

PROGRAMME OF RESEARCH AND ACTIONS ON THE DEVELOPMENT OF THE LABOUR MARKET

- DEVELOPMENT OF NEW GROWTH AREAS -

" WORKERS CO-OPERATIVES AND THEIR ENVIRONMENT : COMPARATIVE  
ANALYSIS WITH A VIEW TO JOB CREATION "

By :  
Marianne Rigge & Michael Young  
Mutual Aid Centre, London

For :  
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PROGRAMME OF RESEARCH AND ACTIONS ON THE DEVELOPMENT  
OF THE LABOUR MARKET

SUPPORT  
FOR  
WORKER CO-OPERATIVES  
IN THE  
UNITED KINGDOM  
REPUBLIC OF IRELAND  
NETHERLANDS

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Enquiries relating to the study should be addressed to the Directorate General of Employment, Social Affairs and Education, Division V/A/1, Commission of the European Communities, 200 rue de la Loi, 1049 Brussels, Belgium.



## Preface

This is a supplementary report to the European Economic Community and in particular to the Director General for Employment, Social Affairs and Education, on the subject of worker co-operatives - supplementary in the sense that the Mutual Aid Centre, in collaboration with TEN, Cooperative de Conseils, has already submitted a full report on the same subject entitled Prospects for workers' co-operatives in Europe (v/299/82-EN, December 1981). What emerged from that first report was that support organisations, to use a general term, are of crucial importance for the success, or failure, of such co-operatives. The Commission of the European Communities is itself a 'support organisation' for European governments. These counterparts, on their smaller scale, are just as vital for the individual co-operatives, whether it be in Italy, France, Germany or any other EEC country. As a result, we in the Mutual Aid Centre were asked to take further what had already been said and investigate more fully than we had been able to at the first stage what support organisations do, and could do, and the relationship between workers co-operatives and other co-operative sectors, in three European countries: the Netherlands, the Republic of Ireland and the United Kingdom. TEN were asked to carry out a similar study for two other countries: Italy and France.

What has emerged is, as ever, that the role that these organisations can play is so very different in different countries that it is difficult indeed to generalise, except again to stress their vital role. It has also become apparent that since the first report was written the relative rate of change has been very different and so for some countries there is a good deal to report, and for others much less so.

This accounts - apart from the fact that the Mutual Aid Centre happens to be situated in the United Kingdom - for the relatively large space that is given to that country in the report that follows. There are many more support organisations in the UK than in any other member country, which may reflect the fact that the government as such has played a much more uncertain part than elsewhere. In the UK, *laissez faire* has ruled, and the results have been of some considerable interest, if only in showing what can happen in a recession by way of co-operative development. Issues have arisen in sharp form as a result which might, if there had been more government support, have been obscured. For this reason also, the complex picture painted of the United Kingdom is given special prominence in the pages that follow.

The other countries have their own special interest as well. In the Republic of Ireland, as elsewhere, we have seen the emergence of a most lively debate about the role of worker co-operatives and the related community co-operatives. There have also been interesting practical developments like the growth of a youth co-operative network.

In the Netherlands, the growth of the movement has been steady and, as a result of persistent and dedicated effort by a few pioneers, the government has been alerted to the important part that co-operatives can play in job creation and has taken practical action as a consequence. As a direct result of the work done by the main support organisation for worker co-operatives, ABC, the take-off point may now have been reached.

### Acknowledgements

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SUPPORT  
FOR  
WORKER CO-OPERATIVES  
IN THE  
UNITED KINGDOM



1. Introduction

1.1 Dynamic growth of worker co-operatives in the UK

In 1975 there were 19 worker co-operatives in the United Kingdom. Seven years later in 1982 there are more than 500, the number having increased by over two-thirds in just two years. At the time of writing this report new co-operatives were registering at the rate of four a week, making it virtually impossible to provide up to date statistics. A breakdown of the trading activities of worker co-operatives from the most recently published statistics\* is given in Appendix 1. This report looks at the ways in which support is being given to this rapidly growing though still, of course, comparatively tiny sector of the economy.

1.2 The need for support

Why do worker co-operatives need support, people may ask, more than any other kind of business? To many, co-operatives do not even sound like businesses. The objectives of attracting capital, making profits and marketing products sound alien to the ideals of co-operation (and indeed, most co-operators prefer to talk of surpluses rather than profits). But it is precisely because co-operatives are businesses and must use efficient business methods if they are to survive, that they need special help. Moreover, when they get it they show a strong propensity to succeed, sometimes finding niches in the debris left by failed conventional companies, more often starting from scratch, and surviving better than the average new business of the traditional capitalist kind.\*\*

Most co-operatives are small to medium sized enterprises, or SMEs in the jargon of merchant bankers and civil servants. In common with other small businesses they suffer from lack of capital and managerial skills, but frequently to

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\* Directory of Industrial and Service Co-operatives, Co-operative Development Agency, November 1982

\*\* The Industrial Common Ownership Movement has produced figures for the 'birth' and 'death' (liquidation) rates of co-operatives, or common ownerships as it calls its members, compared with those of ordinary companies:

Co-operatives compared to companies - percentage of births and deaths out of total registrations

		1978	1979	1980	1981
Common Ownership	births	13.0%	30.0%	27.0%	42.0%
	deaths	9.3%	4.5%	2.4%	2.4%
All Companies	births	8.5%	8.5%	8.4%	8.3%
	deaths	7.0%	7.5%	8.2%	9.5%



a greater degree. It is easier for those with savings to spare to hire labour than it is for those with time to spare to hire capital. Bankers tend to distrust their unfamiliar system of management and control and regard loans to co-operatives as a greater risk than loans to ordinary companies. Lending to some extent depends on personal confidence, and the general manager of a co-operative run by an elected committee is more likely to be replaced than a proprietor.

Many people who set up co-operatives would never have risked going into business on their own, and may only have considered going in with others when faced with the prospect or reality of unemployment. They may have certain skills which enable them to produce a product or provide a service, but lack other skills essential to business success. They need help to acquire those complementary skills, especially when a closure is threatened and only a quick reaction will save their jobs. In such instances a co-operative may need to bring in an outside manager to get things started.

This is where support organisations come in. By holding the hands of men and women nervously starting out as entrepreneurs, they can make all the difference between successful trading and financial collapse. The most valuable services a support organisation can offer are generally those most closely associated with setting up and running a co-operative, whether started from scratch or formed from the ashes of a capitalist business. These services include:

- finding sources of capital
- advising on a suitable constitution
- registering under the relevant Acts of Parliament
- helping people to identify markets and carrying out feasibility studies
- training managers
- helping the group to learn how to operate as a group and make decisions
- providing legal and accounting services
- acting as an intermediary with banks, government departments, local authorities and the professions
- setting up nursery units in which new co-operatives can grow embryonically before going out on their own
- finding suitable premises.

In addition, support organisations can and do fulfill an important public relations function, influencing government, industry and the public in favour of worker co-operatives

and campaigning to establish the legislative and banking framework within which a third sector of the economy can grow alongside the old binary system of private enterprise on the one hand and state socialism on the other.

### 1.3 Partnership for growth

Worker co-operatives have grown dramatically in number in the United Kingdom at a time when traditional businesses have been on the decline, and the number of co-operative support organisations has increased in parallel. Or perhaps we ought to put it the other way round, and say that as new support organisations have emerged so worker co-operatives have multiplied.

### 1.4 The variety of support organisations

The United Kingdom is exceptional for the number and variety of its support organisations operating nationally, regionally and locally. At the national level there are four bodies which provide different sets of model rules and offer varying services to worker co-operatives.

- a) The Industrial Common Ownership Movement (ICOM), founded in 1971 but with origins going back to 1958, produced the model rules which the vast majority of worker co-operatives set up in the past decade have used.
- b) The Co-operative Development Agency (CDA), established by an Act of Parliament in 1978 with members appointed by the Secretary of State for Industry, produced new model rules for worker co-operatives which removed some of the constraints imposed by the ICOM rules, in 1982.
- c) Job Ownership Ltd (JOL), a much smaller organisation which promotes co-operatives modelled on the highly successful Mondragon co-operatives in the Basque country of Spain.
- d) The Co-operative Union (CU), embracing the Co-operative Productive Federation (CPF); the latter was set up at the end of the last century to represent the never very large number of working-class producer co-operatives which grew up at the same time as the retail societies which the Co-operative Union serves.

Beneath this national umbrella of sometimes antagonistic bodies are support organisations such as the Scottish Co-operatives Development Committee (SCDC), now working closely with the Scottish Development Agency to promote co-operatives all over Scotland, and the jungle growth of local co-operative development agencies (local CDAs), spontaneously formed groups which do not necessarily have anything to do with the national CDA, owe their origins to many different instigators and are a phenomenon unique to Britain.

## 1.5 Differences and similarities

Clearly, when support is offered by so many organisations, there are conflicts of ideology and practice, and relations between the bodies are not always harmonious. But then the worker co-operative movement itself is far from homogenous, ranging from middle-class ventures associated with the alternative movement, such as wholefood wholesalers and retailers and radical bookshops, to more traditional working-class co-operatives in the mainstream of engineering and manufacturing. Across the range of support organisations, different kinds of co-operative can find ideological and institutional frameworks to suit their own particular outlooks. The result is a very British confusion, congenial to devolved power and free choice.

One thing, though, is common to all worker co-operatives: all fall within a broad definition of a co-operative as an enterprise owned and run by the people who work in it, and all workers in those businesses have taken into their own hands the vital decisions of how they will organise their working lives. This underlying unity is reflected in the ideals of the support organisations - on that, at least, there is some agreement.

## 1.6 The new style of work

From the alliance of worker co-operatives and support organisations has come a series of strange innovations: shop stewards who are also managing directors, workers who are also businessmen, wage earners who lend their companies money for expansion, and above all men and women who will accept lower wages and sometimes no wages at all and work longer hours than when they were US and the bosses were THEM. Many of the professional advisers who have helped them set up on their own are volunteers, also working for nothing except the satisfaction of seeing a new way of industrial and commercial life take shape.

## 1.7 The role of the state

All the support organisations named so far may be considered as being within the co-operative movement. That is not to say that government does not have an important role to play in co-operative development. Quite the reverse. Most of the money available to co-operative support organisations, however autonomous, is channelled from public funds by special legislative provision or through regional development corporations, local authorities and Urban Aid grants. The Co-operative Union is the only support organisation which has for long been funded principally by subscriptions from its member co-operatives though since Government funding for ICOM ceased in 1982, it too is now reliant mainly on subscriptions.

Some government agencies have taken important initiatives in co-operative development on their own account, notably the Highlands and Islands Development Board (HIDB), which has fostered many multi-function community co-operatives in the

Western Isles. Rather different in complexion is the Central Council for Agricultural and Horticultural Co-operation (CCAHC), set up by an Act of Parliament in 1967 and generously endowed with government money and enabling statutes in order to promote co-operation among farmers.

#### 1.8 Commercial support organisations

Non-co-operative support institutions also provide support for co-operatives in the same way as they do for other industrial and commercial undertakings. Among these institutions are the High Street banks, the Industrial and Commercial Finance Corporation (ICFC), which is owned by the 'big four' clearing banks and the Bank of England, and the newly opened Greater London Enterprise Board (GLEB).

#### 1.9 The Labour Movement

With the deepening of the world recession since the 1970s, and the particularly severe level of unemployment in Britain caused by tough anti-inflationary fiscal and monetary policies, the institutions of the traditional working class movement have begun to play a much more active part in promoting worker co-operatives than hitherto. Some trade unions, after a period of initial unease, are supporting members who set up co-operatives and even, in Wales, promoting new ones themselves.

The consumer co-operative movement has taken initiatives on worker co-operatives through its policy-making body, the Co-operative Union and its annual Co-operative Congress, and through its parliamentary arm, the Co-operative Party. The Co-operative Bank looks with particular favour on requests for loans from co-operatives.

#### 1.10 Research and training

In addition to support for particular co-operative ventures, there is also a wider support for the co-operative movement which comes from purely educational, research and training bodies. From this backroom work has grown a greater awareness of co-operative problems, greater capability to solve them and more hard facts to use in putting the co-operative case to the country.

\* \* \*

## 2. The Industrial Common Ownership Movement

### 2.1 The mother ship

The Industrial Common Ownership Movement, known as ICOM, is the longest established of the national support organisations for worker co-operatives (if one excludes the old Co-operative Productive Federation, founded in 1882 and now amalgamated with the Co-operative Union). ICOM also has the largest membership. It is both a federation of co-operatives and a campaigning body to which individuals and corporate bodies other than co-operatives may belong. Most of its money comes in the form of subscriptions from member co-operatives. By autumn 1982 the number of worker co-operatives registered through ICOM had passed 600, having risen from 19 in only seven years, and new co-operatives were joining at the rate of more than four a week.

Although ICOM has a full-time staff of only three, it is supported by a large number of dedicated and enthusiastic volunteers, and its ideals have not only become widely recognised in and outside the movement but have attracted legislative support, in the Industrial Common Ownership Act, passed on 22nd November 1976.

Even among its critics - and we have yet to come across a co-operative support organisation that does not have critics - ICOM is regarded as the body which got the movement going, the 'mother ship' as an adherent of another support body described it to us. Most of the early members to register were co-operatives associated with the alternative movement - wholefood retailers, radical printers and bookshops - and they earned ICOM a reputation as the agency of the 'muesli brigade'. In fact, ICOM has always aimed to develop worker co-operatives in engineering and manufacturing, and the number of these more mainstream enterprises has risen significantly in recent years. Of the 50 new co-operatives which registered with ICOM in the first few months of 1982, 40 per cent were in engineering, 32 per cent in building and only 4 per cent in retailing, although the analysis of the economic sectors in which worker co-operatives operate in the Directory of Industrial and Service Co-operatives published by the Co-operative Development Agency in November 1982 showed that the largest single sector remains in retailing and food.\*

### 2.2 Ideals and origins

Common ownership is a form of worker co-operation which limits individual shareholdings to a token £1, restricts membership of a co-operative enterprise to those who work in it and

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\* New Directory Reveals More Worker Co-ops, Co-operative Development Agency Press Notice, 1 November 1982.

ensures that capital is collectively owned and cannot be distributed to members on dissolution. The workers cannot lose control to outside shareholders, but remain their own masters. It is an ideal which has become reality and owes its vigour largely to one man, Ernest Bader, described in his obituary in The Times in 1982 as 'an ardent pacifist, humanitarian and Quaker .. (who) .. worked with unceasing energy to promote his ideal worldwide to the very end of his life!'

Ernest Bader believed passionately in industrial democracy and in 1951 he converted the chemical company he and his wife had started 30 years before into the Scott Bader Commonwealth, making a free gift of 90% of the shares in the company to the employees. The remaining 10% were sold to the Commonwealth when he retired as Chairman in 1963. The Scott Bader experiment has been highly successful both commercially and socially. With over 430 worker-members and a turnover of £24 million a year it is far and away the largest of ICOM's members. It's Chief Executive, Ralph Woolf, was appointed Chairman of the Co-operative Development Agency in October 1982.

Ernest Bader was not content simply to give his own firm away; he wanted to persuade other industrialists to do the same and as a means to this end he founded the Society for Democratic Integration in Industry, or DEMINTRY, in 1958. It was mildly successful. A small number of other companies were converted to common ownerships over the next decade but there was nothing like the transformation of society which Ernest Bader had hoped for.

In 1971 it was decided to change the society's emphasis so as to appeal not just to enlightened entrepreneurs but to trade unionists, politicians and the general public. DEMINTRY was renamed the Industrial Common Ownership Movement and soon proved itself a successful catalyst of worker co-operation. Ernest Bader who once said in a letter to one of the authors 'one cannot visualise that there are selfish capitalists in the realm of the angels' must surely be content now that his boldness of vision has found so many followers.

### 2.3 Collective versus individual shareholding

Since so many of the worker co-operatives in the UK today were registered with ICOM model rules it is tempting to assume that the terms worker co-operative and common ownership are synonymous. If one takes a broad definition of worker co-operatives as a 'business which is owned and controlled by the people working in it', then certainly all common ownerships conform. But not all worker co-operatives qualify as common ownerships.

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\* The Times, 8th February 1982.

ICOM would not accept as full voting members any co-operatives registered with the old Co-operative Productive Federation rules, nor would it accept any who register with the new set of rules drawn up by the Co-operative Development Agency. ICOM model rules insist that only workers can be members and that all workers should be members, whereas these other types of co-operative make provision for outside members, such as other co-operatives and sympathetic individuals, in order to raise sufficient capital. The key question as far as ICOM is concerned is control, which must rest with the workforce alone. ICOM would not necessarily object to outside shareholders if the law were changed to allow for non-voting preference shareholders.

A second reason why ICOM would not embrace other types of workers' co-operatives in the UK is the treatment of capital. In co-operative tradition, capital should be the servant of labour and not the other way round. ICOM's interpretation of this maxim is expressed in three ways. First, personal share capital is virtually eliminated. The £1 share which members of ICOM are allowed to hold is really no more than a membership ticket and was accepted only as a gesture to keep the Registrar of Friendly Societies happy (he insisted that each member should have at least one share). Members can, and often do, have a personal stake but it usually takes the form of a loan which carries with it no element of control. Second, all saving in an ICOM co-operative is collective and there can be no member participation in the growth of assets when earnings are ploughed back, although a few ICOM co-operatives do credit their members with loan stock out of profits. Finally, ICOM followed the example of the French and Italian worker co-operatives in insisting that reserves are indivisible and cannot be distributed to members on liquidation but must instead be passed on to another common ownership organisation, to a central fund or to a charity.

What lies behind this down-grading of capital shareholding is ICOM's belief that collective rather than individual ownership of wealth is a new approach to the class struggle. Common ownerships, they believe, should not make little capitalists out of co-operators by pandering to the acquisitive desires of individuals. Mike Campbell, the General Secretary of ICOM since 1971, believes that working-class people are far more likely to accept that profits should be reinvested in indivisible reserves and that jobs for their children in the future are more important than cash bonuses now. 'A doctrinaire obsession with a personal shareholding and capital credits would have the effect of condemning co-operatives to the fag end of the economy since every generation would have to start again the painful process of capital accumulation.'

## 2.4 The Act of Parliament

The Industrial Common Ownership Act of 1976, described as 'An act to further the development of enterprises controlled by people working in them', was an important piece of legislation and a satisfying reward for much hard lobbying by ICOM. Supported by all three major political parties, it included the first legal definition of a common ownership (the word co-operative has still not been defined in British law).\* It provided for a fund of £250,000 of loan capital for co-operatives, which was administered by the Industrial Common Ownership Finance body, or ICOF, (set up as ICOM's revolving loan fund in 1973), a 'relevant body' under the terms of the Act (ie. constituted for the purpose of encouraging the development of common ownership enterprises or co-operative enterprises). The Act also provided for grants to be made to any body providing advice about the organisation of common ownership enterprises - out of the £30,000 per annum allocated, ICOM was given £20,000 per annum for five years up to 1982, which enabled them to set up an office and, for the first time, to employ full-time staff.

## 2.5 How ICOM helps co-operatives

### 2.5.1 Advisory Centre

- a) Model rules and incorporation: The registration of new co-operatives forms a major part of ICOM's work. ICOM produced its first set of model rules in 1975. They were drawn up to conform with the Industrial and Provident Societies Acts under which most co-operatives register and were as short and as simple as the Registrar of Friendly Societies (who administers the Acts) was prepared to accept. Using these rules, groups of people who wanted to form common ownerships were able to incorporate quickly and cheaply. The fee for registration using individually drawn-up rules is £179, whereas with model rules which have been accepted by the Registrar in advance it is only £105. The 1975 rules were revised to comply with the ICO Act in 1977 and again in 1980, when the ICOM Council decided to draw up alternative model rules which complied with the Companies Acts. These rules were especially useful for new co-operatives with fewer than seven members (the minimum necessary for registration under the I&PS Acts). The model memorandum and articles of association for a Common Ownership Company were produced in 1981 and by the end of that year 40 per cent of new registrations were using the company form. The registration of new co-operatives is handled by ICOM's headquarters staff of three, who have to cover the whole country and are hard-pressed to keep up with the flow of applications.
- b) Specialist advice: No less demanding is the work of advising new co-operatives on the problems they encounter when they are just starting out. As a small national body ICOM is clearly not in a position to visit every

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\* See Appendix 2.



potential or new co-operative that seeks help, but through its Register of Skills can put applicants in touch with many individual members who have joined out of a sense of campaigning commitment and are prepared to offer free of charge their specialist knowledge of law, accountancy or marketing. ICOM also puts new co-operatives in touch with existing ones so that they can find out at first hand what problems they are likely to encounter.

- c) Regional branches: Besides its specialist and voluntary advisers ICOM has two regional branches, London ICOM for the capital and ICOM North which covers the North-East of Britain and is based in Newcastle.

The functions of ICOM North are:

- to co-ordinate, promote and develop common ownership enterprises at the local level
- to help start new co-operatives and convert existing firms to co-operatives
- to provide start-up finance through the creation of revolving loan funds
- to increase trading and other links between co-operatives in the area and to give specialist advice to both new and existing co-operatives.

One recent initiative has been the establishment of a revolving loan fund for common ownerships in Sunderland. The fund was made available by the local authority and is managed by a local committee which will undertake the initial investigations into any proposed enterprise and supervise those eventually approved.

London ICOM has been operating as an independent body since 1977. The branch acts as a forum for discussing issues of concern to co-operatives and their members as well as following through with action where its limited resources permit. London ICOM also acts as a point of contact between co-operatives and other organisations and has been active in engaging support from the Greater London Council for co-operatives in the London area.

One area in which the London branch has been particularly active has been the getting together of co-operatives in particular sectors. They have convened regular meetings of such groups as wholefood shops, distribution co-operatives, bakeries and mills, publishing and printing co-operatives and building co-operatives. London ICOM produce a directory of co-operatives in London as well as a regular newsheet and also acts as an information channel to and from the national ICOM.

### 2.5.2 Federation and Forum

ICOM cannot offer its members much in the way of continuing advice and support once they have been set up. Instead it encourages them to help one another, stressing the benefits that can ensue if co-operatives trade with one another and urging members to use its Directory of Common Ownerships with this in mind. Experience has shown that there is often a trough of depression in new co-operatives once the initial euphoria has worn off. It is then that the opportunity to exchange views with other co-operatives helps to restore morale.

### 2.5.3 Promotion and lobbying

ICOM acts as a pressure group in a number of ways. After successfully lobbying for the Industrial Common Ownership Act, ICOM's all-party parliamentary group has continued to meet regularly to discuss changes in the law that might help co-operatives, to seek ministerial support and to open access to the legislature. ICOM keeps MPs of all parties informed of co-operative developments and, because it operates at a national level, can step in if civil servants in one part of the country interpret law or regulations more restrictively than those in another. ICOM was instrumental in removing some of the tax and other disadvantages for private companies converting to co-operatives from the Finance Acts of 1976 and 1978.

### 2.5.4 Training

ICOM sees as one of its most important tasks the training of people working in local co-operative development groups. One way in which they had hoped to do so was to run a Common Ownership Development Programme with the help of EEC funds. The basic course (training of trainers) would have lasted seven months, and the course for people wanting to set up their own co-operatives four months. Existing ICOM co-operatives had been asked to participate by allowing people on the course to spend time with them learning about their business. Unfortunately the course failed to get off the ground because local authorities proved unwilling to second their staff for so long a period of time. Instead a series of one and two-day seminars have been held in various parts of the country, followed by workshops tailored to the needs of local authorities.

ICOM has also been able to train development workers within its own offices with funding from an EEC pilot project scheme. Tom Fitch who co-ordinates co-operative development in the West Midlands and is employed by the local authority, spent six months working with ICOM first. And one of the workers at ICOM, Michael McGowan, moved on to development work at a local level in September 1982.

## 2.6 Funding

In its early days in the mid 1970s, ICOM relied for financial support on a loan from the Scott Bader Commonwealth. By 1976, when it received government funding of £20,000 annually for five years under the Industrial Common Ownership Act, income from subscriptions was running at £2,000 a year. This sum included the fees paid by new common ownerships (£185 for a co-operative society, of which £105 goes to the Registrar of Friendly Societies, and £164 for a company of which £50 goes to the Registrar of Companies). There was some additional income from the sale of publications and occasional donations from well-wishing members of the public. By 1982, however, government funding had come to an end and ICOM was almost entirely dependent on subscriptions which were then running at £20,000 for its continued existence. Efforts were being made to persuade the government to renew its financial support of ICOM. Whether or not these are successful, it should also be said that ICOM could not have achieved anything like the success it has without the volunteer helpers all over the country who have given their services free.

## 2.7 Industrial Common Ownership Finance

### 2.7.1 What it is

ICOF is a revolving loan fund set up especially to finance worker co-operatives. It was started by ICOM in 1973 and, like ICOM, was recognised by government in the 1976 Industrial Common Ownership Act as one of the 'relevant bodies' which could make grant assisted loans to co-operatives or common ownerships. It is a company limited by guarantee without share capital and is administered by 10 Trustees elected by the membership, three of whom must represent trade unions and the traditional movement and one of whom is nominated by the ICOM Council. Membership is open to all members of ICOM who are accepted by both the ICOM Council and the ICOF trustees. From the start the relationship between ICOM and ICOF has been very close. ICOF is a very small organisation with a full-time staff of only one Executive Officer and one administrative assistant. Like ICOM it relies very much on the voluntary and unpaid help of its members alongside that of its trustees.

