

WORKER CO-OPS

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A British success: Youth worker co-operatives

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Robert Briscoe

What hope is there for unemployed young people in this age of recession and cut-backs? An intriguing development in the U.K. offers a practical approach to helping some of the severest casualties of unemployment.

Instant Muscle (IM) is the name of a network of independent, self-managed businesses owned by the young people who work in them. A central office provides training and consulting services and puts young people in touch with local organizers and advisors who can help them develop the skills they need to run their own co-op.

It all started in 1981, when four out-of-work teenagers decided to set up an odd job co-op. Inspired by that first success, the father of one was so intrigued that he devoted himself to publicizing the concept and developing back-up services for the news business. Peter Raynes today is full-time national organizer of IM.

In 1983, thanks to a full page article in *The Guardian*, IM took off. The article brought 550 enquiries from people interested in setting up a business, as well as phone calls from conventional firms, such as Marks & Spencer and Esso, offering all kinds of tangible help. Rank and Xerox were particularly generous. They provided Raynes with an office, a car, secretarial help and money for an assistant.

Inexpensive job creation

By July, 1985, there were 61 IM businesses already operating or in the final stages of formation, with a total membership of more than 200 people. Much of the funding for central office activities comes from the Manpower Services Commission as well as from charitable foundations and businesses.

Peter Raynes argues that government is getting a handsome return from the money it invests in IM. The services of the IM organizers and trainers cost about \$1,800 (Cdn.) for each job created (or, more accurately, for each recipient of state benefit who is converted into a taxpayer).

The name Instant Muscle was originally invented to suggest an odd-job co-op of young people with little to sell but muscle power and enthusiasm. But more and more of the IM businesses are developing specialized products and services, a trend Peter Raynes is encouraging. Odd job co-ops are easy to set up but tend to be unstable. People work in them as a last resort and drift away as soon as anything better comes along.

IM industries now include manufacturers of stylish doll houses, quality toys, jewellery, and requisites for falconers, as well as firms in construction, printing, retailing, word processing, delivery services and entertainment

Starting a new co-op

The IM central office is kept busy responding to requests for help. A

request might come from a local authority, a community organization or from anxious parents — but only rarely from young people themselves.

The first step in responding to a request is to ensure that there is community support for the proposed business. Essential support includes a commitment to provide premises, a phone, a vehicle, basic tools and a little working capital.

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Having secured this initial commitment, the IM organizer tries to get a group of young people interested in the project, usually by working through young people's organizations.

The next step is to help the group members identify their skills and explore the commercial possibilities of those skills. It is only in the rare case, when young people have no special skills to sell, that they opt for an odd-job co-op.

As soon as some feasible ideas have been identified, the group is shown how to research the market and develop a business plan. When the plan is complete, training in the running of a business can begin. IM always provides the new group with a local volunteer or part-time advisor to phone about problems and worries. And all of IM's advisors and organizers are practical people who have run successful businesses of their own.

Each new IM business is introduced

to the local branch of the General and Municipal Workers' Union. It's then up to the members of the co-op to decide if they want to join.

Among the many services provided by the central office are free liability insurance, training programs for advisors, start-up packs and model rules for new co-ops.

A compact version of the start-up pack has just been published. It's called *Make a Real Job of it* and can be purchased for £2.50 plus postage and packing from: **INSTANT MUSCLE**, P.O. Box 48, Farnham, Surrey, England, GU9 8J8.

Robert Briscoe teaches organizational behavior in the Department of Management and Administration, University College of Cape Breton, Nova Scotia. He is currently on study leave in the United Kingdom where he is studying worker co-operatives.

Letters

A reader's concern

Through all those years when I was president of the CUC, I travelled the country widely — interested in all types of co-ops. But I don't remember ever encountering one in which the members were the workers. But that was a long time ago; recently there seems to be greatly increased interest in this sort of co-op.

However, as I have heard it, the members are also employees; the co-op pays them wages just like any other employee.

I think there is a better way, sounder from the standpoint of economics and also sounder in terms of co-operative principles.

In very general terms, it would work like this. All expenses would be totalled as usual, except for payments to workers. In other words, no "wages" would be paid. The total expenses would be deducted from the total income and the resulting different would be divided among the workers in exchange for their time and effort.

It seems quite clear that such a direct connection between effort and result would strengthen the bond between member and co-op tremendously,

perhaps even increasing productivity. If income is paid to the workers as wages in the usual sense, the relationship seems sure to become confrontational to some extent — and considering the background in the workplace of most of us it may become confrontational to a very great extent.

I have been dealing with this idea in the most general terms. There is one point that should be mentioned, though it likely goes without saying. The members would be paid an advance to keep them going. Obviously, they couldn't live with no income until the accounts have been tallied up and the net income figured out.

If you discussed an idea like this in **Worker Co-ops**, we might find out if there are any co-ops like this in existence. Perhaps real serious defects in the idea would surface.

Ralph Staples
Peterborough, Ontario

Ralph Staples founded direct-charge consumer co-operatives. In 1940, he became president of the Co-operative Union of Canada.

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Economic development or social change: Worker co-operatives in the Maritimes

Nancy Lee Armstrong and
Grant MacDonald

Although the social idealism of the Antigonish Movement still lingers here and there in the Maritimes, interest in new forms of co-operatives is a long way from being a groundswell. Nowadays the first concern in the Maritimes seems to be creating jobs and in any way possible!

One only need step outside the relatively prosperous economic climate of

the Halifax-Dartmouth area, warmed as it is by the presence of government offices, medical and educational services and regional corporate headquarters, to see the hard economic reality of living in this region. Government incentive programs aimed since the 1960's at enticing outside firms to locate in the region have largely failed, although politicians continue to use the promise of grandiose schemes to get media attention.

The attitude of people in many parts of the region has become one of "nothing will work here". Indeed, some areas have known chronic unemployment for two generations.

A siege mentality

As plant shutdowns and layoffs continue local leaders are forced to grapple with economic problems in any way they can. As a participant in a workshop at the recent Topshee Conference in Antigonish stated, "Maritime communities are confronted with a siege mentality." Towns and villages are pitted against each other for whatever tokens are offered by today's conservative-minded governments.

Worker co-ops are as much the victim of this as any other form of business. For example, one new worker co-op in New Brunswick plans to go after contracts with the U.S. military.

Sid Pobihuschy, a political scientist at the University of New Brunswick and a member of the board of directors of Co-op Atlantic, sees a serious problem in the current emphasis on economic over social goals in promoting worker co-ops. People are turning to co-ops as a last resort — an opportunity to solve the unemployment problem when all else has failed.

Government, he says, see co-ops as a way of getting "a monkey off their backs", shifting responsibility for the human cost of our current economic structure. The critical issue of satisfying mutual interests without disadvantaging others is rarely part of the plan, says Pobihuschy.

He criticizes the use of the term "employment co-operatives" which was popularized at a Saskatoon conference earlier this year. The phrase, he feels, feeds on the belief that co-operatives can solve unemployment. It fails to address the nature of the relationship between employer and employee.

"Worker co-ops should not be looked at as devices to solve unemployment in particular regions, but they should be seen as specific enterprises which humanize the workplace, whether they are building automobiles or making apple juice. We demean the whole idea of co-operation to think otherwise. Co-operation is the most desirable, attrac-

tive alternative to the status quo," he insists.

Co-op bakery: just like a family

Despite the fact that neither political wisdom nor development policy in the Maritimes has been particularly hospitable to worker co-ops, a few are beginning to pop up. More importantly, perhaps, activists are trying to plant the seeds for a more organized response to worker co-op development in the region.

The Maritimes has had more than its share of failed attempts to establish worker-owned enterprises. There have been no successful full-fledged worker takeovers of existing businesses* and of start-ups most are very new or pre-operational.

The most frequently referred to "success story", is the Gysco Bakery in Canso, now in its seventh year of



Courtesy: P. Moran

Tignish, co-op capital of P.E.I. This old United Church was converted into a co-operative community center for Acadian residents.

operation. Located on the remote northeastern corner of the mainland, this little bakery has become one of the most stable employers in a community that has been dominated for years by Canso Seafoods, part of the Nickerson National Sea Products conglomerate.

Most of the people who work at the bakery — two men and eight women, have been there from its beginning. Donna Horne, a single parent with two children spent five years working at the fish plant before coming to the bakery. For her it has been "just like a family; no one breathes down your back, and nobody gets upset when you make mistakes."

Laurena Nash one of the other worker-owners, says the co-op "allows everyone to speak up, to give their opinion on how things should be done."

Making a go of a bakery in Nova Scotia, let alone in Canso, has been and continues to be a struggle. In offering advice to other worker co-ops Laurena says that it is important that "every worker gets to sit on the board of directors so that they will know what is involved."

Community economic development

Gysco and other worker co-ops in eastern Nova Scotia are as much a result of local community initiative as worker initiative. A few years ago, the federal government's now defunct Community Employment Strategy

Program allowed Guysborough County to establish its own community-controlled economic development agency. "There is only one other that is anything like it in Canada", says Ron Ryan, an originator of the agency.

"We were given control of a \$500,000 pot of money and got a group of community minded people together to see what meaningful long-term employment opportunities we could come up with. Worker co-ops, such as Gysco and the Sunnyville Woodcrafters, were two of the ventures that this group got behind."

The biggest practical problem facing worker co-ops in the region is making them viable economic enterprises. Most of the existing worker co-ops struggle to survive, even on the margins of the Maritime economy. Workers end up exploiting themselves with poor salaries and working conditions.

While managerial problems tend to be more common than marketing problems, the latter do pose a difficulty in an area so sparsely populated.

There are conflicting opinions regarding what sort of economic activities are best suited to worker co-ops. Should they attempt to compete within the region, hopefully displacing imports? Or, should they focus on products or services that are new and innovative, and thus have competitive advantage outside as well as inside the region?

