

# WORKER CO-OPS

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SPRING 1985

## Quebec pledges \$8 million for worker co-operatives

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### Claude Carbonneau

The Quebec Ministry of Industry and Commerce announced it will allot \$8 million over the next three years to set up a network of consulting groups (groupes - conseils) to support the initiation and operation of worker co-ops.

The Quebec government's decision is included in a program intended to aid youth in joining the labour market. For those who make the co-operative choice, the budget allocations will help to create regionally-based development co-ops and the network of consulting groups.

### Regional consulting

The regionally-based development co-ops are organizations composed of co-op activists. They allow co-ops in each of Quebec's regions to work together in the planning and development of the co-op movement. These development co-ops are also required to take a part in the establishment of the consulting groups.

The consulting groups will have a specific mandate to give technical assistance to youths wanting to form worker co-ops. Some of these groups already exist in experimental form in three regions. The results have been quite positive and the government decided to extend the experiment to all of Quebec's other regions.

### Financing co-ops

In addition to the technical aid offered by the consulting groups, the young workers wanting to form co-ops can rely on financial aid from the

SDC (la Societe de developement des cooperatives) as well as the services of the co-operative management office of the Ministry of Industry and Commerce. For its part, the SDC has established an assistance program specifically intended for new worker co-ops.

The Quebec government hopes to assist 3000 youths to form worker co-ops over the next three years.

*Claude Carbonneau is Worker Co-ops' Quebec correspondent and L'agent de communication, SDC. (French translation by Joanne Lindsay)*

## Governments support worker co-ops: Saskatoon conference

### Jack Quarter

The government of Manitoba is about to unveil a major programme to develop worker co-operatives in that province. That was one of several important announcements at the February 26-28 'Employment Co-operatives' Conference at the Centennial Auditorium in Saskatoon.

Judging by the political representation among the speakers at the conference, it is evident that governments across Canada are taking a serious look at worker co-operatives.

Though not making any major commitments Charles Mayer — the Federal Minister responsible for co-operatives — expressed his sincere hope to the audience of 200 "that the co-operative sector, together with the federal and provincial governments, will be successful in developing employment co-operatives."

Mr. Mayer stated that the Co-operatives Section of Agriculture Canada will be conducting a survey

of existing worker co-operatives to establish an accurate profile of the sector and that Laird Hunter, manager of the Co-operative Union of Canada's Worker Co-operatives programme, is discussing specific proposals with representatives of the Employment and Immigration Department.

The air of optimism created by Mr. Mayer was reinforced by Benoit Tremblay, the Deputy Minister of Industry and Trade in Quebec, who described that province's impressive programme to support a network of regional development groups for worker co-operatives.

Not to be outdone, Vic Hryshko, Manitoba's Director of Development for Co-operatives, indicated that his government's programme will include measures on gap financing, feasibility studies, market analysis and a legislative component. The program has been developed after consultation with co-operatives, labour and business in Manitoba. Jay Cowan, Manitoba's

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Minister of Co-operatives has confirmed that he will start releasing the details very shortly.

Newfoundland has also gotten into the act. Robert Thompson, the Director of Research for Rural Development told the conference that his department is working carefully with that province's Federation of Co-operatives to assist worker co-operative development. The Federation has hired a worker/producer co-operative development specialist and has established a revolving loan fund.

The conference was organized by the Department of Co-operatives in Saskatchewan and the newly-formed Centre for Co-operative Studies at the University of Saskatchewan. Jack Sandberg, Saskatchewan's minister of Co-operative Development, expressed his support for "employment co-

operatives" and Department directors, Walter Safinuk and Joyce Gwilliam, indicated that their staff were being prepared to meet requests for assistance from groups interested in forming worker co-operatives.

As a beginning, the Saskatchewan Department of Co-operatives has taken the following steps: it has prepared a workbook to assist worker co-operative members in writing their by-laws; it has created a slide-tape and other promotional materials; and it is planning educational tools that can assist in worker co-operative development.

Special thanks for organizing this conference are due to Joyce Gwilliam of Saskatchewan's Department of Co-operatives and Skip McCarthy of the Centre for Co-operative Studies. The conference marks a watershed in Canada's worker co-operative movement.

## Buyouts:

### Don Altman

#### Air Canada

The Air Canada Employee Ownership Committee representing 5,000 of the 19,000 employees of Air Canada wants to buy 40 per cent of Air Canada's equity should the firm be 'privatized'. Ed Godwin, leader of the employee group, has already been in touch with Thorne Riddell Ltd. and Dominion Securities for assistance. (*Globe & Mail* Dec. 8/84, Jan 4/85, Jan 10/85)

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#### U.S. Airline Companies.

Eastern Airlines has increased productivity and is profitable for the first time since 1979 due to a recent contract that increases worker ownership and participation in decision-making in exchange for substantial wage reductions. A new airline **Pride Air**, which will be at least 50 per cent employee-owned, is likely to enter the transcontinental market. Since March 1984 **Mark Air** with employee part owners has been flying in Alaska. **Republic Airlines** pilot's association has negotiated a 15 per cent wage cut in exchange for 5 per cent of Republic's stock being held in an ESOP. (*Workplace Democracy* Vol. II No. 3)

### Greyhound

In the United States, Greyhound is encouraging drivers and other employees to form independent bus lines for routes which the company cannot make money. In effect the company is proposing a form of franchising since the new companies would use the Greyhound logo, colours and advertising. In Canada, due to provincial regulation of scheduled bus service it is not possible for Greyhound to do a similar thing. (*Globe & Mail* Jan. 14/85)

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### Quebec veneer plant re-opens

Closed by Masonite Canada in April, 1983, for economic reasons, this Gatineau hardwood veneer plant yard re-opened in November as Les Placages de l'Outaouais. A local businessman and 94 union workers bought the plant for \$2 million. The businessman has invested \$1.6 million, the workers \$1,000 each and the Federal and Quebec governments will each contribute \$300,000 for start-up costs.

Two employees will assist in management policies, supervision and workers' concerns. In exchange for profit sharing, workers have agreed to help cut costs by giving up pension and dental plans. (*Toronto Star*, Dec. 28/83 F3) ■

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# Profile:

## Life in the fast lane

### Union Cab Co-op of Madison, Wisconsin

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#### Linda Sartori

Union Cab of Madison, Wisconsin is a worker-owned and operated co-operative that provides taxi service for metropolitan Dane County and jobs for one hundred and forty people. We currently operate a fleet of thirty-five cabs and six vans for our taxi-parcel delivery, and airport limousine services. Our monthly revenues are \$120,000 - \$130,000, with our 1984 gross revenue being \$1.5 million. The drivers work on a commission basis, beginning at 40 per cent of the revenue; the commission increases with more revenue and seniority. The managers are salaried, and the office staff and mechanics work on an hourly rate of pay. The wages at Union Cab are average or above average for the market.

#### Grew out of a strike

The co-op was the idea of some striking workers at the now-defunct Checker Cab Company in early 1979. Before this, Yellow Cab of Madison had also seen a strike by disgruntled employees and it too had folded. The time was ripe for a new cab company that would meet the desires of workers to be democratic participants in their workplace. Furthermore, it was understood that a satisfied work force would better serve the transportation needs of Madison.

The founders of Union Cab envisioned a worker co-operative, with each member/worker having one \$25 share of voting stock with which to elect a Board of Directors and vote on issues brought to General Membership meetings. With much taxi experience, high ideals, and some business skill, the founders drew up a five-year projection of our operations and convinced local lenders of the feasibility of our plan.