### 2.7.2 What it does

Between 1973 and 1982 ICOF made around 45 loans totalling £450,000 to worker co-operatives. ICOF's specific purpose is to promote the concept of common ownerships (the type of co-operative fostered by ICOM) so the one thing that co-operatives seeking loans need not fear is that they will be treated with suspicion just because they are co-operatives. Indeed, anyone reading ICOF's leaflet, Information for Loan Applicants, will see that the emphasis is markedly different from that which they might

expect to encounter from a traditional financier:  
'As well as looking for evidence of co-operative structure and spirit, ICOF Trustees will want to satisfy themselves that an applicant enterprise is a viable concern with reasonable prospects of success'. So although ICOF will only assist co-operatives it must nevertheless do so under the same sort of criteria that one might expect a conventional banker to use. In their assessment of the viability of a particular co-operative enterprise, the ICOF Trustees look for the following:

- Financial and commercial data: properly analyses data relating to the past records (if any) of the applicant enterprise (if possible over the previous three years trading), its current position and future trading estimates
- Market prospects: a realistic appraisal of the market for the products of the applicant enterprise, at home and overseas, and of the enterprise's ability to sell in these markets at competitive prices
- Managerial ability: the quality of management available is a crucial factor in assessing prospects of viability
- Product development: a successful product may lead to undue complacency if management is weak and fails to allow for a changing market
- Forecasts: should take the impact of inflation into account
- Other finance: if the applicant enterprise has other sources of finance, or is putting up a substantial amount from its own resources or private outside finance, this may indicate a diminution of risk
- Industrial relations: policy and recent history of industrial relations, views of trade unions (without whose co-operation there must be serious doubts about the viability of the enterprise)
- Risk factors: principal risks identified and their effect (such as changes in sales volume, prices etc) on profit and cash flow calculated
- Security for loan: present charges (if any) and security available.

ICOF loans are typically for amounts between £2,500 and £10,000, repayable over six months to six years. Once a loan has been made the co-operative is regularly monitored, usually by means of twice yearly visits. In this way ICOF has built up a great deal of expertise on the financial running of co-operatives which they are able to pass on to others, for instance at the seminars and courses run by ICOM. The ICOF trustees also put forward proposals each year for measures to be included in the government's Finance Bill which would help co-operatives.

### 2.7.3 Funding

Before the Industrial Common Ownership Act was passed in 1976, ICOF was reliant on loans from sympathetic individuals or successful common ownerships to lend to others. The Scott Bader Commonwealth Development Fund was an important source of finance. Then, in 1976, the government made available £250,000 to be administered by ICOF at the rate of £50,000 a year. As loans are repaid they form part of a continuing fund. However, by 1982 ICOF found itself severely restricted. Not only had the government grant run out but the Bank of England refused to grant it deposit-taking status which would have allowed ICOF to operate more like a merchant bank taking deposits from investors and lending to co-operatives. This meant that ICOF could no longer take deposits from either the general public or the Scott Bader Commonwealth. Such deposits as they had taken in the past will have to be repaid as they reach maturity.

The future of ICOM's revolving loan fund looks bleak. The original loans and the £250,000 of government money which ICOF has invested in worker co-operatives are being whittled away by inflation. New loans can only be made when capital repayments are made by existing borrowers, and their ability to do so while the economy is in recession remains constantly in question.

ICOF is holding discussions throughout the co-operative movement as well as with local authorities, the Greater London Council and individuals in its search for money to lend to co-operatives. The approach has so far proved successful only in the West Midlands where the local authority made a grant of £75,000 to ICOF in 1982. The money will be lent on to new co-operative business ventures in the West Midlands. In the long run, however, it seems likely that unless some way is found of obtaining a licence as a deposit-taking institution, it will be little more than a clearing house for putting lenders in touch with borrowers and its own advances will be severely restricted for the foreseeable future.

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## 3. The Co-operative Development Agency

### 3.1 Character

Very different from ICOM is the Co-operative Development Agency (CDA), a larger, better funded but less representative body whose members are appointed by the government. Initially, the CDA suffered from a groundswell of opposition from the co-operative movement it sought to serve and from the fact that it had no capital to invest in new co-operative ventures. Nevertheless, much valuable work was done by the CDA in its early years to help make the concept of co-operation better known and more acceptable to government and industry.

By the end of its fourth year in March 1982 considerable changes had taken place. A substantial reduction in government funding meant that the CDA's staff was cut by a half but relations with other support organisations and co-operatives themselves had greatly improved and there were signs that the Agency was creating a distinctive role for itself.

### 3.2 Pre-formation period

Proposals for a national development agency for co-operatives can be traced back as far as 1970 when a resolution was passed by the Co-operative Congress, the annual meeting of the Co-operative Union, calling for the establishment of a Co-operative Development Agency and supporting a declaration made to similar effect by the Labour Party Executive. By 1974 the Labour Party was back in government and there was a renewed call for an agency 'both to stimulate research and finance methods of restructuring existing societies on a more efficient basis ... The Labour Government should, we believe, now take steps to set up a Co-operative Development Agency to encourage rationalisation, modernisation and innovation in the co-operative sector of the economy.'\*

By 1976, when the Industrial Common Ownership Act received the Royal Assent, there was still no CDA. This is not to say that people both inside and outside the co-operative movement were not busy lobbying for action. The Co-operative Party played a particularly active role through its Parliamentary Group with members in both Houses of Parliament. By 1977 a Working Group had been set up under the Chairmanship of a senior civil servant, Dennis Lawrence. Its members included representatives of the consumer, housing, agricultural, credit and worker co-operative sectors as well as the Co-operative Party.

The Working Group reported to the Minister of State for Industry on 17th October 1977. They concluded that there was a need for a Co-operative Development Agency free to formulate views and attitudes which would reflect and promote the interests of the movement as a whole and co-ordinate and facilitate its development. They recommended that it should be established by Act of Parliament and that the power of making appointments should be vested in the Secretary of State for Industry.

However, four members of the working group - two from the housing co-operative movement, one from the National Federation of Credit Unions and one from ICOM - disagreed strongly with the proposal to have appointees and produced a minority report in which they said 'We find it difficult to see how a body on which co-operative organisations are refused the right to appoint their own representatives direct

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\* Joint statement: Co-operative Union Central Executive and Labour Party National Executive Committee, May 1974.

can claim to speak on behalf of the movement.' In the end the dissenters supported the constitution proposed in the majority report with the qualification that membership should reflect the partnership between the government and the co-operative movement.

### 3.3 Functions

The Co-operative Development Agency Act stated that the Chairman and other members of the Agency would be appointed by the Secretary of State, after consultation with persons appearing to him to represent the interests of the Co-operative Movement. It would not have the power to make loans or grants or to guarantee obligations incurred by other persons. The functions of the Agency would be:

- to promote the adoption and better understanding of co-operative principles and to represent the interests of the co-operative movement
- to identify and recommend ways in which the establishment, development and evolution of co-operatives might be facilitated
- to identify and recommend projects which might usefully be undertaken on a co-operative basis
- to appraise and evaluate projects which are to be undertaken on a co-operative basis
- to advise co-operatives, persons proposing to establish co-operatives and other persons seeking its advice
- to provide a forum for discussion and debate within the co-operative movement
- to make recommendations to government departments .... and public authorities on matters which the Agency considers should be brought to their attention
- to keep under review and make recommendations concerning the training courses available to members and prospective members of co-operatives
- to keep under review the establishment, development and evolution of co-operatives throughout the world and the law applicable in the United Kingdom to co-operatives; and
- to undertake such studies as the Agency considers necessary or expedient.\*

To enable the CDA to carry out these functions the Secretary of State would make grants of £900,000 over three years.

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\* Co-operative Development Agency Act, 1978, Her Majesty's Stationery Office CMND 6972

### 3.4 The first three years

#### 3.4.1 Emphasis on worker co-operatives

The first chairman of the CDA was Lord Oram, a member of the Co-operative Parliamentary Group. The Secretary of State also appointed people from the consumer, housing, agricultural and worker co-operative sectors. It was made clear that these members were serving in their capacity as individuals with much co-operative experience rather than as representatives of particular sectors. The Director was Dennis Lawrence who had chaired the working group and who had previously worked in the Small Firms Division of the Department of Industry. It was agreed from the outset that the emphasis should be laid on the creation of industrial co-operatives. The criteria adopted by the CDA for deciding whether an organisation was an industrial co-operative were:

- that it should be a business subject to the same obligations as any other form of business
- engaged in the manufacture of goods or provision of services
- wholly or very largely owned by the people working in it
- ultimately controlled by them on the basis of one member, one vote.

By the end of its first year the CDA had appointed 10 members of staff. The full complement of 20 staff was reached six months later in January 1980 but subsequently reduced until in August 1982 only nine were left. How do they go about helping co-operatives?

#### 3.4.2 Promotional work

The CDA saw as one of its first tasks the removal of misconceptions and ignorance about worker co-operatives especially in the light of the failure of two co-operatives, the Scottish Daily News which had collapsed in 1975 and Kirkby Engineering which had collapsed shortly after the CDA was set up, and the relative lack of success of a third, Meriden, all of which had received large sums of public money and a good deal of attention in the media.

They addressed themselves to five main sectors; the trade union movement, the banks, the Confederation of British Industry, local authorities and a variety of government development agencies such as the Council for Small Industries in Rural Areas (COSIRA) and the Scottish and Welsh Development Agencies.

In each case the concern was to familiarise people with the concept of worker co-operatives and to convince them that they are a desirable alternative form of enterprise in a market economy. The reaction was varied. Some simply took on board the request that they keep in mind the



co-operative form of organisation as a desirable alternative; others were more positive. In particular the CDA received some 50 enquiries in its first year from local authorities many of whom had received information about the CDA from their Associations. All the development agencies approached agreed to co-operate with the CDA and to keep an eye open for opportunities for co-operatives. By the end of its first year the CDA believed that there had been a general shift in attitude from scepticism to a willingness to give co-operatives fair consideration.

### 3.4.3 Advisory work

In the financial year 1979-80 the CDA received 346 enquiries from a variety of sources.\* In the following year the number of enquiries had increased by over 100% to 779. Of these 55 were from local authorities. In 1981-82 there were 915 enquiries, 37 of them from local authorities. The CDA undertook detailed studies for two London Boroughs in 1979 to identify opportunities for new co-operative developments. Although financial restraints on local authorities prevented many more of them from commissioning studies of this kind the CDA carried out a major consultancy project for Cleveland County Council in the year ended March 31, 1982 and its report which included the recommendation that the Council should set up a local co-operative development agency was implemented in full.

Much of the CDA's advisory work has been directed at individuals or groups. The vast majority of these were people keen to set up new co-operatives, but the CDA has also advised owners or workers in existing businesses who wished to convert to co-operatives and has accumulated a great deal of information on conversions. Examples of the way in which they have gone about this advisory work are given in the 1980/1981 Annual Report and include:\*\*

- A community arts centre: in September 1980 a newly registered co-operative with plans to develop a community arts centre sought the agency's advice. They saw that the co-operative needed to draw up an organisational structure and a business plan if it were to achieve its objective. The agency knew that the local authority was interested in promoting co-operative enterprises; and contacted council officials to suggest that the council sponsor preliminary studies. A study, involving the agency and a local management college, is being undertaken.

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\* Co-operative Development Agency, Annual Report and Accounts for the year ended 31 March 1980, HMSO, London 1980

\*\* Examples taken from: Co-operative Development Agency, Annual Report and Accounts for the year ended 31 March 1981, HMSO, London 1981

- An antiques centre: the sole proprietor of a large antiques centre in South East England contacted the Agency for advice on turning the centre into a co-operative on his retirement. The members of the co-operative would be the 20 antiques dealers who are currently licensed tenants paying a monthly rental for floor space and some shared facilities. The Agency has drawn up a detailed constitution for this new type of co-operative and devised, in conjunction with a commercial bank, a method of financing so that the proprietor may withdraw from and the dealers succeed to the ownership of the business, without creating an undue burden on either party.
  
- A nursery co-operative: the neighbourhood co-operative model attracted a group of mothers wishing to set up a nursery to be run by full and part-time members. The agency is advising the mothers on their dealings with the local authority, on registration as a nursery, finance and premises. This model could be repeated elsewhere.

Another area in which the CDA has become increasingly interested is the formation of worker co-operatives in the public sector. A number of local authorities have been looking at the possibilities of 'hiving off' some of their activities to the private sector. The CDA is keen that in such circumstances workers should be given advice and support in setting up their own co-operatives.

#### 3.4.4 Education and training

The CDA has taken a number of initiatives to provide training for co-operators as well as to educate the public generally. Some of these are geared to people thinking of setting up co-operatives, others are designed to attract people working in local authorities. A number of seminars have been held for the training of training and development officers and discussions have been held with Regional Management Centres and polytechnics on the possibilities for providing basic skills courses for people in worker co-operatives. The CDA has been increasingly concerned with the need for on-the-job training in business skills for members of co-operatives and in local CDAs. Attempts have also been made to ensure that co-operation figures more in school curricula and a set of model rules has been drawn up for school co-operatives to use as an informal constitution.

#### 3.4.5 The Forum

One of the functions prescribed by the Act was that the CDA should provide a forum for discussion and debate within the co-operative movement. The Forum was initiated in March 1980 when the CDA assembled leading figures of the movement at its headquarters. The meeting discussed a wide variety of topics including relationships between different sectors of the movement. Subsequent meetings were held

twice a year at which the chief executives of the main co-operative organisations discussed issues and problems of common interest. The CDA has also organised a conference attended by representatives of local co-operative development groups and has since appointed a development worker with specific responsibility for liaising with, and assisting, local CDAs. They are keen to encourage the formation of local CDAs in places where they do not yet exist and recognise that the work emphasis of national bodies like the CDA and ICOM should as far as possible be supportive to local agencies.

#### 3.4.6 Research and publications

The Co-operative Development Agency has been actively involved in research on a number of fronts. It convened a group of experts to study the legal and fiscal position of worker co-operatives. The Agency has asked the government to make two changes to tax legislation to bring the treatment of co-operatives into line with that of conventional companies: first to amend the provisions of the Finance Act 1978 to allow members of co-operatives relief from income tax on bonus shares issued to them; and secondly to allow members of co-operatives relief from income tax on money used to pay interest on capital borrowed to invest in their co-operatives. This second request was met by the Chancellor of the Exchequer in his 1981 budget although the first has proved more problematic.

CDA publications include the Directory of Industrial and Service Co-operatives first published in 1980 and updated to August 1982 when there were estimated to be nearly 500 co-operatives. The Directory gives information on their activity, organisational structure and state of development. It includes a statistical summary of the geographical spread of co-operatives and a breakdown of products and services. The 1982 Directory included for the first time details of community and neighbourhood co-operatives and also listed 60 local and regional co-operative development groups. Other publications are Co-operatives: a guidance booklet for Local Authorities and How to convert a company into an industrial co-operative.

#### 3.4.7 Neighbourhood Co-operatives

A new kind of co-operative was developed by the CDA as a result of a study they carried out for the London Borough of Lewisham to identify the possibilities for co-operative enterprises offering small-scale services such as gardening and window-cleaning. What makes the neighbourhood co-operative unique is that it allows for varied degrees of commitment by the member. The model rules drawn up by the CDA were accepted by the Registrar of Friendly Societies and allow for three types of member:

- full-time members who work full-time in the co-operative;
- part-time members who work part-time in the co-operative and are paid at an hourly rate;
- occasional employees who work for the co-operative on a voluntary basis and are usually unpaid.

All members, whether they work a full week or only an hour or two, control the co-operative on the basis of one-man, one-vote. One of the ideas behind the neighbourhood co-operative is that members of the community with particular administrative or other skills should be able to offer these skills to help young or other unemployed people who might not otherwise have been able to set up a co-operative.

The CDA published a booklet entitled How to set up a Neighbourhood Co-operative in 1981. By mid 1982 they had received a good number of enquiries and 28 neighbourhood co-operatives either had been or were in the process of being set up. One of those set up after discussions with staff at the CDA is a neighbourhood nursery co-operative in the London Borough of Waltham Forest. It was registered with sixteen members and offers facilities for toddlers to both member and non-member parents. In the long-term they hope to provide full-scale nursery facilities with paid staff but before they can do so they have to convert the church hall from which they operate to conform with stringent local authority standards. In the meantime the members operate on a rota basis, taking turns at supervising five morning sessions a week. Non-members are allowed to use the club for three months with no obligation to join the co-operative. This three month period ensures that the co-operative does not have too many members and that those who do join will be reasonably active. Once workers have been appointed they too will be represented on the management committee. The real argument, however, for setting up the nursery as a neighbourhood co-operative was that it was the only way in which parents could have a say in the provision. As one of the founder-members put it, "For some of us, this is the first time we've been able to make the decisions which affect our own lives and those of our children."

#### 3.4.8 The Co-operative Training and Enterprise Workshop

Another initiative taken by the CDA was the formation of a training and enterprise workshop in the steel town of Hartlepool where closures have led to 20% unemployment. The idea is that entrepreneurs bring their product idea to the workshop where, if it is judged to be viable, it is put into manufacture by groups of young people who will become members of the co-operatives thus formed. Skilled supervisors ensure that the young people receive the practical training necessary and the CDA, through one of its senior members of staff seconded to act as manager, ensures that they learn about management and control in a co-operative. The CDA sees the main advantage as being

that the trainees will be learning both technical and co-operative skills from practice.

The scheme started in April 1982 with a complex package of funding including £133,425 from the EEC Social Fund, £129,000 from the Manpower Services Commission, £35,000 from Cleveland County Council and £5,000 from the Hartlepool Deanery of the Church of England. Since the Co-operative Enterprise Centre opened on April 5th, they have set up six worker co-operatives; one making fibre-glass musical accessories, such as guitar cases, another selling digital thermometers and hygrometers as an agency for the French firm who manufactures them, a group who manufacture raised gardens for the disabled, a bicycle repair and renovation co-operative and, finally, a co-operative offering calibration services for industry. In all, the centre employs 45 staff, 30 of whom are 18-25 year olds. Peter Slowe, the general manager on secondment from the CDA, envisages that eventually (and the time scale is likely to be years rather than months) the co-operatives set up by the Enterprise Centre will be profitable enough to support the central services which the centre will offer. These services should be cheaper to provide centrally than if all the individual co-operatives had their own private arrangements.

Each co-operative set up is an individual entity, with one member as a representative on the Enterprise Centre's internal board of management. Because of the heavy reliance on public money the main board is made up of representatives of the sponsoring bodies. The Centre makes grants rather than loans to the groups setting up the co-operatives to cover the essential equipment they need, and the workers' wages are paid by the government funded Manpower Services Commission. During the first year, all profits made by the co-operatives are ploughed back into the Centre - at the end of the year the co-operatives will be able to move out into their own premises with a ready-established track record which will help them to raise outside finance. The Centre is planning to set up a charitable fund to deal with training for the people in its co-operatives, in an attempt to reduce their dependency on outside funding.

#### 3.4.9 New model rules for co-operatives

When the Co-operative Productive Federation merged with the Co-operative Union to which the few remaining worker co-operatives dating back to the 19th century already belonged, the CDA decided that there was a need for a new set of model rules as an alternative to those of ICOM, under which almost all the worker co-operatives set up in the UK since the mid 1970s have registered. The new rules, which conform with the Industrial and Provident Societies Acts, were first published in 1982. They make provision

both for individual shareholdings and for outside members, as under the old Co-operative Productive Federation rules. Individual members of the co-operative can hold shares up to the present legal limit of £10,000. There is provision in the rules for a limited number of suitable outside members, namely 'any society, company, other corporate body or individual whose application for admission has been approved by the Committee.'

As with the old CPF rules there is also provision for the members to decide what happens to the assets of the co-operative if it is dissolved. In this respect the CPF rules attracted a good deal of criticism in the past because it was felt that they provided an incentive, especially for outside members, to wind up the co-operative in order to realise the increased value of its assets. The CDA's view is that this danger is more theoretical than real although it is one that has been borne into reality in the case of several CPF co-operatives, including Bristol Printers, which was liquidated in spite of a reasonably successful trading record. Bristol Printers had accumulated valuable assets, but as long as it was trading, its shares were worth only £1. If it ceased trading and the assets were split up, each share would be worth £28. The temptation was too much for the shareholders, both workers and outside members (including Co-operative Retail Services in Bristol). At a meeting of the committee to discuss the issue, they voted almost unanimously to liquidate and share out the assets. The new CDA rules contain the same incentive to liquidate but they have been welcomed by those who wish to see the growth of large worker co-operatives in more capital intensive industries than have grown up under ICOM's model rules where near-complete reliance on loan capital limits the co-operative's ability to raise risk capital from outside financiers.

#### 3.4.10 Funding

The Co-operative Development Agency entered a new phase in March 1982. The £900,000 made available under the Co-operative Development Agency Act had been spent and a renewed grant of £600,000 over three years meant that the CDA's staff had to be cut from twenty to nine. This cut in funding clearly required a reappraisal of the CDA's work. Announcing the reduction of the CDA's grant to Parliament, the Under-Secretary of State for Industry, Mr John McGregor, spoke of changes needed within the Agency to improve its effectiveness. 'The Government see considerable scope for reshaping the Agency into a more streamlined and effective organisation with a smaller board and fewer staff. A businesslike and hard-headed approach will be needed to succeed in the difficult task ... and to achieve the economies that the reduced rate of funding will impose.'\*

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\* Hansard, 22 July 1981, Column 445-446.

At the same time that the funding was cut, a new Board and a new Director were appointed by the Secretary of State for Industry. The new Chairman is Ralph Woolf, Managing Director of the biggest common ownership, Scott Bader; the new Director is George Jones, who has been seconded from his post as a senior Director of Unilever. During his first six months as Director, one of Mr Jones' major activities has been to build bridges with all organisations in the co-operative movement and there is every sign that he has been successful in doing so.

### 3.5

#### A new approach

The CDA's new long-term strategy is based upon the belief that there must be greater tolerance between the different sectors of the co-operative movement but also that new co-operatives must be set up on a viable business base. In particular, they believe that support will be needed in the broad areas of business practices with a particular emphasis on marketing, market research, business planning, accounting and other financial aspects. To help them to formulate and implement this strategy the CDA has recently obtained the services of economist Ian Brierley on full-time secondment from the Co-operative Bank. Other staff changes have been proposed which reflect the CDA's view that there should be greater representation of individual specialist skills such as marketing and accountancy, and that these straight business management skills should be made available to local CDA's as well as individual co-operatives.

George Jones summed up the basic principles of the new-style CDA for the Co-operative Congress in 1982 thus:

- ' - To be partisan for co-operation
- The need to drive for economic viability
- The need to work with or through other organisations in the movement
- The need to encompass all types of Co-operation
- The need to be apolitical ...

... The workers co-operative movement is young and thrusting, it brings with it a breath of fresh air to the somewhat stale economic life of this nation. In numbers it is one of the very few growth sectors of the economy. I believe it appeals to all the various sections of political opinion. If we can build on these strengths and remedy any weaknesses within the movement I believe we can achieve our aims of bringing democracy to the working place and creating a significant industrial co-operative sector in the economy.'\*

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\* George Jones, George Jones writes ...., CDA News, No. 10, July 1982.

#### 4. Job Ownership Limited

##### 4.1 What it is

Job Ownership Limited (JOL) is another national organisation, though it has a staff of only two and a budget a tenth the size of the CDA's. It has never received any government money although it has done a small amount of consultancy work for local authorities. JOL seeks to counteract British prejudices and scepticism about worker co-operatives and has always favoured the style of co-operative in which the individual workers hold substantial capital stakes. JOL's Director, Robert Oakeshott, was one of the authors of the report which first focussed the attention of people in the UK on the achievements of the Mondragon co-operatives in the Basque country of Spain, where more than 18,000 worker members own and control 90 industrial and manufacturing co-operatives engaged in the production of middle-level technology goods like domestic appliances, machine tools and a wide range of mechanical, electrical and electronic components.

##### 4.2 Model Articles

It has not proved easy to transpose the Mondragon model into the framework of UK law and taxation. The form of a limited company with share capital was chosen as the most favourable and a model constitution has been drawn up which is undergoing the scrutiny of the Inland Revenue and the Department of Trade. The main disadvantage of the JOL Model Articles compared with those of ICOM or the CDA is that they are somewhat complicated. The most distinctive elements are:

- A Job Ownership company abolishes the distinction between owners and workers. The ownership of shares and the right to receive profits rest with the workers and only them. Subject to the satisfactory completion of a probationary period, all workers are required to become members. By virtue of the power to elect the directors, the workers also control the company.
- Shares in a Job Ownership company cannot be freely bought and sold as they can in a traditional company limited by shares. Though it would, in law, be possible for workers to buy and sell shares among themselves, JOL does not recommend this. In this the JOL model resembles ICOM's, but the similarity ends there, for in a Job Ownership Company the value of an individual's share varies according to the length of service and the contribution to the work of the company made by the worker concerned.

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\* Alastair Campbell, Charles Keen, Geraldine Norman and Robert Oakeshott, Worker-Owners: the Mondragon Achievement, Anglo-German Foundation for the study of industrial society, 1977.



- The only way that a member can recoup the value of his share on leaving or retirement is by selling it back to the company and that would inevitably reduce the company's capital base or its ability to increase it by ploughing back profits. To get round that problem the JOL model allows for a proportion of the initial capital and subsequent additions to be collectively owned. JOL suggests that this should be around 20% of the company's total share capital. These collectively owned shares are designated as 'A' shares, and those owned by individual worker members as 'B' shares. 'A' shareholders can never benefit personally from their shareholding even in the event that the company is dissolved.
- New members are expected to make a capital contribution equivalent to not less than 25% of the estimated gross earnings of the lowest paid. If necessary the company may lend a new member the amount needed to make the capital contribution which must then be repaid within two years. Until an undertaking to do so has been made the member will not have voting rights.
- All members have one vote only.
- Wage or salary payments are regarded as an advance out of the company's net income.
- Safeguards are included in the model articles to ensure that the company makes adequate provision for re-investment, for reserves and for paying out members who leave, the the case of the latter by means of a Special Reserve Fund.
- There is a rather complicated system for arriving at the value of individual members' 'B' shares based on the company's audited balance sheet.

