cost of subsistence wage levels and it is little wonder that trade unions have been less than enthusiastic.

Job saving co-operatives may have even more of a struggle to become acceptable to public opinion in the United Kingdom than in other countries because of the relatively poor showing of three highly publicised co-operative 'rescues' in the mid-1970's. Of the three - Meriden Motorcycles, Kirkby Manufacturing and Engineering and the Scottish Daily News - only the first remains in existence and it is still struggling for survival. Though they are by no means the only examples of attempts by workers to save their jobs by forming a co-operative they are the best-known and perhaps the most infamous. Mr Antony Wedgwood Benn, Industry Minister in the then Labour Government, championed all three and without his support it is doubtful whether any of them would have received the substantial government grants and loans they did.

The shortest-lived was the Scottish Daily News which rose from the ashes of the Scottish Daily Express after it was closed down early in 1974. 600 redundant workers put up a total of £200,000 from their redundancy money; the Department of Industry added £1.2 million and further funds were provided by Robert Maxwell, ex-Labour MP and owner of Pergamon Press. Within six months the paper had folded and the co-operative with it. Whether or not its co-operative structure was to blame for the failure, the fact that it was a co-operative and that it had received large amounts of public money stuck in the minds of the public.

Kirkby Manufacturing and Engineering started as a co-operative with some 800 members in 1975. It lasted just four years, in the course of which it received more than £4 million in government grants and loans. It must be said, however, that KME started life as a co-operative with all the odds against it. Four successive capitalist owners had been beset by problems, the last of them being forced into receivership in 1974. When the shop steward convenors of the two trade unions involved, the Amalgamated Union of Engineering Workers and the Transport and General Workers' Union pressed the government to help the proposed co-operative to get off the ground, opposition from government advisers was strong. In the end their advice was not heeded and a grant of £3.9 million was made on condition that the co-operative would not be allowed to borrow against its assets. That condition was later relaxed and, in addition to the money that the co-operative was thereby able to borrow from banks, the government came up with a further £866,000. Productivity and output had been increased by dint of much more flexible working arrangements than would ever have prevailed under the old system. It was, for instance, agreed that when skilled work was not available, skilled men would turn to unskilled work instead; lunch and tea breaks were reorganised so that the production process was not interrupted. It is highly unlikely that the trade unions would have agreed to either of these measures under the old regime. But the end when it came was swift enough. At a closed meeting in February 1978 the local Labour MP, Mr Robert Kilroy-Silk, announced to the assembled members of the co-operative that no more government money would be forthcoming. Two of the co-operative's loss-making lines were immediately discontinued. Voluntary redundancies were accepted. But it was already too late; the co-operative was forced to close in April 1979.

Meriden Motorcycles Limited came into being after workers at Norton Villiers Triumph, itself already subsidised by the government to the tune of nearly £5 million, announced that all 1,750 workers at their Meriden plant were to be made redundant in 1973. The workers responded with a sit-in; they occupied the plant for eighteen months and, although they continued to produce motorcycles, they would not allow the finished product to leave the premises. By March 1975 a new co-operative had been formed with the help of the trade unions involved. Help was also forthcoming in the shape of government grants and loans totalling £5 million. The constitution of the new co-operative was somewhat unconventional with all the shares being held by a trust and no individual ownership. The co-op lost money in its first three years after which it had to turn for help with both management and finance to the giant General Electric Company. Within a year Meriden was back on its feet to such an extent that GEC had been able to recoup the money they had put in and pull out its management team in favour of the co-op's own team.

The motorcycles produced at Meriden are hand-made quality products at quality prices. They are in a small specialist market competing against cheap, mass-produced motorcycles from Japan and elsewhere. To have survived so far is in itself something of an achievement. And the co-operative has proved itself in other ways too: productivity is higher than it was in Norton Villiers Triumph, its capitalist predecessor. This has been achieved under a system where skilled and unskilled men alike have been paid the same basic rate, the only exception being the fully professional management team which the members of the co-operative themselves decided to appoint at competitive rates of pay.

2.6 Community co-operatives

These are a relatively new phenomenon in the United Kingdom. The impetus came from Ireland where multi-purpose community co-operatives have grown up in mainly remote, declining areas since the 1960s. Their objectives are both economic and social; attempting to reverse the decline in rural economies, to halt migration and to revive local language and custom. The Irish example was followed when, in 1977, the Highlands and Islands Development Board launched a programme to establish community co-operatives in the Western Isles and other parts of Scotland. In these community co-operatives members of the local community contribute between £10 and £50 in share capital and the Development Board then matches whatever they have managed to raise with a grant. The Board also makes loans of up to 50% of the capital needed by the new community co-operatives and will pay the salary of a professional manager for three years.