#### Funding

We secured loans of \$154,000: \$95,000 from First Wisconsin Bank, \$35,000 from the Madison Development

Corporation, \$12,000 from another community business assistance organization, Wisconsin Horizons, and \$12,000 from the purchase of preferred Stock (non-voting) by friends and relatives and from donations at benefits held at a local bar — support from Madison's progressive minded citizens. Madison Development Corporation stipulated that each worker contribute a shift-charge to go toward the repayment of the loan. The Board made that \$1.00 per shift. After an accumulation of a certain number of hours worked, the shift charge is dropped entirely. Profit is returned to the members in patronage refunds, 20 per cent in cash and 80 per cent to the member's equity account.

With the loan negotiations well underway, we procured our cab licenses from the city, purchased thirteen brand new Plymouth Volares, got our radio system in place, hired the personnel and hit the streets on October 29, 1979. The incorporators selected the nine-member temporary

Board of Directors and two managers. Union Cab Co-op became a reality.

#### Structure and decision making

Board meetings were initially held once a week at a member's home, a case of beer was usually present, and a lot of new ideas taking form, everything somewhat loosely structured. Although we did do some planning in the early stages, we operated primarily in the mode of crisis management. When something came up, we had long meetings and took care of it, after input from everyone who had anything to say, of course. We have changed over the years, making our structure more efficient. We now have board meetings once a month, held in the conference room of our new quarters, to which we moved in the fall of 1982.

There are four Committees of the Board: Finance, Planning, Personnel, and Education. The committees bring hammered-out proposals to





the Board for consideration. There are non-board members on each committee, and all members are welcome to attend committee and Board meetings, but the committee meeting is the place for discussion of the issues. The managers who are members of the co-op but cannot be Board members are present at each Board meeting to give status reports.

It is the Board's function to establish policy and hire management. This entails making broad-ranging decisions about our operations and evaluating managers' performance in carrying out Board policy. In our first five years the Finance Manager and Personnel Manager have conducted the day-to-day functions of the co-op. They are assisted by book-keeping and sales staff, with the dispatchers being the shift supervisors.

#### Management and accountability

Union Cab is presently undergoing a reorganization of management functions to more efficiently disburse the operational duties. The ever-increasing size of our business demands a clarification of the accountability and authority of management. We have employed an outside consultant to guide us in this task. We have reviewed what happened with the team-management of the Denver Yellow Cab Co-op, the first cab co-op in the U.S. presently with over one thousand members. Denver Yellow had a team of four

managers, three of whom recently resigned due to problems in accountability. They have now gone back to a general manager. Considering our choices, we too have decided that our business would best be served by the general manager concept. The G.M. will oversee departments of Finance, Marketing, Operations, and Personnel. We plan to have lead dispatchers, drivers and mechanics function between members and management. At this writing, there is not the final approval of this plan. We have a vocal minority who would have us operate in a more collective manner and who fear that investment of authority management could lead to interference with workers' rights. The majority opinion is that a strong management, with accountability to the elected Board, will ensure profitable business that is responsive to the needs of the workers.

The Board of Directors is elected from the general membership annually, each Director serving a three year term. If a Director resigns or leaves the co-op a temporary Director is selected by the Board. With just cause, a Director may be removed from office by the membership at a special meeting for that purpose. We have had Board training sessions in the past and plan to make it an annual occurrence.

There is an appeals council that deals with disputes over discipline for violations of our shop rules. If there is disagreement between a member and manager regarding a discipline

action, the member may appeal to the council for review of the action. The council will confirm or veto the action. Council members are selected at random from non-Board, non-management members.

#### Democracy and co-operation

We also have an education Coordinator who edits our monthly newsletter, does staffing for the Board and the Education Committee, and works with Personnel in training and educating our members in job and co-op responsibilities. The position is also for liaison between our co-op and other co-ops. We recognize the duty of the co-operative to educate its members in principles of co-operation and democracy.

Although some people we hire have had some prior co-op involvement, most people come to us looking for a good job. We attempt to hire people who are willing to participate in a worker co-op and willing to take their rights and responsibilities seriously. All of our members do not have equal desires to participate in co-op affairs. Some work their shifts and collect their pay; others go to as many meetings as they can. But everyone is encouraged to come to General Membership meetings (some would have attendance mandatory, but this is not policy) and to cast informed votes on issues and in the election of the Board.

Running a good cab business in Madison and providing good jobs for our workers is our primary goal. The worker co-op is proving to be the best way to do this. Although we have some problems in our co-op, the business itself is doing well. Two other cab companies have gone out of business since we began operating, due in part to their inability to compete with our organization. The people we serve have high regard for Union Cab, and we hope to continue as a successful business in the revolutionary form of a worker co-op.

*Linda Sartori is a founding member of Union Cab. She is a full-time driver, substitute dispatcher and phone answerer, and a member of the Board serving her third term. Inquiries about this worker co-op can be directed to Linda at Union Cab, P.O. Box 3513, Madison, WI 53704, (608) 256-4400. ■*



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# Reflections on the worker co-op tour of Spain, England and France, 1984

Dana Weber

Last October, 14 Canadians and 3 Americans embarked on a tour of European worker co-ops under the auspices of the Co-operative Housing Foundation of Canada. In Spain, of course our destination was Mondragon, a small town in the Basque region which has become the centre of an extensive network of sophisticated industrial co-operatives — and a minor Mecca for people like our tour group.

## Mondragon

Many people will be familiar with the Mondragon system through the BBC film which has been widely shown. For those who aren't, here are some of its impressive accomplishments. Over the last 30 years nearly 90 co-operatives have been created which employ almost 20,000 people and account for about 10 per cent of the economic activity in the four Basque provinces. At the centre of the system, and crucial to its success, is the Caja Laboral Popular — a credit union owned by the co-operatives which functions as a development bank. The bank provides low-interest financing for new co-operatives and comprehensive assistance in planning, product research, and management training.

Since co-op members are considered self-employed they are ineligible for Spanish state social security, unemployment insurance and medical benefits; so they have created their own system called Lagunaro, and the benefits it pays are superior to those of the state system. Mondragon co-ops also have their own research and development institute (Ikerlan), an associated trade school where the curriculum includes part-time work in a student co-op, a network of retail co-ops which are part consumer- and part worker-owned, and a school system which emphasizes Basque language and culture and is partly supported out of the profits of the industrial co-ops.

The percentage of a co-op's net profit which goes to support education, and other community benefits is

fixed by law at 10 per cent. Fifty per cent remains in the co-op as retained earnings and 40 per cent is allocated to each individual worker-owner in proportion to the amount of salary earned during the year. This share of profits is added to the worker's initial investment in the co-op and can only be withdrawn upon leaving the co-op. The initial investment required by Mondragon co-ops is substantial (around \$6,000, the equivalent of one year's salary for an unskilled worker), but members can borrow it from the Caja Laboral Popular and pay it back over time.

Many people view worker ownership — in the form of equity investment and profit shares — as one of the key strengths of the Mondragon co-operatives. They see it as a way of abolishing the distinction between capital and labour.

## England was different

England has seen considerable growth in the worker co-op sector over the last 10 years, largely through development assistance and financing provided by local and regional governments and their Co-op Development Agency (CDA). These co-ops tend to be smaller and more labour intensive than their Basque counterparts, and member

shareholding is discouraged or even prohibited in the bylaws (although members are encouraged to loan money to the co-op if they can).