Thus the main differences between JOL's model rules and the more often used rules of ICOM lie in the manner of ownership. They are:

- a) members have to buy themselves in, and
- b) when a member leaves he or she can expect to get back the value of his share plus a sum which reflects the growth in value of the company's assets since buying in.

So far as control is concerned, a JOL co-operative is the same as any other: the sovereign body is the General Meeting of all worker-members and every member has one vote regardless of the size of shareholding.

It may in part be because these model articles are so complicated that so few co-operatives have chosen to use them. Up to the summer of 1982, only two had done so: Manchester Cold Rollers, which was started from scratch, makes a new cold-rolled steel forming machine and offers for sale both the machines and the sections formed by it; the second, a conversion, makes picture frames and was acquired by its 14 workers from Sotheby's for a consideration of £1 in May 1982.

#### 4.3 Controversy

New co-operative legislation which would allow for co-operative shares to increase in value in line with inflation is being called for by the CDA. JOL shares, however, increase in value in line with the increase in value of assets and some critics have questioned whether this is truly in accord with the co-operative principle that members should be rewarded for what they have contributed by work or custom rather than for what they have contributed financially by way of share capital. JOL's answer to this is that the holder of an individual share in a Jol Ownership Company can only enjoy an increase in the value of that share in direct proportion to his work contribution - and also that people work better if they share in ploughed back profits.

#### 4.4 Convincing business

Much of the work and effort of Job Ownership Limited so far has been expended on preparing schemes of workforce buy-outs with the owners of successful medium-sized businesses and they hope that some of these may come to fruition in the near future. At a more general level the company form of constitution they have chosen is quite deliberately designed to appeal to the business community and to convince them that co-operatives need not necessarily reflect the ideals of the alternative movement nor of those who see them as an instrument in the 'class struggle'.

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### 5. Scottish Co-operatives Development Committee

#### 5.1 Pioneer of local action

The first support organisation formed to promote co-operatives within a particular area was the SCDC. Neither local nor national in the sense of covering the whole of the United Kingdom, it is perhaps the best example of what can be done by a support agency with limited resources but excellent knowledge of and a strong commitment to the local economies it seeks to stimulate. Although for the first few years after it was founded in 1977 it had only one full-time development officer - Cairns Campbell, now the senior Development Officer - the SCDC has achieved a dramatic expansion of the co-operative sector in Scotland. From

four in 1977 the number of worker co-operatives rose in January 1982 to 31, employing more than 300 people and generating an estimated combined turnover in excess of £3 million. In 1981 more new co-operatives were formed than ever before in a single year - nine - and there were no failures.

## 5.2 How SCDC was set up

SCDC was formed after a public seminar arranged by the Scottish Council of Social Service, the Co-operative Union and the Workers' Educational Association to establish whether anything might be done in Scotland to promote the idea of soundly based worker co-operatives. It was recognised by the government as one of the official bodies entitled to receive funding under the Industrial Common Ownership Act.

The six founding and sponsoring bodies which are still represented on SCDC's 35-strong committee were:

- The Co-operative Union
- The Scottish Council of Social Service
- The Scottish Trades Union Congress
- Industrial Common Ownership Movement
- Industrial Common Ownership Finance and
- The Workers' Educational Association.

To these founding members have since been added representatives of ten Scottish worker co-operatives who are elected annually, representatives of local government, universities and the Confederation of British Industry as well as individuals who have been co-opted for their business expertise.

## 5.3 The objectives of SCDC

The committee aims to encourage and promote the development of worker co-operatives in Scotland by:

- publicising the concept of worker co-operation
- providing advice and practical assistance to people setting up new co-operatives and to those in existing co-operatives
- encouraging the conversion of traditional companies to worker co-operatives
- establishing a pool of experts who are sympathetic to worker co-operatives and will offer their help to them
- acting as a link with other organisations such as banks, local authorities, development agencies, trade unions etc.
- running training and workshop sessions on co-operative working practices and management.

#### 5.4 Definition and model rules

SCDC uses the broad definition of a worker co-operative as 'a business owned and controlled by the people working in it'. They have laid great emphasis on the need for co-operatives to be firmly established businesses and have committed themselves from the start to encouraging only those co-operatives which they believe to have a reasonable chance of commercial success.

SCDC now largely uses rules based on the company limited by guarantee, although they still use the ICOM model rules when appropriate. Under the company limited by guarantee rules, only workers may be members and they cannot hold more than a nominal £1.00 of share capital. But the rules contain no express commitment to ICOM. They pay only the £50 which it costs to register with the Registrar of Companies since SCDC does not charge for its services. The main features of SCDC's model rules are listed below:

- the objects of the company are 'to foster and support the concept of worker co-operation in its own affairs and in industry and commerce generally'
- the income and property of the company cannot be transferred directly or indirectly to the members of the company except by payment of wages, bonuses and repayments of expenses
- in the event of winding up or dissolution any assets remaining after debts and liabilities have been settled cannot be distributed to the members but must be transferred to worker co-operative enterprises with similar objects or a central fund maintained for the benefit of worker co-operative enterprises.
- only workers can be members
- all workers have the right to apply for membership
- each member has only one vote
- profits may be applied (in such proportion as is decided by the general meeting):
  - a) to general reserves
  - b) as a bonus to members
  - c) for social and charitable objects.

#### 5.5 Some notable success stories

Of the four worker co-operatives already in existence in Scotland when SCDC started in 1977, Bardrec, an engineering company in Lanark, remains the biggest in that country with over 50 workers; the other three, which had been propped up with Job Creation Programme funding, subsequently collapsed.

Among the new co-operatives, Randolph Leisurewear, which arose from a failed capitalist company with the help of SCDC and considerable sacrifice on the part of its members, has recently won an export contract to Scandinavia worth £3.6 million over the next ten years. Another co-operative, an engineering firm, is investing £100,000 in new plant and machinery in order to go into the heat pump market.

To begin with, a fairly high proportion of the new co-operatives set up in Scotland were alternative style enterprises. However, SCDC has always laid stress on the need to develop worker co-operatives with which ordinary working-class people can identify without fear of embracing an alternative life-style and new co-operatives have increasingly been engaged in mainstream business activities.

#### 5.6 The Clydeside Project

The SCDC realised from the beginning that new co-operatives lacked business and entrepreneurial skills and that in their vulnerable early stages needed development officers to give them a high level of assistance. Going a stage further, they argued that many workers who might have a good chance of forming viable co-operatives very probably had not even considered the option and needed to be prompted. Instead of waiting for people to come to them, therefore, they went out to the people. In 1980 they set up an experiment known as the Clydeside Project to start co-operatives from scratch and attract ordinary working people into building up their own co-operatively run and owned businesses.

The project was backed with Urban Aid funding guaranteed for three years from the Strathclyde Regional Council and the Scottish Office. It is administered by SCDC and has two full-time development officers and one administrative assistant. John Lewis, the convenor of the Clydeside Advisory Group, outlined the role of a development officer thus:\*

To examine the possibilities and opportunities for small co-operative businesses developing within a given area, paying due regard to:

- skills available within the area
- market opportunities
- capital requirements
- own particular business attributes

To prepare feasibility studies for approval by the committee, including:

- market study
- budget, profit and loss accounts and cash-flow statements

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\* John Lewis, The Clydeside Project, SCDC News, February 1981

- technical and production study
- staffing and co-operative working

To make it happen: act as the entrepreneurial manager of the small co-operative business. Hire and train the necessary staff and run the concern in line with the business plan, making adjustments as necessary and reporting to the committee on progress

To prepare for succession by training and involving staff in all aspects of running the co-operative business so that they may successfully take over from the development officer or may be able to hire the necessary managerial skills when he leaves.

In the first year of the Clydeside project, two new worker co-operatives were established.

#### 5.6.1 Clydeglaze

The idea for a glazing co-operative came when SCDC placed a newspaper advertisement asking people who were interested in setting up a co-operative to get in touch. Jimmy McNamee, David Anderson and John Murphy who between them have 55 years of glazing experience replied to the advertisement. They had been in and out of jobs in the construction industry for years until they got so fed up with the constant hiring and firing that they started to think about setting up a business for themselves. But that idea proved no more attractive than ordinary employment because of their lack of business expertise. When they saw SCDC's advertisement they knew nothing at all about co-operatives but had reached the stage where anything was worth a try. With SCDC's help they set up Clydeglaze in 1980.

Pat Boase, SCDC's development officer, did more than just hold their hands during the setting up period. He provided space for them in SCDC's own office, where they learnt about book-keeping and the other necessary administrative skills. The more they learnt about co-operatives the more interested they became. Pat Boase helped them send requests for work to government departments and used his many contacts to start bringing in orders. But the learning process was by no means one-way. Pat Boase had to learn a lot about glazing before he could help them out with estimating etc.

When the three men moved to their own ramshackle but adequate premises they had to take on all the administrative work for themselves and it quickly became apparent that although all were skilled glaziers one would have to stay behind in the office taking orders and giving estimates.

When we visited them in May 1982 they had a healthy pile of orders and had successfully tendered for maintenance contracts from the local and regional authorities as well as work for housing associations and private contractors. But things were not always like that. During the first two years not only did they have to take drops in their wages but there were times when two of the three members had to lay themselves off. Pat Boase recalls how it was a revelation for staff at SCDC to see the lack of bitterness that was attached to this act.

One of the problems was that much of their work was done for big bureaucracies so that even when there had been plenty of work on the books it was not necessarily paid for promptly. The chit that has to accompany the invoice for every small job must be signed by the Clerk of Works and the Clerk of Works isn't always around when you want him. In order to get the capital they needed to overcome cash flow problems and also to finance the expansion that was crucial to their survival, they had to get a virtually unsecured overdraft from the Co-operative Bank and would probably not have succeeded without the backing and support they have had from SCDC, which does not approve of co-operative members having to give personal guarantees.

It does now look as though the co-operative has a good chance of expanding. They have just made an application under the Employment Grants Scheme funded jointly by the EEC and the Strathclyde Regional Council which would pay one third of the wages of the 4-6 new worker members they hope to take on. This in turn would enable them to handle much bigger maintenance contracts for the local authority and others. They have already learnt that small jobs can turn into big ones. One company they went to asked them to put in five new panes of glass. When they came back next day to do the job they found there was a new manager and he gave them work worth £10,000.

#### 5.6.2 Clydeclean

Clydeclean is the second of the co-operatives started from scratch on the initiative of SCDC as part of the Clydeside Project. Pat Boase, the development officer for this as for Clydeglaze, spent a good deal of time at the beginning of the project looking around for ideas for new co-operatives. Cleaning on a yearly contract basis was chosen as a suitable area to start for three main reasons:

- the work is self-organised anyway, and encourages initiative and a responsible approach
- the distrustful and exploitative way the cleaning industry is generally run invites the development of a new model
- it is a business which can be started with little capital.

SCDC began by securing contracts. When they had obtained the first, they advertised for two cleaners. By the beginning of 1980 seven cleaners were each working two hours a day in three different locations, with administrative and other back-up services provided from SCDC's offices. By April 1982 there were eight workers on the payroll and they had appointed a manager who had been a cleaning supervisor and was then doing managerial training as part of an MSC New Enterprise Programme. At that time they were hoping to get a big contract in a new Co-operative Wholesale Society building. The cleaners, mostly women with children who prefer to work part-time, get higher than average hourly rates which are also supplemented by bonuses.

### 5.6.3 Computer Services

The most recent initiative on the Clydeside Project is to explore the idea of setting up a computer services co-operative which would provide book-keeping, financial information, data retrieval and stock control services for many of the worker co-operatives under SCDC's wing. A specialised development worker has been taken on on a short-term contract to do the feasibility study.

### 5.7 Rescuing Jobs

By no means all SCDC's initiatives have been the creation of co-operatives from scratch. They have also been involved in a number of rescues, helping groups of redundant workers to save at least some of their jobs when conventional companies have closed down. SCDC remains very reluctant to encourage co-operatives which do not have a reasonable chance of business success, but also recognises that in such cases there is often the chance of a small unit being viable where a large one has failed, especially if the original owners can be persuaded to offer some help by way of cheap premises or buying the new co-operative's products. As with the new-start co-operatives with which it has been involved, SCDC's development officers have been very heavily involved especially at the early stages when urgent action needs to be taken to decide on the viability of the proposed co-operative and to carry through the necessary negotiations.

#### 5.7.1 Inchinnan Engineering

Fifteen years ago the Dunlop Tyre Factory at Inchinnan employed 5,000 people. Towards the end of 1981 Dunlop announced that it was going to close down the factory with the loss of the remaining 480 jobs. The majority of workers had been expecting the closure for some time and seemed resigned to redundancy. But there was a small group of engineering workers who were disinclined to do so without making a fuss and their shop steward's convenor, Jimmy Marshall, tried to persuade Dunlop to keep at least the machine shop open. The men argued that this section was modern compared to the rest of the factory and they reckoned that they could at least break even running it on their



own. Somewhat to their surprise the UK Tyre Division Director, Colin Hope, did not turn them down out of hand; they suspected that he was wary of a repetition of the sit-ins that occurred over other closures and cost the company millions of pounds. Much more to their surprise he suggested that they turn themselves into a worker co-operative. The workers believe that they also had the support of Dunlop's Scottish Chairman, Sir Campbell Fraser, who has long been keen on promoting industrial democracy.

To start with the engineering workers and their shop stewards were very sceptical about the idea of a co-operative but they heard about SCDC and decided that they might as well approach them and find out a bit more about what forming a worker co-operative could mean. They were surprised at how helpful and positive Lawrence Clarke, the development officer, was. He came to see the factory and though he horrified them by saying that the best they could hope for would probably be to save 15 out of 113 jobs in the machine shop, they agreed that he should become involved in the negotiations with Dunlop.

In the end they did pretty well. Dunlop agreed to guarantee enough work for 15 workers in the machine shop for six months and to offer a contract for the clearance of the rest of the factory site over six months, a job which would involve 20 skilled and five semi-skilled men. They were offered the premises rent and rate free for a year, building up to a full rent only at the end of their third year, with a commercial vehicle thrown in. The machinery was valued at a conservative £50,000 and would be leased to them until they could afford to buy it.

The Dunlop factory was closed on 31st December 1981 and all its workers were made redundant. The new co-operative, Inchinnan Engineering, started business five days later. Jimmy Marshall, still shop steward's convenor but now also manager of the co-operative, recalls those early days as sheer hell. They started work in a building that had no heating and no toilets in one of the worst winters for decades with temperatures as low as 16° Centigrade. But by April 1982 they were beginning to see their way ahead.

Inchinnan Engineering has proved to be highly competitive on both prices and delivery times. Jimmy Marshall attributes their efficiency to two main things. First, the workforce now has much greater incentive to do well; they are no longer working for an employer who will hand over the profits to the shareholders: they are the shareholders as well as the employers. Second, they now work much more flexibly than they did under the old regime. Demarcation lines have almost completely disappeared and within the range of their skills they will turn their hand to any job that needs doing. Although he is manager, Jimmy Marshall gets paid less than the most skilled workers, the draughtsman and the foreman.

The main problem that still faces Inchinnan Engineering is how to become less dependent on Dunlop. What they need above

all is a widely marketable product and SCDC has stepped in to help them find it by commissioning a team of outside consultants with financial help from the Regional Council. SCDC's help has been vital in other ways too. They helped to arrange a course on co-operatives at the Paisley Technical College with all the members of the machine shop attended over three weeks. They were shown a BBC film about the Spanish co-operatives at Mondragon as well as having talks on the business side of running a co-operative and the history of the co-operative movement, which they regarded as especially important as they had known nothing at all about it when they started up. Jimmy Marshall is now very keen for them to arrange some co-operative management training for him. The original development officer, Lawrence Clarke, has now left SCDC but his successor continues to perform a hand-holding role whenever it's necessary. The manager knows he only has to lift up the phone if he needs help or advice.

#### 5.7.2 Two other enterprises founded on sweat

When the Craigton Bakery co-operative came into being as a result of a closure, a tenth of the remaining workforce saved their jobs by self-denial. They took no wages for the first five weeks and often found themselves still working, sticking on labels, at midnight having started at six in the morning. "We would sing or laugh hysterically sometimes but after a while the sense of adventure wears a bit thin and spirits go up and down."

At the end of the first quarter, the co-operative recorded profits of £15,000. But at the end of the third quarter they lost a big customer and ended the year with a trading loss of £18,000. Three staff have had to be paid off and the most skilled workers are still earning less than they were before.

The mainly female workers of Randolph Leisurewear co-operative at Buckhaven in Fife, set up in 1981 after another closure, also started by working without wages. In addition each made a loan of £100 to the co-operative. It was hoped that the workers would be allowed to draw unemployment benefit during this period since they were effectively investing 'sweat equity' in the co-operative and certainly not trying to get money on false pretences. On their behalf Cairns Campbell, the senior Development Officer at SCDC, conducted a vigorous campaign to persuade the Department of Health and Social Security that this was a constructive use of unemployment benefit and one that would in fact enable the workers to cease being dependent on the state. Letters were written to the Secretary of State and to the Chancellor of the Exchequer and though both were sympathetic they said that there was nothing they could do when the women lost their appeal to an Industrial Tribunal.

As things have turned out the co-operative succeeded without state help. At first the workers had no major customers

and had to struggle for every order. Then they were seen on television by a Glasgow building contractor who was impressed, not only by their courage, but also by the quality of their product and the competitive prices. He placed a large order with them for overalls for his workforce. Their reputation grew and so did their order book. Their customers now include local authorities and the police. The real breakthrough, however, came in the summer of 1981, when the high quality of workmanship in the co-operative won them an export contract for a big Swedish contractor.

This order, valued at £3.6 million at 1981 prices over ten years, required the co-operative to invest heavily in new machinery. The SCDC helped them to put together a complex financial package including a grant of £8,000 from the Fife Regional Council, additional funding from the Scottish Development Agency and a loan negotiated through the Co-operative Bank under the government's Small Firms Guarantee Scheme. And now Randolph Leisurewear looks firmly set on the path to success.

## 5.8 Funding

What of SCDC's own finances? Apart from the Clydeside Project, which is separately funded, SCDC has been dependent on the grant of £8,000 a year from the Department of Industry which it received under the terms of the Industrial Common Ownership Act from 1977 until it ran out in 1981. John Pearce, chairman of SCDC, reported in January 1982 that they would need £20,000 a year just to keep going at the existing level and he pointed out that one development officer for the whole of Scotland is a slender resource for a growing movement. By then, however, promising discussions had been held with the Scottish Development Agency, which agreed to fund an SCDC development officer for the Garnock Valley. The SDA has now also agreed to an experimental scheme which should secure SCDC's financial base until 1985. They will make available a consultancy package which will enable SCDC to carry out pre-start feasibility work on new co-operative projects. In addition a small amount of money has been laid aside for promotional consultancy work. The agreement incorporates a bonus system allied to the establishment of new co-operatives so there is an element of payment by results. The agreement with the Scottish Development Agency will also mean that applications from individual co-operatives for loans for premises, machinery and/or liquid capital will almost certainly be approved provided that they have the backing of SCDC. John Pearce believes that this demonstrates the creative and constructive way in which a statutory body and an independent organisation can work together to create new employment opportunities

The long-term intention is that SCDC should be funded by its member co-operatives although SCDC's staff recognise that this will not happen until there are hundreds of well-established and profitable businesses.

## 6. Local Co-operative Development Agencies

### 6.1 Introduction

Local initiatives produce results, or so the argument goes according to many co-operative support workers. The success of the SCDC's methods seem to bear this theory out, but perhaps the most convincing evidence comes from the local co-operative development agencies, a type of support organisation which seems not to have emerged in other countries. These local CDAs, which as we have said are not necessarily connected with the national CDA, are known by various different names including ICOMs, common ownership associations and local co-operative development groups. They have multiplied rapidly in the past few years.

By August 1982 there were 60 local and regional co-operative development agencies over the United Kingdom, from the steel crisis towns where a great mass of workers are faced with redundancy to relatively prosperous towns in the South-East where unemployment is also taking its toll on local economies. The local CDAs survive mainly on grants, estimated at more than £1 million by the national CDA, from central and local government. Many have two or three full-time workers but some have only one and quite a few rely entirely on voluntary help. Their importance can be measured by the fact that the largest number of new co-operatives started in the UK over the past decade has sprung up in those areas which have established local CDAs.

### 6.2 Where has the initiative come from?

Local CDAs have developed spontaneously in recognition of local needs and at the initiative of an astonishingly varied group of instigators, including branches of the traditional co-operative movement. Some co-operative retail societies have been actively involved, such as the Royal Arsenal Co-operative Society which has been instrumental in helping to set up a number of local CDAs. Co-operative Bank managers and staff are frequently on the steering groups of local CDAs and the Co-operative Party (the political wing of the retail federal organisation, the Co-operative Union) backed the group set up in Oxford. In Norwich a group was helped by the Ecology Party. In other places such as Bristol, the initiative has come from existing worker co-operatives, or from trade unionists. Then there are local authorities, more and more of which have become actively involved in local employment initiatives as the economic recession has worsened. Most local CDAs would not have got going without the help of the local authorities.

### 6.3 Why local authorities have helped

Local authorities have given their support to co-operative development groups because they are aware that worker co-operatives can help local economies in decline. New co-operatives not only bring new employment. They often provide goods or services that were not previously available (such as the Seedbank, which collects and sells wild flower seeds which might otherwise die out, or Sisterwrite, a feminist publishing company), make products that are socially useful (like Regenesiis, a paper recycling co-operative, or Northumbrian Energy Workshop, who make wind machines), or practice skills that might otherwise die out (like Freeboard CCC who are building boats which they hope to use for transporting goods on Britain's canals). Many co-operatives, especially in inner cities, provide job opportunities for groups of people at a particular disadvantage in the labour market: ethnic minorities, women, the disabled and, increasingly, the young.

Co-operatives are run by local people and are therefore likely to stay where they are, even when times are hard, rather than be tempted to go elsewhere in order to obtain some other local authority's development grants, as large companies often do. Any profit that is made is likely to be ploughed back into the co-operative or, if distributed to members, spent within the community, thus contributing to the local economy.

### 6.4 How local authorities have helped

#### 6.4.1 Hard cash

The most obvious help local authorities can give to co-operative development is financial. Sometimes it may take the form of a grant to an individual co-operative, especially in the case of a rescue where a large number of local jobs are under threat and the local authority is concerned to preserve at least some. More often, though, the help is given in the form of a grant to enable local co-operative development groups to appoint full-time workers who can then devote all their energies to helping set up new co-operatives. West Midlands County Council has recently granted £50,000 each to three local CDAs to employ 3 or more staff each, and Sheffield City Council has also made large sums of money available to local CDAs. Sometimes such grants are supplemented by smaller one-off grants to enable CDAs to carry out feasibility studies on particular co-operatives or product ideas.

Another kind of financial help has been provided by Sunderland District Council which made a grant of £20,000 to be used as a revolving loan fund for new co-operatives; yet another by the London Borough of Hackney which helped a new co-operative to get a mortgage on its premises. Local authorities can also use their leverage to attract financial support from other quarters, either by providing

guarantees, by putting up matching funding or by tapping Urban Aid funds. In Telford a group of unemployed people were able with the help of Urban Aid grants to set up an unemployed workers' centre which houses the local CDA. Several local CDAs have also had funding to employ full-time staff from the government sponsored Manpower Services Commission. Finance can also be obtained from supra-national sources. The City of Liverpool supported a number of successful applications from new co-operatives to obtain help from the European Community Social Fund.

Local authorities can help new co-operatives in a more direct way by buying their goods or services. For a co-operative to get a local authority contract can mean the difference between success and failure. The glazing co-operative in Glasgow which we looked at in the section of the Scottish Co-operatives Development Committee is just one new enterprise which has been helped in that way. Of course, co-operatives cannot expect to be given contracts just because they are co-operatives; they must tender for them competitively. But local authorities can do much by making it known that they would like to receive tenders from co-operatives.

#### 6.4.2 Legislative powers

All this financial help - which is for the most part being offered by Labour-controlled local authorities - is dependent on powers given by central government. In certain inner city areas authorities are allowed by the Inner Urban Areas Act of 1978 to make loans for premises; in some cases they may make capital grants for machinery and equipment under the Department of the Environment's Urban Programme. Elsewhere local authorities have invoked the power to spend up to a 2p rate given them by Section 137 of the Local Government Act of 1972.

#### 6.4.3 Secondments

Several local authorities have sought to help co-operatives by appointing their own Co-operative Development Officers. The drawback of such appointments, frequently pointed to by people in the co-operative movement, is that the officials concerned do not have a thorough understanding of co-operatives. More importantly, perhaps, they may not have the necessary financial and managerial expertise for developing small businesses. On the whole it is probably better for local authorities to use as much money as the government will allow them to spend to support worker co-operatives by direct grant or loan or, at one remove, through CDAs.

## 6.5 How do local development agencies help co-operatives?

Local CDAs have an educational and promotional role to play in building local awareness of the possibilities for co-operation but above all they exist to provide expert help and advice to people who want to set up co-operatives themselves, either from scratch or to save their jobs when traditional companies are threatened with liquidation. Apart from providing guidance on appropriate model rules and organisational structures, development workers can, so long as they themselves have the necessary expertise, help would-be co-operators with the very important jobs of market and product research and drawing up a business plan. Once development workers have won the confidence of banks and other financial institutions as well as local authorities, they can play a big part in ensuring that a new co-operative gets the necessary loans and grants to start up as well as other forms of specialist advice.

Another important way in which local co-operative development groups help co-operatives is by putting them in touch with one another so that they can gain from each other's experience as well as in more tangible ways such as inter trading or complementing one another's skills.