Co-op development agency

There is considerable reluctance to get government deeply involved in worker co-op development for fear of the co-ops losing control. Instead, worker co-op activists are pinning their hopes on the resources and expertise of the co-operative sector. There are indications that the Atlantic Co-operative Council, composed of Co-op Atlantic (the second-tier organization representing consumer co-ops), the credit union centrals, co-op housing federations and the Co-operators Insurance will play a leadership role in spawning a development agency for worker co-ops.

Gilles Menard, Co-op Atlantic's secretary and director of Corporate Services, believes that the co-op movement will be supportive of such an initiative.

John Chisholm, president of Co-op Atlantic agrees. "Money will be needed, but it should only be used for the development of the technical and managerial infrastructure needed to set up worker co-ops, not for subsidizing the wages of the people employed."

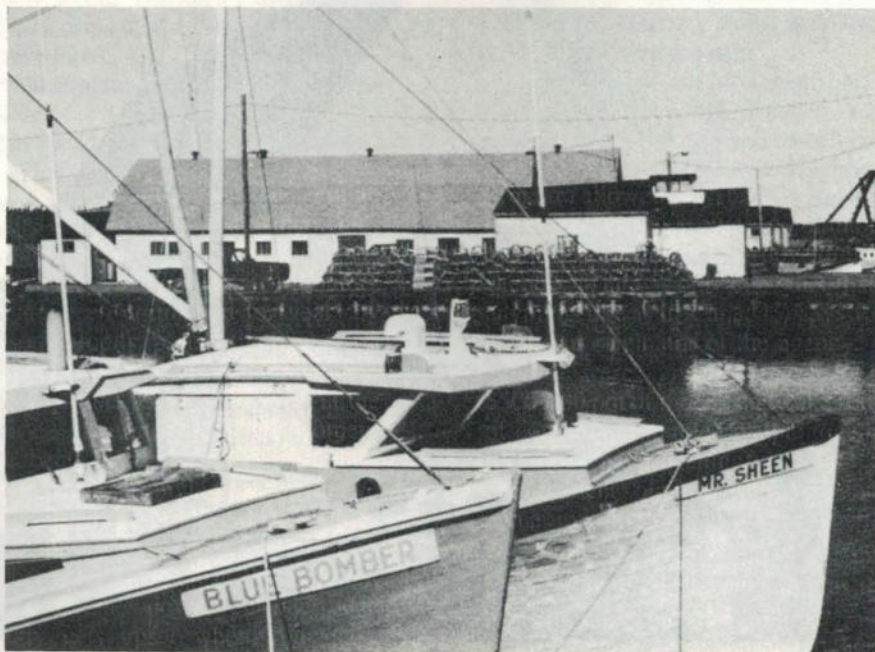
Fred Pierce, inspector of co-ops for Nova Scotia, and one of the region's most stalwart supporters of worker co-ops, says that such an infrastructure is badly needed, and that no one is better able to provide it than the co-operative sector. Pierce suggests, however, that it will also be necessary for "established co-ops to support worker co-ops through purchasing their products or services."

Women's and native people's co-ops

Much of the concern among the main proponents of worker co-ops is still employment and the practical problems of making ends meet. A broader vision of worker co-ops can best be seen in the enterprises developed by women and native people. The New Brunswick Native Indian Women's Council is pursuing worker co-op development because "it is cultural...it is something that is part of us."

Alma Brooks, president of the Council, says, "We have a great educational process that we have to go through. The idea of a co-op is new; even to some of our people who have lost the idea of the traditional way of our society."

With great clarity of purpose she



Courtesy: P. Moran

United Maritime Fishermen. Promoting the social, educational and economic welfare of those involved in the fishing industry.

asserts: "It is very important that whatever you build is not built on economic need, or anything material, but on a basic standard of values...it is a certain consciousness about life itself."

A number of native enterprises have been co-operatively run. The Abaomweg Woodworkers' Co-op on the Eskasoni Reserve in Cape Breton, until its recent closing is one of the best examples. There is hope that it will be revived.

Women initiated co-ops do not, by nature, downplay economic needs, but there is a sense that women's organizations, in general, operate in a more co-operative way than those that are male dominated.

Peggy Hope Simpson, a community health worker in Wolfville, calls for a redefinition of the old male designed, labour-oriented co-operative structure. "Women," she says, "are very good at finding ways out of top-down systems...as alternatives to hierarchies."

The Umbrella Co-op which operates a used-clothing store in New Glasgow is one example of a group of women who have been working hard at promoting equal participation among its members and at making decisions by consensus. For them and other women's co-ops, the economic and social aspects of co-operation are not separate issues.

The stronger supporters of worker co-op development in the region are often those who are not always directly

involved. While efforts to create co-operatives are often directed at industries traditionally dominated by men, it is the wives of these men who are the most immediately attracted by the concept.

As Barbara McLaughlin of Chatham, N.B. says, "I would love to get involved in the co-op, something done by the people themselves, on our own, by our own work. It would be good for a lot of women in the Miramichi to get right into it."

Women, of course, have been getting right into co-operative work for years, although not always in worker co-operatives. In this region, women already operate many alternative organizations in the human services area.

Worker co-op association

One of the hopeful signs in the Maritimes is that there is interest among existing worker co-ops in forming an association for mutual support and member education. Lance Neilsen, an anthropologist studying worker co-ops in Guysborough County, N.S., suggests that "this structure may take the form of a second tier co-op of worker co-ops which would establish formal liaison with provincial and federal government development agencies and other elements of the co-

operative sector while ensuring the self-determination of existing worker co-ops."

Gilles Michaud, one of the people behind the new Culture Crafts Co-op on P.E.I., would welcome such an association because until now he has found himself "working in the dark with respect to such basic issues as what a worker co-op structure should look like."

The hope for worker co-operatives really rests both on the existing co-operative system and on the potential of all involved to see themselves as a social movement and to act accordingly. This will require some kneeding of the ashes of the old Antigonish co-operative movement for lighted cinders from which to build a new fire of consciousness in the Maritimes.

Nancy Lee Armstrong is studying co-operative development at York University. She is presently involved in field work in her home province of New Brunswick, at Black's Harbour. Grant MacDonald is involved in adult education and community outreach with the Institute of Public Affairs at Dalhousie University in Halifax, and is doing research work on worker co-op education in eastern Nova Scotia.

*The Quality Containers worker buyout (*Worker Co-ops*, Summer 1985, p. 17) has, for the time being, fallen through.

Cross-Canada Directory: The Maritimes

Nancy Lee Armstrong and Grant MacDonald

Valley View Co-op Ltd. is a producer co-op of six members involved in the growing and marketing of trees. The co-op is unique in that operating funds are provided by the members in the form of loans to the co-operative. These loans are paid back at harvest time. At present, the co-op provides only periodic, short-term employment and does not expect its first harvest for three or four years. Contact: **Wayne Reaume**, R.R. #1, Margaree Valley, Cape Breton, Nova Scotia, B0E 2C0; (902) 248-2113.

Wagonwheel Co-Op Ltd. is a small group whose members are involved in performing music and the making of wooden musical instruments such as mandolins and dulcimers. The members have worked together for a number of years in various aspects of the music business and decided only last year to incorporate as a worker co-op. Contact: **Lori Cox**, Capstick, Cape Breton, N.S., B0C 1E0.

The Umbrella Co-op Ltd. is the only surviving co-op of three that was established in 1982 by a number of the women who were tossed out of work when the Lizmore Seafoods plant in northeastern Nova Scotia was shut

down. The co-op also operates French's Used Clothing Store in New Glasgow. Contact: **Betty Crosby**, 11 Riverside Dr., New Glasgow, N.S., B2H 2N2; (902) 752-4748.

Pubnico Co-op Associated Ltd. is one of the oldest worker co-ops in Canada, having been established in 1939 to provide local employment. The co-op is involved in the drying of groundfish both for the Moncton based UMF Co-op (of which Pubnico is a member organization) as well as for other companies. There are about 50 registered shareholders, although the co-op is only able to provide work for up to a dozen people for eight or nine

months of the year. Pubnico has substantial assets in plant and equipment. Contact: **Coral Amirault**, Middle East Pubnico, Yarmouth Co., N.S., B0W 2A0; (902) 762-2424.

Guysborough County Resources Development Co-op Ltd., more commonly known as the **Gysco Bakery**; this worker co-op was started seven years ago as an attempt to generate employment in Canso on the southeastern tip of mainland Nova Scotia. The bakery now employs about 10 to 12 people full-time, most of whom have substantial share capital in the co-op. Gysco supplies bread and a wide range of quality baked goods to stores and supermarkets from Antigonish to Port Hawkesbury. Its board of directors is composed of worker-members and several community representatives. Contact: **Gysco Bakery**; P.O. Box 245, Canso, N.S., B0H 1H0; (902) 366-2466.

Sunnyville Woodcrafter Co-op Ltd. was established in 1971 with the help of the Community Employment Strategy Association in Guysborough county. The co-op is involved in small contracting work such as building repair and renovation and more recently has been experimenting with the production and marketing of pine furniture. Sunnyville employs six or seven people on a regular basis. Its board of directors is made up of workers-members and a number of community-minded people. Contact: **Sunnyville**, P.O. Box 40, Guysborough, N.S., B0H 1N0; (902) 533-3868.

Dial-A-Student Services Co-op Ltd. is a student run worker co-op that provides summer employment in the Sydney area. It also provides students with practical experience in running an organization with equal sharing of work. Although established in 1971, Dial-A-Student was not active in the summer of 1985. There is hope that it will be revived in 1986. Contact: **Sister Margaret Harquail**, University College of Cape Breton; Box 571, Sydney, N.S., (902) 539-5300.

Red Herring Co-operative Bookstore was started in 1977 to promote a critical understanding of the world, primarily through the sale of books and periodicals on topics such as political economy, labour history, the third world, workers' issues, the environment and peace. The bookstore sells to the general public. Red Herring has a membership of nearly 100 people who contribute their money or their labour to help keep it functioning. The co-op is actively involved in organizing or supporting community educational activities. Contact: **John Taylor** or **Paul Woodman**, 1558 Argyle St., Halifax, N.S., B3J 2B3; (902) 422-5087.