The first to be established was at Ness at the northern tip of the Outer Hebrides and others followed at Park, Scalpay, Harris, Lochdar, Eriskay, Barra and Vatersay as well as one at Papa Westray in the Orkneys and one at Archaracle in Argyll. In the spring of 1981 others were in the process of formation at Great Bernera on Lewis, and at Eday and Hoy on the Orkneys. The Board developed its own model rules for the community co-operatives which launched a variety of projects to provide employment including catering, machinery hire, market gardening, knitwear, farm supplies, workshops, fish processing, craft shops, fuel supply, retail stores, bakeries, building, community centres, hotels, peat cutting, transport and fishermen's supplies. As workers' co-operatives these could have been separate undertakings with only the workers as

members. With community co-operatives all are involved and any surpluses go primarily to developing new projects and new jobs.

In Wales, community co-operative projects have involved furniture production, food distribution, hand knitting and pottery with support from the Special Temporary Employment Programme of the Manpower Services Commission, local authorities and the Development Board for Rural Wales. In Northern Ireland the achievements of the Newry and Mourne community co-operative have been impressive and in England community co-operatives have been set up in Devon, Norfolk and Oxfordshire. Mention should also be made of the community development co-operative, Craigmillar Festival Enterprises in Edinburgh. The Festival Society employs 150 people and has been supported by the Manpower Services Commission and the EEC through its Anti-Poverty Programme.

* * *

3. CO-OPERATIVE LEGISLATION AND TAXATION

3.1 The Laws

Co-operative law in the United Kingdom can be traced as far back as 1799 to the passing of the Friendly Societies Act. The first of the Industrial and Provident Societies Acts, under which the majority of co-operatives in Britain are registered, was passed in 1852. It gave co-operatives legal status for the first time although it was another decade before they were also accorded limited liability. Four further Industrial and Provident Societies Acts have been passed in the present century, the last in 1978. The Acts do not attempt to define a co-operative but leave it to the Registrar of Friendly Societies to decide what is and is not a bona fide co-operative. All three main types of co-operative - consumer, agricultural and worker - may register under the Industrial and Provident Societies Acts and of the others only credit unions and housing co-operatives are subject to special legislation.

A second option open to new co-operatives is to register under the Companies Acts. They can do so either as companies limited by shares or as a company limited by guarantee without share capital. More than 150 agricultural co-operatives in Britain have been formed as companies limited by shares. This is also the form favoured by Job Ownership Limited. The drawback of this form until recently was that because company shares are irredeemable, co-operatives had to raise most of their capital in the form of loan capital. That has changed since the 1981 Companies Act which allows companies to buy their own shares. The form of a company limited by shares can be particularly valuable for co-operatives which are being created by conversion from a traditional company. If the shares of the old company are transferred into a Trust for the benefit of the employees of the new company, neither Capital Gains Tax nor Capital Transfer Tax are incurred. Even so, this legal form is regarded by some as unsatisfactory because workers are unable to participate in the growth of assets when earnings are ploughed back. Another method of conversion is for the new co-operative to set up as a company limited by guarantee. Although there is no individual shareholding in such a company there is nothing to prevent a company limited by guarantee holding the shares of another company, in this case the one which is being converted to a co-operative. One disadvantage of companies limited by guarantee, whether they are started from scratch or by conversion, is that the absence of personal shareholdings means that a high proportion of capital has to be in the form of loan capital.

One advantage for co-operatives which register in either form under the Companies Acts is that most solicitors and indeed most providers of finance understand them a good deal better than they do the Industrial and Provident Societies Acts.

A third option for co-operatives is not to register under any of the Acts described above but simply to form themselves into an unlimited company or partnership. It is one that is rarely taken up for the good reason that the members would have unlimited liability although there can be little doubt that unlimited liability can be good for credit and helped to make the Dutch one of the strongest agricultural co-operative movements in Europe.

In 1976 a new Act of Parliament was passed which was designed specifically for worker co-operatives as its long title shows: 'An Act to further the development of enterprises controlled by people working in them, and for purposes connected therewith'. The Industrial Common Ownership Act, which had the support of all three major political parties, defined 'a co-operative enterprise' and 'a common ownership enterprise' for the first time. A co-operative enterprise was defined as a body controlled by a majority of the people working for it whose income was applied for the benefit of its members. A common ownership could take the form of a company or a co-operative society registered under the Industrial and Provident Societies Acts. In either case it too had to be controlled by a majority of the people working for it. The Act further said that in a common ownership enterprise only workers could be members, that all members should have equal voting rights, that the assets could only be applied for the purposes of the object of the body and that any assets remaining on winding up had to be transferred to some other common ownership enterprise or fund or used for charitable purposes. Critics have said that the definition of a co-operative enterprise is insufficiently precise in that any company which issues shares to its workers could call itself a co-operative and also that it makes no mention of co-operative principles so that no limit need be set on the return on shares and voting could be in proportion to shares instead of being equal.