We give below some more detailed examples of ways in which particular local co-operative development groups have helped worker co-operatives.

### 6.5.1 Educational and promotional

The Black Country CDA see one of their jobs as liberating people's innate creativity. They ran a publicity campaign as a result of which they had 150 enquiries from people who had ideas for setting up co-operatives, two thirds of which were judged worth considering seriously.

Southwark is just one of a number of development agencies which has held Co-operative Fairs where local co-operatives have been able to display and sell their goods and services to local people. The Royal Arsenal Co-operative Society - a consumer co-operative - has helped a number of new local CDAs by financing their first promotional activities, which often take the form of a fair.

The Northern Regional CDA organised a conference which led to renewed interest in worker co-operatives from the local authority as well as two possible conversions and two new co-operatives.

## 6.5.2 Feasibility studies

For any new co-operative to succeed it must have a viable product or service to offer a willing market at a price it is prepared to pay. For a co-operative to succeed when a capitalist company has failed, it is even more vital that these criteria are met and met speedily. Local co-operative development workers can have a crucial role to play in helping new co-operatives assess their viability and on occasion actually suggesting new products or markets where there are gaps to be filled. Their local knowledge is especially important as is the accumulation of experience from the successes and failures of other co-operatives they have helped. The Newham CDA, for example, is working with the North-East London Polytechnic on a project to identify socially useful products.

Below we give examples of business opportunities which have been or are being made the subject of feasibility studies by local co-operative development agencies in different parts of the country:

- East Midlands: Plant hire, building, alternative bookshop, installing burglar alarms, retailing, chemicals and plastics manufacture
- Scotland: Banking, building, clothing, printing, canvas weaving, soft toys, magazine production, newspaper production, cycle hire, wholefoods, glazing, contract cleaning
- North Region: Clothing, garment technology, sources of market/product research and funding
- Brent: Printing, fashion design and retailing, garment cut, make and trim, black music, Asian food, medical technology, building, motor repairs, bookshop, window cleaning, community co-operative for local services
- Sheffield: Arts centre and music workshop, jewellery, Asian food
- Hackney: Clothing, printing, furniture making, TV tube regunning, building, community nursery, wholefood shop, hairdressing, publishing, recycling
- Lambeth: Asian women's clothes, film processing, Asian flour milling, household repairs, building, wholefood shop, contract cleaning

All the co-operative development agencies concerned are prepared to pass on information about these studies for the benefit of others.



### 6.5.3 Legal and financial advice

Local co-operative development agencies can help co-operatives, even if in the early days they themselves lack experience or expertise, by putting together a register of specialists who are sympathetic to co-operatives and will offer help or advice in their own particular fields. This may be vital in cases where local CDAs rely entirely on volunteers or where development workers may have been seconded by local authorities and have no previous experience of setting up small businesses.

Often CDAs are the first port of call for people setting up other types of business as well as co-operatives and they can act as a link with agencies such as the Small Firms Advisory Service, chambers of commerce, etc., to ensure that services they provide which are appropriate to co-operatives are not needlessly duplicated.

Most new co-operatives require legal advice and guidance about the model rules available. They need to know the difference between registration under the Industrial and Provident Societies Acts and the Companies Acts. In the case of conversion from a traditional company to a co-operative they need advice on how to avoid paying Capital Gains Tax unnecessarily. Then there are the various provisions for health and safety at work, employment practice and the procedures people have to follow if they feel they have been unfairly dismissed. All of these apply as much to co-operatives as to any other business.

Above all local co-operative development groups can advise new co-operatives on the sort of systems they need to run efficiently and democratically. They need book-keeping and financial management systems that are understood by everyone, not just accountants, so that everyone can play a full and active part in decision-making; and managers need help with the special problems of running a co-operative enterprise.

One of the development workers at Brent CDA told us how all this is done in practice. As soon as the decision is made that a particular product is viable it is handed over to whichever development worker has the most experience in the field of retailing, technology or whatever it may be. The first step is to formulate the business idea and see how it will work financially. At the same time the co-operative structure is examined and this often necessitates a certain amount of education work into co-operative work patterns. The contact person will keep fairly constantly in touch, pointing the co-operators towards sources of information and suggesting similar ventures to visit so that as far as possible the group can do the ground work themselves. The CDA's resident lawyer will then help to draw up a constitution for the co-operative, often using the form of a company limited by guarantee though always offering the new

co-operative a choice between that and the Industrial and Provident Society form . Under British law a co-operative may use either form.

When it comes to raising capital, local co-operative development groups have a crucial role to play. First, they will have helped the new co-operative draw up its business plan with cash-flow forecasts showing that the capital requirements can realistically be repaid at the prevailing rate of interest. They have to cope with the fact that most worker co-operatives cannot offer shares to outsiders and have little capital of their own at the beginning. It is very important that development officers establish good relationships with local bank managers who should not only understand the particular needs of co-operatives where these differ from other types of small business but also have confidence in the business acumen of the development workers who have helped to put together the plan. If the bankers knows that there will be good and continuing support from the right people, what might otherwise have appeared an unjustifiable risk stands a better chance of being accepted. The same, of course, applies to local authorities and other statutory bodies who may have grant and loan funds available for new employment initiatives but seek reassurance that co-operatives are a good place for their money.

Sometimes, though, local co-operative development groups find themselves facing the opposite problem: local authorities may be so keen to create new jobs or to save existing ones that they are prepared to offer money to anyone who holds out possibilities. In such cases the job of the development group may be to advise that a project - especially in the case of a rescue where workers are prepared to put their redundancy money at stake - is not in fact viable.

But as one local development worker told us, the type of involvement many local groups have had up until now may start to change. Putting together financial packages for start-up funding and doing feasibility studies, which at first seemed like major problems, will seem easy compared to keeping things running. The number of co-operatives in the UK has grown so rapidly that there are bound to be large numbers of fairly new co-operatives for some time to come. The problems they expect to encounter include getting co-operatives to meet their financial forecasts. This involves management accounting rather than straight financial accounting, and therefore requires a high level of decision-making on the part of the members. There is also the problem of keeping the group running as a true co-operative when there is a great temptation to let the co-operative be taken over by one person with dynamism who makes all the decisions.

#### 6.5.4 Premises

Finding suitable premises at a suitable rent is a problem that faces most new co-operatives. It is especially acute in inner city areas where rents and rates are high and suitable premises comparatively scarce. Landlords may be just as sceptical of democratically-controlled enterprises with no track record as bank managers and it is not uncommon for members to be asked to give personal guarantees. Again local knowledge and contacts of the development workers can be of great help.

Often, though, the CDAs' involvement goes deeper. Lambeth, Haringey and Brent are just three of the local co-operative development groups which are considering rehabilitating old industrial premises and turning them into nursery units for new co-operatives. In Haringey the plan is to convert a former school into workshop units. In another inner-city area there has been talk of converting a multi-storey car park - unused for its original purpose because it had become a target for vandals - into seedbed units for co-operatives. In such circumstances the local authority can do much to help by guaranteeing the short-falls that occur when part of the premises are unoccupied. Some authorities can make available premises of their own such as seedbed workshops which though not specifically intended for co-operatives are no less suitable for them than for other small businesses. Seedbed workshops often provide common services such as reception, telephone answering, typing and accounting. Occasionally empty council properties can be put to good use. For example, the Tyne and Wear County Council provided a factory site rent free for two years to a clothing co-operative in Durham. When not offering free accommodation, local authorities can keep rents down to a level new businesses can afford and they do not expect tenants to enter into burdensome lease agreements of the kind they may have to sign if renting privately.

In the pre-formation stages, when a group of people are preparing to set up a co-operative, local development groups have helped by making available their own premises. Unemployed people cannot afford the big telephone, stationery and postage charges and a CDA can help to subsidise these costs as long as it has sufficient resources itself.

#### 6.5.5 Providing links with other co-operatives and other agencies

Seminars can be an important way not just of educating interested members of the public or of local authorities in the concept of co-operation, but also of bringing together members of existing worker co-operatives. The West Glamorgan CDA has run successful seminars on book-keeping and fashion marketing which brought together people from co-operatives who were all facing similar problems.

Seminars run by other CDAs for co-operatives in particular lines of business, such as the clothing industry, not only give people a chance to discuss the common problems but can lead to their adopting common solutions such as joint buying on better terms, joint marketing or jointly negotiating terms for insurance, etc.

In Leicester a wholefood co-operative linked up with a radical book co-operative and converted an old cheese warehouse which now houses a restaurant co-operative, a community centre with a co-operative structure and a theatre group.

In York a number of co-operatives clubbed together to place an advertisement in the local newspaper. The individual co-operatives were advertised around the side of the page and the work of co-operatives in general was described in the centre.

Co-operative Fairs are another way of attracting the public to the work of co-operatives as well as selling goods. The biggest fair is the annual one at Beechwood College in Leeds which attracts about 3,000 people. The Greater London Council has plans to sponsor a co-operative trade fair. There is also, of course, scope for groups of co-operatives to take joint stands at ordinary trade fairs and generally to collaborate with one another on marketing.

Some particular types of co-operative such as wholefood and building co-operatives have formed loose federations which can bring members of co-operatives together to discuss common problems. The Federation of Building Collectives acts through conferences held twice a year and produces a contact list of all building co-operatives to encourage direct contact. Although most existing and construction co-operatives are very small there is no reason why they should not join forces to tender for larger contracts than they would otherwise have been able to take on. This has been done with great success in Italy where the consorzi, as they are called, not only have a large share of the domestic construction market but are also involved in large overseas contracts.

Trading between co-operatives is fairly common. Wholefood wholesalers sell to wholefood retailers and restaurants. We visited one co-operative bakery which was hoping that a nearby co-operative would make a wholefood snack for them to sell. Inter-trading can sometimes bring problems, however. One of the main reasons for the failure of one engineering co-operative in Wales was its overdependence on a co-operative customer which itself went into liquidation.

A fairly recent development encouraged by local CDAs is the establishment of secondary co-operatives to provide services to other co-operatives, such as the Co-operative Accountancy Service set up in London early in 1982 to provide an auditing services with a wider scope than commercial auditors offer. CAS recognises the fact that many co-operatives need special help in designing accounting systems which operate efficiently within the constraints of rotational working and where the jobs of book-keeping and financial management are shared between a group of possibly inexperienced people rather than always handled by one qualified person.

Another secondary co-operative venture in London is the management advisory service being set up by Roger Barkaut, who set up the accountancy service described above, and Nick Mahoney who previously worked in a local CDA. His experience in the CDA made him realise that many co-operatives need management advice after they have been set up but that most local CDAs do not have the resources to offer such continuing help.

#### 6.6 The network

The local CDAs have established a system they call 'networking' and a great deal of information is exchanged through their excellent newsletter Co-op Development News. In a spirit of true co-operation it is produced and edited by members of the network but published by the Co-operative Union and sent free to co-operatives and local CDAs.

The network has its own annual conference held at the same time as the annual Co-operative Fair at Beechwood College, the independent co-operative training college in Leeds. Members of the network help new local CDAs by attending their meetings and giving advice on how to set up. They are preparing a handbook on how to start and run a local CDA with a choice of legal structures.

#### 6.7 The main problems facing local CDAs

The first and most obvious is to ensure their own survival. Co-operative development has not yet reached the stage in the UK where there are enough co-operatives to support their local support groups and indeed, the vast majority of existing co-operatives could not afford to do so. Even if they could, they would not necessarily want their hard-earned profits to be spent on developing new co-operatives. For these reasons and for the foreseeable future, local co-operative development groups will depend upon grants from central and local government if they are to have full-time staff. So long as they can demonstrate that worker co-operatives are an effective part of an overall strategy to relieve unemployment and strengthen local economies then the case for continued funding by local authorities is not difficult to make out. There is always a danger, however, that changes in the political complexion of local authorities can lead to a withdrawal of funding

regardless of the job they are doing.

Another area of concern is the risk of a top-down approach to co-operative development. Local CDAs could in fact do too much to help new co-operatives in terms of handing ideas over to groups of unemployed people who may lack the commitment and motivation necessary to keep a co-operative going and indeed are not really interested in working in a co-operative at all. The danger of seeing co-operatives as an all-embracing panacea to the problems of unemployment is ever-present.

Perhaps one of the biggest problems facing local CDAs is the danger of arousing expectations they cannot fulfil because of their lack of staff. As one full-time development worker put it to us, "The problem was that from day one we had people walking in through the door wanting help and we had more work, without going out to look for it, than we could actually cope with. And that's been the situation ever since." It is obviously important that local CDAs should work with all the other agencies available to help new small businesses, so as to avoid unnecessary duplication of effort and concentrate their slender resources to best advantage.

A question frequently asked is to whom should local CDAs be accountable. There may not be any co-operatives in existence when a local CDA is set up although most CDAs start out by making provision for their eventual representation. Management committees - often made up of representatives of local consumer co-operatives, trade unions, local authorities, etc. - may not necessarily be the right people to decide on policy in the long term either. The original instigators may believe firmly in one type of co-operative but be mistrustful of another. They may have strong feelings that one particular set of model rules and no other should be used. They may meet too infrequently for policy decisions to be made when they are needed and the development workers may feel that they are the only ones with sufficient experience to make the right decisions. Some would prefer local CDAs to be worker co-operatives in their own right.

At another level there is the question of accountability for public funds. Unless grant aid is made proportionate to the number of successful enterprises set up or jobs created, so providing a clear method of financial control, it can be argued that local CDAs should be accountable to the local authorities from which their money comes. The existing CDAs are by no means completely agreed on the answer to this question although there is a growing feeling that they should be accountable to the co-operatives they have helped to set up and that they would prefer not to have unity thrust upon them, least of all by organisations outside the movement such as local authorities.

## 7. The Highlands and Islands Development Board

### 7.1 What it is

The HIDB acts as the support organisation for a relatively new type of co-operative in the United Kingdom, the community co-operative. It was established in November 1965 under the Highlands and Islands Development (Scotland) Act with a very wide brief to further the economic, social and cultural development of the northernmost part of Scotland.

It is financed by grant-in-aid borne on the vote of the Scottish Economic Planning Department. With expenditure in 1980/81 running at £23.7 million and a staff of 249 the HIDB is, of course, a regional development agency rather than a co-operative support organisation. The Board has done much to help establish new small business enterprises and to act as a catalyst to encourage community involvement in economic development: one way in which it has done so has been to promote community co-operatives.

### 7.2 From Ireland to the Islands

The HIDB's involvement came about almost by chance in 1976 when the Chairman and Vice Chairman of the Board heard about the development of the community co-operatives in the Gaeltacht or Gaelic-speaking parts of the West of Ireland. They paid a visit to Ireland and were struck by the similarities between the Highlands, and especially the Islands of Scotland, and the Gaeltachts. Both have small, scattered, Gaelic-speaking populations, both depend mainly upon agriculture or fishing for their living and both have to battle with poor land. The HIDB decided that it would be well worth conducting an experiment, beginning in the Western Isles and profiting as far as possible from the achievements but also the failures of the Irish community co-operatives.

### 7.3 What is a community co-operative?

A community co-operative is a multi-functional business owned and controlled by the residents of the community it serves. It mobilises capital from the savings of the residents and with additional support from public boards such as the HIDB develops projects which have received local support and a positive professional evaluation. Some of the co-operative's activities may be social rather than economic but in order to qualify for HIDB support it must be ultimately profitable overall.

Activities in which community co-operatives have been involved include the provision of agricultural and fishermen's supplies, retail shops, fish farming, craft marketing, tourist accommodation and fuel supplies. Some are involved in as many as eight at a time. Table 1 shows the full range for the 10 community co-operatives in existence in May 1980.

RANGE OF ACTIVITIES (MAY 1980)

Category	Enterprise	Co-operatives									
		Ness	Vatersay	(1) Eriskay	Pairc	Papa Westray	(2) (3) Harris	Iochdar	Scalpay	(4) Barra	Teach ar Tìr
Land	Horticulture Agricultural Plant Hire Agricultural Requisites Peat cutting Livestock rearing	• • •	•  •	   	• • x	•  	•  x	   	   	x x x	•  x
Sea & Fish	Fish Farming Fish Processing Fishermen's Requisites Lobster holding			•  	•  			x  		x x	
Building & Manufacturing	Building Supplies Building Contracting Plant Hire Manufacturing Workshop Knitwear Sheepskin Curing Craft Marketing Bakery	• •  x	  x	  •  	• • x	  •  	x  • x	x   		x x  	  x  
Services & Tourism	Museum/Cultural Centre Hostel/Guest House Package Tours Self-catering cottages Garage Retail Shop Catering Community Hall Community Mini Bus Coal/Fuel Refuse collection	    x • •  •	    • •  x	  x   	     •  x	  x • •  	•     • •  	      x		       x	•       

x Projected                      • In operation

Activities that have been considered but are not currently part of any co-operative's projected function:

Land improvement	Slipway	Sealskins	Electrical Repair	Creel
Egg production	Rabbit farming	Laundrette	Printing	Manufacture
Lobster ponds	Sawmill	Car Hire	Bicycle Hire	

Footnote:

- (1) includes activities of Eriskay Fishermen's Co-op Ltd
- (2) includes activities of Harris Craft Guild
- (3) includes activities of Harris Fishermen's Co-op Ltd
- (4) includes activities of Barra Fishermen's Co-op Ltd



The key to a successful community co-operative lies in the active participation of the community it serves. On small islands where community solidarity is strongest, it is not uncommon for 70% of households to belong. In fact on the Island of Eriskay which we visited in the course of our research there are only two families which do not belong to the co-operative. Each household has to put up a certain amount of capital, usually varying between £20 and £50, although one farmer in the Orkneys put up £1,000. Whatever the people put up on their own account is matched by HIDE, up to an agreed limit. The money is taken in on the understanding that there will be no distribution of profits in the first five years during which period all profits will be ploughed back. The principle on which they operate is the traditional one of one member, one vote. The members elect a management committee which appoints a full-time manager.

Experience, both in Ireland and Scotland, has shown that the key to community involvement is sometimes found in the shape of one individual member of the community who will take the initiative and kindle enthusiasm in others. Such people may already play a leading part in the life of the community as its doctor, priest or teacher and have seen at first hand the results of depopulation in falling school rolls, declining congregations or fewer patients. They realise that the more that can be done to improve the quality of life in their own communities, the less likely it will be that their young people are tempted to leave.

Community co-operatives can and do have a dramatic effect on people's everyday lives. Some of us may take the existence of supermarkets and corner shops for granted; not so the islanders of Eriskay. Going shopping used to mean taking a ferry (which cost £2.00) to the next island of South Uist and then hiring a car at the cost of £8.00 to take them to the nearest shop. In winter, when the seas are rough, the return journey could mean a month's groceries soaked with salt water. Now they have their own shop, post office and off-licence on the island itself. It is no mean achievement as we realised when the co-operative's manager, Iain MacInnes, proudly told us that the bread he manages to sell at the same price as in Inverness where it is baked had been driven from there to Kyle of Lochalsh, ferried to Skye, driven through Skye to Uig, ferried to Lochmaddy and driven through North and South Uist before finally being put on the ferry to Eriskay. Many of the groceries come by container from the Co-operative Wholesale Society in Glasgow. Taking delivery is by no means straightforward. The island's priest who is also secretary and treasurer to the co-operative, known affectionately by his two first names rolled into one as Father Johnarchie, takes the co-operative's tractor over to South Uist with a party of other strong men to haul the container on and off.

The shop is a tangible symbol of what has been achieved by the islanders pooling together their resources. It acts as a meeting place, it provides a job for a young widow

with children to support. Above all it has convinced the people of Eriskay that they can achieve what many would previously have thought impossible. They are now confident that they can raise the £17,000 they will need as a contribution for a much-needed community hall. They are planning to convert two derelict croft houses for self-catering holiday makers and to break in some of the wild Eriskay ponies for pony-trekkers. More tourists will mean more jobs as well as extra income. A start has been made on rearing Japanese oysters on the wreck of a ship which went down off Eriskay in 1941. The fishing industry on which the island's economy is based has benefitted from the co-operatives too. A large diesel tank on the island means that the fishing boats no longer have to go to Mallaig to get their fuel and even that they can buy it more cheaply on their own island than they used to.

Eriskay is just one of the twelve community co-operatives active in the Highlands and Islands of Scotland in 1982 and each with its own story to tell, though not all are as encouraging as Eriskay's. By May 1981, the fourth year of the HIDB's community co-operative experiment, some £94,000 had been raised locally by over 1,750 shareholders. 32 full-time, 59 part-time and 9 seasonal jobs had been created in 32 separate activities which generated a turnover of around £700,000 in the year. It is probable that none of this would have happened without the intervention of HIDB.

#### 7.4 How does the HIDB help community co-operatives?

##### 7.4.1 Finance

As we have already said, the HIDB will match funds raised by the community with an establishment grant. This is backed up by a management and administration grant to cover the manager's salary, some clerical help, office furnishing and running costs. Community co-operatives can expect to get 100% of these costs for the first three years and 50% for the next two years, after which it is hoped that the co-operatives will be making enough money to pay for themselves. Projects undertaken by the co-operatives are supported by a combination of grant and loan, usually up to 50% of the total cost. None of these grants would be forthcoming without strong evidence of a community's wholehearted support for its co-operative. But once that support has been given in the form of promises to subscribe shares, the HIDB's contribution ensures that the co-operative not only has the working capital it needs to get going but also a manager to turn ideas into reality. Just as important, HIDB ensures that the managers have someone to whom they can turn for help.

#### 7.4.2 Field Officers

HIDB has four community co-operative field officers: two in the Western Isles, one at Inverness and one who covers Orkney, Shetland and Caithness. They are very carefully picked for what is a difficult job in itself quite apart from the financial constraints which mean that the areas they cover are very big. They have to find ways of harnessing ideas and resources that might otherwise lie dormant in the community but they must be careful not to take too much on themselves nor suggest too much. The field officers' role is to inform, to stimulate, to guide. They must also act as middlemen, bringing in specialists when necessary, though not all specialists may be suited to working within the communities and may themselves need guidance.

In theory field officers should not initiate but should allow the community to do so for itself. But at the same time they have to recognise that communities which have suffered from years of high unemployment and depopulation in difficult living conditions may be withdrawn and depressed. Too much attention to more fortunate communities with fewer problems could lead to giving yet more to him who already hath. So community education is very important, patiently winning the confidence of people and "coaxing in croft kitchens". For this reason it is vital that field officers have an understanding of the communities they work in even if they don't actually come from them, like the worker on the Island of Barra, a Glaswegian who worked on the development of co-operatives on the Pacific island of Tonga before taking up his present job.

#### 7.4.3 Development Training Officers

Besides the field officers working on community co-operatives, HIDB has three development training officers. Two of them are responsible for helping individuals starting up new small businesses and the third has special responsibility for community enterprises. One of them has been assisting the Management Services Unit of the HIDB's Financial Division in carrying out a review of the community co-operatives' financial position. The officer spends time in each co-operative identifying its weaknesses as well as its strengths and through the review they are learning the basic training needs of the community co-operatives. The Management Services Unit also provides hard-headed accountants who, when required, ensure that the applications and forecasts produced by community co-operatives are accurate and that the projects they propose are financially viable.

In general, the Development Training Officer's job is that of a broker, putting people in touch with experts in retail distribution, horticulture, fish farming or whatever aspect of technology they most need help with. The HIDB has recently invested in video equipment for training and are helping some co-operatives to obtain desk-

top computers which could help to free managers to do more real management on the ground as well as giving them and their communities rapid access to information.

#### 7.4.4 Encouraging a Federation

The HADB helps the co-operatives to organise an annual assembly at which the chairmen, secretaries and managers of all the community co-operatives come together to discuss an agenda of their own choosing. The field officers also participate in these meetings which are held in a different place each time. Discussions are now under way between the co-operatives and with the encouragement of the HADB about the possibility of an association of Western Isles Community Co-operatives under the name of Co-Chomuinn nan Eilean. Its initial function would be to act as a forum for matters of mutual interest and to provide a single community co-operative voice on important issues. Future functions could include bulk-buying and joint marketing. It is also hoped to co-ordinate an approach to the EEC for capital aid beyond that of the HADB. The HADB has recently produced an Integrated Development Programme for the Western Isles of Scotland for the five years from 1982 to 1987. Within the overall economic and social objectives it hopes to achieve, the board includes those of the community co-operatives it has helped to foster. The Development Programme report concludes that 'although an impressive amount of money has been raised at community level each co-operative still has insufficient capital to embark upon as rapid a programme of investment in large projects as it would wish. Increased levels of assistance for both management costs and project expenditure would enable co-operatives to have a greater development impact than would otherwise be possible. It is estimated that financial assistance of about £400,000, excluding agricultural and fisheries measures covered elsewhere in the programme, would be required to cover management costs. Support will be sought from the European Social Fund towards expenditure.'\* Without this the view is that community co-operatives will remain marginal operations.

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\* An Integrated Development Programme for the Western Isles of Scotland (Outer Hebrides), Council Regulation EEC No. 1939/81

## 8. Central Council for Agricultural and Horticultural Co-operation

### 8.1 A model support organisation

'The dream of any development agency' was how the Chairman of the Plunkett Foundation for Co-operative Studies, John Morley, described the results of the CCAHC's support for agricultural co-operatives in the past ten years. An analysis carried out by the Plunkett Foundation concluded that there had been 'a fairly direct correlation between expenditure of grant on the one hand and co-operative development on the other.'\* In this period the CCAHC achieved statistically measureable success in transferring market share in certain product areas from private to co-operative enterprise.