George Bay Fisheries Co-op, a new workers co-op near Antigonish, is involved in fish processing. At present it has only four members although it has employed up to 20 people at peak periods. Contact: **Luke Batdorf**, Wharf Road, Bayfield, Antigonish Co., N.S. H0H 1A0; (902) 386-2457.

Caledonia Products Co-operative is a worker co-op, struggling to sell the labour of its seven members in the communities in the southeastern part of Prince Edward Island. The co-op charges clients different wage rates (depending on the job) plus a percentage for administrative costs. Contact: **David Carrington**, R.R. #1, Montague, P.E.I., C0A 1R0; (902) 962-2093.

Mulgrave Road Co-op Ltd. is a theatre artists' co-operative founded in 1977 to produce original live theatre focusing on the people and culture of eastern Nova Scotia and Cape Breton.

Membership in the co-op is restricted to those who have been, or are, employees. To date this totals nearly 70 people. The number of people working at the co-op rises and falls with the beginning and end of new productions. The artistic director for the year is elected by the membership at the annual meeting. Contact: **Ed McKenna**, P.O. Box 219, Guysborough, N.S., B0H 1N0; (902) 533-2092.

Brass, Bronze and Aluminum Foundry Co-op Petitcodiac is home to the only incorporated worker co-op in New Brunswick. This group is made up of 20 machinists, carpenters and pattern makers involved in the production of surveyor stakes, fencing, lobster pot hawlers and gift shop items. Contact: **Rankine Smith**, P.O. Box 250, Petitcodiac, N.B., E0A 2H0; (506) 756-2185.

Culture Crafts Co-op Ltd. was registered as a worker co-op in July. Its intent is to get craftspeople throughout P.E.I. to work and market their products together. The four people involved at the moment are all woodcrafters, but it is hoped that people involved in other crafts will eventually become members. Contact: **Gilles Michaud**, 66 MacDougall Dr., Summerside, P.E.I., C1N 5E5; (902) 436-2727.

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Six new birds out of a Tory nest: Federal government programmes may open possibilities for worker co-operatives

Albert Chambers

The **Canadian Jobs Strategy** announced early this summer by the Honourable Flora Macdonald responds to many of the criticisms of previous programs raised by PC task forces. The federal government's "job strategy" is not a job creation initiative, although in some instances, it may develop into one. Rather it is a set of training and job development programs that have been redesigned to meet current and future needs for new skills, for new approaches to training and for greater local sensitivity.

Five birds in the hand

Innovations: A program of \$100 million in 1985-86 to fund pilot and demonstration projects which use new concepts to achieve change in labour market development. Presently structured to be flexible and without rigid eligibility criteria, Innovations is open to proposals from individuals or groups. Initiatives under the program can address national or regional problems. Usually they will be cost-shared.

Skill Investment: A multi-faceted program wherein "management and labour will have a chance to set their own agenda for training". It is targeted at three groups: retraining for employees threatened by technological change or redundancy; training employees for new job opportunities; and, assisting managers and self-employed owners of small businesses to acquire management skills. Federal training subsidies will be available for periods of up to three years for full- or part-time training, on or off the job. The government contribution will vary but can be as much as 100 per cent of course costs and two-thirds of regular wages. An interesting sub-component of this program will be training trust funds which can be established by employer or employee groups (including unions) to assist in member training. The maximum federal contribution will be up to 50 per cent of the participants' contribution or up to a total of \$400,000 over three years.

Job Entry: Targeted at young people, women re-entering the work force after three years absence and students, this program is a successor to the Youth Training Option. It combines up to 52 weeks of skills training with work experience and utilizes the support of businesses and the voluntary sector. It will complement work/study programs offered by many community colleges. \$350 million has been allocated for 1985-86 for expenditures on training allowances, dependent care, travel, commuting expenses, etc.

Job Development: Persons unemployed for 24 of the last 30 weeks or residents of communities where the unemployment rate is chronically above 20 per cent will be eligible for subsidies for wages and training projects with businesses, community groups,

municipalities, individuals and the voluntary sector. Funding is for up to 52 weeks of on-site or on-and-off-site training. In the non-profit sector subsidies may cover up to 100 per cent of total project costs.

Skill Shortages: To assist in the development of employees in skills critical to the continuation of enterprises, this program will fund for up to three years, on- and off-the-job, full- or part-time training. Initiatives will originate with the employer. The eligible categories of skills shortages will be determined regionally and locally. Subsidies will be available for up to 60 per cent of wages and part of training costs. Current employees or newly-hired employees (unemployed) will be eligible.



Flora Macdonald, the Minister responsible for 'six new birds'

One bird in the bush

Community Futures: This program has been announced but not defined in detail. \$150 million has been allocated for 1985-86 for assistance "to communities hit by mass lay-offs and plant closures, communities faced with chronic unemployment and communities that are struggling with economic decline". The emphasis in the program will be on community-based self-help, job development and support for entrepreneurs. A single window approach is adopted to reduce duplication and increase co-ordination between the federal government and the community. While these details are sketchy, this program would appear to be that recommended by the 1984 Conservative task force on youth unemployment, and it may follow the model suggested by that task force for an "opportunity development corporation". The initiative will rest with the community.

New Structures

Local Advisory Councils: In keeping with the emphasis of the new government on consultation, a new set of structures is to be created to improve the linkages between government, particularly the local Canada Employment Centres, and communities across the country. Envisioned are councils that include representatives from the various levels of government, business, labour unions and community groups and the members of parliament. These councils will be mandated to "work together to determine local labour force requirements" and to advise on the programs and services offered by the government. They are to have an important role in determining objectives, labour shortages, training needs, etc., as required for the programs noted above in order to assure local or regional sensitivity.

So what is in it for worker co-ops?

Readers of *Worker Co-ops* should not be surprised that no new program has been specifically directed at the needs of worker co-operatives. Dis-

cussions with federal officials in recent months has indicated their strong interest in our needs and a willingness to assure that the Canadian Job Strategy is open to applications from the co-operative sector. And, at first glance, it would appear that each of the six new programs could have something to offer to established worker co-operatives or to those in the development stage or to groups assisting in the formation of worker co-ops.

Of primary importance to established worker co-ops will be the programs that assist in the development of both production related enterprises and in management skills. Access to funding for the latter through the Skill Investment program is a new opportunity which should be explored. The same program and the Skill Shortages program could be of significance to worker co-operatives that are developing new product lines or introducing production processes which require new skills. Of particular importance is the extension of the training time for which assistance can be obtained from one year to up to three years and the flexibility that has been introduced regarding location and time spent in training.

Groups in the formative stage may find new opportunities to develop training in production and management through the Job Development program, especially if they are located in areas of chronically high unemployment or if they are composed of those presently

unemployed and/or laid off. This program, which is open to community groups and the non-profit sector, could provide the opportunity for third parties to assist in training the nucleus of a new enterprise, while preparation of business plans, market studies, etc., required to actually establish the co-operative proceed independently of the program.

The **Innovations and Community Futures** programs are perhaps the most critical to the formation of worker-owned co-operatives. Discussions have already begun with federal officials about the type of proposals that would qualify under **Innovations** and meet the longer-term training needs of worker co-ops. To qualify for the **Community Futures** program it will be essential for the worker co-operative option to be included in the strategies for economic development in these communities.

Co-operators interested in the development of worker co-operatives should not be disappointed by this new government initiative. Its six programs present a range of flexible opportunities to access funds for training that can be adapted to the needs of worker co-ops. Our challenge is to use these opportunities creative and productively.

Albert Chambers is director of the government affairs department of the Co-operative Union of Canada. For information, contact Chambers at 237 Metcalfe St., Ottawa K2P 1R2; (613) 238-6711.



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Model legislation for worker co-operatives: A lawyer's viewpoint

Brian Iler

The recent upsurge in interest in worker co-operatives in Canada has led Saskatchewan and Quebec to review and supplement their legislation governing co-operatives. Several other provinces also are in the process of reviewing their legislation.

In this climate of legislative reform, it is important to ensure that worker co-op models elsewhere be reviewed and that a legal framework be developed which maximizes worker co-ops' prospects for success and avoids those pitfalls which have beset such efforts elsewhere.

In developing such a model, one can identify four principles fundamental to a definition of a worker co-op:

1. All employees should be members;
2. All members should be employees;
3. Each member should have an equal vote in the affairs of the worker co-op;
4. Capital should be the servant, and not the master.

For the most part general co-operative legislation across Canada is based on these principles. There are, however, some areas where specific legislation or, perhaps, provisions in articles or by-laws, is necessary for worker co-ops to effectively use these principles.

1. All employees should be members

Surprisingly, in France, where worker co-ops, particularly in the construction industry, have been in existence since the mid-19th century, there is no requirement that all co-op workers must be members. In some French worker co-ops, the percentage of non-members is extremely high, sometimes 90 per cent. In the United States, a significant proportion of employees in the plywood co-ops of the Pacific Northwest are not members. Since non-members are not allocated any of the profits earned by the co-op, the potential for exploitation of non-member employees is significant.

On the other hand, some flexibility is

necessary to permit adequate evaluation of new employees and to permit the hiring of casual employees where fluctuations in business occur.

Saskatchewan's legislation, which requires that at least 75 per cent of all employees of a worker co-op be members, does achieve a proper balance between the principle and the realities of carrying on business.

As well, it is important to ensure that any employee's probationary period not be unreasonably long; one year should be more than adequate to assess an employee's suitability as a member.

As an additional safeguard, the Saskatchewan legislation contains a restriction on the amount of the work of the co-operative which may be subcontracted, to prevent circumvention of the employee-membership requirement. To avoid over-reach, such a subcontracting prohibition should relate only to work normally performed by employees of the co-operative.

2. All members should be employees

Currently, most Canadian co-operative legislation limits the return permitted on capital invested in co-operatives, thereby providing little incentive for outside investors to become members. But lack of sufficient capital is the primary factor restricting accelerated development of worker co-ops, and as a result *hybrid* employee-owned businesses financed partially by employees and partially by outsiders (as in Tembec) or by employees but with marked disparities in investment (as in Northern Breweries) are often created. Such hybrids are not worker co-operatives.