3.2 Tax

a) Corporation Tax When this tax was first introduced in 1965, co-operatives paid it at the same rate as companies. In 1972 the classic system of corporation tax was replaced by the imputed system under which companies are allowed to credit a proportion of corporation tax paid against the personal tax liability of their shareholders. Co-operatives stood to benefit nothing from this change because interest on co-operative shares were already deductible for corporation tax purposes. They were therefore allowed to carry on paying corporation tax on undistributed profits at 40% while the rate for large companies was increased to 52%. The rate for small companies was fixed at 42% but has subsequently been reduced to 40%, the same rate as for co-operatives. A co-operative registered under the Industrial and Provident Societies Acts which made profits of £50,000 or more would pay substantially less Corporation Tax than conventional companies, but since the vast majority of co-operatives are small they are treated in exactly the same way as companies in this respect.

b) Tax on interest Interest on co-operative shares is taxed in exactly the same way as interest on any other investment income and is deductible for corporation tax purposes. The Co-operative Union has long argued that there should be allowances similar to those used to

encourage other small savings. However, the 1981 Budget did give members of I&PS co-operatives relief from tax on the income they use to pay interest on money they borrow to invest in their co-operatives whether in shares or in the form of a loan.

c) Tax liability on bonus share issues Although bonuses distributed to worker members of co-operatives are deductible for corporation tax, workers are liable to pay income tax on such bonuses at their full personal rate. This applies even if the bonuses are paid in the form of shares. In this respect co-operatives may be at a big disadvantage compared with companies. Company shareholders who are issued bonus shares do not have to pay any tax at the time; capital gains tax only arises when the shares are disposed of which may be fifty years later. Moreover, under the Finance Act, 1978, companies have been able to issue bonus shares to their employees which are free of tax as long as they are held for at least seven years. Co-operatives have so far been unable to take advantage of this tax concession because as the law stands at the moment it only applies if shares are irredeemable. Although the Treasury has said that the concession can apply to co-operatives and the Registrar of Friendly Societies has said that co-operatives can issue irredeemable shares if they want to, co-operative shares, in the UK as in most other countries, have always been redeemable. Since the whole purpose of the tax concession was to encourage workers to identify with the enterprise for which they work, it seems rather hard that worker co-operatives should be forced to change their rules in order to benefit. Unless a change is made in the law, co-operatives will be discouraged from issuing their members with shares to enable them to participate in the growth of assets when earnings are ploughed back; they will be discouraged from ploughing back as high a proportion of earnings as the companies with which they compete.

3.3 Proposals for change

There is a great variety of laws and model rules under which co-operatives can register in the United Kingdom. But that is not to say that any of them are ideal. There are a number of changes that could be made to improve the chances of worker co-operatives competing as effectively as possible against their capitalist counterparts. Many of the proposals for change have been made by the Co-operative Development Agency which I shall look at more closely in the next section. They can be summarised as follows:

- (i) that co-operatives should not be treated differently from companies in respect of tax payable on bonus shares issued to worker-members and in particular that they should be allowed to issue redeemable shares and still qualify for the 1978 tax concessions.
- (ii) that provision should be made for the effect of inflation on members' shareholdings, for instance by allowing the issue of bonus shares in proportion to shareholdings to the extent necessary to offset inflation
- (iii) that provision should be made for statutory indivisible reserves which cannot be distributed to members in the event of winding up and that allocations to such reserves should be deductible for corporation tax purposes

- (iv) that distribution of residual assets of a worker co-operative to shareholders in proportion to their shareholdings should be prohibited by law but that distribution of such residual assets to worker-members in proportion to work should be allowed
- (v) that worker co-operatives should be required to allocate a proportion of their surplus earnings to reserves
- (vi) that worker co-operatives should be able to issue non-voting preference shares to enable them to raise outside share capital without losing democratic control by workers
- (vii) the creation of a special class of co-operative company to facilitate the conversion of conventional companies to co-operatives or common ownerships
- (viii) that there should be no liability to Capital Transfer and Capital Gains Tax when a proprietor gives his firm to a co-operative comprising the workforce; and that there should be no Capital Gains Tax liability if he sells to it
- (ix) a new Industrial Common Ownership Bill which would provide a broader definition of a common ownership enterprise and would also require that enterprises certified as 'co-operative enterprises' should observe the co-operative principles of equal voting and a limited return on capital.

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4. CO-OPERATIVE SUPPORT AGENCIES

4.1 Multiplicity

I have already described the role of the two main federal bodies for worker co-operatives, the Co-operative Productive Federation and the Industrial Common Ownership Movement. I have also looked briefly at the new Job Ownership Limited. They are by no means the only support organisations operating, some would say competing, in this field. The list is impressive:

- Beechwood College
- Co-operative Bank
- Co-operative Development Agency
- Co-operative Development groups
- Co-operative Party
- Co-operative Union
- Council for Small Industries in Rural Areas
- Highlands and Islands Development Board
- Industrial Common Ownership Finance
- Labour Party

Local Authorities
 Local Enterprise Development Units
 Manpower Services Commission
 Plunkett Foundation
 Scottish Co-operative Development Committee
 Trade Union movement

4.2 The Co-operative Development Agency

The chief national promotional agency for worker co-operatives in the United Kingdom is the statutory Co-operative Development Agency. The Co-operative Party proposed it to begin with, and it was included in the Labour Party Manifesto for the 1974 General Election. The proposal was that the Agency should be endowed with substantial funds and provide finance for the development of industrial and other co-operatives. By 1978 when the Bill to establish such an Agency was introduced, the Labour Government was dependent upon the support of the Liberal Party and the Bill as it was introduced to Parliament proposed an advisory, promotional and research body with funds of £300,000 a year for three or five years but with no power to finance individual new co-operative enterprises. The Bill was supported by all political parties and the Agency began work in September 1978 with a staff of twenty and a board of nine people representing different sectors of the co-operative movement, appointed by government. Its first chairman was Lord Oram, a former Co-operative MP.