Co-op development workers we spoke to seem to feel that large capital stakes tend to make members worker capitalists, not worker co-operators. People focus on their personal financial return, not on creating a better workplace and new, democratic relationships with their co-workers. CDA workers also argued that heavy share requirements make co-ops inaccessible to poor and unemployed people, minorities and women who are most in need of employment alternatives. Concern about these social groups appeared to be a strong motive force behind the British worker co-op movement.

However, the insistence on no member investment and 'common' rather than individual equity ownership often created a dependence on government to fill the equity gap. If member investment is likely to create a 'capitalist mentality,' isn't it likely that the lack of it might create a 'welfare mentality?' Aren't there other ways of making co-ops accessible to the disadvantaged besides abolishing share capital altogether? These were questions we debated with our



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# Reflections on the worker co-op tour of Spain, England and France, 1984

English hosts over many a pint in many a pub.

Still, there can be no arguing that social motivation, government support, and dedicated workers have combined to create over 800 co-ops and 5,000 jobs where only a handful existed ten years ago. In England we visited a wide range of co-ops and supporting organizations in Yorkshire, the West Midlands and London. The co-ops were operating in a number of industrial sectors with a variety of management styles. While Mondragon seems to 'have it down pat' and has settled into a pattern of organization that is almost routine, in England there was still a movement and experimentation that was alternatively refreshing and frustrating.

Unfortunately the county councils that have been supporting co-operatives are about to be abolished by Prime Minister Thatcher, precisely because they have been offering resistance and progressive alternatives to her policies. Steps have been taken to protect the co-ops and CDAs from going down with the county councils, but it will be interesting to see how many survive the chop.

If co-operatives are 'economic organizations with a social purpose,' in Mondragon the emphasis weighed heavily on the economic side, whereas in England it was just the reverse. In France we were looking for the balance, and I think we found it.

## Vive la balance

France, along with Italy, has the longest history of worker co-operation in Europe, a tradition that goes back at least as far as consumer co-operation in England. This experience shows in their evenhanded approach to the co-operative both as a business and as a workers' organization.

The highlight of our visit to Paris included two sessions with leaders of the national confederation of worker co-operatives C.G.-SCOP (Confederation General, Societes Co-operatives Ouvrieres de Production), a morning at Rochbrune — a

co-operative manufacturer of office furniture, and an afternoon at Credit Co-operatif which is known as 'the bank of the social economy.'

'The social economy' in France includes most of what we would call 'the third sector,' and Confederation president Yves Regis likes to think of worker co-ops as its 'cutting edge.' They are, he says, "in the first line of the fight against unemployment and for industrial democracy."

There are around 1300 worker co-ops in France employing about 40,000 people of whom 26,000 are members. Although the movement is old, it is also still growing: the number of co-ops has doubled in the last four years. As employees may wait 1-3 years before becoming members, the large number of new co-ops might explain why over a third of the workers are still non-members. However, all workers are expected to become members eventually.

By far the largest number of worker co-ops in France — 350 — operate in the construction industry and employ about 25,000 people. Firms range in size from 8 to 800. Printing is also a sector in which co-ops are traditionally strong. Others include machine tools, textiles and a variety of small to medium firms in things like auto repair. Services like engineering, architecture, surveying and research and consulting are becoming increasingly important.

It's hard to know whether Rochbrune was a typical example of these co-ops or a special showcase, but in any case it was interesting. It was formed after the war by people who had fought in the resistance and who began by cutting and selling firewood. Today Rochbrune employs about 100 people at its plant and another 60-70 as installers on building sites. It has carved out a particular market niche for itself custom-making built-in furniture for office buildings.

## Differences between Spain and France

The Rochbrune factory was cleaner, brighter, seemed better organized, and had better health and

safety standards than what we saw in Spain. There was generally a more consultative atmosphere on the shop floor. Even though the workers own the firm, they are also represented by a trade union which has a valid and important role to play within the co-op.

Equally important is the role the trade union Confederation (CGSCOP) plays, for this and all its associated co-ops, in educating both members and management to their responsibilities as co-operators. The Confederation may also supply interim management services to co-ops that need them until they can find or develop their own management capability.

Unlike the Caja Laboral Popular in Mondragon, CGSCOP doesn't actively develop new co-ops. But they do encourage and respond to initiatives from others, analyze their proposals and determine their feasibility. One exception to this policy is in the area of conversions; the Confederation is actively promoting worker buyouts of privately held companies where the owner has no heirs. Apparently about 5,000 firms shut down for this reason in France each year, and SCOP sees this as an area that offers a lot of possibilities for future growth.

One essential element in all three countries seemed to be a financial institution that, 1) served as the banker for worker co-operatives and, 2) had associated capacity to offer technical and developmental assistance to new co-ops.

Whatever strategies we adopt here in Canada to encourage worker co-operatives will of course have to suit our own circumstances. Nothing we saw on the tour can be picked up holus bolus and transplanted without adaptation, but every place we went offered food for thought.

*Dana Weber is the West Coast Editor of the Worker Co-ops Newsletter and a staff member of the Common Ownership Development Association (CODA), a Vancouver based organization that develops worker co-ops. ■*



# It was a very good year

## Laird Hunter

I don't suppose that even three years ago more than a handful of trivia buffs had heard of worker co-operatives. Now things are different. Worker co-operatives are increasingly a necessary part of any comprehensive examination of the way people might work and produce.

In 1984 there were four conferences on worker co-operatives: Gander, Edmonton, Montreal and Victoria. A lot was learned and one point of agreement seems to have been reached: vital to the long term development of worker co-ops is a support system that can advocate, provide technical assistance and act as a funding conduit. What is the appropriate way to establish that support system in Canada? This broad question will only be answered by people developing worker co-operatives. In pursuing their own local answers a number of points are likely to come up time and again.

## Is job creation the sole purpose of worker co-ops?

The answer seems to be...yes and no. Yes, because any sound business creates employment. No, because an employee-owned co-operative — like all co-operatives — is more than just a business. It is a business with the declared social purpose of members participating as users and not investors — with an equal say in the over-all operation of the venture.

Saying that a co-operative is more than just a business implies that there are issues other than pure "business" matters. Questions like how surplus is to be distributed or the relationship of the workforce to the board of directors and a host of other things require decisions in ways that will differ from the traditional business. It is important that this "co-operative difference" be recognized at the beginning and that the use of co-operative form not be seen just as a way to create jobs.

## How to create stable businesses?

Instead of just creating jobs, the task is to create stable, healthy co-operative businesses, capable of efficiently producing and marketing

products in a competitive fashion. The experience of others suggests that when worker co-ops are seen in isolation — not part of a community of businesses and not part of the larger society — there are problems. The lessons to be learned from this will shape how existing co-operatives and government work together to develop successful worker co-operatives.

## What is the role of members?

Co-operatives are voluntary organizations started by people to help themselves and their fellow members achieve a goal. But starting businesses requires information — how to incorporate, where to get financing, where to locate, what to produce, where are the best markets and so on. This information and assistance must be made available to members if worker co-operatives are to be stable businesses that create jobs.

In the course of time some of this aid will come from the people themselves and the organizations to which they belong; but two obvious places to turn for help will be other co-operatives and various levels of government.

## What kind of aid should existing co-ops extend?

There will have to be good reasons for other co-operatives to become involved. Several come to mind: expanded markets, new opportunities and increased public awareness. But what can a dairy co-operative or a retail co-operative do to assist worker co-operatives?