Permitting non-worker members to participate in decisions in worker co-operatives has great potential for creating friction within the co-op, threatening its success. It is noteworthy that the Mondragon system prohibits non-employee members.

There are circumstances in which it may be advisable to have some non-employee members. In the first year of a worker co-op, it may be necessary to have some prospective employees (non-members) prepared to contribute necessary capital, but for whom immediate employment in the co-op is un-

available. As well, retiring employees may wish, for sentimental or benevolent reasons, to maintain their membership and investment.

Subject to these exceptions, no non-employee members should be permitted.

3. Each member should have an equal vote in the affairs of the worker co-op.

This principle is fundamental to all types of co-operatives, and is the major distinguishing feature between worker co-ops and other forms of employee-owned businesses. It is a hallmark of all successful worker co-ops around the world and is already firmly entrenched in Canadian co-operative legislation.

4. Capital should be the servant, and not the master.

A. Return on capital

Most Canadian provinces restrict to a fixed rate the permissible level of return on capital invested in or loaned to a co-operative.

In practice, this principle has caused co-operatives throughout the world substantial difficulty raising sufficient capital from their members. Particularly in capital-intensive sectors of the economy, application of this principle severely restricts co-op development.

The principle makes sense in relation to investments required as a condition of membership — no return on compulsory investment should be so high as to eclipse the role of the patronage dividend as the primary means of surplus distribution to members.

The principle must be compromised though, where additional risk capital is sought, whether from members or non-members, in order that the return adequately reflects the risk involved. The interest of the co-operative as a whole in keeping costs of capital as low as possible ensures that, in most cases, a fair bargain would result. The principle must not be so compromised that the return on voluntary investment relates in any way to the level of profits or surplus generated by the worker co-op. But, the level of return must be sufficiently high that a worker co-operative can raise money in order to be financed adequately.

B. Allocation of surplus

Both Saskatchewan and Quebec have enacted a provision to enable worker co-ops to distribute surpluses to their members in proportion to their contributions of labour. Such amendments are necessary in all other Canadian jurisdictions.

Normally, not all surpluses are allocated to the members. Some, and sometimes all, surpluses are allocated to the co-operative's reserves. While in Canada there are no mandatory reserve requirements for co-operatives, Spain, Italy and France have mandatory minimum allocations to reserves in their legislation.

Internally, the Mondragon system has a complicated scheme of surplus allocation, requiring at a minimum, a 10 per cent allocation to community welfare, 20 per cent to reserves or collective capital and the balance to members. Since reserves are a key factor in achieving stability for worker co-ops, legislation should specify a

minimum appropriation to reserve funds of approximately 20 per cent.

C. Dissolution

What happens to the net assets of the worker co-op on dissolution? To whom should the balance be paid after payment of all debts and liabilities, including capital invested and any accumulated dividends or interest?

Co-op legislation in Canada is inconsistent. Seven co-operative statutes permit distribution of net assets to members, while five require distribution for co-operative or charitable purposes only.

One of the most frequent and often correct charges against worker co-ops is that they degenerate into workers' capitalism. Substantial windfall profits can accrue to individual members on dissolution or sale of a successful worker co-op. Furthermore, the potential for such windfall profits will immensely distort the relationships of members to their co-operative.

The problem of windfall profits has been documented in the U.S. plywood co-ops (In one co-op, workers pocketed almost \$200,000.00 each), at Byers Transport in western Canada (where worker-owners received 50 times their original purchase price for their shares) and numerous examples elsewhere.

Potential for sale of a worker co-op and dissolution is much more significant than in other types of co-operatives: membership is smaller, and evidence of substantial increase in value in a successful worker co-op will be readily visible.

It is therefore essential that dissolution, net assets may be distributed *only* to other co-operatives with like purposes, or to charitable organizations.

Brian Iler, a partner in the law firm, Iler Campbell & Associates, specializes in non-profit and co-operative law. Iler can be contacted at 136 Simcoe St., #201, Toronto M5H 3G4; (416) 598-0103.

Buyouts

Don Altman

Union having trouble buying shipyard

The Marine Maintenance Union is trying to buy the Point Ellice shipyard of Victoria B.C. which is being closed by Seaspan International due to declining business. Seaspan has turned down the union's first offer, and the union is getting no help from the B.C. government even though the land is leased from the province. (*Globe & Mail, July 24, 85*)

★ ★ ★ ★ ★

Former employee-owned packing firm

Sodor, a Quebec City pork processing firm, a subsidiary of Maybank Foods (formerly Swift Eastern) has been acquired by its manager. Maybank, with sales of \$150 million in 1984, had been owned previously by its "employees". (*Globe & Mail, July 9, 85*)

OUR TIMES

IN ITS FOURTH YEAR OF PUBLICATION, OUR Times, published by a unionized co-operative, is a monthly magazine that provides an interesting and informative view of the progressive trade union movement in Canada and abroad. Read what union and community activists think and do — feminism, democracy, labour, culture . . . just some of the issues found in Our Times. Make it your times. . .

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Provinces show greater interest in worker co-operatives

Robert Thompson

Development programming for worker co-operatives was discussed recently at the annual meeting of the National Association of Administrators of Co-operative Legislation (NAACL). Federal and provincial government administrators gathered in Fredericton from July 1-4, and worker co-operative development was a major item on an agenda usually dominated by regulatory topics.

Saskatchewan, Quebec and Newfoundland made presentations on activities in their jurisdictions, with particular reference to the role of government in relation to resource groups in the development process.

In Saskatchewan there is no co-operative sector resource group, so government has filled this void with its own development support program. In particular, field workers can assist emerging co-operatives to formulate business plans and put together financial packages. The Department of Co-operation and Co-operative Development does not have any direct development funds for worker co-operatives, but it is co-ordinating these efforts of other economic development departments in support of worker co-ops.

In particular, it conducts an inter-departmental committee that informs other departments about worker co-ops and ensures they are included in any programs for business.

The Saskatchewan government's long-term desire is to see a smaller government role in worker co-op development, and the formation of a development corporation, owned by the co-op sector, that provides consulting services.

Quebec takes the lead

In Quebec, the provincial government is also taking the leading development role, and is setting up a series of regional resource groups to provide technical assistance to emerging worker co-operatives (see **Worker Co-ops** 4(4)).

It is also the intention of the Ministère de l'Industrie et du commerce to set up consulting groups

on an industry sector basis. In this manner, very specialized technical services can be gathered and provided to co-operatives.

The government of Quebec has also initiated a reorganization of the Société de développement des co-operatives, made amendments to the Co-operatives Act to accommodate worker co-ops and established a co-operative investment plan.

In Newfoundland, the provincial government has adopted a secondary and support role to the co-op sector development agency, the Newfoundland and Labrador Federation of Co-operatives. It is the government's strategy to expand the resources available to the Federation. This has been accomplished by supplying funds to hire a development worker and to undertake training and promotional activities.

The Federation does not yet have the capacity to provide technical consulting services or to provide access to development capital, so Newfoundland does not yet have a comprehensive support system. However, it is the intention of the Federation and government to work together to create this system.

In general, the provincial governments have become major players in worker co-operative development. Although a few governments such as

British Columbia, Ontario and New Brunswick remain almost entirely aloof from such development programs, the active governments have made remarkable commitments in light of the short experience with worker co-ops in the country.

While these efforts are commendable, they may result in highly variable provincial systems. This characteristic is already evident in provincial legislation. The Quebec statute requires all workers of a worker co-op to be members; Saskatchewan demands that 75 per cent be members; and Manitoba stipulates a simple majority be members. The NAACL Conference adopted its own compromise definition saying that in a worker co-op control must rest with the workers. This definition is not binding on individual provinces.

Anyone who is interested in seeing a national system of co-operative firms created in Canada will want to look seriously at the various trails being blazed in the provinces to determine if more uniformity is desirable.

Robert Thompson is acting director of the research and analysis division, Government of Newfoundland and Labrador, Department of Rural, Agricultural and Northern Development, St. John's Newfoundland; (709) 576-3180.

What's in a name?

With 20 offices across Canada and \$5 billion insurance coverage in force, CUMIS has grown to mean dedicated people working with the Canadian Credit Union and Co-operative movement, meeting its corporate and membership insurance needs.

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BRITISH COLUMBIA

Dana Weber

VanCity supporting co-ops

Vancouver City Savings, Canada's largest credit union with assets of \$1.4 billion, will soon be actively assisting community-based economic initiatives, according to an announcement made by its board this summer. The announcement was made at a community forum called by the credit union and attended by a number of activists and educators involved in co-operative and community development.

Like most credit unions, VanCity has until recently been involved primarily in personal lending. The last board election, however, gave a majority of positions to members who want to use at least some of the credit union's ample resources to revitalize and develop the local economy. VanCity has already established a small business lending program, but the board wants to do more.

The board's economic development committee, headed by Joy Leach, sponsored the community forum to get advice and feedback on a proposed model for providing the assistance. Leach stressed that the model was in the early stages of development and that the credit union wanted to draw on the experience of community organizations and developers in refining it further.

The VanCity model comprises two basic components: venture capital funds and a local economic development centre.

The Centre would consist of a small staff which would provide guidance to prospective entrepreneurs in developing business plans and other essential aspects of a new business. It would not provide funding itself but would refer applicants to the VanCity business lending staff or to the appropriate capital fund.

Capital funds would be of two types: a venture capital fund through which VanCity would participate in commercial ventures that promised a higher than average return; and a co-operative enterprise development fund. Both consumer and worker co-ops could qualify for investment from this fund,

from which VanCity would expect only average yields at best.

Each component of the economic development program would be overseen by an advisory board consisting of VanCity board members and members of the community. Proposals coming before the development centre or the capital fund would be assessed for their social impact as well as their economic viability. Social assessment criteria would include job creation, revitalization of depressed neighbourhoods, local control and Canadian ownership.

Leach explained that the Local Economic Development Centre was not intended to act as a community development corporation itself, but might work with such corporations to develop new enterprises.