The Co-operative Development Agency was set up with a mandate which extended to all co-operative sectors but it has from the outset concentrated its attention on the growing sector of industrial and service co-operatives. The first report of the Agency was a guide to the conversion of a company to a co-operative with minimum tax liability, its second a guide to the formation of industrial co-operatives from scratch. It is preparing reports on co-operative legislation and financing which it hopes to put to the Government early in 1982.

The CDA has published model rules for a 'neighbourhood service' co-operative, a kind of community co-operative in which membership is not restricted to workers and is shortly to publish new model rules for workers' co-operatives which will allow members a substantial personal stake in their co-operative and make provision for a limited management structure. These rules are designed to meet the needs of all types of co-operative which do not want to use the collective model.

The CDA has taken an interest in the formation of supply and marketing co-operatives by small producers and it has worked closely with a number of local authorities, notably Lambeth and Lewisham, making detailed proposals about the scope for development of co-operative enterprises to increase local employment. It has also worked with the Runnymede Trust and the Commission for Racial Equality on the role of co-operatives in rehabilitation. It has had discussions with more than twenty companies about ways and means of conversion to co-operatives and has prepared proposals under which company employees could acquire shares in a co-operative in order that the co-operative in turn should gradually acquire shares in the company.

One fairly recent development has been the setting up with

EEC funding of a pilot Co-operative Training and Enterprise Workshop to train unemployed young people in tradeskills and as members of a co-operative with the intention that the co-operatives will carry on after funding is ended. If it is successful it is hoped that similar workshops will be set up throughout the UK.

Between April 1979 and January 1981, the CDA had 911 enquiries, 328 of them from people wanting to form co-operatives, 117 from people interested in neighbourhood service co-operatives, 87 from local authorities interested in co-operative development, 100 from other enterprises interested in co-operatives and 31 from existing co-operatives. In the summer of 1981 the CDA's life was extended for at least two more years, though with reduced funding which led to cuts in staffing. The CDA has been involved in carrying out consultancy work for a number of local authorities but even the small amount of income derived from this source has more or less dried up with cuts in public expenditure. It seems clear that the CDA will never be able to finance itself and must continue to rely on government grants if it is to continue in existence.

4.3 Scottish Co-operatives Development Committee

The Scottish Co-operatives Development Committee was formed in the mid-1970s. Its objectives were to encourage the growth of worker co-operatives by providing practical advice and assistance to new and existing co-operatives; publicising the concept of worker co-operation and providing a pool of specialist resource people who would be able to assist worker co-operatives with their business development. The initiative was taken by the Co-operative Union, the Scottish Council of Social Services, the Scottish TUC, local authorities, universities and interested individuals. When the first full-time staff were appointed in 1977 there were only four worker co-operatives in Scotland. With the exception of Bradrec, a mechanical engineering co-operative which had been set up after the failure of a capitalist company, the others were 'non-businesses' set up to create jobs for young people with Manpower Services Commission funding. All three collapsed when MSC funding was withdrawn.

SCDC found that its most difficult job was convincing ordinary working people that worker co-operatives were applicable to them. This was partly because the movement had become so closely identified with the 'alternative scene' - wholefoods, crafts and radical bookshops - and partly because of the need for business and entrepreneurial skills and adequate finance. SCDC set out to prove that it was not beyond the grasp of ordinary people to run their own businesses co-operatively and that their lifestyles need not automatically become 'alternative' in the process. They did this by employing development officers who themselves act as the co-operative entrepreneur in establishing new co-operatives. The high level of assistance they provided during the vulnerable early stages of development proved extremely successful. There are now 25 worker co-operatives in Scotland, employing over 250 people and with a combined turnover of around £2.5 million. Many of them are involved in main line business activities and one has recently won an export contract for the Scandinavian market which is estimated to be worth over £2.5 million over the next ten years. During 1980 SCDC published a handbook on worker co-operatives which was widely commended and it has also produced a number of discussion documents including one which outlines a way of helping to create new jobs by the constructive use of unemployment benefit.

4.4 Local Enterprise Development Unit

The Northern Ireland Local Enterprise Development Unit has the task of helping to create new jobs and persuade new firms to set up in a part of the United Kingdom which, in January 1980, was approaching twice the average rate of unemployment for the UK as a whole. With unemployment at 50% in some places it is very difficult to get any kind of enterprise started. Nevertheless, by the end of 1980 there were eight established worker co-operatives in Northern Ireland, many of which had been helped by the half-time Co-operative Liaison Officer appointed by the Local Enterprise Development Unit. The advantage of the LEDU approach is that the co-operative liaison officer is in touch with the whole spectrum of business activity; he is employed half-time on developing co-operatives and half-time on developing conventional businesses. He is thus well placed to find commercial backers for co-operative enterprises. An example is a textile co-operative in the Shankill Road, Belfast, where the co-operative undertook sub-contract work at the cut and trim stage of manufacture with the help of loan funding and a guarantee to take all the products of the co-operative so long as they met specified quality requirements. The contacts available to the LEDU co-operative officer gave him a vital intermediary role.