In France, the retail co-operatives have a purchasing policy of giving priority to the goods of worker co-operatives when the dictates of cost and availability allow. In Spain, a credit union forms an essential part of the Mondragon group. Similar inter-co-operative arrangements exist wherever worker co-operatives are an integral part of a co-operative sector. In Canada we will work out our own form of co-operation among co-operatives. With one of the largest and most diversified co-operative sectors in the world, the opportunities are limitless for creating significant dividends for everyone in-

olved.

## What role can government play?

Co-operatives are businesses. And as such they should be able to have access to whatever assistance government makes available for economic development. Certain unique aspects of worker co-operatives might suggest that specific government policies should be established. Other countries like England and France have found good reasons for doing so. With supportive government programs similar things could take place here.

## Conclusion

In his report to the International Co-operative Alliance in 1980, Alex Laidlaw suggested that next to food production, employment in various kinds of workers' industrial co-operatives will be the greatest single contribution of the global co-operative movement to a new social order.

The International Committee of Workers and Artisans has noted that in 1975 there were about 44,000 worker or artisan co-operatives with nearly 6 million members. By 1983 that number had grown to 91,000 co-ops with more than 23 million members — a 200 per cent growth for the co-ops and a 380 per cent increase in the number of members. For other types of co-operatives during the same period the percentage increases in growth was 17 per cent while membership increased 30 per cent. Something is happening with worker co-operatives.

With a concerted joint effort of those wishing to form worker co-operatives, appropriate assistance from existing co-operatives and government, the 'idea whose time has come' will be an idea which makes great contributions to the lives of Canadians. The next task will be to make it happen. But don't be mistaken: worker co-op development is happening and it will be news.

*Laird Hunter is an Edmonton-based lawyer who is manager of the Co-operative Union of Canada's Worker Co-operatives Programme. Because this job requires his presence throughout the country, Laird flies to work in an Air Canada jet. ■*



# Across The Nation:

**Karen McMillan & Jack Quarter**

**Vancouver**

## **CODA staffless again**

A report issued by the **Common Ownership Development Association (CODA)** at the end of its Canada Works grant, which permitted that organization to hire three full-time staff, indicates that research, public education and promotion of worker co-ops have been CODA's strong points, but the organization has not yet been able to play an active role in developing new co-operatives.

According to CODA staff member **Dana Weber**, a number of factors prevented the organization from meeting all of its objectives: "Partly we were hamstrung by inadequate funding, partly we overestimated the kind of material support we were going to get from the rest of the co-op sector, and partly we just underestimated the amount of time and effort it's going to take to get a relatively new form of co-operation off the ground. At least we've now got a fairly good idea of what the needs and problems of the sector are, what obstacles it's facing, and some positive suggestions for overcoming them."

The CODA steering committee is also planning what programs and services the organization can provide on a voluntary basis next year. At the same time it will continue to seek funding from private and public sources to allow it to work toward its longer term objectives.

The year-end report can be obtained by writing to CODA at #206-33 E. Broadway, Vancouver, B.C. V5T 1V4. (604) 872-1128.

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**Edmonton**

## **Moving ahead**

The worker co-operative development group in Edmonton has been braving the winter freeze to proceed with its planning work. Following from the More Than Jobs Conference which was held here last year,

an expanded group of volunteers is working with four full-time staff hired through a Canada Works grant to develop reference materials (including a bibliography) and to put together a network of knowledgeable advisors. By the Fall of 1985, the group should be able to assist new worker co-operatives.

For information contact **Laird Hunter** at 11219 - 54th Avenue, Edmonton, Alberta, T6H 0V5. (403) 438-0782.

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**Yellowknife**

## **Worker co-op conversion**

Plans are afoot for the **Arctic Federation of Co-operatives** to convert the **Inuvik Parka Enterprise**, an important manufacturer in the region, to a worker co-operative. The Federation purchased this company which currently employs about 50 Inuit and Dene from the government of the Northwest Territories. Inuvik Parka sells about 7,000 parkas each year to retail outlets like Bauer and The Bay and is planning a line of duffle slippers.

For details, contact **Andrew Goussaert**, Arctic Co-operatives Ltd., P.O. Box 2039, NWT, M5S 2R4. (403) 873-3481.

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**Saskatoon**

## **Co-op College active**

Manager of the Saskatchewan Co-operative Youth Programme, **Bernadine Rudichuk**, has drawn up tentative plans to have a group of students develop their own worker co-operative this summer. This would represent a departure from the usual program which involves seminars about co-operatives and would in **Bernadine's** words "give young people an opportunity to put theory into practice".

For more information, **Bernadine** can be reached at the Co-op College, 141 - 105th Street, W. Saskatoon, Sask., S7N 1N3. (306) 373-0474.

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In the just published Volume 2, Number 6 of the Co-op College's working paper series are two papers

about worker co-operatives: *Developing Worker Co-operatives* by **John Jordan** and *Worker Co-operatives in English Canada 1984: A movement in the making* by **Jack Quarter**. \$4

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And if all this isn't enough, **Sandra Leatherdale** of the College is producing a video of worker co-operatives in Canada.

For more information contact the College at 141 - 105th Street W., Saskatoon, Sask., S7N 1N3. (306)

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## **Centre for the Study of Co-operatives**

The first in a series of occasional papers from the Centre for the Study of Co-operatives has been published. **Chris Axworthy**, a professor of law and director of the Centre, is the author of this paper entitled "Some reflections on Worker Co-operatives: Mondragon, France and Britain". Copies are available at a cost of \$2.

The Centre's occasional papers series is intended to disseminate the academic work of the Centre's staff. However, others are welcome to submit work for publication.

Rm 181, Diefenbaker Centre, University of Saskatchewan, Saskatoon, S7N 0W0. (306) 966-8503.

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**Regina**

## **Aboriginal women's workshops**

**Maxine Elliot** of the Saskatchewan Council on Aboriginal Women's Economic Development has been running a series of economic development workshops for aboriginal women throughout the province. The final workshop, which will be held in LaRonge on April 13 and 14, wraps up a series of six sessions.

These have included presentations by staff of the Centre for the Study of Co-operatives and discussions on the potential for co-operatives — including worker co-operatives — as vehicles for employment of native women in both urban and rural Saskatchewan.



# Across The Nation:

Follow-up activities on the worker co-op option for native women will be pursued through the Council in the months to come. For further information contact Maxine Elliot, SCAWED, 1315 Scarth Street, Regina, Saskatchewan S4R 2E7. (306) 757-1648.

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## Winnipeg

### CUC forms national advisory committee

The CUC has appointed Laird Hunter, an Edmonton lawyer, as manager of its new Worker Co-operative Program, and has named a seven person national advisory committee to work with him.

The appointments were announced simultaneously in Saskatoon by Hunter and in Winnipeg by Bruce Thordarson, CUC national director.

Ray Siemens, president of the Co-operative Union of Canada, is chairman of the advisory committee. Its other members are: John Nicholson, chairman of the Canadian Co-operative Credit Society; Gordon Sinclair, president of the Co-operators Group Limited; Eric Dean, retail development manager, Co-op Atlantic; Gail Cryer, a member of the CRS Worker Co-op and a director of CCEC Credit Union, both based in Vancouver; Mark Goldblatt, vice-president, Co-operative Housing Foundation of Canada; Richard Hayes, managing director, Newfoundland-Labrador Federation of Co-operatives.