There are approximately the same number of agricultural and horticultural co-operatives in the UK as there are worker co-operatives - 555 in 1980. They form a powerful group with their own federations representing particular kinds of co-operative, such as the Farmers' Seeds Federal, Farmers' Overseas Trading, the United Kingdom Wool Growers' Association and the Grain Producers Federation. There are also representative bodies for England, Scotland, Wales and Northern Ireland which come together in the Federation of Agricultural Co-operatives. The total turnover of agricultural co-operatives in 1980/81 was £1910 million and total net profits were £37.1 million. In the marketing sector 16 groups each with over £10 million a year turnover handled more than half the total business and in the supply sector 23 co-operatives in the over £10 million a year turnover group accounted for 80% of total co-operative trade. In the year 1980/81 the 555 co-operatives had 325,858 members and 17,301 employees. By contrast 498 worker co-operatives were estimated to have employed 6,355 people by August 1982.\*\*

Comparisons may be odious and of course agricultural co-operatives start with the enormous advantage that their members, the farmers, are established producers and already enjoying substantial subsidies under the EEC Common Agricultural Policy being eligible for capital grants of up to 25% on capital project costs as well as working capital grants for some specialist co-operatives particularly in the horticultural sector. One is forced to ask what the CCAHC has that worker co-operative support organisations do not. One of the answers is that it has had very significant backing from the government. The government's financial contribution to

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\* Central Council Grants 1981, Co-operative Communication no. 13, October 1981

\*\* Co-operative Development Agency, Press Notice, November 1982

the CCAHC for the promotion and development of agricultural co-operatives in 1980/81 was £1.8 million. How was it used?

## 8.2 How the CCAHC helps co-operatives

The CCAHC, which was set up by Act of Parliament in 1967, is grant aided by government for the promotion, development and supervision of existing and new agricultural co-operatives. It has 37 executive and 20 supporting staff actively involved in commercial development work with co-operatives. Regional officers can call on a wide range of business and professional expertise to back their promotion and development work in the field.

Unlike the CDA which has neither the power nor the means to give financial help to co-operatives, the CCAHC can help in a number of ways, including:

- grant-aided feasibility studies
- grants to help with formation costs, eg. legal and registration fees
- grants for capital expenditure
- grants towards the cost of managerial and key staff during the first three years after formation to ensure that a co-operative will not prejudice its chances by employing cheap or inadequate management
- supervision for a subsequent period of three or five years, depending on the type of asset being grant aided. During the period of supervision, co-operatives must send the CCAHC regular management and financial accounts so that any problems may be put right sooner rather than later

As the Secretary of the CCAHC told us, there is an extent to which the grant aid is merely the means whereby potential co-operators are attracted to them in the first instance and thus provide the Council with the means to persuade them to adopt effective business frameworks. But they are also a means of stimulating innovation. In 1980/81, the Council launched a product marketing and promotion campaign through which producer co-operatives showing initiative were given intensive help by CCAHC marketing advisers and pound for pound grant support to develop new marketing programmes. The Council's policy is very much geared to giving aid for development that would not otherwise have been undertaken and results suggest that it has been successful in this. As the Chairman of CCAHC put it in his annual report to the government in 1981, "The Council believes that increased capital grants are important in stimulating farmers and growers to undertake new marketing developments. This is confirmed by the significant increase in co-operative capital expenditure in 1980/81 against a background of reduced investment in farming in general."\* This achievement

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\* Central Council for Agricultural and Horticultural Co-operation, Annual Report 1980/81, London

is all the more impressive because it has not been at the expense of a dilution of co-operative principles. To qualify for grants, co-operatives must adhere to strict conditions laid down by the CCAHC in a policy review made in 1978:

- trading commitments by members must be both well-defined in quality and significant in amount as a basic protection of the co-operative's viability;
- members' financial commitments must be broadly proportionate to their trade since a significant financial involvement is likely to make a member take his co-operative more seriously;
- at least initially, and where it is closely linked to members' farming operations, the function of the co-operative must be that of agent rather than principal; this means that the co-operative needs less capital though the member is at greater risk which he can only safeguard against by identifying himself closely with the co-operative's trading policies;
- there must be a concentration of votes in the hands of members actively engaged in farming, so that there is no question in whose interest the co-operative is run;
- provision must be made in the constitution for members' financial commitment to be proportionate to trade.

By applying these criteria the CCAHC can ensure that agricultural co-operatives develop successfully not only from a commercial point of view but also as co-operatives. If the CDA, as the counterpart of the CCAHC for worker co-operatives, were able to do the same there could be dramatic results.

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## 9. The Consumer Co-operative Movement

### 9.1 Strength through co-operation

Common sense dictates that the weak should look to the strong for support. In the co-operative movement, the weak are the fledgling worker co-operatives and the strong are the agricultural co-operatives and the retail societies with their chains of High Street stores - the Co-ops that most people think of when they hear the word co-operative. The retail societies are the most venerable and the most powerful co-operative group in the United Kingdom, with 10 million members, an annual turnover (in 1980) of £4,000 million, and their own support organisations, built up over more than a century of trading and mutual aid since the famous Rochdale Pioneers set up the first retail co-operative society in 1844.

Until recently the consumer co-operative movement had shown scant interest in the worker co-operatives springing up alongside them, but among the old a more positive attitude is now emerging from which the new may hope to derive increasing benefits.

'All co-operative organisations, in order to best serve the interests of their members and their communities, should actively co-operate in every practical way with other co-operatives at local, national and international levels.' This principle, the last of six adopted by the 1966 Congress of the International Co-operative Alliance, has a sensible ring. Although many conventional businesses co-operate with one another through trade federations and chambers of commerce, co-operatives need to carry co-operation further because of their special problems, in particular their small size which makes economies of scale harder to achieve, and the difficulties they face in raising capital. In the United Kingdom more than in other European countries such as Italy and France, where the co-operative sectors are better integrated, co-operatives have a specially pressing need to stand together if they are to present a united front and find a deserving place alongside the first and second sectors with which they would like to be ranked. If unity is not sought and fought for by co-operators, the co-operative movement will not be taken seriously by governments or public opinion. And this implies co-operation between consumer and worker co-operatives, as well as among them.

## 9.2 How consumer co-operatives help one another

Consumer societies realised the benefits of co-operating with one another in the second half of the 19th century. The retail society started by the Rochdale Pioneers took the lead in 1963 by setting up the Co-operative Wholesale Society. The CWS not only bought in bulk for its many members but also went into manufacturing and farming on their behalf. Although many of its factories have since disappeared, the CWS is still one of the biggest farmers in the United Kingdom.

The Co-operative Bank which developed from the banking department of the CWS has the status of a major clearing bank. The Co-operative Union provides its member co-operatives with a vast array of services. The Co-operative Insurance Society is one of the biggest insurance companies in the country. Co-operative Retail Services which has grown partly through the absorption of a number of consumer co-operative societies (including the largest of them all, the London Co-operative Society), is now the largest consumer co-operative organisation in the country.



### 9.3 The Co-operative Union

#### 9.3.1 What it is

The Co-operative Union is the national advisory and federal body for consumer co-operative societies and has been going since 1869. It is based in Manchester, not far from Rochdale where the first retail society was set up. With a staff of 240 it advises member societies on financial, legal, industrial relations and taxation matters. The Co-operative Union Education Department operates a range of courses, especially on management training at the Co-operative College at Loughborough. The department also has a Co-operative Education Liaison and Research Unit which offers consultancy expertise to co-operatives in the developing countries as well as in the UK.

The Co-operative Union has a Publishing Department with an information service and an Economic and Research Department which produces an impressive array of statistics on the retail societies' performance every year. It also has regional offices in London, Glasgow, Leeds, Manchester and Birmingham. It operates a Parliamentary Office which liaises with Government departments on all aspects of legislation. Nearly 800 delegates from member societies meet annually for three days at the Co-operative Congress which is the final authority on national co-operative policy.

The number of retail societies affiliated to the Co-operative Union has decreased dramatically over the years, mainly due to mergers. In 1884, there were over 1,000; in 1981 150. Since the Second World War, however, the consumer co-operative movement has suffered increasingly from competition from High-Street supermarket chains and its share of the market has gradually eroded. At the 1982 Co-operative Congress in Brighton proposals were made for a huge restructuring of the retail co-operative movement in which 25 societies would account for 75% of the co-operative retail trade. This proposal was the latest attempt by the Central Executive of the Co-operative Union to impress upon member societies the need for fewer and larger societies to meet the competitive situation. The remaining 25% of co-operative trade would be accounted for by a merger of the Co-operative Wholesale Society with the biggest retail society, Co-operative Retail Services which alone does 20% of the co-operative retail business.\* Whichever way you look

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\* Clive Woodcock, Co-op movement to merge, Guardian, 2.6.82

at it, the consumer co-operative movement in the UK is a giant. But size brings with it certain disadvantages and one of these has been steadily declining member participation. On that score the tiny but vigorous worker co-operative movement has much to offer and there are growing signs of interest on the part of the Co-operative Union and its member societies.

### 9.3.2 Interest in worker co-operatives

The first positive signs of interest in worker co-operatives came in the late seventies when the Co-operative Congress appointed a sub-committee to report on the means by which existing co-operatives in the housing, industrial and productive fields could be brought into membership of, or association with, the Co-operative Union. In 1980 the Co-operative Union took under its wing the eleven remaining members of the now defunct Co-operative Productive Federation. Most of these are worker co-operatives set up in the last century. In 1981, the Congress established a Co-operative Productive Board with a representative on the Central Executive. The newly-formed New and Emerging Co-operative Organisation sub-committee concluded in its 1980 report that 'within the new sectors of co-operative activity there is much more amateurism than within the retail movement. This is a natural development and there should not be an overestimate of the capacity of new co-operatives to operate within a commercial environment. Advice and help from all possible sources, including the retail movement, is required.

'Retail societies all possess considerable expertise in particular areas of activity that will be of vital concern to new co-operatives. Societies possess market know-how, and are also experienced in problems involving warehousing, transport, property values, location of sites, planning matters, taxation and accountancy matters and a whole host of other activities. Retail societies are also considered to be an integral part of the commercial life of any community in which they are situated. They know what is going on and who matters in the community.'\*

This willingness to pass on the accumulated wisdom and experience of the retail co-operative movement to the new-style co-operatives beginning to form at such a pace in the late Seventies was not necessarily shared by people working in the retail societies. For one thing ICOM had begun to surface at about the time that the ill-fated Wedgewood-Benn co-operatives were in the news, and for another many of the new-style co-operatives were collectively run and very much part of the alternative movement which made them seem rather radical bedfellows for the more staid

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\* New and Emerging Co-operative Organisations, Report of a sub-committee established by the Co-operative Union Central Executive and adopted by the Co-operative Congress, 1980.

members of the retail movement. The sheer size of the consumer movement and greatly increased centralisation of buying, etc., also brought problems, even for the CPF co-operatives which had formally been adopted by the Co-operative Union. As the manager of one shoe manufacturing co-operative told us, it wasn't so much that they weren't keen to help - they had, for instance, made provision for all the CPF co-operatives to exhibit their goods at the Co-operative Congress - but buying patterns had changed. Whereas in the early 1970s individual retail societies had bought shoes from the co-operative, increasingly their shoe departments were being taken over and run by the Co-operative Wholesale Society which does its buying on such a massive scale that the co-operative would find it difficult to supply them. In any case, we were told, shoe buyers don't go to Congress. The best you can hope for is that the odd Chief Executive will take note and put in a good word for you when he gets back.

### 9.3.3 New links with worker co-operatives

The Co-operative Union is attempting to overcome suspicion and fear of its members towards new style co-operatives. It has, for instance, produced a special edition of the gazette which goes out to all retail societies, urging its members to help new co-operatives even if they are not directly approached for help. The Brighton and District Co-operative Retail Society is just one which responded by helping the Students Union at Sussex University to set up their own shop. The Brighton Society acted as its wholesaler and also helped to organise a seminar about worker co-operatives. There are many other such examples and, as we have already said, retail societies have often been among the most active initiators of local co-operative development agencies.

There are also encouraging signs of a closer relationship between the Co-operative Union and ICOM. Each is now in membership of the other and both are represented on the Co-operative Consultative Committee which also includes the Co-operative Development Agency and the Network of local CDAs. Regular meetings are held to discuss matters of mutual interest and the Committee jointly prepared a submission to the EEC on ways in which Social Fund money might most advantageously be used to support co-operative development.

The Co-operative Union now has plans to offer membership to individual worker co-operatives who could then benefit from the variety of advisory services which the Union offers its members. It is not yet clear whether there will be some form of joint subscription with ICOM acting as the continuing support body. Nor is it clear whether small new co-operatives will be able to pay the Co-operative Union's annual subscription of £65 on top of their subscription to ICOM. What is clear is that there is a great willingness to help the developing worker co-operative sector and that many bridges are now being built with other

support organisations. The only sector conspicuous for the absence of any involvement with the retail movement is the agricultural one. Hopes expressed by some people that the Co-operative Union could form a sort of Co-operative Consortium with an annual congress bringing together people from all sectors of the movement seem unlikely to come to anything as long as the agricultural and retail sectors are so far apart from one another. The main stumbling block in all this is the Co-operative Union's strong and traditional link with the Co-operative and Labour Parties. The farmer-members of agricultural co-operatives are no more allied to the left of the political spectrum in the UK than in any other country and their support organisations are determinedly neutral.

#### 9.4 The Co-operative Party

##### 9.4.1 What it is

The Co-operative Party is a department of the Co-operative Union. As the political arm of the co-operative movement it has members in the United Kingdom Parliament, the European Parliament and in local government. When the Rochdale Pioneers set up the first retail co-operative society in 1844 they were determined to be neutral in politics as in religion. Since most of the men and all the women who became members of the new co-operative movement were denied the vote there would perhaps have been very little point in wanting to be involved in politics in any case. Belonging to a co-operative society was one of the few ways in which working-class men and women could learn about democracy at first hand. But by the turn of the century the movement they belonged to had become a force to be reckoned with in the economic and social life of the country and there were many who felt that they should have some form of representation in parliament. The decision to do something about it was finally taken in the penultimate year of the First World War when the Congress held in Swansea resolved that: 'In view of the persistent attacks and misrepresentations made by opponents of the Co-operative Movement in parliament ... Co-operatives should secure some direct representation in Parliament.'<sup>\*</sup> At that stage there was still no intention of any alliance with any particular party but as time went by the Co-operative Party, as it was formally named in 1919, moved towards an exclusive agreement entered into between the Co-operative Union and the Labour Party. The Labour Party is in effect the electoral vehicle for the Co-operative parliamentary and local government representation. Co-operative Party candidates stand under the label 'Labour and Co-operative' and once elected they take the Labour Whip. In practice only members of the Labour Party can also be members of the Co-operative Party.

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\* T.E. Graham, MP, Politics and the Co-operative Movement, Society for Co-operative Studies, Bulletin No. 35, April 1979.

Membership of the Co-operative Party is both individual and by society. The main financial support comes from the retail societies which join the party voluntarily. Membership of the Co-operative Union is obligatory for societies in membership of the Party but the reverse does not apply. Some societies in membership of the CU are not members of the Co-operative Party.

#### 9.4.2 Parliamentary lobbying

The Co-operative Parliamentary Group in 1982 consisted of 12 MPs and 5 peers. Their role is primarily to lobby the Government on behalf of the retail and wholesale movement. They and the Party as a whole have, however, increasingly taken on the role of champion of other types of co-operative. In recent years they have played an active part in the formulation of the Credit Unions Bill, the Housing Bill, the Industrial Common Ownership Bill and the Co-operative Development Agency Bill, all of which have been enacted in a form more favourable to co-operative development than would have been the case without their intervention. When it comes to parliamentary lobbying, the Co-operative Party is, as one might expect, a past master and the worker co-operative movement has every reason to be grateful.

#### 9.4.3 Support for worker co-operatives

Though the Co-operative Party has done a great deal to assist the development of new types and kinds of co-operatives, it also recognises the suspicion with which some of these may regard it. Its National Executive Committee reported in September 1979 that 'strong efforts are being made to get closer to community co-operatives and producer co-operatives of all types, but it should be emphasised that in most cases these organisations are not politically motivated and are suspicious of us since they feel that we are interested in them only because we want their political support. .... Such success as we have had is due to a recognition among some groups that the co-operative idea and its extension owes more to the Co-operative Party and its advocacy than to any other organisation in the UK.'\*

#### 9.4.4 Commission on employment

The Co-operative Party has increasingly become involved within the Co-operative Union in the promotion of worker co-operatives and in the development of the movement as a whole. It has a fertile research department and a dedicated Research Officer in Peter Clarke whose essay Towards a United Co-operative Movement\*\* contributes many positive ideas. It has a commission on employment which

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\* Interim Report on the Role of the Co-operative Party, September 1979

\*\* Published by the Co-operative Party, 158 Buckingham Palace Road, London SW1W 9UB, 1981

in July 1981 issued A Call for Evidence in response to a deep concern about the acute unemployment crisis in the UK and in the hope of drawing up an effective policy for expanding employment in a way which would allow co-operatives to play the fullest possible role. The Commission's final report is due to be published in the autumn of 1982. In its interim report in March 1982, the Commission identified as priorities for action:

- the ability to provide and deploy managerial skills
- building up a group of trained personnel who are highly qualified to advise and operate co-operative enterprises
- the legal framework
- the problems of gearing and the limitation on interest paid on capital and the whole issue of capital structure in co-operatives
- the need for a specialised co-operative investment institution.

The Commission concluded that 'the co-operative form of social ownership can make a valuable contribution to the development of the UK economy both in terms of employment and making the industrial structure more flexible.

## 9.5 The Co-operative Bank

### 9.5.1 What it is

The Co-operative Bank was originally established as the Loan and Deposit Department of the Co-operative Wholesale Society in the 1870s and within four years was transformed into the Co-operative Wholesale Society Bank. In 1971 the Co-operative Bank Act established the present constitution of the Bank and in 1975 it became a fully-fledged Clearing Bank.

Although still small compared with the Big Four High Street Banks, the Co-operative Bank now handles well over one million accounts including a large number of local authorities and trade unions. The branch network of over 70 regional branches is rapidly expanding and expects to reach 100 by the end of the decade. These branches are supported by nearly 1,000 Handybanks and more than 3,500 cash-a-cheque points in Co-op Stores throughout the country.

### 9.5.2 Finance for worker co-operatives

As at December 1981 the Bank held the accounts of over 50% of the new industrial and service co-operatives, to which a full range of banking services are made available including overdrafts, short, medium and long-term loans. In addition, in 1978, the Bank launched a special scheme for worker co-operatives whereby it would match pound for

pound the investment of members in viable co-operatives. Following the launch of this scheme, the Bank, in 1981, entered the Government's Small Firms Loan Guarantee scheme after campaigning for co-operatives to be included. Under the scheme the Bank charges lower interest rates and commitment fees than other clearing banks and lending to co-operatives is currently running well into six figures.

To supplement the normal bank services the Co-operative Bank also makes loans available via the European Coal and Steel Community scheme to stimulate employment in coal and steel closure areas. Loans at low fixed-interest rates are available in amounts of £5,000 to £100,000 for an eight year period with a capital repayment holiday for the first four years.

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## 10. Trade union support for worker co-operatives

### 10.1 Trade union officials

With the possible exception of Denmark where a distinctive variety of worker co-operative has been fostered by the labour movement, trade unions have not generally been overtly supportive of worker co-operatives. Indeed their attitude in many countries has verged on the defensive. It has usually been when large numbers of their members have been threatened with the loss of their jobs that individual trade union officials have turned to the idea of a co-operative as a last resort. One of the most successful of this type of rescue must be that of MANUEST, a co-operative in France where 350 jobs were saved through the intervention of the CFDT union. Perhaps the most unfortunate examples come from the UK where trade union convenors played a leading part in the ultimately unsuccessful attempts to rescue the Scottish Daily News and Kirkby Manufacturing and Engineering with the loss of almost £6 million of taxpayers' money. But more recent examples of trade union involvement in saving jobs show signs of greater promise. As we saw earlier in the section on the Scottish Co-operatives Development Committee, it was engineering workers' shop stewards who played a big part in the rescue of jobs at Inchinnan and the Craigton Bakery.

### 10.2 Trade union membership in co-operatives

There is, of course, nothing to stop any member of a worker co-operative from joining a trade union or remaining a member of the union he or she belonged to in a traditional firm in the past. Members of the co-operatives are still employees even if they are also employers and injustice may occur in even the best-run democratic organisations. All the main co-operative support organisations encourage union membership and are at pains to persuade trade unions that they should not look too harshly on new or struggling

co-operatives where the workers may find themselves having to take less than union rates for their job in order to survive. As we saw in the Scottish examples this is often not the only departure from the true trade union path. Demarcation lines between one worker's job and another's disappear; the shop steward may not only become the manager as well, but also find himself doing the most menial job on the shop floor in order to get a delivery out on time. Paid overtime frequently disappears though overtime itself does not and indeed may be such as to raise the eyebrows of the most ardent capitalist. It is not difficult to see why staunch trade unionists might feel uneasy.

### 10.3 The Transport and General Workers' Union

One trade union which has shown positive interest in worker co-operatives and turned a relatively blind eye to their shortcomings is the T&GWU. Indeed the promotion of worker co-operatives is enshrined in the union's constitution and was ratified at its 1981 conference. Since then there have been signs of an interesting development in trade union representation. A number of worker co-operatives in the London Borough of Newham had been talking over the idea of union membership for some time and the T&GWU seemed ideal because it embraces all the activities they are likely to be involved in. Following discussion with union officials it was suggested that the co-operatives might form a branch of their own. In this way they will have a shop steward who understands how co-operatives work and the union will be able to give extra weight to the interests of co-operators because they will all be in one branch. The details of the agreement are still being negotiated but it seems likely to set an important precedent.

The T&GWU has also been involved in a number of attempts to save jobs. At one aluminium factory in Wales where more than 300 workers were being made redundant, the T&GWU shop stewards' committee came up with a detailed blueprint for saving jobs within 14 days. The South-West region of the T&GWU played a particularly active part in the rescue of a co-operative shirt factory known as Unicorn in Taunton. It was largely due to their intervention that the company which closed the factory in the summer of 1981 with the loss of 128 jobs, agreed to hand over part of the factory and its machinery to the co-operative rent-free for six months. The co-operative opened with a workforce of 31; by January 1982 it had risen to 50. T&GWU officials went on to act as volunteer salesmen of the co-operative's shirts and persuaded union members to buy Unicorn shirts which is perhaps a small example of what trade unions with their 11 million members could do to provide a market for worker co-operatives of many different types.



#### 10.4 Trade unions and the unemployed

There is obvious scope for trade unions to do more to help their members save jobs and then keep them going. But what of their unemployed members? In the past it has sometimes seemed as though they have been left out in the cold while their working fellows clamour for higher wages and better conditions. There are, however, signs of a distinct change in attitude. Unemployed Workers' Centres have been springing up all over the country at an even faster rate than local co-operative development agencies. By June 1982, there were 180 centres all over the UK. They are in some places like Kingston linked with local CDAs in trying to provide job opportunities for unemployed workers. Another development has been the formation of branches of a new Unemployed Workers' Union. In some places UWU branches have won the sympathy of other unions and their members, for example in Milton Keynes where 40 members of the National Union of Public Employees pledged themselves to give a penny for every hour they worked to the funds of the newly-formed UWU branch.\* The UWU is not affiliated to the TUC, which is opposed to the formation of any union specifically for the unemployed. Nevertheless its existence may have given a spur to the much more flexible attitude now being displayed by the TUC towards unemployed union members. At a consultative conference on services for the unemployed in 1980 the TUC gave strong backing to Unemployed Workers' Centres and in an unprecedented step in May 1982 changed the text of one of its rules to give a direct voice to unemployed people in the deliberations of the TUC annual conference. Up until then union members who lost their jobs found themselves without a vote as well. As The Times put it the day after the decision was made, this reform 'stands 114 years of labour movement history on its head.'\*\* When it comes to overt support for worker co-operatives, however, the TUC is more conservative. For outright support we have to look to its counterpart in Wales.

#### 10.5 The Wales Trades Union Congress

In January 1981 the Wales TUC began a feasibility study on the job creation potential of worker co-operatives, the type of structure needed to support them and the role of trade unions within that. This study included a visit by the General Secretary and Chairman of the Wales TUC and five unemployed workers to Mondragon of Spain. The visit attracted a lot of attention both from the media in the UK and in Mondragon itself since it was the first visit that had been paid by trade unionists. The group realised that there were some factors in its success unique to Mondragon but they also believed that there were parallels between Wales and the Basque country, not least their common desire for strong national identity. What

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\* Penny an hour in aid of jobless union comrades, Morning Star, 1.3.82

\*\* Paul Routledge, TUC rule change will give jobless a voice, The Times, 25.5.82.

impressed them most was that importance of the Caja Laboral Popular as a means of mobilising local savings for local development and as a highly sophisticated technical support system. They were impressed also by the fact that the Caja did not sit back and wait for people to approach them with ideas for new co-operatives. For its active rather than its passive role, for the speed with which economic development had taken place under its benign influence, the Wales TUC delegation believed that the Caja provided a model organisation for the financial development of small and medium-sized enterprises. They returned to Wales determined to put some of the lessons they had learned into practice. But it was not just the generally agnostic view in which the trade union movement holds worker co-operatives that they were up against - official attitudes also had to be changed.