4.5 Co-operative development groups and local authorities

The Scottish Co-operatives Development Committee and, to a lesser extent, the Local Enterprise Development Unit in Northern Ireland are regional variants of the CDA. There are also local CDA's with the job of promoting co-operatives locally. By March 1980 there were 23 local or regional CDA's in operation. Eight of them have full-time staff and a further 21 are in the process of appointing staff. Funding for staff appointments comes from a variety of sources but mainly from local authorities who can use their powers under the Inner Urban Areas Act, Section 3 or the Local Government Act 1972, Section 137, to provide funding and other support. The truly local CDA's operate in relatively small areas such as the London boroughs of Hackney, Lambeth, Wandsworth and Islington where they can develop an intimate knowledge of the local economy and local needs and where all the nearby co-operatives can participate in the work of the local development group without excessive expenditure of time or money. The local CDA's have set up a steering committee to help them exchange information and offer one another mutual support. Given the limited resources of the national Co-operative Development Agency the local CDA's can be an important source of support. A properly funded and comprehensive network could be a major force in the development of workers' co-operatives.

4.6 The Co-operative Union and the Co-operative Party

The Co-operative Union was formed in 1869 as a federation to represent all kinds of co-operative although its links with the agricultural co-operative movement have long been tenuous - at the end of 1979 only one agricultural co-operative remained affiliated. The statistics of fourteen productive societies were shown in the Co-operative Union statistics for 1979 but their trade and that of the one agricultural co-operative represented less than half of one per cent of the trade of the retail consumer co-operatives. Though the Co-operative Union is effectively a federation of consumer co-operatives, it has been taking an increasing interest in worker co-operatives. It merged with the Co-operative Productive Federation in 1980 and set up a committee which

concerns itself solely with productive societies.

The Co-operative Party, based in London, is administered by the Co-operative Union although societies in membership of the Union do not have to be members of the Party and indeed a number are not. The Co-operative Party, which was set up in 1917, has traditionally been allied to the Labour Party and has a number of members in both Houses of Parliament. It has recently called for evidence on the contribution worker co-operatives might make towards solving the problems of structural and other employment.

4.7 The Co-operative Bank

The Co-operative Bank is a wholly owned subsidiary of the consumer co-operative-controlled Co-operative Wholesale Society. It has full clearing bank status and provides a fully comprehensive banking service for its customers. Traditionally its main customers have been co-operative societies, trade unions and co-operative society members. In July 1978 it announced a new scheme for lending to worker co-operatives (as part of a wider programme to help small businesses). The bank offered to match pound for pound the joint investment of members of new co-operatives. Overdrafts, loans over three to seven years and other forms of finance are available on terms slightly better than those generally available for new business ventures. An average loan might be about £5,000 and a maximum overdraft facility £25,000. Though figures for Co-operative Bank lending to co-operatives have not been published, it seems that the take-up has not been high. Lack of collateral at the disposal of the would-be co-operators is probably the major constraint and it has been suggested that some sort of loan guarantee scheme should be introduced. Feasibility studies would have to be carried out to show that the market and other prospects for the new co-operative were good and the worker members would have to undertake to reinvest an agreed proportion of future earnings. The Co-operative Bank estimates that it holds probably in excess of 50% of the accounts of existing industrial and service co-operatives.

4.8 Industrial Common Ownership Finance

Alongside the Industrial Common Ownership Movement, though no longer directly linked to it, is Industrial Common Ownership Finance Limited. It was set up by ICOM in 1973 as a revolving loan fund for worker co-operatives and common-ownership enterprises. Its first main source of finance was the Scott Bader Commonwealth Development Fund. Individual well-wishers also lent or gave money in the early years and are still an important source of investment. But the most significant move forward for both ICOM and ICOF was the passing of the Industrial Common Ownership Act of 1976 which provided both with government funding. £150,000 was made available to organisations such as ICOM which promote industrial co-operative and common ownership enterprises and £250,000 for investment in them. In 1977 ICOF was recognised by the Department of Industry as the relevant body to administer this loan fund. ICOF loans are typically for amounts between £2,500 and £10,000 and are short to medium term, from six months to six years. Co-operatives have to satisfy ICOF that they are in practice as well as in structure a co-operative. Between 1973 and 1979, ICOF made 49 loans totalling £256,975.* These loans were generally at rates of interest 4-5% below those charged on comparable loans by banks and the track record of the co-operatives to which ICOF has granted them has been good. However, by November 1981 it looked as though ICOF's days might be numbered. The five years for which funding had been made available elapsed in that month. The response of the present government to a request for a

continuation of funding was that ICOF had had its dowry and that it was now up to the co-operative movement to support it. If that were impossible then it would have to increase its funds by normal commercial means. Since that would mean interest rates of between 20 to 25% compared with the 14% ICOF is currently charging it seems unlikely that many new co-operatives would be attracted by that suggestion. The solution which ICOF itself had hoped to adopt was to become more like a bank following the model of the Caja Laboral Popular in Spain. However it seems that ICOF is legally precluded from taking deposits and so it cannot take this course. For the time being it will continue to make new loans as and when existing loans are repaid but inflation will inevitably whittle away ICOF's capital base.