After its initial meeting, the national advisory committee announced the following objectives:

- to develop resources — both people and reference materials — needed for the launching and operating of successful worker co-operatives;
- to help develop ways in which the existing co-operative sector can help worker co-operative initiatives, including national leadership and government relations support, financing, marketing, and technical assistance;
- to examine federal and provincial legislation and programs to ensure that they

are supportive of worker co-operative development.

Hunter will be meeting with co-operative sector organizations across Canada as well as with the business community, governments at all levels and organized labour. He can be contacted at 11219 - 54th Avenue, Edmonton, T6H 0V5, (403) 438-0782 or at the CUC office, 237 Metcalfe Street, Ottawa, K2P 1R2. (613) 238-6711.

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## Toronto

### Good news

The Big Carrot, the natural food market which is structured as a worker co-operative, had sales in excess of one million for its first year. Sales continue to increase and the membership has expanded from 8 to 12; a slide-audio tape is being produced that provides details. For information, contact Mary Lou Morgan, The Big Carrot, 355 Danforth Avenue, Toronto M4K 1N7. (416) 466-2129.

### Bad news

Clarion Typesetting, whose distinguished clients included the *Worker Co-ops Newsletter*, has gone caput. This small collective which was originally incorporated as a worker co-operative and maintained that structure though changing its incorporation, had been losing considerable amounts of money prior to closing.

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### Charitable foundation

The Worker Ownership Development Foundation, the companion organization to Co-operative Work Consultants of Toronto, has started a fundraising campaign. The Foundation is a broadly based membership organization which will try to create an environment to sustain individual worker co-ops and consulting groups. It will undertake public education, promotion, fund-raising, research, coalition building, governmental and sector relations. Co-operative Work will now concentrate on the business of active consulting.

The Foundation's staff is preparing manuals on how to start a worker co-operative. An abbreviated version is for general distribution and a

detailed version is for members and potential members of worker co-operatives. The detailed version includes sample by-laws, charter, shareholders' agreements, accounting systems, governing structures — in short 'everything you wanted to know and were afraid to ask'. The detailed manual will form the basis for courses on worker co-ops, one possible source of which will be persons in Manpower retraining programs.

The manuals are being put on floppy disks and are available for use and adaptation by resource groups in other parts of the country. For information you can contact the Foundation, at 126 Pape Avenue, Toronto M4M 2V8. (416) 466-7335, c/o Ethan Phillips.

And by the way, the Foundation is soliciting donations — tax deductible — to keep itself going. Any amount is appreciated!

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## Ottawa

### Worker co-ops featured

A full day policy conference will be held in conjunction with the CUC/CCCS annual general meeting in Ottawa on May 8. Featured specifically will be investment capital formation and worker co-ops.

For those who are not members, attendance will be by invitation; politicians and senior civil servants will be encouraged to participate.

For information, contact Albert Chambers, CUC, 237 Metcalfe Street, Ottawa K2P 1R2. (613) 238-6711.

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## Quebec City

### Deputy Minister appointed

The Quebec government has appointed Benoit Tremblay as the Assistant Deputy Minister for the Ministry of Industry and Commerce, with a primary responsibility for the Co-op Department.

Before his appointment, Tremblay was a professor at the Centre for Co-operative management at l'Ecole des hautes études commerciales de Montréal (HEC). An important part of his research activities concerns worker co-ops.

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# Across the Nation:

## Sydney

### Worker co-op course

University College of Cape Breton is holding a credit course for community development workers between January and May with a segment on worker co-operatives. In addition to seminars at the college for the three long weekends during the course period, the course will make use of the Atlantic Satellite Network (a subsidiary of CTV) for lectures and films, including its worker co-operative component.

Information about this innovative project can be obtained from Bob Briscoe, University College, P.O. Box 5300, Sydney, Nova Scotia B1P 6L2. (902) 539-5300.

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## Antigonish

### Worker co-ops form association

The St. Francis Xavier Extension Department, recently came up with an interesting idea which could be used in other parts of the country. It is organizing co-operatives in that region into an association. Participating, at this point, are Guysco Bakery of Canso, the Mulgrave Road Theatre Co-operative of Guyborough Town, the Newglasgow Umbrella Co-operative and the Sunnyville Woodcutters. For information, contact Duncan McIntyre, St. Francis Xavier Extension Dept., Antigonish, Nova Scotia, (902) 867-2192.

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## St. John's

### Worker co-op adviser

With the use of \$150,000 from the Federal-Provincial Joint Development Agreement, the Newfoundland and Labrador Federation of Co-operatives has hired Lawrence Canning as a producer/worker co-op development adviser. Given the staggering unemployment in Newfoundland, Mr. Canning's experience in boat-building, fishing, banking, business and academia will be in great demand.

In addition, because of funds

available from the liquidation of a fur farmers co-op, the Federation is establishing a revolving loan fund — expected to be about \$500,000 initially — to help finance co-operative ventures. Plans are afoot to increase the dollars in the fund rapidly.

That's the good news. The bad news is that Richard Hayes has

retired as director of the Newfoundland and Labrador Federation of Co-operatives and as the Worker Co-ops Newsletter's contributing editor from Newfoundland. Richard has taken a regular job with the Department of Fisheries, but he intends to keep in touch with the worker co-op scene. ■

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## Book Reviews

**The New Co-operatives: A Directory and Resource Guide**, edited by Catherine Luyster, published by the Co-operative Development Agency, Broadmead House, 21 Panton Street, London SW1Y 4DR, £4.95.

Reviewed by Robert Briscoe

If, ten years ago, you had tried to count the worker co-operatives in the British Isles, you would have needed only your fingers and a couple of toes. Today, there are nearly one thousand worker co-operatives employing nearly ten thousand people and they are all listed in **The New Co-operatives**, a directory and resource guide published by the Co-operative Development Agency.

The guide not only lists co-ops by trade sector and by geographic region but also gives details of local and national advisory groups which specialize in promoting worker co-ops.

The guidebook is crammed with ideas for people who are looking for new ways of applying co-operative principles in an age of high unemployment. It is also valuable for its thumbnail sketches of the main promotional bodies. There is the Co-op Development Agency itself, established by an Act of Parliament in 1978 with a mandate "to promote, train, advise ... carry out research and provide a forum for co-operatives." Established by a Labour government, the CDA has found continuing support from the Thatcher regime.

Among the many other agencies mentioned are the Highland and Islands Development Board which has

helped launch community co-ops in Scottish outports; the Industrial Common Ownership Movement based in Leeds, Newcastle and London which represents 750 member co-ops; and Instant Muscle, which promotes and advises a network of service co-ops set-up, managed and owned by formerly unemployed young people.

But the most vivid parts of the book are the pages which list all those new co-ops. As well as the expected trades like handcrafts, whole foods and alternative book stores, you'll find new co-ops in an extraordinary variety of industries from precision engineering to brewing, and holographs to community bus services.

There are co-ops which deliver meat and co-ops which process seaweed. There are co-ops engaged in manufacturing clothes, operating tennis courts, developing community services.

And some of the names of these new businesses are brilliant. There's Hippo Inflataplay which manufactures PVC equipment for youth clubs, parks and playschemes, and the mysteriously named Being and Nothingness Workers Co-op one of some seventy co-ops operating in the building and construction trades.

The **New Co-operatives** can't be recommended too highly to people looking for new ideas for co-operative development.

*Robert Briscoe teaches organizational behavior in the Department of Management and Administration, University College of Cape Breton. ■*



# Book Reviews

**"Towards Common Ownership: Industrial Common Ownership in a Mixed Economy Under a Labour Government"**, Labour Finance and Industry Group, 200 Queenstown Road, London, SW8 4LP, Britain, 37pp., £1.50, 1983.