The question of "who, then, develops the developers?" was raised at the forum but remained unanswered. Several participants noted that co-operative and community-based economic development requires organizational and technical assistance as well as financial support. Without those other elements, the financial assistance VanCity might provide would either go begging, or more likely, it would all be absorbed by private sector groups unconcerned with co-operative structure or community control.

Whether VanCity should be the one to provide that organizational and technical assistance also remained an open question at the conclusion of the community forum. But VanCity did get the community input it requested, and the groups at the forum were favourably impressed with the credit union's initiatives so far.

Groups with an interest in worker co-ops who were represented at the forum included the Co-op Union of Canada, Women's Skills Development Society, Common Ownership Development Association and CRS Workers' Co-op.

NDP economic strategy favors worker co-ops

The British Columbia New Democratic Party has taken two steps that augur well for worker co-ops should the party form the next government. At its provincial convention in May the party committed an NDP

government to "endorsing and actively supporting the development of worker co-operatives." The resolution calls for financial and political support for worker co-op development agencies and for the provision of either direct loans or loan guarantees to worker co-ops for venture or equity capital financing. A second resolution calls for amendments to the B.C. Co-operative Act to make it apply more specifically to worker co-ops.

However, **MLA Robin Blencoe** (Victoria), the party's debate leader on co-operatives, isn't waiting for a change of government. As reported in our last issue, he has introduced two private members' bills relating to worker co-ops. The first one creates a co-operative development office within the Ministry of Industry and Small Business to provide development services to all co-operatives.

The second amends the present Co-op Act by inserting a definition of "employment co-operative" and providing for "internal capital accounts" on the Mondragon model. Another section requires employers to notify all employees, as well as the co-op development office, of an impending "workplace closure" at least 180 days in advance. The employer is also required to make its operating and financial records available to employee representatives. Where five or more employees express an interest in carrying on the business as a co-op the development office is required to hold an information meeting for the terminated employees explaining its services.

While private member's bills, especially those of the opposition, rarely become law, the bills are an indication of the NDP's intentions.

An election is not expected in B.C. before next spring, with late summer or fall the more likely date.

Women's skills explores employment options

The Women's Skills Development Society, an information, research and development group concerned with women in the workforce, has recently received funding from Canada Works and Labour Canada for a project entitled Economic Options for Women.

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The project will encourage women to participate in the planning and operation of co-operative businesses, either as independent enterprises or an enterprises sponsored by a community group or centre, and it will directly sponsor co-operative enterprises involving women.

The group is conducting continuing research and evaluation of existing co-operative businesses involving women and developing strategies to increase women's participation in co-operatives.

Project co-ordinator **Melanie Conn** is especially interested in contacting women working in worker co-operatives, whether they are all-women collectives or mixed.

She can be reached at: Women Skills, #9 - 4443 Irwin St., Burnaby, B.C. V5J 1X8; (604) 430-0450.

For more information, **Dana Weber** can be reached at CODA, 206-33 East Broadway, Vancouver, B.C. V5T 1V4, (604) 872-1128.

ARCTIC

Andrew Goussaert

Arctic Co-operatives Ltd. is actively planning to convert the Inuvik Parka Company into a worker co-operative. Extensive research into the viability of the project has been done, and several options are being considered at the present time.

An extensive marketing strategy has been developed for the beautiful parkas produced by Inuvik and it is the intent of the board of Arctic Co-operatives Limited to continue the marketing of this product, if it is the wish of the owners.

Arctic Co-operatives Limited has moved its headquarters from Yellowknife to 1741 Wellington Avenue, Winnipeg, Manitoba R3H 0G1. Its wholesale distribution centre, Canadian Arctic Producers is moving to the same address from Ottawa. The objective is to provide a more efficient and less expensive service to its member co-operatives.

* * *

ALBERTA

Debbie Ferdinand

Communitas is presently finalizing its resource package which will be used with individuals interested in developing co-operative-based economic enterprises.

In addition, Communitas is reviewing methods of raising risk capital to enable a resource group to work with potential co-ops during their initial exploratory and feasibility stages. While it is suggested that part of the financial risk will be assumed by the co-ops themselves, it is anticipated that they may not have the capital at the time the expense is incurred. We also anticipate that only a limited number of groups that go through the initial exploratory stage will prevail to create a successful enterprise.

To maximize the success of any initial co-operative development a decision has to be made to target specific enterprises. Potential enterprises have been selected on the basis of their viability, i.e., that there is both need and demand, that the skills to undertake the project exist within the community, and that the initial capital requirements are limited. It is not surprising, given the nature of the economic base of this region, that many of the target enterprises fall into the service rather than manufacturing industry.

For more information please contact **Debbie Ferdinand**, Communitas Inc., 10551 123 Street, Edmonton, Alberta T5N 1N9; (403) 482-5467.

* * *

SASKATCHEWAN

Skip McCarthy

Educational Symposium

Doug Holland of the Co-operative College and **Laird Hunter** are organizing a symposium for the Fall that will deal with the issues involved in establishing a national educational program for worker co-operatives. The proposed agenda includes a review of existing programs and a plan for a national educational program.

For details, contact **Doug** at the Co-operative College, 141-105th Street West, Saskatoon, Sask. S7N 1N3; (306) 373-0474.

Must reading

Now available from the Centre for the Study of Co-operatives are the proceedings of the conference, **Employment Co-operatives: An investment in Innovation**, held in Saskatoon in February, 1985. This edited collection of papers and workshop presentations covers a wide range of topics relevant to worker co-operatives in Canada — including the role of governments, trade unions, other co-operatives, credit unions and community development corporations.

Orders — \$15 each — should be sent, attention of **Skip McCarthy**, Centre for the Study of Co-operatives, University of Saskatchewan, Saskatoon, Saskatchewan SN7 0W0; (306) 966-8503.

MANITOBA

Doug Davison

*Doug Davison of WMC Research is now contributing editor in Manitoba and will co-ordinate the contributions of **Jeremy Hull** (a member-owner of WMC) and **Neil Loughran** (an independent development consultant in Winnipeg.) We look forward to hearing a lot from Manitoba especially now that the provincial Employment Co-operative Initiative is being launched. Doug can be reached at Rm. 607, 259 Portage Ave., Winnipeg, Manitoba R3B 2A9; (204) 755-2964 or 944-9450.*

Employment co-operative information centre

The Manitoba Department of Co-operative Development has established an information centre at 215 Garry Street (8th floor). The centre is intended to be a resource for those interested in reviewing information about employment co-ops and employee ownership, and is currently open during the normal working hours of the department. Anyone interested in the resource centre should contact either **Keith Michaelson** (204) 945-6298 or **Vic Hryskho** (204) 945-4455.

Interest growing

As of July, interest is growing in the recently announced employment co-op program of the Manitoba government. The program, known as the **Manitoba**

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Employment Co-operative Initiative, has attracted the attention of about a dozen groups and some assessments of potential assistance are underway. A more lengthy article on this will be included in the next issue of **Worker Co-ops**.

Workplace democracy

A six-week, evening course on workplace democracy will be offered this fall in Winnipeg. The course, to be taught by **Robert Miller** of The Idea Centre, will look at worker self-management, worker co-operatives and worker control. The class will involve readings, role play, films, and discussions. It is open to the public. Registration (\$10) is on the first meeting night: Monday, October 7, Room 3M54, University of Winnipeg. The course is being sponsored by the Winnipeg Socialist Education Center, a non-profit organization in its third year of operation which offers courses on a variety of topics from a socialist perspective. Those interested in more information can contact **Robert Miller** at (204) 475-4159.

* * *

ONTARIO

Jack Quarter

Dreams dashed

In Volume 5(1) of **Worker Co-ops**, Bob Schutte wrote an extensive account of the attempt by workers at Canada Porcelain in Hamilton to buy their former workplace from the receiver. The finale, as many know by now, is the plant has been sold to Lapp Insulators of Le Roy, New York.

The sale was appealed by the workers to **Sinclair Stevens**, the Minister of Regional and Industrial Expansion. Mr. Stevens claimed that "the Government has no jurisdiction under the Foreign Investment Review Act over the sale of assets."

Lapp Insulators is owned by Great America Investment Inc., a holding company with a history of buying and selling other companies. There is concern that the new owners lack any long-term commitment to the plant, in need of modernization, and to the 90 workers who are in the midst of difficult negotiations through their union.

According to **Murray Gardner**, who provided tactical assistance for the buyout, "there are a lot of dejected people at Canada Porcelain. The future is very uncertain."

In spite of the disappointment, the Canada Porcelain story represents a positive step for worker co-operatives in Canada. This attempted buyout is additional evidence that with proper support unionized workers can organize themselves to purchase the means of their livelihood and to set up a worker co-operative.

For information, contact **Murray**

Marketing worker co-ops

In what may be a precedent-setting strategy in English-Canada, Co-operative Work Consultants of Toronto is actively promoting worker co-operatives to selected target-markets in an effort to establish a consulting capacity.

This marketing strategy coincides with a reorganization which has seen Co-operative Work transform itself from a volunteer organization to a business involving two full-time consultants — **Marty Donkervoort** who has extensive experience in market analysis and marketing (particularly in the forestry industry) and **Eunice Leeson**, a financial expert.

In addition, part-time consultants (previously members of the volunteer group) are available for specialized referrals.

Among the contracts currently being undertaken by Co-operative Work is a feasibility study of a worker co-operative for unemployed youth.

For information, contact **Marty Donkervoort**, 357 College St., Suite 200, Toronto M5T 1S5; (416) 928-9568.

Ready at last!

The booklet, **Starting a Worker Co-operative: An Introduction**, has been completed by the Worker Ownership Development Foundation of Toronto and can be purchased for \$5.50 plus postage and handling charges. There is a ten per cent discount for bulk purchases of at least ten copies.

This introductory booklet provides a general introduction to worker co-operatives and includes basic information on what's to be done in starting a small worker co-operative. It is useful

for people who are toying with the idea, but are not quite ready to make the leap.