That there was a need for job creation could not be doubted. Unemployment in Wales has always been 2-3% higher than in the rest of the UK, with the exception of Northern Ireland. In some of the valleys male unemployment has risen as high as 25-30%. But if co-operatives have yet to prove themselves as a solution to some of the problems of unemployment, the Wales TUC believes that both the public and private sectors can be said to have been tried and failed. Successive governments have failed to reduce unemployment; government sponsored Job Creation Programmes have had little more than a temporary palliative effect; the nationalised industries of steel and coal on which the Welsh economy has been so dependent for prosperity for so long have not done even that. In one year alone, 1981, £60 million was spent on redundancy payments following steel plant closures. That sum represents five times the amount invested by the Welsh Development Agency in equity capital in seven years. The Wales TUC believes that what is now needed is for greater opportunity to be given to the people of Wales to control their economy through their own efforts and specifically through the development of worker co-operatives. They believe that trade unions could and should act as national support bodies because:

- they have a historical ideological commitment to the social ownership of the means of production
- they are basically working class organisations, are trusted by and can talk to working class people
- they have both an innate technical ability and an ability to learn
- they have a political weight which could be used positively.\*

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\* Dennis Gregory, speech given at seminar on Workers Co-operatives: potential and problems, the Bank of Ireland Centre for Co-operative Studies, University College Cork, 11/12 June 1982.

The Wales TUC is certainly doing its best to use its political weight positively. The feasibility study which we have already mentioned was carried out in 1981 with the help of a government grant of £45,000. The report concluded that the creation of soundly based jobs in worker co-operatives would be much improved by the creation of:

- a) a resource centre which could provide the vital technical assistance and managerial expertise necessary to develop new worker-owned enterprises; and
- b) an independent investment fund which would aim to help meet the immediate financial requirements of such an enterprise. Such a fund would also play a vital part in developing the financial viability of worker-owned enterprises.\*

The Wales TUC followed this report with a detailed proposal for a Co-operative Development Centre and an associated investment fund in March 1982.\*\* The proposal recognised the many achievements of existing national and local support organisations including ICOM, ICOF, the CDA and the local CDAs and also those of local authorities many of which have provided support and assistance. But it recognised also that many if not all these organisations are constrained by shaky funding and inadequate technical resources. It saw in the proposed Centre a source of much needed support for all these existing agencies. The money required to bring the Centre into being is calculated at around £150,000 a year for at least three years though the intention is to develop the Centre in the longer term as a self-financing institution. It was envisaged that the funds would come from a variety of sources including the Welsh Office and the EEC. Shortly before this report was completed the Secretary of State for Wales announced the offer of a grant of £100,000 spread over three years to help establish the Centre. The Wales TUC's General Secretary, George Wright, was confident that funds would be available from the EEC to supplement this grant. He also announced another major initiative to be run jointly by the Wales TUC and the Co-operative Bank. Discussions were still continuing but the plan is for a 'major new worker savings and investment scheme.'\*\*\* But there are signs of disquiet in the worker co-operative movement. An article in the Co-operative Development News, perhaps predictably, regretted 'that the Wales TUC chose to ignore the experience already accumulated by co-ops and Co-op Development Agencies, especially those already operating in Wales.'\*\*\*\* It also doubted the

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\* Co-operation and Job Creation in Wales: A Feasibility Study, Wales Trades Union Congress, September 1981

\*\* Wales Co-operative Development Centre: Funding Proposal, Wales Trades Union Congress, March 1982

\*\*\* Worker Co-op Centre, Co-operative News, 3 November 1982

\*\*\*\* Co-operative Development News, Welsh Trade Union Congress plan for Co-ops, March 1982

wisdom of linking co-operatives too closely with the proposed resource centre along the lines of the relationship between the Mondragon Co-operatives and the Caja Laboral Popular.

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## 11. Co-operative support organisations for education and training

### 11.1 Beechwood College

Beechwood College near Leeds was founded in 1979 and was for some years the educational arm of ICOM, though it is now autonomous and run as a company limited by guarantee. It is the main education and training body for workers co-operatives in the UK and describes itself 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 a full-time staff of five, backed up by nine part-time lecturers and three part-time catering staff.

Beechwood is a large and attractive country house set in grounds big enough to house the annual Co-operative Fair to which people come from co-operatives all over the country to sell their products, exchange information and ideas and discuss matters of common interest in workshop and plenary sessions. Beechwood offers its conference facilities including a sauna and bar to non-co-operative organisations as well, and by doing so has managed to reach financial self-sufficiency. But its main job is running courses and seminars on a wide range of topics for and about co-operatives. These have included:

- a three-day course on how to start a co-operative, designed for people who want to set one up themselves or those actively involved in helping others to do so.
- a three-day course on how to run a co-operative which concentrates on aspects such as marketing and finance as well as organisation and development
- a three-week course for development workers who are involved in helping new co-operatives and community enterprises get off the ground
- one-day seminars designed for local authority employment development officers

Beechwood has increasingly become involved in improving training for people working in local co-operative development agencies. For instance, in the West Midlands, where the County Council has sponsored four local CDAs, Beechwood has taken on all the responsibility for training development workers as well as individual co-operators. Many other local authorities have funded courses and

seminars put on by Beechwood. Typically a three-day residential course at the College itself is followed up by a one-day seminar on the spot, accompanied by a travelling exhibition with bookshop and surgery sessions. Fees are in the region of £67 for a residential three-day course, £10 for a one-day seminar. In the future Beechwood hopes to set up a Bursary Trust which would have charitable status and enable a Fund to be established to provide grants for individuals following courses which they could not otherwise afford. This should be particularly valuable for people in areas where there is no local CDA or where local authority support is not forthcoming.

In addition to running training courses Beechwood has been commissioned to do consultative work for workers' co-operatives in West Yorkshire, the West Midlands and London and have conducted research on social auditing, employment legislation and community co-operatives as a result of which they are pioneering a number of new organisational structures.

Publications include one on how to set up a co-operative and another on the various legal structures available. Others due out in autumn 1982 are a guide to employment legislation in co-operatives and a description of a new type of urban community co-operative with model rules which include a 'social audit' to ensure that co-operatives remain accountable to the community they are set up to serve.

## 11.2 Plunkett Foundation for Co-operative Studies

The Plunkett Foundation for Co-operative Studies was founded in 1919 by Sir Horace Plunkett, one of the pioneers of agricultural co-operation, especially in Ireland where the headquarters of the co-operative movement is still based in the house he once lived in in Merrion Square. The Plunkett Foundation is based in Oxford though its work stretches to many parts of the world. Its aims are to further the development of co-operative self-help organisations as a means whereby individuals participating in group action may be able to improve their economic and social position within the community. Though its effects have hitherto concentrated in the rural and agricultural sectors, the Foundation has increasingly taken an interest in new types of co-operatives, especially the worker and community co-operatives with which we have mainly been concerned in this report.

With a Board of 27 Trustees and a staff of 10, the Plunkett Foundation helps co-operatives in a variety of ways, including:

- research and consultancy work: this has been done mainly, though not exclusively, overseas with the help of grants from the British government's Overseas Development Administration, the United Nations' Food and Agriculture Organization and the UN International Labour Organization. The Foundation's own experienced consultancy staff is backed by a team of specialists who can be called upon to take on particular projects. The sort of work they undertake includes:
  - the preparation of co-operative development policies
  - feasibility studies for particular co-operative projects
  - project evaluation and monitoring
  - review of co-operative legislation
  - research into specific co-operative problems and areas of development for co-operatives
- education and training: in its educational activities the Foundation has generally been reliant on grants from government or UN organisations overseas as well as the Brundrett Trust which it administers and which was set up specifically for the purpose of training agricultural co-operative managers. In recent years the growing interest in community and worker co-operatives in the UK has led to the arrangement of two summer training courses for members of new co-operatives on the practical aspects of book-keeping, basic financial control and marketing
- collection and analysis of statistical data: as we have already seen, the Plunkett Foundation has done much valuable work on the analysis of statistics for the agricultural movement. Clearly its expertise in this direction could be valuable to worker co-operatives if only a more systematic collection of data were available
- library and information service: The Plunkett Foundation's library has impressively stocked shelves, with over 28,000 documents on historical and current co-operative development throughout the world; it is widely used by academics and researchers, consultants and visitors. The Foundation has been able to help and advise a number of other co-operative libraries such as that of the Open University's Co-operatives Research Unit at Milton Keynes, the retail movement's Co-operative College at Loughborough, and overseas co-operative libraries
- publications: these include an annual Directory of Agricultural Co-operatives in the UK and a Summary

of Agricultural Co-operative Statistics, a Directory of Co-operative Research and Education in the UK and Europe (published jointly with the Open University Co-operatives Research Unit) and a Yearbook of Agricultural Co-operation as well as two series of text books.

The Plunkett Foundation is currently facing the same problems as most other co-operative support organisations: reduced income, especially from government sources, coupled with rising costs. Nevertheless it has greater staff resources than many we have looked at as well as a longer history. It has shown much initiative in promoting links between co-operatives of different types and although its activities on this front have so far been limited to organising seminars which bring together people from different types of co-operatives, the fact that it does not carry the flag for one particular type over others suggests that it might have a greater role to play in the future as 'honest broker' between the different sectors of the movement, working alongside specialist educational establishments such as Beechwood College.

### 11.3 Co-operatives Research Unit

Research on co-operatives has been undertaken at the Open University in Milton Keynes since 1975 when the work of the Systems Group was sponsored by the British Government Department of Employment's Work Research Unit. The CRU was formally established in 1978 to consolidate this early work and the focus was firmly fixed on worker co-operatives. The Unit is staffed by six academic staff and five post-graduate students. Initially the research concerned internal organisational problems of co-operatives and they have, in the process, been able to help a number of co-operatives with problems of management, organisation and marketing etc. as well as publishing their research in the form of case studies for the benefit of others. Occasionally co-operatives have asked the Unit for help with particular problems. In one case a clothing co-operative in Wales needed help with its production process and the CRU staff went down to help over a period of months. In another they helped redesign a co-operative's secondary rules to overcome problems which had arisen when the co-operative suddenly expanded rapidly and found that people weren't pulling together in quite the same way as they had at the start.

More recently the Unit's interests have broadened to include research on co-operative development, both in the United Kingdom and abroad. This work has focussed on the impact that the state, trade unions and other agencies specifically designed to promote co-operatives, have on co-operative development. In addition the CRU has prepared teaching games and exercises for use in co-operative education and is currently examining the feasibility of producing a more comprehensive teaching package within the University's Continuing Education Programme.

The Co-operatives Research Unit also gets general enquiries from people interested in co-operatives. They have produced a number of leaflets on setting up co-operatives and a directory of other organisations to which people can turn for help. Their experience of helping people solve problems inside co-operatives has convinced them that the role of local co-operative development agencies is vital. CRU staff have in the past taken an active part in organising meetings of advisers such as those who work in local CDAs and though their role in this respect has to some extent been superseded by the CDAs own network they have also worked closely with the Plunkett Foundation on the organisation of their annual seminar which now brings together worker and community co-operatives as well as those in the agricultural sector.

#### 11.4 The Society for Co-operative Studies

The Society for Co-operative Studies was set up to provide a systematic link between the co-operative movement and universities and colleges for the exchange of information and experience of co-operative studies and research and to help in identifying and developing studies and research still needed. Membership of the society is open to all individuals and organisations interested in its aims. It publishes a regular bulletin with news of what is going on in various sectors of the movement and has regular special features on items of special interest which have included examination of the CDA and also the question of a sectoral Co-operative Federation. Besides holding regional meetings and an annual conference, the society has also held a seminar for co-operative researchers, and sponsored a study group on co-operation between co-operatives which has produced an interim report and continues its work. It has been closely involved with the formation of a co-operative Education Working Group which brings together educationists from credit unions, housing, agricultural, retail and worker co-operatives to catalogue existing materials- identify gaps in provision and try to remedy these.

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## 12. The future unity of the co-operative movement

### 12.1 A revolution in numbers

Mike Campbell of ICOM believes that there could be 10,000 worker co-operatives in the United Kingdom by the end of the 1980s; in other words, he expects to see a more than tenfold increase in less than ten years. It is a bold vision and not wholly unrealistic bearing in mind that the number of co-operatives registered with ICOM has multiplied at least 26 times in the last seven years. But for such a growth rate to be sustained, and for the young plants in the co-operative nursery to survive and reach maturity, a number of changes will inevitably be needed. These may be summarised as:

- unity within the co-operative movement
- greater provision for education and training of people working in co-operatives
- improved supply of capital
- extra government finance for co-operative support organisations

### 12.2 Sheltering under their own umbrella

The best hope for worker co-operatives is that they will find the support they need from within the co-operative movement. Self-reliance brings independence and conforms with the principle of controlling one's own working life which is so fundamental to the ideals of worker co-operation. As the number of worker co-operatives grows, so the support organisations to which they belong will come closer to self-sufficiency through member subscriptions. And because nothing succeeds like success, the wider co-operative movement may be expected to rally round and develop constructively the initiatives that have already been taken to help the new worker co-operatives get started.

### 12.3 The case for a federation

There are now more support organisations for worker co-operatives in the UK than there were worker co-operatives in 1977. This is not necessarily a bad thing. Centralisation is not a traditional British ideal, and local action has proved to be very successful in achieving practical results, as both the local CDAs and the SCDC have demonstrated. But clearly a multiplicity of support organisations can have disadvantages, especially when most of them are short of money and short of staff.

We believe that British worker co-operatives would benefit both from closer links among themselves as well as with the other co-operative sectors. One way of promoting this would be for the British worker co-operative movement to federate. We do not argue for a unitary organisation nor do we imply that any particular support organisations should cease to operate. What is badly needed is a federal body to represent the interests not only of individual worker

co-operatives, but also of the range of worker co-operative support organisations.

#### 12.4 Uniting worker co-operatives

If there were to be a federal body to represent all worker co-operatives in the United Kingdom, would it be a new organisation or would one of the existing support organisations take on the federal role? The answer is by no means clear cut. The Co-operative Development Agency is the only national worker co-operative support organisation to receive financial help from government and it has an important role to play as organiser of the 'Forum' which brings together senior representatives of the major organisations within the co-operative movement. Although the CDA has produced its own model rules for worker co-operatives, it does not promote them to the exclusion of any others; if the CDA is partisan it is unashamedly so on behalf of all types of worker co-operative. The other national support organisations are much more firmly allied to a particular type of co-operative. Job Ownership Limited promotes co-operatives based on the Mondragon model. The Co-operative Union is above all the federal body for consumer co-operatives and has only recently begun to take an interest in worker co-operatives. ICOM restricts full voting rights to common-ownerships and those co-operatives which do not allow outside members. In the other hand it has to be said that the vast majority of worker co-operatives in the UK today are registered with ICOM model rules rather than those of any of the other bodies. To the outsider and to many within the co-operative movement this ready-made constituency makes ICOM the candidate best fitted for the role of federal body, though it might be better fitted still if it were to broaden its appeal and become less exclusive about the types of co-operative and model rules it will admit.

One other strong contender for the role of federal body is the network of local co-operative development agencies. They share with ICOM the advantage of a constituency of worker co-operatives and some are less exclusively devoted to common ownerships than ICOM. Many people we spoke to believed that the local CDAs should form a federation which would become the main representative body of the worker co-operative movement. There was also, however, a fear that if the network did develop into a full-scale federation, it would tend to undermine the job already being done by ICOM and that a separate representative body would only quarrel with ICOM, thus weakening the movement as a whole. A compromise solution could follow from a number of constitutional changes made at ICOM's Annual General Meeting in September 1982. Majority control of ICOM by individuals within co-operatives was replaced by majority control by the co-operatives themselves and a new category of member was introduced, a 'promotional body'. This provides an identifiable constituency for local CDAs which had previously only been able to join as associate members. In future they will be able to elect one-sixth of ICOM's

governing council. The network of local CDAs has yet to decide whether it wishes to play a more formal part in the control of ICOM and their decision will clearly have an important bearing on the development of a federal body for all worker co-operatives.

Another possibility is that the role could be undertaken by the Co-operative Consultative Committee which brings together representatives of ICOM, the Co-operative Union, Beechwood College, the network of local CDAs and the National CDA. Its chief advantage would be that it represents a wide range of interests within the worker co-operative movement although whether there could ever be sufficient common ground between them to enable them to speak with a common voice on more than very broad issues is perhaps doubtful. If only agreement could be reached we believe that a federation would have a number of vital jobs to perform.

#### 12.5 The functions of a new federal body

The main functions of a new federal body would be to:

- act as the representative body of worker co-operatives in dealings with the government and national bodies such as the TUC and the CBI
- provide start-up services, including a range of model rules and legal advice
- conduct feasibility studies on companies that might be saved from collapse
- do the same for conversions of successful companies into co-operatives
- advise about finance for new co-operatives and for the expansion of existing ones
- encourage inter-co-operative trading
- build up links between co-operatives in the same industry or with other interests in common
- arrange joint tendering and contracting for home and export orders
- arrange joint advertising on the basis of a common logo for all worker co-operatives
- co-ordinate education and training so that the best possible use is made of existing resources
- co-ordinate the collection of statistics and information about worker co-operatives in the UK and abroad.

## 12.6 The federation and the broader co-operative movement

Once a supreme representative body of worker co-operatives had been firmly established, the next step in strengthening the movement would be to build bridges with the powerful consumer co-operative movement and perhaps eventually with the agricultural co-operatives as well. A start has already been made by the CDA whose Forum in March 1982 was attended by representatives of the Co-operative Union, the Industrial Common Ownership Movement, Industrial Common Ownership Finance, Job Ownership Limited, the Scottish Co-operatives Development Committee, the Co-operative Wholesale Society, the Co-operative Bank, the Central Council for Agricultural and Horticultural Co-operation, the Federation of Agricultural Co-operatives, the Fisheries Organisation, the Housing Corporation and the National Federation of Housing Associations. A more formal consultative council for co-operatives from all sectors could perform a number of valuable tasks for the movement as a whole. In particular its functions could be to keep under review:

- the principles under which co-operatives are established or operate
- the state of the law affecting co-operatives, particularly the co-operative law as such, but also finance and banking legislation which has important consequences for co-operatives
- the state of co-operation as ascertainable from co-operative statistics
- publicity and publications concerning co-operatives and the possibilities for co-ordinating public relations policies.

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## 13. The need for greater provision for education and training

### 13.1 Apprenticeships

Vital though unity will be if the worker co-operative movement is to live up to its promise there are, as we have said, a number of other changes that are also needed. One of these is in the provision of education and training for people who are setting up and working in co-operatives. A new breed of co-operative manager is needed who can combine the ordinary skills of running a commercial business with the special skills required to do so democratically. Better co-ordination is needed of existing provision and that is clearly a role that a new federal body should play.

One of the best ways for inexperienced managers to learn is by placing them alongside experienced ones. Successful co-operatives should be encouraged to help in this way - either by offering management 'apprenticeships' to people who are thinking of starting up new co-operatives or by seconding their managers for short periods to offer advice and encouragement to their counterparts in new co-operatives.

### 13.2 Distance learning

More formal training in the principles and practice of co-operation is also essential and much is already being done. The main specialist body for worker co-operatives is Beechwood College in Leeds. As we have seen, the emphasis has up to now been on short courses and seminars. There are two main reasons for this: people working in co-operatives or thinking of setting them up cannot afford to pay for lengthy training and, even if they could, the small size of most worker co-operatives means that they probably couldn't be spared for more than very short periods at a time. One way of getting round the second difficulty - if the first could be overcome by means of grants where appropriate - would be to offer courses to co-operative managers which would last for, say, a year but with only short periods of time being spent in intensive study in residence at the College. The rest of the course could be devised in such a way that the students could follow it at a distance with regular guidance from a tutor along the lines of the courses offered by the Open University and the National Extension College. One great advantage of this method of teaching would be that it could lend itself especially well to group learning. The manager or whoever was nominated by all the members of a co-op would attend the intensive and most specialised parts of the course at the college but would then work through the rest of the course with the group as a whole. Cassettes and videos could be used and might perhaps be provided by local colleges of further education or local CDAs which could act as tutorial centres.

### 13.3 Business schools

Every encouragement should be given to polytechnics, universities and business schools to relate the management training they provide to co-operatives. In time there could even be full and part-time post graduate courses specifically for people who want to be co-operative managers. For now there could be the provision of at least some options within existing courses which would be of direct relevance to such people. The Manchester Business School has already pioneered a course designed for co-operators; it would be good if others followed their example.

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## 14. Improved supply of capital

### 14.1 The effect of model rules

Besides better training for managers, what co-operatives need is a better supply of capital. All too often co-operatives are at a disadvantage in obtaining capital, partly because they have an unconventional system of management but also because their model rules may militate against capital formation. In drawing up and promoting particular sets of model rules, support organisations can have an important bearing on the ease or difficulty with which co-operatives can raise capital.

### 14.2 ICOM out of line

ICOM in particular, as the representative body of the largest number of worker co-operatives, could make a major contribution to easing the capital problems of its member societies. By insisting that no worker should hold more than one share in the co-operative he or she belongs to, ICOM are perhaps unnecessarily restrictive. Throughout the world worker co-operatives generally allow their members to hold a considerable number of shares. Productive societies have always needed a substantial share capital, and of course where members are few in number - the workers in the enterprise - they must of necessity have larger individual shareholdings than many shareholders of, say, a consumer society.

The consequence of ICOM's ruling on share capital is that its member co-operatives suffer from adverse gearing: their proportion of own capital to loan capital is too low. This may make them appear a bad risk to banks, which like to see a strong financial commitment from company owners who come asking for loans. If ICOM were to alter their model rules for common ownership, and allow larger individual shareholdings, we believe that they would be performing a valuable service to the enterprises they represent.

### 14.3 Outside investors

The second major problem for co-operatives seeking capital is that they cannot offer shares to outside investors in the same way that an ordinary joint stock company can. Under ICOM rules only workers in a co-operative can hold shares in it. This has the virtue that the workers, in their search for capital, cannot sign away control of their own business, which was all too often a temptation to which the old Co-operative Productive Federation societies yielded and for which many of them paid the price: take-over and closure.

However, if ICOM co-operatives were allowed to issue non-voting preference shares to outside investors they could be a more attractive investment prospect and their capital problems could be greatly reduced. For this to happen, there would have to be a change in the law, and we

recommend that such a change be made. People in ICOM have told us that they have no objection to such a change.

#### 14.4 Bonus shares to members

If ICOM can contemplate the issue of non-voting shares to outside investors, it seems to us reasonable that they should contemplate the issue of non-voting shares to members as well. This would allow ICOM co-operatives to distribute cash bonuses to members to be promptly re-invested in non-voting shares. Or, to take the argument further, to issue non-voting bonus shares to members so that they can share in the success of their business.

For this to have the maximum beneficial effect on worker co-operatives the tax concessions made in 1978 to ordinary companies issuing employees with bonus shares would have to be extended to co-operatives and we have already recommended in a previous report (Prospects for workers' co-operatives in Europe, EEC Report V/229/82-EN) that they should be. Such concessions would have the effect of reducing members' personal tax liability since bonus shares would not be regarded as income in the same way as cash bonuses would, and would also reduce co-operatives' liability to corporation tax. The present law discriminates unfairly against co-operatives. If it were to be changed and if ICOM were prepared to change its model rules as we have suggested we believe that substantial benefits could follow.

#### 14.5 A specialist financial institution?

Constitutional changes could help worker co-operatives to raise more share capital themselves and this would undoubtedly help to allay some of the fears of financiers who mistrust the adverse gearing of co-operatives in which the members' contributions take the form of loans rather than shares. But they may still be at a disadvantage in raising finance because they lack a track record, because the money they can raise themselves - even in the form of share capital - is small and, above all, because their style of management and decision-making is unfamiliar. Many people believe that what is needed is a specialist financial institution, a form of co-operative merchant bank which would fulfil some of the specialised lending functions performed by the Caja Laboral Popular in Spain and be unashamedly discriminatory in favour of worker co-operatives. This institution would not necessarily be the sole supplier of capital, like the Caja, nor would it need to act as an ordinary commercial bank for handling the current accounts of co-operatives, a job already being done satisfactorily by the Co-operative Bank and the other High Street banks. It would be a bank which worked out the most favourable financial packages, with contributions on the best terms that could be negotiated with other specialised financial institutions such as merchant banks, pension funds and ordinary banks. It would be a banker of the last resort, sometimes putting in its own money and acting as guarantor,

in order to bring in and encourage others.

14.6 Which institution?

Some of the support organisations we have described in this report have ruled out the possibility of fulfilling the role of financier to co-operatives, believing that it would be inappropriate. The SCDC is one which falls into this category. Others, like ICOF and the Co-operative Bank already provide capital, although as we have seen the amount that ICOF has available to lend has been drastically reduced since government funding was withdrawn. Still others, like the Wales TUC and the CDA are actively pursuing the possibility. At its October meeting the Board of the CDA approved a proposal that the Agency should examine the possibility of its acting as a grant or loan providing institution.

Other possibilities outside the worker co-operative movement include a new bank to be jointly owned by the Co-operative Bank and the trade unions which will provide a home for trade union pension funds and could conceivably be a source of finance for co-operatives as well as other businesses. Then there is the Industrial and Commercial Financial Corporation which specialises in lending to small business and the new British Technology Group which has brought together the National Enterprise Board and the National Research Development Corporation.

There is a case to be made for and against each of these possibilities and it is not for us to suggest which would be the most appropriate. We put them forward to stimulate discussion. If agreement can be reached on this, as on the need for a federal body to represent the interests of worker co-operatives, we believe that a stronger case could be made out for extra government finance. In the next and final section of this report we look at how that case stands now.

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15. Extra government finance

15.1 Another special case?

Any plea for more government help requires justification because it sounds like a soft option. It is of course easier to run a business with government backing than without. There is always a queue of applicants pressing the merits of their case. So what is the case for worker co-operatives?

First, there is a precedent. The Central Council for Agricultural and Horticultural Co-operation, with its annual budget of £1.8 million and its staff of 57, provides just the strong support required to stimulate investment and development among farming co-operatives. As we have seen, it has been successful in achieving its aims.