Reviewed by Roger Peters

This pamphlet was written by the Labour Finance and Industry Group to map out an industrial common ownership policy for the British Labour Party. It requires several hours to get the most out of the publication, but for anyone who is looking for political means to encourage a permanent industrial co-operative sector, it is time well spent.

The authors begin by pointing out that to socialist pioneers the concept of common ownership included only worker ownership and community ownership. State ownership was for many years not identified with socialism, and nationalization was not included in socialist party definitions of common ownership until the 1920s. The authors argue, therefore, that industrial co-operatives in which employees (or sometimes the community) own and manage the means of production, but in which both liability and return are limited, are entirely compatible with socialist principles and in fact offer the most workable and politically acceptable alternative to capitalism.

## The case for industrial co-operatives

On moral grounds, it is argued that only the co-operative form allows all the people "to secure the full fruits of their industry and to exercise control over their working lives". This argument is backed up by reference to Pope John Paul's Encyclical "Laborem Exercens" and the Christian basis for early co-operative activity.

The economic case concentrates primarily on the fact that common ownership would lead to a more politically acceptable incomes policy, which in turn would curb inflation during periods of industrial growth. It is emphasized that common ownership does not necessarily lead to increased employment (although it would certainly reduce

the number of lay-offs due to capital flight). Another observation is that a "critical mass" of industrial co-ops and related support services is required before economic performance can surpass conventional companies.

The authors point out that until recently there has been little support for industrial co-ops from British trade unions. This is very different from several other European countries — Italy, Holland and France for example — where trade unions see the value of common ownership and now control or own many industrial enterprises.

## Model rules for worker co-ops

The second section of the pamphlet, "Development of Industrial Co-operatives" is perhaps the most important part. By reviewing the various co-operative model rules and legal forms against current British co-operative legislation, the authors come up with a set of rules which would be suitable for a permanent, sustainable, equitable and politically-acceptable industrial co-op sector.

While the discussion of the individual regulations are specific to Britain, the excellent analysis could be applied to any country and the conclusions are very important:

*- Outside non-voting shareholdings in industrial co-ops should be allowed (to provide additional sources of capital) but should be limited to community (e.g. municipal) or trade union organizations.*

*- No employee should be excluded from voting membership in an industrial co-op.*

*- Non-voting shares issued to members (and outside organizations) should be redeemable preference shares.*

*- There should be no restriction on the number of non-voting shares held by industrial co-op members.*

*- Surplus earnings should be distributed to members in the form of bonus non-voting preference shares or employee accounts in proportion to work contributed.*

*- The issue of bonus shares in*

*proportion to shareholdings (as opposed to work contributed) should only be allowed to offset inflation.*

*- On winding up an industrial co-op, it should be prohibited to distribute residual assets (excluding non-voting preference shares or employee accounts) to the shareholders.*

*- Wage bargaining in industrial co-operatives (a role for a union) becomes bargaining between workers doing different tasks. (Note: remuneration is used to differentiate between different tasks and distribution of surplus earnings is used to differentiate between different amounts of work contributed).*

*- Separate management and representative bodies should be identified in an industrial co-op, with the management body accountable to the representative one (e.g. a Board of Directors).*

These conclusions are reached with sound arguments, backed up with references and examples.

## Using the tax system

The third section of the pamphlet is devoted specifically to tax measures that would encourage co-op formation and conversion. Again this section relates to the British tax system but the discussions of tax concessions with regard to the initial investment, trade surpluses, return paid on shares, and capital gains and transfers are important in any country. In summary, some of the recommended tax concessions are:

*- Interest paid on preference shares and employee accounts could be a tax deductible expense for a co-op.*

*- Personal income tax on interest from co-op shareholdings could be reduced or eliminated.*

*- Personal investment of co-op members in their enterprise could be tax deductible.*

*- Loans to industrial co-operatives could be tax deductible.*

*- Investment paid on money borrowed by industrial co-ops or their members (for investment in the co-op) could be tax deductible.*

*- A basic weekly "co-op enterprise allowance" could be added to personal deductions for all taxpayers investing in their own*



co-op.

- Corporate tax rates for industrial co-operatives could be reduced.

- Bonus shares issued to industrial co-op workers as distribution of surplus profits could be free from personal income tax until redeemed.

- Capital Gains Tax relief could apply when a conventional company is converted to an industrial co-operative.

- The issue of bonus shares or allocation to employee accounts (or reverses) could be made tax deductible to the co-op.

One important observation made at the end of this section is that tax reform must be designed to encourage co-op formation and conversion but not to evade taxes.

### Converting the unconverted

The last section of the pamphlet deals with the specific topic of conversions — correctly recognized as more important than formation of new co-ops if a large common ownership sector is to be produced. Although some companies have been converted to industrial co-ops through a gift or loan from the former owner, most conversions require that the workers purchase the company. When a purchase is required, the authors argue convincingly that all existing private market shares should be converted to non-voting preference shares which could be purchased by the employees as their buying power permitted. All employees should then be issued with new voting shares, with equal voting rights, which would be the basis for future company operation. In Britain, it is pointed out, this process would be made easier by the creation of new classes of Co-operative or Common Ownership Companies.

It is suggested that pension funds could be used to finance a conversion by buying some or all of the preference shares, but this should be seen as a temporary feature since the assets of the company would be better owned by the employees, and pension funds are also more secure with diversified assets. Employees could also obtain funds from financial institutions or special industrial co-operative development funds (which exist in several countries) to

purchase the preference shares.

One interesting observation made in the discussion concerns the role of Stock Exchanges in an economy dominated by common ownership companies. With most ordinary shares replaced with preference shares, the exchanges would play a much reduced role in determining company ownership and would become more concerned with bond transactions.

Gradual conversion could be achieved if employees were allowed to develop a worker controlled "employee fund" contributed to from profits. The fund would acquire the shares of the company over a period of several years, then convert as described above. This could be encouraged by allowing employee contributions to the fund to be tax deductible. (It should be noted that these employee funds and employee stock ownership funds (ESOPs) must be employee or union controlled and not be a saleable asset of

the company itself.)

Not much is said about common ownership in really large companies or transnational corporations. There is greater public pressure to consider state ownership when large enterprises are converted. However, most large companies are conglomerates of smaller ones and could be operated on a co-operative basis. One point raised in the discussions of large industrial co-ops is the need to have some community, consumer or state representation on the managing body of large industrial co-ops to reduce any monopolistic tendencies.

In summary, this pamphlet is a landmark publication - the first time that a social democratic party has really come to grips with the political meaning of "control of the means of production".

*Roger Peters writes to us from Mountain, Ontario KOE 1S0. ■*

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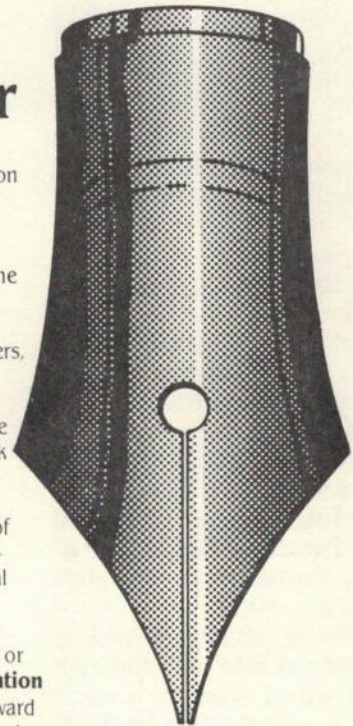
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# Industrial co-operatives in Israel: a case study of Yaad and Manof

J.G. Craig

In 1974 the Israeli Government designated a tract of land in the Galilee region for rural development. The trees were stripped away centuries ago and the region is a rocky, barren wasteland. The shortage of arable land and water means it is not suitable for agricultural settlement.