For those who are ready for the leap, the Foundation has almost completed a **Member's Handbook** which includes over 300-manuscript pages of detailed information on 'how to do it.' There are chapters on history, governance, membership policies, feasibility, business plan, financing, marketing, incorporation and bylaw topics, accounting and taxation, and using outside resources. Also included are a glossary, bibliography and many case studies. In brief, the handbook contains 'everything you wanted to know and were afraid to ask' about starting a small worker co-operative.

With the availability of these educational resources — the introductory booklet and the member's handbook — the Worker Ownership Development Foundation is planning worker co-operative educationals.

For information, contact **Ethan Phillips**, 357 College St., Suite 200, Toronto M5T 1S5; (416) 928-9568.

QUÉBEC

Claude Carbonneau

La S.D.C. et lest coopératives de travailleurs

Au cours de sa dernière année financière, la Société de développement des coopératives a autorisé environ 65 aides financières pour un montant total de 6.1 M \$. Il est intéressant de souligner que 40% de ces aides financières ont été attribuées à des coopératives de travailleurs. Compte tenu que ces entreprises sont généralement de petite taille, ces investissements ont représenté 30% des sommes autorisées par la S.D.C.

Il s'agit-là d'une croissance importante des investissements de la S.D.C. destinés aux coopératives de travailleurs. Avant cette année, les sommes investies par la S.D.C. auprès de ces coopératives, représentaient moins de 12% du total des investissements. Il faut préciser que le nombre des coopératives de travailleurs augmente de façon importante au Québec depuis quelques années. Cette tendance semble vouloir se maintenir pour les prochaines années.

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S.D.C. and worker co-ops

During the last fiscal year, the Société de développement des coopératives (S.D.C.) financed 65 co-operatives for a total of \$6.1 million. Forty per cent of the financial assistance has been assigned to worker co-ops. Taking into account that these contracts are generally of a small size, these investments represented 30 per cent of the sums authorized by the S.D.C.

This figure represents a considerable increase of S.D.C. investments in worker co-ops. Before this year, the sums invested by the S.D.C. in worker co-operatives represented less than 12 per cent of total investments. It must be noted that the number of worker co-ops has been increasing rapidly in Québec in the last few years. This trend seems bound to continue in the future.

60 co-operatives

As was previously announced by the Minister of Industry and Commerce, **Rodrique Biron**, the 129 branches of the Société des Alcools du Québec (S.A.Q.) in the Montréal region have been put up for sale. About 60 of the co-operatives established by S.A.Q. workers will make offers to purchase some of the branches.

According to guidelines prepared by the Société as well as the Minister, it won't be possible for anyone to acquire more than one branch of the S.A.Q. However, most of the co-ops intend to make offers on two or three branches. In doing so, they want to increase their chances of acquiring at least one of the branches.

A special consulting group (Groupe Conseil) has been formed to assist the co-ops in preparing their offers. With the assistance of the S.D.C., this special committee has developed procedures that should speed up the preparation of these offers and which will assist the co-ops to prepare realistic proposals.

The Montréal area has been chosen as the first region for the project to privatize the S.A.Q.'s branches. After several months, it is anticipated that other regions of Québec will be involved.

It must, however, be noted that this project has encountered opposition, notably on the part of the union of both the S.A.Q.'s office and store

employees. Notwithstanding the setbacks it has suffered over the last months, the union has upheld its legal opposition to the privatization project. Recently it has demanded from Québec's Supreme Court an injunction that would block the process.

Whether or not that injunction is granted, the union's opposition risks upsetting the anticipated outcome. Certain analysts estimate that the legal feud could be carried on after the branches are sold. This could jeopardize the investments by the individuals or co-operatives that acquire the franchises. Therefore, the union's actions are to be followed carefully.

(French translation by Joanne Lindsay.)

For information, Claude Carbonneau can be contacted at the S.D.C., 430 Chemin Ste. Foy, Quebec City, Quebec G1S 2J5; (418) 687-9221.

* * *

NOVA SCOTIA

Grant MacDonald

Worker co-op workshop

On August 27 and 28, a workshop was held at St. Francis Xavier University in Antigonish to create an organization to initiate and support worker co-op development in the region. Attending the workshop were representatives of existing worker co-ops: Co-op Atlantic; N.S. Credit Union Central; Co-operators Insurance; The Nova Scotia Federation of Labour; and university and government agencies. Topics discussed included the financial, technical and educational needs of worker co-ops, and plans were devised to meet the needs in these areas.

NEW BRUNSWICK

Nancy Lee Armstrong

Native People's co-op

Fredericton: The New Brunswick Native Indian Woman's Council is sponsoring the development of a worker co-op as a means of organizing the large scale production of Micmac and Maliseet crafts. Arising from a study on the employment and training needs of native women in New Brunswick, monies have been designated for the training of 20 women this year and 20 more next year. **Alma Brooks**, president of the Council, explains: "Our professionals are the older women, and it is those women who have come to us and said 'you have to start training young people because we're not going to be here much longer. We can't do things such a pounding ash or get out and get our materials any more. We need someone to supply us. We want to leave this to the younger generation...or it will be gone forever'."

Their feasibility study indicates that the market for Micmac and Maliseet crafts is wide open. Once the co-operative operates, the women have plans for a spin-off worker co-op involving the men in supplying raw materials — quills, moose hair, birch bark, black ash, spruce roots and leather. There are also plans to organize fiddlehead gathering into a worker co-op.

Brooks says, "Our people think that a co-operative is a great idea...it's more in line with Indian culture than conventional enterprise."

Worker co-op planned

Chatham-Newcastle: In March, 1985, St. Michael's Parish Council held an open forum on the economy of the Miramichi River and its alternatives. Representatives from the legislature, town councils, the district labor council, the N.B. Federation of Labour, the Union of Unemployed Workers and church leaders attended. The over-riding mood of the conference was that solutions are to be found through coalitions of ideas and groups based on self-initiatives. **Frank Clancy**, an organizer for the Union of Unemployed Workers describes a change of attitude in their communities, confronted with an unemployment rate of 54 per cent. A better educated, more informed populous is not about to

Across the Nation

accept the market imperatives of the past. Worker co-ops were deemed the most appropriate vehicles for integrating social and economic goals aimed at achieving the dignity of the person, reducing dependency and stimulating local economic development.

Invitations are being extended once again for a workshop on worker co-op development to be held in conjunction with the co-operative sector. Several projects are being studied. The first is the re-opening of the Noranda-owned Northwood Panel Board company as a worker co-op. **John McLaughlin**, a town councillor in Chatham, says the plant closure had nothing to do with its viability, and it is an ideal set-up for a co-operative.

The Miramichi River yields a herring-type fish called a gasporeau which is well-suited for smoking. Building smoke houses would facilitate local processing.

Consideration is also being given to processing the natural fruits of the area — applies, strawberries, cranberries and raspberries with the idea of encouraging local farmers to be suppliers of vegetables as well. Secondary industries related to plywood and chipboard plants could spawn furniture-making enterprises. The district labour council which has initiated much of the planning is also involved with the Woodlot Owners' Association in encouraging the development of a worker co-op.

Nancy Armstrong can be contacted at Black's Harbour, Charlotte County, New Brunswick; (506) 456-2182.

NEWFOUNDLAND

Robert Thompson

Co-ops being planned

The Newfoundland and Labrador Federation of Co-operatives has received 25 requests for information on how to form a co-operative, the great majority coming from the worker and producer co-op sectors. Some of the more interesting requests are a daycare co-op in St. John's, construction co-ops in St. John's and Placentia, community development co-ops in South Brook and Corner Brook, a janitorial co-op in St. John's and a crafts co-op in Labrador City.

In a recent report to its members, the

Federation said it expects a number of these groups will incorporate during 1985.

CRADB expanding

The Co-operative Research and Development Board (CRADB), a sub-committee of the Newfoundland and Labrador Federation of Co-operatives, is planning to develop a network of contact persons to provide information on worker co-operatives to interested groups.

In recognition of the widely scattered population in the province, the consequent travel difficulties and the limited ability of the Federation to respond to the many requests for information and assistance, CRADB has divided the province into fifteen regions and selected one or two people in each area. These people are typically employed with agencies engaged in community development, and they will be expected to be the initial contact for potential worker co-ops. They will provide basic information on worker co-ops, supply relevant brochures and literature and then refer the potential co-operative to the Federation.

In recent months the Federation has received 25 requests for information, and has not been able to make personal contact with each group. The network of contacts will enhance the capacity of the Federation and allow it to concentrate its development effort on groups in the planning stage.

NFB filming at Petty Harbour

The National Film Board is currently preparing a documentary film on alternative employment strategies in Canada, and as part of their research came to Petty Harbour to examine the new fishing co-operative. According to Lawrence Canning of the Newfoundland and Labrador Federation of Co-operatives, the NFB personnel were so impressed with the Petty Harbour experiment that they decided to do extra filming in the area. The NFB now intends to produce a special half-hour program on the Petty Harbour Co-op, in addition to the main documentary project.

Of course, the people of Petty Harbour are no strangers to film crews and bright lights. This community has served as the setting for two major Hollywood productions, **ORCA** and **A Whale for the Killing**.

Robert Thompson is acting director of the research and analysis division, Government of Newfoundland and Labrador, Department of Rural, Agricultural and Northern Development, St. John's, Newfoundland; (709) 576-3180.

World

SCOTLAND

More worker co-ops

The 1985 report of the SCDC, the primary development agency for worker co-operatives in Scotland, reflects impressive growth during the past decade. From but one worker co-operative in 1976, there are now 64 with 520 members.

Most of the worker co-operatives are small and in areas of the market in which worker co-operatives have been successful in other countries. These include: clothing and textile manufacturing (outdoor wear, kilts and skirts); food production, retailing and wholesaling; book stores; printing; building trades and maintenance; engineering and crafts.

The SCDC report states that an additional 20 worker co-operatives are about to come on board and it estimates that financing these co-operatives is costing around 900 British pounds per job.

In reading the report, one is struck with the similarity of the problem between Scotland and Canada: plant closings, high unemployment and the desire for greater workers' control. The Scots are moving ahead of Canada because of government-supported development agencies and government financial support for worker co-operatives.