4.9 Beechwood College

Beechwood is a co-operatively run college founded in 1979 as a nationwide resource to support improved ways of working in co-operative enterprises within the context of a changing economy and social organisational patterns.

It has concentrated its efforts on developing a style of education, based on mutual learning, to tackle areas like democratic organisation balanced with technical training for management skills. This approach to education, they maintain, is suitable for any type of co-operative and community based activities.

Beechwood runs a wide variety of courses, both residential at the College and in communities and workplaces throughout the UK and also designs special workshop/courses for particular needs. Beechwood also offers conference facilities and a resource and information library on community enterprise, workers' co-operatives and local economy activities. Beechwood is engaged in producing a number of publications for assisting groups to develop suitable systems for running co-operative enterprises including one which introduces the idea of a Social Audit for assessing the internal democracy of co-operative enterprises and measuring the cost they impose on the community in which they are located, as well as how well they achieve their social objectives.

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5. CODA

In very broad outline the situation in the United Kingdom is the same as in several other countries. Agricultural co-operatives, though relatively on a smaller scale than in other countries where the state has played a lesser role in agricultural marketing, have held their own since the Second World War. Consumer co-operatives, though still a substantial force in retailing, have lost ground to the chains of supermarkets and hypermarkets. Retailing has, in an age of what is called self-service, become less labour-intensive and more capital-intensive. Much of the labour is expected to be provided, free, by the consumer. Co-operatives have therefore found it more difficult to compete - not that that has been the only cause of decline. Housing and community co-operatives apart, the growth sector has - again as elsewhere - been in worker co-operatives. To judge by the figures given earlier, if those are taken at their face value they imply that (starting at a much lower base than France) the growth in new worker co-operatives has been faster in Britain even than in France where the range of support has been a good deal more substantial. One striking feature of the description given of the organisation of UK support agencies is how very complex it is. There at least appear to be too many such agencies with not enough clear articulation between them.

APPENDIX

1. Case Study of a wholefood co-operative

SUMA is one of the most successful of a growing number of co-operatives in the UK specialising in the sale of wholefoods. It is also a classic example of an 'alternative' co-operative: there is no individual shareholding, decision-making is collective, there are equal wages for all, jobs are rotated, time off is allowed as a matter of course for such things as CND marches, many of the members live as well as work collectively.

It was started in 1975 by Reg Taylor, He had up until then been working in a wholefood shop in Leeds called Divine Light which was associated with an Indian religious movement of the same name, led by a young guru called Maharaj Ji. Reg had made contact with other wholefood groups around the country and had discussed with them the possibility of buying in bulk instead of the relatively small quantities each shop was buying for itself. He suggested that it would be sensible to have a central location for deliveries from which all the small wholefood shops in the area could come and collect.

SUMA started from Reg's house. Though it wasn't a co-operative to start with there was a commune attached to it. Reg's father had given him £4,000 and a friend had lent enough money to buy a van. From the beginning, SUMA had good relations with the importers of wholefoods with whom it dealt and managed to secure itself good credit terms. By 1977 it was established as a co-operative and sufficiently buoyant to finance most of its capital requirements from profits. By 1979 it was in a strong enough position to borrow £10,000 from the bank to buy the large warehouse which was by then its headquarters.

SUMA has 15 members who have made it their policy not to grow any larger. This is because they refuse to have a management structure. Everyone at SUMA shares management responsibilities as they also share all information. As far as possible all jobs are rotated even though it is sometimes quite hard for individual members to give up a job just when they have got into the swing of it and feel that they are being really efficient at it.

New members are recruited through an alternative news-paper called the Leeds Other Paper. For their first six months they are on probation and there are regular reviews in which everyone in the co-operative discusses whether the new recruit is fitting in. At the end of six months they decide whether he or she can stay on as a member. No one can work at SUMA after this initial period unless they become a member. Though their chief concern is that all new members should fit in well with their distinctly non-hierarchical system they do insist on driving skills. This is because all the jobs are rotated and one of them is to drive the two vans and the 40-foot trailer which goes to London once a week to collect supplies.

The members meet together every day between 12.30 and 1.00 pm. in a large room which serves as communal kitchen, laundry and dining room. The minutes of the previous day's meeting are read before discussion the business of the day and reaching a collective decision on any matters of importance. Wage reviews are held twice a year and meetings to discuss them are always held at one of the member's houses rather than at the SUMA headquarters so that no-one need feel constrained. Discussion might

range from the need for higher wages to a suggestion that the surplus should be spent on a smallholding or a barge which all the members could use.