The region known as the Segev was planned as a cluster of industrial villages operated within a regional framework. Sixteen settlements of 80 to 400 families each, for a total of 3,270 families or about 15,000 residents, are planned when development is completed.

A service centre will be the heart of the region where the central services are provided. These include:

- 1) An educational centre combining schools and community activities.
- 2) A medical centre
- 3) Municipal offices
- 4) A commercial centre

An industrial park is being developed that will compliment the light industry zones of each settlement. This will provide space for larger plants which require a central location in the region. It will also allow firms to share services such as training facilities, maintenance shops, computerized services, etc. It will also reduce costs by avoiding duplication of industrial infrastructure.

This area and the local government are controlled by the residents of the 16 communities. These communities are being settled and in the process the settlers are planning their communities to fit their needs and aspirations as they develop.

## Yaad functions as a technology-based collective

Yaad is one of the first settlements in the area and is formally incorporated as an "Industrial Moshav Shitiffi". After several years of planning, the first settlers moved into the new town site in 1978.

The settlement, including housing, public facilities and office space, is financed by the Jewish National Fund and sold to the settlers on a long term mortgage. The social organization of

each settlement is determined by the settlers. As a result, each of the 16 settlements varies in the way it is organized.

### Origins

The organizers of this settlement are all graduates with computer science, engineering or architecture degrees. They wanted to work together co-operatively but to make consumption decisions within the nuclear family. As a result, they have designed a community to do just that.

### Industry

The industries include a computer software business, an electronics firm specializing in the development and production of electronically controlled weighing instruments and an architectural and civil engineering firm.

They have clients all over Israel with the business activities taking place in Yaad and in the clients' offices.

### Organization

Each firm is owned by all the residents of Yaad which now consists of 42 families. All the adults work in the firms and make decisions as a group.

The administrative jobs are rotated allowing each resident to pursue his or her professional career. They have a division of labour and job specialization. But the major decisions of the group are made at the general assembly meetings held once a week.

### Children

Children are automatically members at birth. They are raised in their parents' home and are looked after during working hours in a daycare centre operated by the parents.

Since most of the adults prefer to pursue their professional careers, the group has decided that each couple must contribute one year's work in looking after the children. This allows the parents to decide when they will spend this concentrated period of time with their children.

### Incomes

Each worker is paid the same wage. Each couple must contribute a combined total of 13 hours per day of work. The guide, who showed us the community, worked eight hours, and her husband worked the five hour shift and spent the extra time with their small children.

Production decisions are made communally, but consumption decisions are made by individuals and based on individual choice.

### The village shop

Like all the business activity in the settlement, the shop is owned by the members as a co-operative. Each family has a key. They record their purchases when they obtain them. There are no employees, and the shelves are

WORKER OWNED AND MANAGED



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TELEPHONE 254-5635



restocked and supplies ordered in periodic work bees. This decreases the cost and enables more workers to be engaged in productive work in income generating co-operatives.

### New members

The community was started by 8 couples and now supports 42 families. Potential members are made aware of the industrial plans and decide whether these provide the kind of occupational alternative they desire. They are then admitted for a six month period where they work and get to know the other members of the community.

At the end of six months the new member and the community make a decision. If both decisions are positive, then the newcomers are granted membership.

Membership is voluntary, and members can leave the community whenever they wish to.

### The Future

The community is prosperous, and the businesses are working well at this time. The settlements take in new members as more workers are needed in the firms. Care is taken to develop compatible businesses, but new members with different skills have the opportunity to develop businesses that are compatible with the existing ones. The intent is to create an expanding economic base so the community can grow to its desired size and so that members are able to use their professional training.

Yaad has planted an olive grove, and some gardening takes place. The regional government also has started a reforestation program which will create 3,250 acres of forest recreation area. Over the next few decades this once barren wilderness will be transformed into a productive community.

### Manof is directed toward profitability

Manof is another settlement in the area organized on a very different basis. It has been settled by immigrants from South Africa who migrated in 1978. Although the business facilities are owned co-operatively they are leased to individual businesses owned by people in the community.

In effect the community owns the infrastructure services co-operatively. They are rented to individual entrepreneurs. The businesses included in the settlement are as follows:

A firm that makes, cuts and shapes synthetic diamonds destined for the American market;

- A colour film processing laboratory;
- An electrical contractor;
- A beautician service;
- A small architectural firm;
- A contact lens producer;
- A meat factory;
- A firm that distributes dairy products;
- Recreation facilities for visitors;
- Hot houses growing strawberries and flowers for export.

### Organization

Because some of the settlers were poor and others wealthy, the firms are privately owned. They buy services from the community-owned. Most of the workers in a business own some shares, but others who do not work there also own shares. Decisions are made by the owners of each business, as they would be in any small, locally-owned joint stock corporation.

### Incomes

Incomes vary according to the profitability of each of the enterprises, plus the amount of ownership that a person may have in the firm. Salaries are paid on the basis of the job and the competitive salary elsewhere.

### The Grocery Store

The grocery store is owned by all families in the community. They hire a person to run it, plus some part-time people to work during peak times.

### The Future

The community seems to be working well now, but the inequality is evident. Whether this problem will become insurmountable in the future remains to be seen.

### In Conclusion

Both communities have long-term financing. This enables young people to settle, create employment and build a community. There is also lots of scope to let the settlers determine their own life styles and their own destinies.

The settlers appear to be succeeding at this point. The community is an interesting example of how worker co-operatives can be used to provide employment. Long-term mortgages enable young people to develop adequate housing and business premises. This is an important feature that helps the overall success of the project. This

also allows for innovation and social experiment. Communities are not prescribed by far-away bureaucrats. The settlers can discuss and think through the social organization of their businesses and communities.

A comparative study at five-year intervals would be interesting to develop a better understanding of the dynamics of these social organizations.

*Jack Craig is a co-operator from way back. He teaches in York University's Environmental Studies program. ■*

## Films:

### The Great Weirton Steal

This powerful 58-minute documentary is a stinging critique of the ESOP buyout by 7,000 workers of the National Steel Company Plant at Weirton, West Virginia. Of the same quality as the BBC documentary, the Mondragon Experiment, "the Great Weirton Steal" is a poignant description of the trauma of a community faced with destruction because of the threatened closure of its primary industry and the manipulation of the workers into becoming owners without the usual rights of ownership.

The message of the film is all the more important because Weirton is not an isolated case. Rather it is part of a trend among American corporations to "encourage" minority ownership by workers (usually through ESOP trusts) in exchange for wage and benefit reductions.

The Great Weirton Steal is available from First Run Features, 153 Waverly Place, New York, N.Y. 10014, (212) 243-0600. Purchase: 16 mm — \$850; Video — \$500; Classroom rental — \$100. Prices are in U.S. dollars.