For a copy of the report, **SDCC Employee Ownership in Scotland**, write to SDCC, Templeton Business Centre, Templeton Street, Bridgeton, Glasgow G401DA; (041) 554-3797.

Worker co-operatives in Israel: The complex relationship with organized labour

Jack Quarter

When one gets on a bus in Israel, there is a good chance that the driver is an owner of the company. There are two major bus companies, the 2,300-member Dan company which services the Tel Aviv area and the 5,800-member Egged company which services the rest of the country. Eighty-five per cent of public transportation in Israel is operated by worker co-operatives.

Public transportation (including taxi co-operatives) is but one of the major success stories of worker co-operatives in Israel. Another is cleaning services (domestic, industrial, and windows) in which 4,000 men and women are organized into large worker co-operatives. An interesting feature of these cleaning co-operatives is that the worker-members retain 92 per cent of the payment for their services. By comparison, workers in privately owned cleaning franchises in Canada retain only 40 to 50 per cent of the job payment.

In addition to public transportation and cleaning services, worker co-operatives control 50 per cent of heavy truck transportation and about 30 per cent of the manufacturing of floor tiles and concrete steps.

Other areas of the market in which worker co-operatives have made their presence felt include printing, electronics, mechanics, laundries and restaurants.

Compared to Canada, worker co-operatives in Israel are quite mature dating back to the turn of the century when David Ben-Gurion, later to become Israel's first prime minister, helped to found the Aut Printing Company of Tel Aviv. This maturity makes the Israeli experience instructive for worker co-operators in Canada.

The labour economy

Of particular interest is the relationship between worker co-operatives and organized labour. Israeli worker co-operatives are one small section of what

is referred to as the labour economy.

Estimated at about 22 per cent of Israel's GNP, the labour economy includes enterprises that are owned directly by the central labour federation (Histadrut) through its holding company, Chevret Ovdim (the association of workers). Among these enterprises are the large Bank Hapoalim (the workers' bank), Koor (a large marketing company), Soleil Boneh (Israel's largest construction company), department stores and many other holdings.

In addition, the labour economy includes self-managed economic units. Among these are: the 270 kibbutzim, with their community-owned economy consisting of agriculture and industry; moshavim — agricultural communities with co-operative purchasing, marketing and governance; and worker co-operatives.

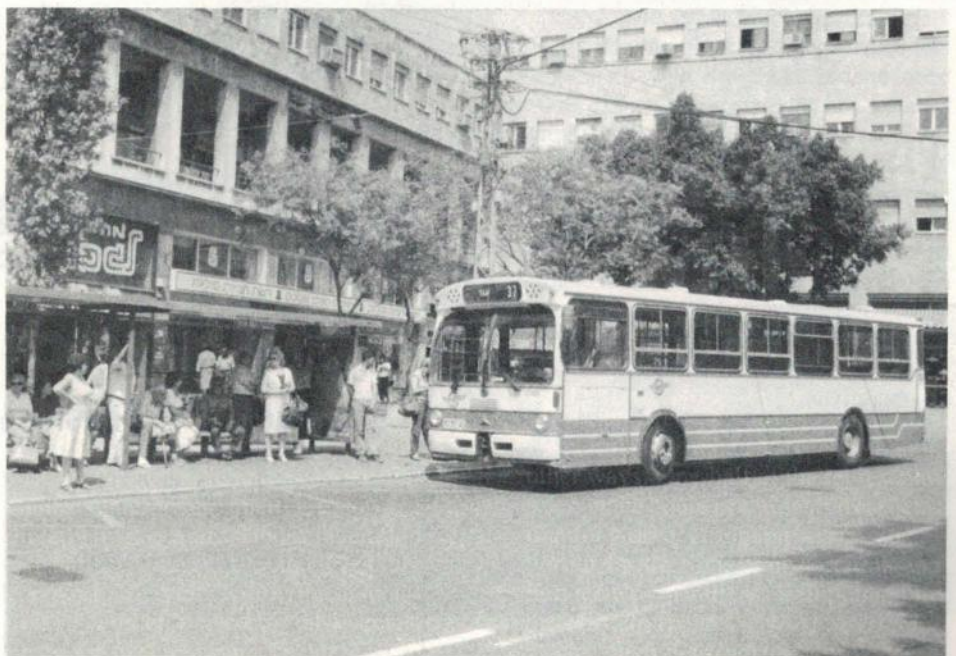
The relationship of worker co-operatives to the Histadrut is primarily political although there are proposals to develop the relationship more fully. As a result of belonging to the Histadrut, members of Israeli worker co-operatives may vote in Histadrut elections and are entitled to such benefits as service from the Histadrut-owned medical system.

Worker co-operatives and the Histadrut also relate to each other in other ways. One-half of the representatives on the board of the central association for worker co-operatives (Association of Production, Transportation and Service Co-operatives) is appointed by the Histadrut.

The central association provides a loose form of co-ordination, offers technical advice, lobbies the government and carries out annual audits of individual co-operatives. Generally, the central association does not interfere in the internal operations of an individual co-operative unless help is requested or the annual audit indicates that something is amiss.

Hired labour

The Histadrut also represents hired labour in salary negotiations and grievances with the members of a co-operative. For several reasons, hired labour is quite common in Israeli worker co-operatives. First, inflation in the value of membership shares has made it prohibitive for new workers to buy into companies, e.g., a share in the Egged bus company is valued at \$35,000 (U.S.). Second, worker co-



Passengers about to board an Egged bus in Haifa.

operative statutes require that all members be paid the same. This has created an incentive to exclude from the co-operative people whose jobs have a lesser market value than those of the members. For example, the office staff in the bus companies is usually hired labour. Third, it would appear that some co-operatives prefer to limit their membership.

This relationship between the Histadrut and worker co-operatives is obviously complex. For example, when the bus co-operatives and the government negotiate the size of the subsidy for bus transportation, the Histadrut supports the bus companies. When the bus companies want to raise fares, the Histadrut generally opposes. When salary negotiations occur, the Histadrut tries to assure that hired workers are paid as well as members (though usually without success). Occasionally, there are strikes by hired workers against the co-operative. In these strikes, the Histadrut represents the hired workers, even though members of worker co-operatives also belong to organized labour. Like other Israeli arrangements, the relationship between the Histadrut and the individual co-operative is not without problems, but it seems to work.

Joint ownership

There is also at least one example of partial ownership by the Histadrut in a worker co-operative. Argaz, "a worker co-operative" that manufactures furniture and assembles buses, is half-owned by the Histadrut. The reason that this came about is because Argaz, like other worker co-operatives, has been unable to absorb new members because its share value of \$25,000 (U.S.) is beyond the financial reach of its 850 hired workers. Argaz's 150 members, are aging and retiring. Thus, the company is being drained of capital needed to continue. Therefore, if the Histadrut did not take a financial stake in the company, Argaz would eventually have been sold to private investors, as have been many other Israeli worker co-operatives.

The inflation in share value is not the only reason that Israeli worker co-operatives could benefit from financial investment by Histadrut. Because the rate of inflation has been five to ten per cent per week, all financing is speculative. This makes it difficult for new worker co-operatives to finance themselves properly.

Therefore, to deal with the problem of inadequate financing and to create a pilot model that could be of interest to the Histadrut, the central association of co-operatives has established an innovative arrangement at the Achdut bakery in Tel Aviv. This 30-member worker co-operative is incorporated as two co-operatives.

The operations are owned in total by the members of the co-operative, according to the co-operative principle of one member, one voting share. In addition, the fixed assets of equipment and land are incorporated as a second co-operative, of which 60 per cent is owned by the central association and 40 per cent by the members of the bakery co-operative. The members of the bakery co-operative have the option of buying out the central association as capital becomes available.

According to Israel Ziv, the director of the central association, the Achdut model is very successful and efforts are being made to interest the Histadrut in putting up financing for other worker co-operatives using a similar arrangement. It is not clear that the Histadrut will support such an arrangement.

Furthermore, the central association is considering proposals for dividing shares so that share capital is more affordable to working people.

Relevance to Canada

The Israeli model for worker co-operatives is a product of the special circumstances that led to the creation of the State of Israel. Nevertheless, it is instructive to Canadians both for its pitfalls and strengths. In Canada, where organized labour is searching for

a way of preventing job loss from plant closings, the Israeli model shows that it is possible for organized labour and worker co-operatives to collaborate even though the relationship is not always harmonious.

There are similar possibilities in Canada. At minimum, there is the potential for a political alliance arising from the common concern that organized labour and worker co-operatives share over plant closings. In addition, there is the potential for a more fundamental economic alliance as in Argaz or as is hoped for using the Achdut model. Instead of a reactive strategy which foresees worker ownership as an alternative to plant closings, it is possible for organized labour and the co-operative movement to create a proactive strategy which involves joint investment models with groups of interested workers. Instead of attempting to resuscitate the corpse as is done currently, it is possible to nurture the development of a live body.

A concern of organized labour in investment models that support worker ownership is they could lead to divisions between workers and worker-owners — as is indicated by the Israeli experience. But in spite of this limitation, a joint investment model has the potential to increase job stability, productivity and the quality of working life. With the tremendous job loss that Canada is suffering because of plant shutdowns, can organized labour afford to maintain its traditional stance to worker ownership? The question is rhetorical, and the answer is "no".

WORKER OWNED AND MANAGED



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Catholic theology and worker co-operatives: The missing link

Worker co-operatives have been relatively well accepted in countries with a strong Catholic tradition such as Italy, Spain, France, Poland and Hungary. Quebec, with its predominantly Catholic heritage, is the only part of Canada with a significant number of worker co-operatives.

In the following article, Wally Brant, a former Jesuit and currently a part-time instructor at York University in Toronto, analyzes the link between Catholic teachings and worker co-operatives.