Perhaps what is most remarkable about SUMA is that there should be a surplus to discuss. That the co-operative system of management they have adopted has succeeded is more than borne out by the fact that in 1979-80 SUMA had a turnover of £1½ million and made a surplus of £58,000. In the past two years SUMA has directly contributed to and helped set up five other workers' co-operatives as an alternative form of expansion under a collective form of management. It is collaborating with Beechwood College in research on the problems of expansion and democratic working practices.

2. Kennington Office Cleaners' Co-operative

KOCC is an office cleaning company which operates on a contract basis providing a high quality reliable cleaning service. It is registered as a Friendly Society under the Industrial and Provident Societies Act, with ICOM model rules. Nineteen women are employed part-time. Their hours range from 6 to 15 a week. All have children and live within two miles of each other. The company has an annual turnover of £18,000 per year and holds nine contracts, mostly with charitable organisations.

The idea of setting up a Cleaners Co-operative arose from discussions held at a local mother and toddler group which had been set up by a community worker from Lady Margaret Hall Settlement, then based in Kennington. Many of the women who attended the group had been, or were, part-time office cleaners. Few opportunities for part-time work existed locally, apart from cleaning and all the women were dissatisfied with the work. Some disliked their supervisors, some found that their equipment was poor, materials were sometimes inadequate and would be supplemented out of their own wages. All felt that their pay was poor. Unionisation was discussed and a local organiser was invited to a meeting. It was then that the idea of a co-operative first emerged, when one of the women suggested that they would be better off organising their own work.

With the help of the community worker, the group, who continued to meet regularly, registered as a Friendly Society, applied for a council loan and started to look for contracts. An £8,000 loan was approved, repayable over two years at 10½ per cent. Only £1,000 has been taken up. Looking for contracts proved to be a more difficult task. The co-op registered in May 1978, but it was December before the first contract started. Three months were spent with the part-time help of a worker from another employment scheme in contacting local companies by letter and telephone with no success. Firms were suspicious of a co-operative, especially one with no track record. The local authority were at the time putting cleaning jobs out to tender. After political pressure, and backing from the local Trades Council, the co-operative was allowed to tender for several small contracts (small, that is, in the council's terms - 15 or so women would have had to have been immediately employed). Usually only 'approved' firms are allowed to tender for local authority contracts. To become approved you have to have worked for the council before! The Co-ops tender price proved to be higher than the other firms and as a consequence of the legal requirement on local councils to accept the lowest tender, the tender was rejected. At the

same time, the local press were encouraged to write articles about the co-operative. This means of publicity eventually proved the most successful means of acquiring contracts.

Of the nine contracts held, seven are with charities and two with private companies. All have been obtained through personal contacts, recommendations or through press publicity. When private firms have been approached their reservations have centred around the functioning of the Co-operative as a business. Some of the questions they asked were:

'What happens if someone's off sick?' 'Who do we deal with?'
'If there are no supervisors, how do you make sure that the job's done properly?'

Now that the co-operative has a track record, several of the 'clients' are happy to provide references but no private firms have been reapproached yet.

The attitudes and motivations of workers have changed little since its inception. All are committed to the co-operative but in varying degrees and for various reasons. Advantages of the co-operative have been expressed as follows:

'You pick the hours that suit you - if you want to work during the day, you get a day job'.
'No supervisor's breathing down your neck - you work the way you want to. If you don't do the job properly, you lose the contract!'.
'Everyone should help each other'.
'You are your own boss'.
'I'd like to be able to employ all my friends who want a job'.

The main resources which the co-operative has had at its disposal have been Lady Margaret Hall Settlement and the time of the support worker. Throughout the first two years of the co-operative's life, the Settlement acted as a focal point. Its address and telephone number were used, meetings were held there, typing and photocopying facilities used. The only resource which has not been readily available is transport. This has proved awkward on occasions when materials or equipment have needed to be moved. Transport is really only needed once a week at the most and a vehicle would prove too expensive to buy and run, so taxis are used.

The first major decision that the co-operative took was over pay. It was decided to pay £1.25 an hour and £1.30 for unsocial hours (before 9 am and after 5 pm). Most women had earned under £1 per hour previously. This decision was not questioned until the Co-operative tendered for a particular contract which might be lost unless the price could be reduced at the expenses of wages. No worker earns enough to become liable for tax or national insurance, which simplifies wages. Those on social security keep to the earnings limit. Unlike some cleaning companies, false names and addresses are never used. It was also decided early on that sick pay and holiday pay could not be afforded. Pay and conditions are reviewed every year which resulted in increasing pay to £1.35 and £1.40 per hour earlier this year. One week's holiday pay was also introduced for anyone who had worked for the co-operative for longer than six months. Four other crucial decisions have been taken, firstly not to employ supervisors, secondly to sack a worker, thirdly to

get rid of one contract and finally in September 1980, not to take on any new contracts.