The feasibility study on which the sale of the plant was based can be obtained by writing to William Doepkin, Vice president, Weirton Steel, Weirton, West Virginia. At the recent Guilford College Conference on worker ownership, Doepkin noted that Weirton is now the most profitable steel plant in the United States. ■



# Worker co-operatives in Hungary: an attractive alternative

Doug Bors &  
Miklos Duranyik

Faced with economic problems like those afflicting most nations, the Hungarian government is looking towards an expanded co-op sector as part of their prescription for recovery and continued well-being. The most recent example of this expansion is the development of the GMKs or Small Economic Associations (non-agricultural workers co-operatives).

## Origins of GMKs

The GMKs have their roots in the Hungarian agricultural production co-operatives that were started at the end of the 1950's and the beginning of the 1960's. While these agricultural production co-ops have become economic, political and social successes, it is interesting to note that their early development was initiated by forced participation in many cases. The standards of Hungarian agricultural production, yield and mechanization, presently rank among the highest in Europe. (Prior to World War II Hungarian agriculture was one of the most primitive.) Today, more and more young Hungarians with technical training in various fields view these co-ops as desirable places to live and work.

The Hungarian economy, like most, was severely affected by the jumps in world oil prices and the accompanying economic down-turns in the economies of its trading partners. The government saw the benefits of big state enterprises waning and the costs (economic, political and social) waxing. The GMKs arose out of a desire on the government's part to increase the flexibility of industry. The economy had to respond faster to changes in foreign and domestic needs and circumstances. As well, there was a desire to get the "peripheral workers" more involved in their work-place activities. Peripheral workers, in Canadian terms, can be defined as those men and women working in jobs which require little or no skill and are not central to the function-

ing of the business. In most cases, however, workers in Hungary have skills which go unused. The Hungarian government wanted to tap this resource and also get these people more involved politically. Simply put, the Hungarian government saw faster democratization of the economy and production as a necessary step in the country's development.

## The GMKs today

In 1984 there were about 3,000 GMKs. Approximately 10 per cent of the work force was involved in them and the numbers are growing. There are two types of GMKs, but in both cases each member has an equal share in the enterprise and one vote in all matters. GMKs are based on a nonequity model with members making a financial contribution when joining that can range from \$200 to more than \$2000 American. Joining an existing GMK or creating anew one is completely voluntary and left to the initiative of the workers.

In the first form of GMK, the enterprise exists within larger state companies. In this case, the GMK usually contracts for work from the larger company and rents its equipment as well. Those involved usually are working in their GMK as a second job. Examples of this type of GMK are components for appliances, medical equipment, construction supplies.

In the second form, the GMKs are new independent enterprises. Workers leave their jobs in the state sector and start new companies. These new enterprises exist in most areas of the economy, from translation services to construction. Unlike Canada, the average income for those in these workers' co-ops is well above the industrial average. However, researchers report that those involved in selecting new members for their GMK tend to bypass applicants who mention financial reasons for wanting to join. Rather, a stable home life and compatible interests with existing members are

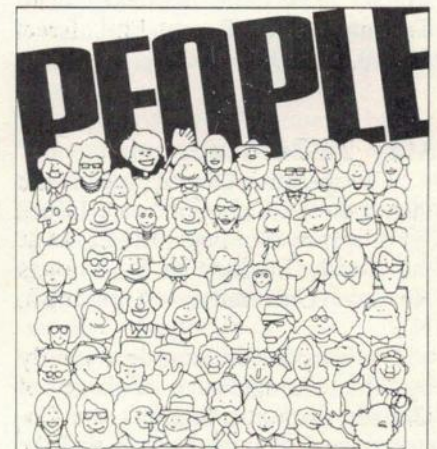
usually essential for selection.

## GMKs as examples


For the most part, the effects of these GMKs have been economically and politically positive. Besides stimulating economic activity, sociologists report increased democratic relations among participants. Further, it has been found that the division of labour is fluid within GMKs and workers tend not to be as specialized as in other Hungarian enterprises. On the negative side, the GMKs have attracted few peripheral workers.

This initial success has led the Hungarian government to extend the co-operative model to portions of the state sector. Beginning on January 1, 1985 many medium size and large state enterprises began operating on a model closely resembling the GMK. It is interesting to find the Hungarian government encouraging worker co-operatives and economic democratization when the world economy is going through rough times.

*Doug Bors and Miklos Duranyik are graduate students in Community Psychology at the Ontario Institute for Studies in Education. ■*



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# Conferences: A Jet-Setter's Guide

Jet setters of the worker co-op movement can keep themselves busy during the coming months by attending conferences. Here are some that are upcoming.

## April 25-27, San Francisco

The Washington-based National Centre for Employee Ownership will hold its fourth annual conference in San Francisco at the Holiday Inn Golden Gate Hotel. Legal, technical and financial issues related to employee ownership will be discussed. For information write to the NCEO at 927 South Walter Reed Drive, #6, Arlington, Virginia 22204.

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## May 19-22, Israel

Many people believe that May is the most pleasant month in Israel. If you are looking for an excuse to visit, there will be an international conference about the kibbutz and communes at Yad Tabenkin. Kibbutzim have community-owned enterprises, but bear in mind that industry is the mainstay of the kibbutz economy today.

For information, contact Shimon Mahler, Executive Secretary, Yad Tabenkin, P.O. Ramat-Efal, Israel 52960, Tel. 03-344-367.

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## May 22-24, Antigonish

"Co-operative Democracy" is the theme of the Contemporary Issues '85 program to be held May 22-24 at the Coady Institute at St. Francis Xavier University, Antigonish, N.S.

The program is sponsored jointly by the Co-operative College of Canada (Atlantic Region), the Co-operative Union of Canada and the university's extension department.

Speakers and topics will be announced soon. More information can be obtained from Duncan McIntyre, Extension Department, St. Francis Xavier, Antigonish, N.S., (902) 867-2192.

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## May 31 - June 1, Montreal

The Canadian Association for Co-operative Studies will hold its second annual meeting at the Learned Societies Conference in Montreal during the evenings of May 31 and June 1. Research presentations about co-operatives and credit unions and the business meeting of CACS will be held in seminar rooms at the University of Montreal. Submissions relating to worker co-ops are encouraged. Submissions of proposals and further information can be obtained through Chris Axworthy, Canadian Association for Co-operative Studies, Room 181, Diefenbaker Centre, University of Saskatchewan, Saskatoon, Sask., S7N 0W0. (306) 966-8503.

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## June 1-3, Greensboro, North Carolina

For the fourth consecutive year, the Twin Streams Education Centre will sponsor a conference on worker ownership at Guilford College in Greensboro, North Carolina. During the past years, an impressive group of worker-owned enterprises has been developed in North Carolina, including several garment production co-ops, a newspaper,

bakery, insurance co., restaurant, etc.

This interesting lineup of participants ranges from Frank Adams of the Center of Community Self-Help, to Frank Lindendorf, to members of the existing worker-co-operatives in North Carolina. For information about the conference and Twin Streams, contact Wes Hare, Director, Twin Systems, 243 Flemington Street, Chapel Hill, North Carolina 27514; (919) 929-3316.

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## July 15-17, Liege Belgium

From its title, "The 4th International Conference on the Economics of Self-Management", you might guess that this particular one will bring together residents of the ivory tower. Lest there is any doubt about what to expect, the sessions are titled: Economic theory and related empirical research; Socio-economic analysis of self-management experiences; practical problems in the implementation of self-management.

If any of this grabs you, contact Jacques Defourney, CIRIEC, Faculte de Droit et d'Economie, Bat. B31, Universite de Liege au Sant-Tilman, 4000 Liege, Belgium. Tel.: (041) 562746 ■



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