Second, government support for worker co-operatives has diminished at a time when good results are beginning to show. The number of worker co-operatives in Britain has increased by at least two-thirds over the past two years and there is little doubt that this could not have happened without the efforts of the support organisations we have described. Unfortunately many of these organisations are now facing financial difficulties which stem from the fact that government funding has been substantially reduced if not cut altogether, with the result that they have little room for manoeuvre, let alone continued expansion.

## 15.2 The wider argument

We have already outlined some of the reasons why co-operatives need special support, in particular their frequent lack of management experience, the need for better training provision and the difficulty they have in raising capital. But that is putting the negative case. On the positive side, we believe that there is a very important role worker co-operatives can play in overcoming some of the present difficulties faced by the British economy, and indeed other mixed economies.

- a) Reduced conflict in industry: because in a co-operative the workers are also the employers, the traditional division between Them and Us is removed and the industrial relations improve.
- b) Changed attitudes towards authority: fewer people nowadays are prepared to work meekly in a hierarchical organisation and co-operatives offer a prospect of democratic participation in decision-taking that is in keeping with the temper of the time.
- c) Opportunities for reluctant entrepreneurs: some of the people most susceptible to the change in attitudes would not consider going into business at all unless it were run as a co-operative. As entrepreneurs of a new type they can help create more jobs.
- d) The trend towards local economies: a co-operative owned and run by local people, as most are, is not going to be closed down by some distant head office, and therefore carries attraction for everyone, including local authorities, with an interest in regenerating run-down areas in inner-cities, dying industrial towns or remote rural areas.
- e) Flexible labour: a workforce committed to the success of its business has no interest in demarcation disputes, strict observance of hours of work or restrictive labour practices. A co-operative, in which such practices are abandoned, therefore may have a better chance of making good than a conventional company.

- f) Saving jobs: when a large company closes a factory it has little incentive to salvage any part of it. To organise a total closure and sell off the equipment is simpler. This overlooks the fact that some parts of the factory may be up-to-date, and capable of competing in the market. A co-operative formed of enthusiastic workers who see the potential may make a successful business, thus reducing the social damage of a total shut-down.

State help to co-operatives may therefore be beneficial in many ways, both short-term and long-term. In particular, state help leads to self-help.

### 15.3 The modesty of the plea

What is common to the arguments for government funding made out by the various support organisations is that they are non-bureaucratic. The agencies are not seeking to expand their own headquarters staff, but to put men and women in the field: development officers, professional advisers, business consultants, all working to create employment in co-operatives at a local level. These are front-line troops, trained and employed to stimulate new small businesses and release the creative potential lying dormant in the community. It is argued that it is surely better for the government to spend money to increase economic activity rather than to pay people to remain idle on the dole; the sums requested are not large; the benefits could be. Moreover, stimulus now could provide self-sufficiency later. ICOM now survives, if with difficulty, on its own resources. Seven years ago, with just 19 co-operatives in membership, it could not have hoped to have done so. Seven years hence it could be secure on the subscriptions of its members as the Confederation des SCOP is secure in France and the Lega and its two counterparts in Italy. Investment in worker co-operative support organisations is thus similar to investment in potentially profitable ventures such as the electrification of railways and therefore worthy of serious consideration. It is investment that will yield a return.

If worker co-operatives and especially the support organisations which exist to help them can be given greater encouragement as well as more financial help by government to implement the kind of measures we have been advocating, the chances would be greater for a third sector of the economy strong and vigorous enough to compete with the first and second into the 21st century.

\* \* \*

Appendix 1

Trading activities of co-operatives

1980		1982*
21	Advisory, consultative, educational etc	33
33	Building, house renovation, architecture etc	69
19	Furniture making, joinery, crafts, etc	40
26	Engineering, electronics, chemicals, etc	41
19	Footwear, clothing, textile-manufacture	32
61	Printing and publishing	75
11	Provision and hire of transport, and repairs	13
28	Record, film, music, theatre, etc	46
112	Retail, distribution, catering, food	151
-	'Umbrella' workspaces etc	15
—		—
330	Totals	515
25	Double count**	17
—		—
305	Grand Total	498
==		==

\* Figures to August

\*\* Where a business has more than one activity there may be a duplication, which accounts for the deductions

Source: CDA Directory, Autumn 1982

ELIZABETH II



# Industrial Common Ownership Act 1976

1976 CHAPTER 78

An Act to further the development of enterprises controlled by people working in them, and for purposes connected therewith. [22nd November 1976]

**B**E IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1.—(1) The Secretary of State may with the consent of the Treasury, in the year beginning with the date when this Act comes into force and in each of the four following years, make grants to any relevant body out of money provided by Parliament, on such terms as he thinks fit, for the purpose of assisting the body to provide advice about the organisation of common ownership enterprises and co-operative enterprises; but the aggregate amount of the grants made in pursuance of this subsection in any year shall not exceed £30,000. Grants and loans.

(2) The Secretary of State may with the consent of the Treasury make grants and loans to any relevant body out of money provided by Parliament, on such terms as he thinks fit, for the purpose of assisting the body to make loans to common ownership enterprises and co-operative enterprises; but—

(a) the aggregate amount of the grants made and the loans by the Secretary of State which are for the time being outstanding in pursuance of this subsection shall not exceed £250,000; and

c. 78 *Industrial Common Ownership Act 1976*

(b) no grant or loan shall be made by the Secretary of State in pursuance of this subsection after the expiration of the period of five years beginning with the date when this Act comes into force.

(3) The Secretary of State may, by regulations made by statutory instrument, make provision with respect to the circumstances in which, the purposes for which and the terms on which money granted or lent by him to a body in pursuance of the preceding subsection may be lent by that body; and any statutory instrument made by virtue of this subsection shall be subject to annulment in pursuance of a resolution of either House of Parliament.

(4) Any sum received by the Secretary of State in repayment of a loan made by him in pursuance of subsection (2) of this section or by way of interest on such a loan shall be paid into the Consolidated Fund.

(5) In this section "relevant body" means a body appearing to the Secretary of State to be constituted for the purpose of encouraging the development of common ownership enterprises or co-operative enterprises.

Common ownership enterprises and co-operative enterprises.

2.—(1) For the purposes of this Act a common ownership enterprise is a body as to which the registrar has given, and has not revoked, a certificate stating that he is satisfied—

(a) that the body is—

(i) a company which has no share capital, is limited by guarantee and is a bona fide co-operative society; or

(ii) a society registered or deemed to be registered under the Industrial and Provident Societies Acts 1965 to 1975; and

(b) that the memorandum or articles of association or rules of the body include provisions which secure—

(i) that only persons who are employed by, or by a subsidiary of, the body may be members of it, that (subject to any provision about qualifications for membership which is from time to time made by the members of the body by reference to age, length of service or other factors of any description which do not discriminate between persons by reference to politics or religion) all such persons may be members of the body and that members have equal voting rights at meetings of the body,

(ii) that the assets of the body are applied only for the purposes of objects of the body which do not include the making over of assets to any member of the body except for value and except in pursuance of arrangements for sharing the profits of the body among its members, and

(iii) that, if on the winding up or dissolution of the body any of its assets remain to be disposed of after its liabilities are satisfied, the assets are not distributed among its members but are transferred to such a common ownership enterprise or such a central fund maintained for the benefit of common ownership enterprises as may be determined by the members at or before the time of the winding up or dissolution or, in so far as the assets are not so transferred, are held for charitable purposes; and

(c) that the body is controlled by a majority of the people working for the body and of the people working for the subsidiaries, if any, of the body.

(2) For the purposes of this Act a co-operative enterprise is a body as to which the Secretary of State has given, and has not revoked, a certificate stating that he is satisfied that—

(a) having regard to the provision which is made by the written constitution of the body as to the manner in which the income of the body is to be applied for the benefit of its members and all other relevant provisions of the constitution, the body is in substance a co-operative association; and

(b) the body is controlled by a majority of the people working for the body and of the people working for the subsidiaries, if any, of the body.

(3) The registrar may charge such a fee as the Treasury may determine for any certificate which he proposes to give in pursuance of this section, and any sum received by him in respect of such a fee shall be paid into the Consolidated Fund.

(4) If it appears to the registrar or the Secretary of State that a body in respect of which he has given a certificate in pursuance of this section has ceased to be a common ownership enterprise or a co-operative enterprise, he may revoke the certificate.

(5) In this section—

“company” means a company as defined by section 455(1) of the Companies Act 1948 or a company registered 1948 c. 38. under that Act; and

“the registrar” means the Chief Registrar within the meaning of the Friendly Societies Act 1974; 1974 c. 46.

and for the purposes of this section a body is a subsidiary of another body if it is a subsidiary of the other body for the purposes of the Companies Act 1948 or the Friendly and Industrial and Provident Societies Act 1968. 1968 c. 55.

**4**            **c. 78**            *Industrial Common Ownership Act 1976*

Short title and extent.    **3.—(1) This Act may be cited as the Industrial Common Ownership Act 1976.**

**(2) This Act shall not extend to Northern Ireland.**

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SUPPORT  
FOR  
WORKER CO-OPERATIVES  
IN THE  
REPUBLIC OF IRELAND





## 1. Introduction

There has not been the same rapid development of worker co-operatives in Ireland as in the United Kingdom, nor is there anything like the number of co-operative support organisations. But there has been a growing interest in the idea of worker co-operation both from within the wider co-operative movement and from a wide range of organisations and individuals. That interest was reflected in a two-day seminar held in Cork in June 1982 attended by more than a hundred people. The second day of that seminar was devoted to discussion on the theme Where do we go from here?. A number of positive suggestions and proposals were made and stronger links formed between co-operatives and co-operative support organisations which may well result in a surge of development similar to that in the United Kingdom. In the next section we shall look at the range of support that is available to existing and potential worker co-operatives now.

\* \* \*

## 2. Support from the co-operative movement

### 2.1 The Irish Co-operative Organisation Society (ICOS)

The Irish Co-operative Organisation Society is by far the largest and most important co-operative support organisation in the Republic of Ireland. It was founded by Horace Curzon Plunkett in 1893 with the objectives of improving 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; of promoting industrial organisation for any purpose which might appear beneficial; and generally of counselling and advising those in agricultural pursuits. Today the members of ICOS are still predominantly agricultural co-operatives and have a substantial share of Ireland's agribusiness (90% of the dairy products market and 60% of livestock marketing in 1980). Table one shows the number of co-operative societies in each of the main sectors of activity, the number of members, the number of employees and their turnover in 1980 (the last year for which figures were available).

ICOS offers its member co-operatives a wide range of services through its four divisions:

Table 1: Irish Co-operative Organisation Society - 1980 Statistics

	Number of Socs.	Members	Employees	Turnover £000	Net Income £000
Dairy Co-op Societies	50	96,092	13,768	1,494,369	28,623
Mart Co-op Societies	31	30,485	906	381,361	288
Store Co-op Societies	15	1,420	398	30,333	36
Meat Co-op Societies	3	44,690	2,760	204,967	(2,862)
Wholesale Co-op Societies	3	246	707	63,712	319
Horticultural Co-op Socs.	3	973	27	3,328	(50)
Pig Fattening Co-op Socs.	9	5,069	121	15,848	22
Livestock Breeding Co-op Socs.	4	40	374	5,144	(34)
Fishing Co-op Societies	9	618	84	14,615	132
Home Produce & Handcraft Co-op Socs.	3	10,441	19	711	(4)
Gaeltacht Co-op Societies	16	7,424	187	3,262	(82)
Miscellaneous Co-op Societies	17	10,630	105	3,189	118
<b>Total</b>	<b>163</b>	<b>215,071</b>	<b>19,456</b>	<b>2,220,839</b>	<b>26,506</b>

- Member Development: assisting co-operatives in their programmes of education; development of members and general co-operative promotion;
- Representation: of trade and special interests of co-operatives;
- Management Services: assisting in Director training; industrial relations; personnel development and project planning;
- Financial Services: providing information on financial planning; development of management information systems and preparation of grant applications.

But although the main thrust of ICOS' support is for agricultural co-operatives it has also played a part in the encouragement of newly developing sectors of the movement.

#### 2.1.1 Community and Gaeltacht Co-operatives

Community co-operatives were first set up in the Irish-speaking or Gaeltacht areas in the West of Ireland in the mid-1960s. Unlike 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. The range of activities they undertake depends upon the needs of the community and the skills and resources available within it. They include many agricultural activities, especially land development, as well as craft and marketing co-operatives and cultural initiatives. They are described in more detail in a previous report written by us for the Commission of the European Communities (V/229-2/82-EN). By April 1982 more than 30 community development co-operatives had been established and registered with ICOS. In an interview for the Irish Co-operative Journal, Co-op Ireland in July 1980, Dr. Pierce Ryan, a National Council member of ICOS, explained how they see community co-operatives as a modern counterpart to the old Irish system of neighbours helping one another. He believes there is no limit to what small co-operatives could do to provide a realistic substitute for a great socio-economic system which has collapsed in rural Ireland. 'Tradition, language and culture are as important as bread and butter and some co-ops on the Western seaboard are giving a stirring lead.\* A major study of these co-operatives was commissioned by ICOS from An Foras Taluntais (Economics and Rural Welfare Centre) in 1981 and submitted to government with recommendations on policy as it relates to community development through co-operatives.

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\* Maurice Henry, Tremendous need for more service co-ops, Co-op Ireland, July 1980

ICOS has also helped to establish more than 300 Group Water Scheme co-operatives. With funding from the Department of the Environment and the European Agricultural Guidance and Guarantee Fund, much has been done to help small rural communities install their own piped water supply. The improvement has been dramatic. The 1961 census figures showed that Ireland was worse off than any other Western European country with the exception of Portugal with no less than 74% of the rural housing stock lacking piped water. By February 1977 the figure was 11%.\* ICOS has played an important part in the implementation of the Western Drainage Scheme and Western Development Package which has brought about this major improvement in the quality of rural life.

Canon James McDyer, the parish priest who was founder and instigator of some of the earliest community co-operative ventures at Glencolumchille, has said that he sees great hope in the move by ICOS towards a wide ranging programme of promotion for co-operative methods. He sees it as an important counter balance to an educational system that discourages enterprise and a political system that promotes a resigned acceptance by people in disadvantaged areas of their economic condition and robs them of any incentive to be enterprising.\*\*

#### 2.1.2 Promotion of worker participation in agricultural co-operatives

Though there are, as yet, very few worker co-operatives in Ireland, it has been ICOS' policy to promote the participation of workers as full members of agricultural processing co-operatives. So far, workers have invested share capital in four of these co-operatives and have been invited to elect representatives to the Boards of Directors. One such co-operative is Clover Meats based at Waterford which we visited in the course of our research. The co-operative had a history of bad industrial relations and poor profitability going back to the late '60s. By 1977 its finances were in such bad shape that it was decided to reorganise its capital base and the 1,000-strong workforce was invited to make contributions. There was a 75% response. Employees contributed £2 a week for two years until each had a £200 shareholding. In return the workers were given 12 of the 60 seats on the Advisory Committee and one place on the 7-man Board of Directors. Since then the co-operative has not been without its problems. At the time of our visit a dispute over a cost reduction programme had results in the co-operative closing down altogether for several months. Nevertheless, Clover's General Manager, Eddie Power, felt that much had been achieved by the introduction of worker participation. With

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\* Department of the Environment, Group Water Schemes, April 1982

\*\* Seamus O'Donohue, Donegal Workshop asks is there a future for community co-ops?, Co-op Ireland, May 1981

the exception of the dispute which both sides were anxious to resolve but were prevented from doing so by a legal technicality, industrial relations had been much improved, he told us. Communications were better and a degree of cost reduction had been achieved which would have been inconceivable before.

ICOS officers have been active in the promotion of other new types of co-operative. In Cork, for instance, the regional officer helped a group of skilled craftsmen to draw up a constitution for the Cork Craftsmen's co-operative set up in 1979 to provide a shop outlet which would enable a wide range of craftsmen to sell their high quality products under one city-centre roof while retaining their individual workshops. One of the main objects of this co-operative was to encourage any craft indigenous to Ireland and to judge by its results in 1979 it has been successful in doing so: 75% of the sales were to people from Cork and only a quarter to tourists. The Craftsmen's Guild has now opened a second branch in a new shopping centre in Dublin.

ICOS' framework for co-operative development also specifically exhorts the major agricultural co-operatives to assist their own workers in developing co-operative structures for housing, credit, consumer goods and other needs. In a number of cases, ICOS has encouraged co-operatives to give financial and organisational support to new specialist co-operatives in their catchment areas. These have included farm accounting, milk relief and other farm service co-operatives.

### 2.1.3 Encouragement of worker co-operatives

ICOS has no formal machinery for offering help to new worker co-operatives as such but it does have cordial, informal links with the various other organisations engaged in the promotion of this type of co-operative. It has made a submission to the Minister for Trade and Commerce who is responsible for co-operative legislation with a view to opening up the potential for co-operative development outside agriculture and has offered its services in pursuing it. ICOS has worked closely with the Co-operative Development Society, the National Association of Building Co-operatives and the Irish League of Credit Unions. All four bodies jointly proposed to the government in January 1980 that a Co-operative Development Agency be established which would be funded by the co-ordinating bodies themselves and by government. At the time the submission was rejected and hopes that it might receive official blessing at some time in the future have not been raised by the frequent changes of government since 1980.

More recently ICOS has been involved in a considerable number of proposals for the establishment of community development and industrial type co-operative projects and has been engaged in discussions with the Youth Employment Agency with a view to seeking support for identifying suitable industrial and servicing co-operative enterprises to be developed by young people.

## 2.2 The National Co-operative Council and the Co-operative Development Society

These two bodies are among the few which can be classified as support organisations specifically set up to promote worker co-operatives. Between them, however, they have fewer resources than the average local co-operative development agency in the UK. Neither the National Co-operative Council, set up in 1954, nor the Co-operative Development Society set up a year later, has any paid staff. Members of the NCC were prime movers in establishing the credit union movement in Ireland, and the CDS has helped, with advice and model rules, over 100 miscellaneous and new co-operatives although only 38 of these survive. The NCC and CDS share the same Honorary Secretary, John O'Halloran, who is deeply committed to the promotion of worker co-operatives but resigned to the fact that without outside aid these organisations can offer little in the way of continuing support for the six worker co-operatives which had registered with CDS by the beginning of 1982. The Society had received nearly 40 enquiries in the previous two months from individuals interested in setting up new co-operatives and from groups of workers whose firms were in difficulties. They were convinced that much more development could take place if only the funds were available to pay full-time staff to organise and 'nurse' new projects. Clearly if any future government were to consider favourably the proposal for a Co-operative Development Agency, the NCC and the CDS could have an important role to play.

## 2.3 The Irish League of Credit Unions

Credit Unions are formed by small groups of people with a common bond such as living or working together or belonging to the same church. In respect of credit union development, it is the United Kingdom which is trailing behind Ireland. Interestingly enough, it was while grappling with the problem of forming a worker co-operative in 1954 that one of the members of the Irish League, Seamus MacEoin and a small group of other interested individuals came upon mention of credit unions and in 1960 they eventually launched the credit union movement in Ireland. It has come a long way since then and by the end of December 1981 there were 459 credit unions in Ireland with 512,157 members whose savings totalled £166,706,603 and loans of £154,678,277. Credit

unions are unique among co-operatives in Ireland or the UK in being bound by law as well as by rule to observe the basic Rochdale principles. They are thus, according to Mr. MacEoin, 'ideal models in industrial democracy'.\* Another potential advantage they have over credit unions in the UK is that they are empowered to lend money to corporate bodies as well as to individuals as long as they come within the common bond of the credit union. Current policy of the Board of the Irish League of Credit Unions is that they should lend to individuals only but if that were to change - as some members have been urging - it could have important implications for the development of worker co-operatives. Indeed, several credit unions have already been instrumental in helping to get new forms of co-operative going. One such was St. Mary's Credit Union at Navan in County Meath which was very much involved in the transformation of the collapsed Crannac Furniture Company into the successful Crannac Co-operative. Initially this took the form of advice and encouragement from the manager and directors of the credit union which later made loans to individual workers to enable them to have a worthwhile stake in the business which they now own and control.

Another potential advantage of Irish Credit Union legislation is that the Act provides for the formation of central credit unions. Again members of the League have urged that it should take advantage of this provision to set up a central credit union which could provide effective support to other forms of co-operative development.

#### 2.4 The National Association of Building Co-operatives (NABCO)

NabCo was set up in 1970 and was run by volunteers for the first ten years until a Department of the Environment grant enabled them to take on three full-time staff. Though its main purpose is to help small groups of people form themselves into co-operatives to build houses which are then individually owned, the National Association of Building Co-operatives has been actively involved in discussions with other support organisations and government on the promotion of new types of co-operative. One such in which NabCo has already been involved, is a building co-operative called Co-Build which has carried out work for NabCo itself as well as local communities. NabCo could certainly have an important part to play in the provision of housing for people on low incomes living in inner cities where local authority waiting lists are several years long. NabCo sees itself as having some of the resources, skills and expertise which will be needed alongside a strong community spirit if new co-operative initiatives are to flourish.

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\* Seamus MacEoin, Work for All: co-operative movement can be the way to full employment, Credit Union Review, January/February, 1982



\* \* \*

### 3. Support for co-operatives from educational institutions

#### 3.1 The Bank of Ireland Centre for Co-operative Studies

This Centre for Co-operative Studies was set up in the University College, Cork in March 1980 with the financial backing of the Bank and the University which provides accommodation, secretarial and administrative services and support from ICOS. Its small team of fellows and post-graduates is engaged in a review of the law as it relates to co-operatives, on the educational and training needs of members of agricultural co-operatives, on a study of the community development co-operatives in the West of Ireland and on the collation of information about urban co-operative initiatives, including those of building co-operatives and credit unions. They have recently completed 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.

As far as worker co-operatives are concerned the Centre for Co-operative Studies has played an invaluable role in bringing together a variety of individuals and groups interested in their promotion and development, in particular at the two-day seminar on worker co-operatives mentioned in the introduction.

#### 3.2 Foroige

Foroige, or the National Youth Development Organisation, runs a Youth Co-operative Education Programme which is unique in Europe. The programme aims to involve young people between 12 and 18 years of age in the co-operative movement, to help them develop management and business skills and to assist them to prepare for work and employment in their future lives. Sponsored by the Allied Irish Banks and supported by ICOS, it is based upon the principle of learning by doing. Through a national chain of youth clubs called Macra na Tuaithe, groups of young people establish and run their own co-operatives, undertaking a variety of activities from running a single event like a disco to setting up a fully-fledged co-operative like the Standhill Macra na Tuaithe co-op which manufactured and sold Christmas decorations. On a more ambitious scale still is the mussel farming co-operative in Baltimore, West Cork, where 15 young people each contributed £5 share capital to which was added a loan of £500 which they negotiated themselves with the local bank manager. By May 1982, the co-op's young sales manager, Rita Bushe, announced that by the time they sell the mussels in

December they should have at least 16 tons for sale at £450 a ton.\* It may even be that this and other such experiments in co-operative education could lead to the creation of full-time jobs in the future.

By January 1982, 43 YCE co-operatives had been set up and run by members of Forcoige and had provided valuable experience in business and management skills as well as co-operative education for a variety of young people. It is an experiment which may well prove worth replicating in other countries.

### 3.3 Society for Co-operative Studies in Ireland

The Society for Co-operative Studies in Ireland was set up in 1981 to seek support for a plurality of economic and social organisation by force of intellectual argument and by practical example. Its members include representatives of all the main sectors of co-operative activity as well as a large number of interested individuals and academics.

The Society's main activities have been promotional and educational. It has reissued a number of historical co-operative documents, is actively collecting records of co-operatives and has jointly sponsored a number of educational courses including one on worker co-operatives in conjunction with the Co-operative Development Society and the College of Industrial Relations, and another more general course with the 'People's College' in Dublin. Discussions are currently being held on the possibility of using distance teaching methods for co-operative education.

### 3.4 Economic and Social Research Institute

Robert O'Connor and Philip Kelly of the Economic and Social Research Institute in Dublin carried out a study of industrial workers' co-operatives under the sponsorship of the Industrial Development Authority in 1980. It was the first major study on the subject to be published in Ireland and examined the development of worker co-operatives in a number of countries as well as Ireland and made a number of proposals for action to promote worker co-operatives in a more systematic way than had previously been the case. They concluded that worker co-operatives 'may well be the coming form of business organisation in a world which has difficulty in providing full employment and which cannot control industrial disputes'.\*\*

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\* Tony Connolly and Rita Bushe, Talks on Baltimore Shell-fish Co-op, YCE function, May 1982

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

Their main proposal was that a promoting body called the Workers' Co-operative Agency should be set up and should be constituted from persons who in the past have been actively associated with the promotion of workers' co-operatives. One suggestion was that the National Co-operative Council might become this Agency; another that the initiative should come from the government. In the event the initiative has come from neither quarter.

\* \* \*

#### 4. Support from government

Notwithstanding the lack of support for the Workers' Co-operative Agency proposed by O'Connor and Kelly, or the Co-operative Development Agency proposed by the movement itself, there is a range of government help available to worker co-operatives as small businesses.

##### 4.1 Industrial Development Authority

This government agency is one of the main potential sources of help for new worker co-operatives through its Small Industries programme which covers the whole of the Republic with the exception of the Gaeltacht areas which are the specific responsibility of the Udaras na Gaeltachta and the Mid-West which is the responsibility of Shannon Development. Under this programme new small businesses, including co-operatives, are offered a variety of incentives:\*

- Capital Grants of up to 60% for land, buildings, machinery and equipment
- Training Grants to cover the cost of training both managers and employees. These are made in conjunction with the Industrial Training Authority (AnCo)
- Long-term loans, hire purchase finance and working capital loans in conjunction with the Industrial Credit Company and the major banks
- Taxation relief: since the beginning of 1981 a scheme has been in force whereby all manufacturing companies are liable to a maximum tax rate of 10% until the year 2000
- Research and development grants: up to 50% of the cost of approved R & D projects, or a maximum of £250,000

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\* Industrial Development Authority, Ireland, Small Firms Annual Report, 1980

- Advance factories and rent subsidies: ready-made workshop spaces tailored especially to the needs of new small businesses have been provided by the IDA throughout the country. Rents are kept as low as possible and flexible lease arrangements allow for firms to progress from small nursery units to larger workshops as they expand their business
- Project management: the Small Industries Unit of IDA offers new small businesses regular visits by its development officers to identify problems, help find solutions and provide a feedback to IDA on the progress of the industry
- Support for service industries: under a new programme initiated in 1981 the IDA offers employment grants for jobs created directly in a number of service industries.