Having no supervisors has meant that the people working on each contract are responsible for their own work. If a job is not done it reflects upon the whole group. An example of how this works occurred with the sacking of one worker. One of the workers was not pulling her weight. The others tried to encourage her to do her share and turn up regularly but it proved hopeless. The problem was taken to the full co-operative meeting who decided to give her a written warning and follow it up with a notice of dismissal if her behaviour did not improve. This process was developed after going through agonies the first time. No one wanted to sack anyone but it was decided that the co-operative had to come first.

One contract was terminated because the company constantly complained and would not stick to the written contract. It took up so much time that the group concluded that it was not worth it. A difficult decision in the early days when contracts were so hard to come by.

Finally, it was decided in September 1980 not to take on any new contracts. The decision was taken to allow the co-operative some breathing space. Nineteen people were employed and some were not getting involved in running the co-operative. Jobs such as buying stores and hoovers, paying wages, sending out invoices and following up problems were being concentrated in the hands of too few members. Since then jobs have been shared out more equally, people are paid for doing them and more members are attending monthly meetings.

The first adviser to KOCOC was the community worker who worked with mums' groups. She was the catalyst who encouraged the women to believe that a co-op was possible. In her own words:

'When the women first proposed the idea of establishing a cleaning co-operative, neither they nor I knew anything about the technicalities involved. This shared dilemma had a positive side in that it contributed to a sense of equality - at no point could I have been considered some mystical source of knowledge'.

What she did have was the ability to identify organisations which would provide the necessary technical information. She worked with the group for a year, helped with the registration of the group as an Industrial and Provident Society, explored methods of costing and finding contracts, applied to the council for loan finance and secured the commitment of the local council. Now members of the co-operative chair their own meetings, take the minutes, cost contracts, pay wages, issue invoices, do the book-keeping, buy the stores and equipment and deal with day to day problems which crop up.

The Co-operative now has to decide where its future lies. There is no lack of contracts being offered, although some are based in central London, some in parts of the borough not presently being covered by the co-operative. Should the co-op continue to grow or say enough is enough? If it stays the same, will the lack of an office base become more and more of an obstacle to the smooth running of the co-operative? (At present, stocks, files and books are all kept in different places). If the co-operative grows, does it expand as one unit or form several

other co-ops which share administration and office facilities? If it grows as one unit, will this mean that fewer members are actively involved in the running of the co-operative? Should they diversify into other related businesses such as carpet and upholstery cleaning or window cleaning? As with any business, major decisions have to be taken from time to time. This is a turning point in the co-operative's life. What cannot be denied is that a group of women have succeeded in providing for themselves better jobs in a profitable company which they control themselves.

3. Last Days of the Raj

In November 1980, a unique new restaurant opened in London's Drury Lane, the Last Days of the Raj. It was the outcome of a long struggle by the Bengali Workers Action Group to form a workers' co-operative. The restaurant now employs eight people.

Visitors to the restaurant would never guess its history. To all intents and purposes it appears a comfortable, upmarket restaurant, selling a wide range of high quality Indian food. It is perhaps on the pricey side, but it does cater for Drury Lane theatre-goers and tourists from nearby Covent Garden.

The idea for the restaurant started back in 1978. The Bengali Workers Action Group and Camden Community Relations Council were concerned about low pay and poor conditions in the catering trade. Setting up a restaurant in which the workers would control these things seemed the ideal solution. There was certainly no shortage of skilled cooks and waiters in the Bengali community and the market seemed right. Even in a recession, there would be a demand for places to eat out, particularly in a tourist area.

It is one thing to have a good idea; it is quite another to put it into practice when you belong to an ethnic minority group and have little capital. However, the first step was to form a steering committee. This consisted of representatives of the Bengali Workers Action Group, Camden CRC, officers from Camden local authority, a solicitor and individual consultants in marketing and catering. The committee met every fortnight. It faced two main problems. The first was to find suitable premises in a prime position. Negotiations for premises reached an advanced stage on one occasion but fell through at the last moment. Finally, after a year and a half, the workers themselves found the Drury Lane site. But the building was in a state of disrepair and £40,000 was needed to convert it.

The other problem was money. The major banks were approached but refused to give a loan. A finance house offered a loan of £110,000 but only on condition that it was guaranteed by the local authority. Fortunately, the project had support from key figures within the local authority and the guarantee was given.

Having opened its doors to the public, the workers still have to put in long hours. In the break between afternoon closing and evening opening, there are usually meetings to attend and accounts to be written up. Nevertheless, the pay is reasonable - about £100 per week gross - and this is far more than the workers earned before. Above all they have the freedom to run things in their own way and, although

two of the staff are designated managers, the restaurant is run as a co-operative and the members work harmoniously together.

There are still problems to face. Rates are high, there is high interest to pay on the loan, which must be cleared in seven years, and the workers carry a lot of personal responsibility if the project fails. But business is good and preliminary figures suggest the project is making a profit.

In the long run, it is hoped to channel profits into community centres and other ventures for the Bengali community. At present, the restaurant is used as a base for English language classes.

A further feature of the scheme is to demonstrate to other workers, particularly those who are exploited by their employers, that self-help is possible. Moreover, if there are more co-operatively run ventures, traditional restaurant owners will have to mend their ways - or lose their workers to co-operatives.

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