As we have said this impressive range of services is available to small businesses in general and not specifically to co-operatives. Some people have suggested that co-operatives may be at a disadvantage when it comes to competing for grants etc. with more conventional types of small business because of their shortage of own capital and more especially, perhaps, because the concept of worker co-operatives is still relatively unfamiliar in Ireland. In that respect the proposal emanating from the recent seminar at Cork, that the policies of statutory agencies such as the IDA should be more geared to the needs of co-operatives is clearly an important one.

#### 4.2 Department of the Gaeltacht

This government department which has specific responsibilities for promoting the economic and social development of the Irish-speaking Gaeltacht areas in the West of Ireland does also provide help for co-operatives including capital grants and loans and up to 80% of running costs in the early years. Table 2 summarises grants made by the Department to Gaeltacht co-operatives up to the end of 1981.

#### 4.3 Udaras na Gaeltachta (The Gaeltacht Development Authority)

The GDA works alongside the Department of the Gaeltacht. It has provided a full-time liaison officer for the community co-operatives and offers a range of training and advisory services. It can also guarantee loans from banks to new ventures although there has been some criticism in the past that neither the Authority nor the banks fully appreciate the social as opposed to the economic objectives of many of the community co-operatives. In this respect community co-operatives are in a somewhat similar position to the even more infant worker co-operatives.

#### 4.4 Shannon Free Airport Development Company

The Shannon Free Airport Development Company Limited (SFADCo) was originally set up by the government in 1958 to examine ways of saving Shannon Airport from redundancy when the advent of jet aeroplanes made it no longer necessary for transatlantic flights to stop there for refuelling. SFADCo built an industrial estate where it promoted the manufacture of high-value, low-volume goods for export and created a tourist infrastructure based upon the airport. By 1978 SFADCo's brief had changed to the intensive promotion and development of small indigenous industry in the whole of the mid-West. One of the problems they have faced in stimulating economic development in largely agrarian areas is that there is by definition little or no tradition of industry on which to build. It is for this reason that SFADCo had become increasingly interested in the possibilities of using community co-operatives as a stimulus for economic development.

SFADCo has established a Community Co-operative Development Scheme which is currently nurturing three embryonic community co-operatives. These co-ops are slightly different from the Gaeltacht ones in that they are more directly concerned with job creation and not so much with cultural and social life. SFADCo is one of the few government agencies specifically involved in co-operative development and if this pilot scheme does get off the ground it could set a valuable precedent and perhaps bring other agencies to realise the value of catering especially for co-operatives as opposed to just treating them like all other small businesses.

#### 4.5 County Development Teams

County Development Teams were established in the early 1960's with the task of fostering economic development in each of the western counties of Ireland. They seek to do so by stimulating new ideas and ensuring maximum use of existing resources, for instance by submitting proposals for assistance from Special Regional Development Funds. County Development officers ensure that new small businesses in their local rural areas tap into the resources available through the Industrial Development Authority's Small Industry Programme. They also keep in touch with the various voluntary bodies concerned with economic development. A few of the teams, such as that in West Cork, have limited development funds of their own with which they can make discretionary grants up to a maximum of £3,000 or 60% of capital outlay required, for new machinery for example, on a particular project.

Many of the County Development officers are particularly interested in co-operatives because, as SFADCo has recognised, they are frequently the most appropriate form of organisation for a small group of people in a rural area who wish to start a business or market their produce.

\* \* \*

## 5. Other help for co-operatives

### 5.1 National Committee on Pilot Schemes to Combat Poverty

There have been a number of attempts in recent years to promote the development of worker co-operatives in inner cities. One initiative, under the auspices of the EEC's Social Action Programme, was the setting up in 1974 of the National Committee on Pilot Schemes to Combat Poverty although this has since been disbanded. Several of these schemes did get worker co-operatives going but most were on a very small scale indeed and failed for lack of finance and management expertise. As one Combat Poverty group worker told us so much of the help that is available to new businesses is geared to people who have second or third-level education that groups and individuals in the poorest sector of the community find themselves at a distinct disadvantage. This is especially the case in cities like Waterford where the Combat Poverty Group's funding came to an end in 1980. Since then they have managed to keep an unemployed workers centre going but only by dint of much hard work on the part of unpaid volunteers.

In Dublin the picture is somewhat brighter. There the Inner City Action Project continues to receive funding and has helped sponsor a number of employment projects including at least one co-operative venture called Rutland Furniture under the auspices of the North Inner City Co-op. Another potentially co-operative venture we came across was the development of a pilot scheme for the employment of travelling people (as the Irish call gypsies) who suffer an unemployment rate of 80%. We visited the St. Kieran's Enterprise Centre in Dublin where a former IDA employee, Niall O'Donnellan, was putting together a financial package for a 16,000 square feet industrial workshop complex which would house, amongst other small businesses, a workers co-operative for young travelling people.

### 5.2 The Guinness Workers Employment Fund

This voluntary organisation was set up to help create and maintain employment in Ireland. It has relatively small resources which come from weekly deductions from the

earnings or pensions of nearly 1,200 Guinness employees and the repayment of loans. Co-operatives which have been helped by the Fund include a vegetable co-operative in County Clare, a housing co-operative, a community co-operative and one workers co-operative, the Cramnac Furniture Co-operative.

\* \* \*

## 6. Conclusions

From this brief survey of the support that is available for co-operatives in Ireland it can be seen that very little is specifically geared to the needs of worker co-operatives. Those organisations like the Co-operative Development Society which do offer such support have hopelessly limited resources. It is scarcely surprising, therefore, that there remain only a handful of worker co-operatives. Why has there been so little development in this sector compared to other countries?

### 6.1 A rural society

Despite a big shift of population from the country to the towns over the past fifty years Ireland is still a fairly rural society by comparison with other EEC countries and the agricultural co-operatives are far and away the most developed sector of the movement. Whereas to the average resident of the UK the word co-operative conjures up the vision of a shop in the High Street, to the average Irishman it almost certainly means an agricultural co-operative, and probably a huge dairy processing one at that.

### 6.2 Solution to unemployment

In the past the traditional solution to unemployment in Ireland has been emigration, either away from the land to more prosperous parts of Ireland or, more commonly, overseas to the UK and the USA. It is only now that such emigration has come to a virtual halt because of the increasing lack of opportunities elsewhere that co-operatives have even been mentioned as a possible source of employment creation and service to the community. Even now the relative lack of successful models for new worker co-operatives means that few people are at the stage of taking the idea seriously and this includes government and financial institutions.

### 6.3 Lack of local government support

A major drawback for the worker co-operative movement in Ireland is the lack of public funds at local level. Whereas individual co-operatives and local co-operative development

groups in the UK have received considerable support from local authorities - indeed, most of the 40-odd local CDAs in the UK would probably cease to exist if it were not for support from this quarter - in Ireland there is at present little possibility of help being extended by local authorities. This is partly because there is little precedent for local as opposed to central government involvement in economic development. But even if local authorities were to want to play a more active part in their own economies they would find themselves unable to do so for lack of resources. One reason for this is that rates on private dwellings (as opposed to businesses and agricultural land) were abolished some years ago with the result that local authorities were deprived of a substantial part of their income.

#### 6.4 Need for outside stimulus

It is against this background that organisations like the Waterford Resource Centre are attempting to help groups of unskilled unemployed people to help themselves and one another. Just as isolated rural communities may require some outside stimulus (and especially finance) to catalyse mutually beneficial activity so the stony ground of deprived inner city areas seems likely to need much more in the way of outside help if co-operatives are to have a chance of surviving, let alone flourishing. Indeed, co-operatives in rural areas may have a greater chance of survival because the communities which inhabit them tend to be closely-knit. Poverty in inner city areas, on the other hand, can all too often be a cause of division within a community whose better-off members may live only a stone's throw away. Small groups of unemployed people may have the will to do something together to better their lot but they may also resent the need to beg for help in doing so. Unless a way can be found to make existing or new sources of support more approachable and acceptable to those in need of it, many attempts at mutual aid may be nipped in the bud.

#### 6.5 Need for clearer distinction of types of co-operative

The types of co-operative we have been referring to above, whether it be in rural or urban areas, have strong social as well as economic objectives. In our view a sharp distinction needs to be drawn between those sectors of co-operative activity where subsidy may always be required because of the high element of social service attached to them (and the related but frequently unquantifiable savings that they may contribute to society) and those which might reasonably be expected to be commercially viable from the word go. In an ideal world the latter would subsidise the former. In the present harsh reality of inflation and high unemployment it is unlikely that this will be the case. Even the relatively well-off agricultural co-operative



movement has found it easier to give moral support and services in kind, such as the provision of secretarial and administrative back-up, rather than hard cash.

#### 6.6 Success breeds success

In drawing attention to the distinction between 'social services' co-operatives and those in the mainstream of industrial and commercial activity we are not suggesting that the latter should be left to fend for themselves. Experience in other countries shows that the strongest development occurs in regions or in sectors where there are already flourishing examples of successful co-operatives. There have been few, if any, outstanding successes in the infant worker co-operative movement in Ireland so far. The first shaky steps will only be taken if there are strong parents at hand to offer support and encouragement and repair the bruises. As things are at present it seems likely that the infant will need two parents, in the shape of a strong worker co-operative support organisation on the one hand and a benevolent government on the other.

#### 6.7 Plans for the future

In the introduction to this report we mentioned a seminar organised by the Bank of Ireland Centre for Co-operative Studies which was attended by 127 representatives of central and local government, voluntary bodies, co-operative support organisations and co-operatives themselves. They met to exchange ideas and information in workshop sessions, to make contact with one another and to hear speakers including members of existing worker co-ops and representatives of the Co-operative Development Society, the UK Industrial Common Ownership Movement and the Wales TUC. It became clear at that seminar that there is a good deal more co-operative activity going on at local level in Ireland than official records suggest, even though much of it is still reliant on volunteer help.

By the end of the two days a number of positive proposals had been put forward, including:

- the need for more active involvement on the part of trade unions and of credit unions in promoting worker co-operatives. (It was pointed out by one Credit Union member that if every member of the agricultural co-operatives and every member of the credit unions in Ireland contributed £1, a fund of approximately £1 million could be established for the promotion of co-operatives);

- that the policies of existing statutory support agencies such as the Irish Development Agency, the Industrial Training Authority and the Shannon Free Airport Development Company should review their policies and consider providing more support for new co-operatives in the service industries and that in general agency staff should familiarise themselves with the co-operative method of working and form of organisation;
- that existing national bodies such as the Co-operative Development Society and the Irish Co-operative Organisation Society should work together to form a single national promotional body for worker co-operatives, with ICOS providing back-up facilities and an executive officer;
- and that local resource centres backed by local authorities should be set up in conjunction with such a national body to provide educational, financial and managerial advice to worker co-operatives.

It these proposals can be implemented, the future for worker co-operatives in the Republic of Ireland would be a much brighter one. Without a strong support organisation dedicated solely to the development of worker co-operatives it seems unlikely that much progress will be made.



SUPPORT  
FOR  
WORKER CO-OPERATIVES  
IN THE  
NETHERLANDS



1. Introduction

Worker co-operatives in the Netherlands can be traced back as far as the early part of the 19th century when diikers and peat cutters formed worker organisations. In the early part of this century there was a handful of successful worker co-operatives, mainly in printing, cigar-making and construction. From the very start, however, they have lacked the political support which was concentrated on the much stronger agricultural and credit co-operative movements and, to a lesser extent, the consumer co-operatives.

Consumer co-operatives no longer play a significant part in the country's economy since the disappearance of Co-op Nederland in the early seventies, but there can be no denying the strength of the agricultural and other co-operatives. As Table one shows, they have an impressive market share in almost every sector of agri-business.

Very impressive too is the giant credit co-operative Centrale Rabobank which, through its 3,000 local branches belonging to 1,000 individual Rabobank co-operatives, has 3½ million private customers. Of these one million are members of the co-operatives. With close to 27,000 employees and total assets of more than 97 million guilders, the Rabobank Group ranks among the 35 largest banks in the world and has more branches than all the commercial banks in the Netherlands put together.

By contrast the worker co-operative sector in the Netherlands is still in its infancy. There are signs, however, that a surge of growth may be about to begin. The breakthrough came this year when the government agreed to a grant of ½ million dutch guilders a year for four years to be paid to the main support organisation for worker co-operatives, ABC. They were thus enabled to take on full-time staff for the first time.

\* \* \*

2. The Association of Businesses formed as Co-operatives  
(Associate van bedrijven op cooperatieve grondslag - ABC)

ABC is the Dutch federation of workers co-operatives and was founded by a small group of existing co-operatives in 1959. Its aims are 'the expansion and defence of co-operative ideas and the protection and promotion of the interests of its member enterprises'.

1980 - STATISTICAL DATA ON THE DUTCH AGRICULTURAL CO-OPERATIVES

SECTOR	NUMBER OF SOCIETIES		MEMBERS	WORKERS	TURNOVER x mil. gs	MARKETSHARE %
	CENTRAL	REGIONAL				
Credit	1	978	900,000	27,000	-	+90
Supply - feed	3	245	100,000	12,000	7,000	54
- fertiliser						60
- pesticides						40
Processing/marketing						
- dairy	-	39	51,000	19,000	10,000	+90
- meat	2	-	23,000	4,000	2,400	27
- sugar	1	-	9,600	1,900	733	63
- starchpotato	1	-	6,000	3,000	726	100
Sales						
- veg & fruit	-	49	28,000	2,000	2,300	83
- flowers & plants	-	14	10,000	1,750	2,100	+75
- eggs	-	4	760	180	220	20
- wool	1	-	22,400	80	10	75
- potatoes	-	10	-	-	300	+40
Services						
- mushrooms	1	-	760	130	40	80
- artif. insemin.	-	54	51,000	811	-	+50
- business advice	-	122	44,500	989	-	44

Development was slow through the 1960s. The notion of a workers co-operative was almost as unfamiliar to the average Dutchman as to people in Ireland. But by the 1970s the pace had quickened. The number of societies in membership of ABC rose from 8 in 1976 to 25 in 1979. By mid-1982 the figure had risen to 45. ABC has undoubtedly played an important part in encouraging this development, not least by ensuring that the concept of a worker co-operative has become more widely understood. It has done this in a variety of ways.

## 2.1 External promotion of worker co-operatives

In a true spirit of international co-operation, the Confederation des SCOP in France offered help to ABC in preparing and circulating a publication about the potential for worker co-operatives in the Netherlands. This resulted in hundreds of enquiries from individual workers, owners of existing capitalist firms, journalists and students. Despite the fact that none of its staff were paid and that most of them were already working full-time in their own co-operatives, ABC members gave many lectures to universities and institutes as well as offering advice and information to people in firms under threat and especially trade unionists.

## 2.2 ABC and trade unions

An important milestone in the development of worker co-operatives in the Netherlands came with the publication in 1976 of a report entitled De proef op de som ('The test of the theory') which was commissioned by the Netherlands Trade Unions' Research Foundation and examined in detail a number of experiments in worker participation. This was followed in 1981 by a report called Werken in Cooperatie\* which concentrated on worker co-operatives and culminated in a number of recommendations including:

- that the trade union movement should adopt a more active attitude towards existing worker co-operatives and give greater publicity to the developments that are taking place in them and that they should have regular consultations with the ABC;
- that the government should investigate whether and in what way worker co-operatives could receive preferential treatment and that it should subsidise one or more ABC employees;
- that ABC should strengthen its organisation by appointing full-time workers and should investigate the possibility of collective services which might be rendered to its member co-operatives.

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\* Wetenschappelijk Onderzoek Vakcentrales, Working in Co-operation, English version published February 1981



This public support by the trade union movement for the work of ABC undoubtedly helped to create a climate of opinion much more favourable to worker co-operatives than had existed before. A number of newspapers printed leading articles and interest was expressed by members of both major political parties and an inter-departmental committee was set up to promote workers' self-management.

### 2.3 ABC and government

ABC sees itself as having an important role to play in lobbying government for changes in the legal and fiscal regimes which would remove some of the problems hampering the development of worker co-operatives. In the long-term ABC would like to see tailor-made legislation for worker co-operatives. As things stand at present they must use legislation which is geared primarily to agricultural co-operatives. The major drawback of this for worker co-operatives is that worker/members who serve on the board of directors of their co-operatives are ineligible for social insurance. In practice the problem has been overcome by appointing people from other co-operatives or from ABC itself to sit on boards of directors, but this is clearly very time consuming and onerous for people who are already heavily committed in their free time. Although it is unlikely that new legislation will be forthcoming in the foreseeable future there were by mid-1982 promising signs for amendment to existing legislation, according to ABC's president Ir. CL Provily.

Another change sought by ABC is in the way that tax is levied on firms which want to convert to co-operatives. At present such firms must first go into liquidation and pay Capital Gains Tax before setting up as a co-operative, thus weakening their capital base from the start.

The real breakthrough for ABC came, as we have already said, earlier this year when the government finally agreed to make a grant of  $\frac{1}{2}$  million guilders a year for four years to enable ABC to take on full-time professional staff.

### 2.4 ABC help for co-operatives

Until that government grant came through, ABC had had to confine its activities to the promotional and educational. It ran special two-week courses, in conjunction with the Folk High Schools, where worker co-operative board members were trained in democratic policy-making and management skills. Throughout the seventies, ABC also took on the task of collecting information about existing and new co-operatives, or worker-managed enterprises as they are more commonly referred to in the Netherlands. This was no easy task since there is no official procedure for registration of worker co-operatives and no official

statistics are published. ABC had to rely instead on newspaper articles and word-of-mouth. On this basis they estimated that by 1981 there were more than 200 organisations which qualified as worker co-operatives in the Netherlands and that this number had doubled to 400 by Autumn 1982. Scarcely more than 10% of these were in membership of ABC (45 in September 1982) although it seems likely that many more may be encouraged to join now that ABC has full-time staff.

## 2.5 ABC's help for co-operatives abroad

Despite the difficulties of running ABC without paid staff and on top of their own full-time jobs, members of its executive have been active in helping to set up a number of new worker co-operatives in Belgium. Just as the Confederation des SCOP helped to get ABC going, so now is ABC helping another neighbour. It is an interesting example of international co-operation.

## 2.6 The future

Four staff have recently been appointed to ABC. They are a former manager from a multi-national company, an experienced management consultant, a professional journalist and a secretary who will also be responsible for the promotion of women's activities in worker co-operatives. The stage is now set for ABC to move from the relatively passive role it has been forced to play in the past to a much more active one. New and existing co-operatives will be able to turn to the ABC for professional support, which they have not previously been able to offer. The growth in the number of worker co-operatives in the Netherlands has been striking even without such support. If the dynamism of the new paid workers at ABC is anything like that of their volunteer predecessors, it seems likely that the growth rate will be even more impressive before long.

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## 3. Financing for worker co-operatives

### 3.1 Shortage of own capital

As in many other countries, worker co-operatives in the Netherlands frequently suffer a shortage of own capital. Although in theory they are eligible for support from a government guarantee scheme the criteria are strict and include a stipulation that enterprises should have at least 5% own capital. This can be especially difficult for new co-operatives with no track record to show potential financiers. It is interesting to note, however, that the 'Trade Unions' Research Foundation found that

existing co-operatives compared quite favourably with other types of business when it came to raising loans from commercial banks.

### 3.2 Profit sharing and reserves

Dutch worker co-operatives were until recently at a distinct disadvantage in that tax had to be paid twice in respect of bonus dividends, once by the co-operative and then again by the individual workers. But in 1978 a scheme was worked out and approved by the Inspector of Taxes whereby profit-sharing and saving were coupled together in a new reserve scheme. Under this scheme every worker is entitled to participate up to a maximum of fls. 750 a year. Profits on subsequent years can be dealt with similarly in the form of deferred profit-sharing notes. Savings can be withdrawn after seven years or on retirement and only then is income tax levied. Company tax is not levied at all.

For small new companies the existence of such a scheme may seem somewhat academic if they have not reached the stage of making profits for lack of start-up capital. There is, however, one source of finance which is geared specifically to the needs of worker co-operatives.

### 3.3 The Methöffer Foundation

This Foundation goes back to the beginning of the twentieth century when a number of worker co-operatives were formed under the influence of the philosopher, Methöffer. A fund of 500,000 guilders was created for the promotion of self-managed enterprises. Some of ABC's member co-operatives have also contributed to this fund, which is used to guarantee loans made to worker co-operatives by a commercial institute related to the trade unions. In addition to this there has been considerable discussion since the publication of the research report referred to above about the possibility of forging links with other trade unions' financial institutions which could result in the fund being increased to 5 million guilders. ABC have appointed a board member to this new Foundation and will have an important role to play as consultant on potential loans.

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## 4. Help for worker co-operatives from other sectors

### 4.1 The co-operative banks

At first glance the giant credit co-operative Rabobank is the obvious candidate for providing finance to worker co-operatives. It is the only co-operative bank which

is concerned both with co-operative and general credit. The Centrale Rabobank does a good deal of business with the agricultural co-operatives and because of its long experience in the agricultural sector generally, the services and advice it can provide go beyond what an ordinary financier might be able to offer.

There are 1,000 individual Rabobanks in membership of the Centrale Rabobank and they have 3,000 branches, so each bank has a very small catchment area in accordance with the Raffeisen principles on which they were founded in 1896. These are:

- that they should take the form of co-operatives;
- that members should have unlimited liability;
- that the banks should operate in particular local communities; and,
- that any profit or surplus should be allocated to reserves.

It seems likely that one of the Rabobanks' biggest strengths (apart from their obvious economic strength as a whole) is that individually they provide a much more personal service than any commercial bank. When a new branch of one of the local Rabobanks is opened in a village, it is likely to get at least half the people living there as customers because they think of it as 'the people's bank'. This is borne out in reality since the board of directors will generally consist of members of the local community who meet locally and set policy locally. They will also, however, be able to call upon the specialist advice of the central administration if it is needed. The Bank's research division, for instance, is geared to marketing and feasibility studies and has credit advisers who specialise in particular parts of the market on which they can advise business customers.

This combination of the advantages of smallness with those of size suggest that the Rabobank could be an ideal financial support organisation for new and developing worker co-operatives. Unfortunately, however, there are few signs of this happening. Although ABC has had a sympathetic hearing from senior officials at the bank's headquarters, their view does not necessarily filter down to the people running the autonomous individual Rabobanks. How and to whom they lend is entirely up to them. Since between 90% and 95% of all Dutch farmers are customers (and many also members), it is perhaps not surprising that there is a strong feeling among farmers that the Rabobank is their bank. Since there has been criticism of the bank's move in more general directions towards consumer credit, mortgage lending etc., it is perhaps even less surprising

that worker co-operatives with their shortage of own capital and lack of track record present far too risky an image to warrant encouragement.

#### 4.2 The agricultural co-operatives

In none of the countries we visited were there really strong links between agricultural and worker co-operatives, although, as we have seen, the Irish Co-operative Organisation Society in Ireland has given a good deal of moral support to the developing worker and community co-operatives. In this respect the Dutch agricultural co-operative movement differs a good deal from its counterparts there and elsewhere. For one thing their national support organisation, the Nationale Cooperatieve Raad, or National Co-operative Council, does not belong to the International Co-operative Alliance, nor does it subscribe to all the six principles of co-operation as laid down by the ICA. In particular, agricultural co-operatives in the Netherlands do not subscribe to the principle of one man, one vote but have a system of voting according to the size of the business done by the member. When it comes to distribution of profits, Dutch agricultural co-operatives are the same as those in other countries - they are distributed in proportion to transactions with the co-operative. But of the sixth principle, co-operation between co-operatives, there is not much trace. Even within the agricultural movement itself the only links between co-operatives are commercial or institutional.

The National Co-operative Council for Agriculture and Horticulture (NCR) sees its role as being to safeguard the interests of its member co-operatives. It takes the view that agricultural co-operatives should restrict their activities to commercial concerns and that there is no place for an involvement in any broader social purpose. The reaction of the agricultural co-operatives to a recently enacted law designed to give employees a greater share in policy-making suggests that there is little hope of any support for worker co-operatives from that sector. The view taken was that greater worker participation would be unacceptable to farmer members and that if their rights were restricted in such a way there would cease to be any difference between co-operatives and commercial organisations. The NCR has been asked by its member co-operatives to persuade the government that the new law ought not to be applied to co-operatives in the same way as private enterprise.

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5. Conclusions

The scope for greater co-operation between sectors seems to us to be boundless, but likely to be left unexplored, though there may be more hope for increased co-operation within the worker co-operative sector. It is still too early to tell what impact the newly staffed ABC will have on the growth rate of worker co-operatives but the signs are encouraging. It will be of especial interest to see whether the estimated 350-odd worker-managed firms which have so far not joined ABC will now do so. Quite apart from the increase in funds from subscriptions, it would mean that the movement (already comparable in size to that of the United Kingdom) would have much more cohesion and a stronger identity. The growing interest of politicians and of the trade union movement and the possibility of a trade union-backed co-operative development fund should also have a positive effect. If legislative and fiscal disincentives could also be removed, then the outlook could be very bright.