Wally Brant

Those familiar with the history of worker co-operatives are aware of the significant influence of some Roman Catholic clergy in their development. In Canada, best known are Fathers "Jimmy" Tompkins and Moses Coady of the Antigonish Movement and outside of Canada, Father Arizmendi-arriata of Mondragon fame. Are these and other Catholic promoters of worker co-operatives exceptions in their tradition or "faithful children of the Church"? The answer is both. They are in touch with an important thread in the social teachings of Catholicism and are

part of a small minority, at least in the northern hemisphere, who are actively implementing these teachings.

From the social encyclical *Rerum Novarum* of Pope Leo XIII in 1891 to *Laborem Exercens* of the present Pope John Paul II, the Catholic Church has had struggles with the "social question" and more specifically with the ideas of private property, ownership and work. Although the encyclical letters do not explicitly propose worker co-operatives as the best or only way to structure the workplace, nevertheless, they strongly point in that direction.

Laborem Exercens is also referred to by its major theme, the priority of labour. Several passages support greater ownership and control by workers of the means of production.

"In the light of the above, the many proposals put forward by experts in Catholic social teaching and by the highest magisterium of the Church take on special significance: proposals for joint ownership of the means of work, sharing by the workers in the management and/or profits of businesses, so-called shareholding by labour, etc. Whether these various

proposals can or cannot be adequately applied concretely, it is still clear that recognition of the proper position of labor and the worker in the production process demands various adaptations in the sphere of the right to ownership of the means of production."

This encyclical also talks about "socializing" the means of production and introduces an almost poetic view of productive property in discussing it as a "great workbench" produced by workers in the past.

"We can speak of socializing only when the subject character of society is insured, that is to say, when on the basis of his work each person is fully entitled to consider himself a part owner of the great workbench at which he is working with everyone else."

Worker participation

Striking is the insistence on worker participation and control and not merely ownership.

"...the person who works desires not only due remuneration for his work; he also wishes that within the production process provision be made for him to be



Father Moses Coady at the first people's school in Antigonish, 1921.

able to know that in his work, even on something that is owned in common, he is working "for himself". This awareness is extinguished within him in a system of excessive bureaucratic centralization, which makes the worker feel that he is just a cog in a huge machine moved from above, that he is for more reasons than one a mere production instrument rather than a true subject, of work with an initiative of his own.

This idea of people being subjects of work is a common one and goes at least as far back as 1944 when Pope Pius XII stressed that humans ought not be objects but subjects of social life. Those familiar with the work of Paulo Freire will not miss the similarity to his ideas on adults being subjects rather than objects of history.

Another principle that has direct implications for the governing structures of worker co-operatives is the principle of subsidiarity set forth in the encyclical "Quadragesimo Anno" in 1931. In summary it states that a higher organization or body ought not arrogate to itself functions which can be performed efficiently by smaller and lower bodies. Though this principle does not resolve the tension between centralized and decentralized decision-making, it does give some guidance in stating that people should have control over what they are capable of controlling.

The principles I have been discussing are directly related to the church's teaching regarding private property. Throughout its teachings the church has striven for a third ground between the "collectivism proclaimed by Marxism" and "the program of capitalism practiced by liberalism and the political system inspired by it." While upholding the right to private property, even of the means of production, "the tradition has never upheld this right as absolute and untouchable. On the contrary, it has always understood this right within the broader context of the right common to all to use the goods of the whole of creation. The right to private property is subordinated to the right to common use, to the fact that goods are meant for everyone."

Depersonalization

Later social teachings are equally critical of over-emphasis on either the personal or social function of property. Both result in a depersonalization of people.

"There is a depersonalization where by means of my property, I can refuse to treat another as a person. There is

depersonalization also where in the name of the social role which it ought to be playing, I empty property of all stable connection with persons, finally depriving them of all property and of almost all the advantages of property. It is necessary to come back to that truth which lies at the centre of the development of the papal teaching on property; that the personal and social functions of property are not only complementary, but are also contained each within the other."

Worker co-operatives are a means of balancing the personal and social function of property. In fact, Pope John XXIII comes close to saying this in *Mater et Magistra*: "By prudent use of various devices already proven effective, it will not be difficult for the body politic to modify economic and social life so that the way is made easier for widespread private possession of such things as...tools requisite for artisan enterprises and family-type farms, in investment enterprises of medium or large size."

This is a very rich passage. Work is what produces capital and the accumulation of capital over time is seen as a "great workbench" (mentioned earlier) at which workers continue their work.

Flowing from this discussion of depersonalization, I conclude with "the starting point of the social doctrine of the Church (which) is the dignity of the human person." Though this teaching is expressed in a belief system and with stories and myths that all do not hold, (i.e., humans are created in the likeness of God and are children of God), nevertheless, at the core of these teachings is what I call a belief in human transcendence. It is a belief that humans

share in the life of the divine and the creative force of the universe. Humans are seen as unique in the universe in that we become aware of this transcendence and choose to act on it. This human dignity is a given, not something we earn or acquire, it is something we are. Perhaps we are the stuff that worker co-operatives are made of.

Notes:

1. *Laborem Exercens* in Baum, Gregory, "The Priority of Labor", Paulist Press, 1982, pp. 123-4.
2. *ibid.*, p. 124
3. *ibid.*, p. 125
4. *ibid.*, p. 122
5. Calvez S.J., Jean-Yves & Perrin S. J., Cacques, "The Church and Social Justice", Henry Regnery Co., Chicago, 1961. p. 225
6. *Mater et Magistra*, 115. in Guerry, Most Reverend Emile, *The Social Doctrine of the Catholic Church.*, Palm Publisher, Montreal, 1961.
7. Calvez, p. 104.

A hot publication

A Third Way — Community Economic Development — is a 54-page resource book on alternative community enterprises in Ottawa. Included are an introduction to community economic development, an inventory and case studies of CED businesses and resource lists. After selling out the first printing and in response to continued demand, A Third Way has been reprinted. The price is \$2.50, with a 50 cent discount of bulk orders of at least 20 copies. Make payment to the Centretown Community Health Centre, 100 Argyle Avenue, Ottawa, K2P 1B6; Attention: Ms. Julia Croke; (613), 563-4771.



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Some "cons" about Mondragon: what the BBC neglected to say

Chris Axworthy

Mondragon is often talked about in hyperbolic, glowing terms. It provides the grist for so many pro-worker co-operative arguments. It is a remarkable economic success, but how does it rate as a worker co-op? A number of criteria might be looked at: Who controls the enterprise and how? What is the nature of the relationship amongst those involved? Is work fulfilling? In a nutshell are the worker-members in control of their workplace?

Control at Mondragon

There can be little doubt of the value of the Caja Laboral Popular (the central bank), to the development of the co-operatives at Mondragon. It has played a critical role in ensuring that good business practices are followed by individual enterprises and in ensuring low level of defaults on loans through careful assistance in the early planning stages of any expansion of the system, and continuing managerial, financial and marketing assistance.

Traditionally, co-operatives have been seen as more or less spontaneous creations. This is far from the case at Mondragon. Here co-operatives are only established with the assistance of the Caja after a thorough enquiry into the feasibility of the venture by the Caja's Empressarial Division.

It is important to emphasize that the Caja's loans are cheap — in some circumstances they are interest free. Consequently, the involvement of the Caja is attractive and may be absolutely critical to any new venture. The price paid for this is a considerable lack of spontaneity and independence on the part of the individual co-operatives.

So the role of the Caja reflects a very centralized managerial style. The ethos of the Caja resembles that of a stern parent. Much justification is required before any action is permitted by individual co-operatives. If the individual co-operative acts in accordance with dictates of the Caja, it will be assisted. The Caja acts as if it knows best what the individual co-operatives should do, want to do and aspire to.

In addition, the Caja is not impressed by the attributes of the members who make up the individual co-operatives — they are referred to as being uneducated, happy to have a job, not very knowledgeable about the activities of their co-operative and even of being peasants.

The relationship between the worker-members and their co-operatives appear to be less than desirable. Paternalism prevails in the attitude of management towards shop floor worker-members. The managers do not appear to have a constructive relationship with shop floor members

— the relationship seems to be a formal and traditional one without camaraderie or respect. It is certainly not a warm relationship. Actually, the factories are sufficiently environmentally hazardous as to indicate a marked lack of concern for the interests of shop floor worker-members. In short, the working conditions and attitudes at Mondragon do not exude much co-operative spirit.

Anti-trade union bias

There is also evidence of a considerable anti-trade union bias amongst the upper echelons at Mondragon. The social councils which exist in each factory and office are designed to fulfill the functions normally performed by trade unions and were established when trade unions were banned in Spain. These social councils are now used to support the view that unions are not necessary at Mondragon. The arguments presented replicate those made by anti-union employers.

The attitude towards expansion at Mondragon is interesting and is closely linked to the mechanism by which capital is made available to individual co-operatives. While individual co-operatives reinvest 90 per cent of their earnings, the system as a whole only uses about 35 per cent of its annual resources for co-operative investment. Of all the money flowing in to the Caja from the co-operatives and individual depositors at its branches, only 35 per cent is made available for co-operative investments. The remaining 65 per cent is invested in the private sector.

The system in fact makes little return on its co-operative investments but makes satisfactory returns on its private sector investments. It is these investments which are used to fuel the new developments at Mondragon. Mondragon is not self-contained financially. It is a heavily subsidized system.

The growth rate is necessarily slower than it would be if all of the resources of Mondragon were ploughed back into the system. The unemployment rate in the Basque region of Spain is more than 20 per cent, but in the Mondragon system only about 20 people out of a membership of 19,000 are out of work. Yet Mondragon has not sought to ex-



Mondragon through the camera of an idle tourist.

pand to meet the employment needs of fellow Basques, in spite of the much vaunted (but overrated) nationalistic traits of the system. It would seem that the system is more interested in consolidating its position than in expanding its benefits to its neighbours.

Conclusion

Mondragon is different, but is it a network of worker co-operatives? It is economically successful, but how does it fare from a co-operative point of view? This is an important issue because Mondragon is, and will be used as a model for worker co-operation development.

Viewed from a co-operative standpoint, Mondragon can be found lacking. Its control structure is striking for its rigidity. It is very much a case of the Caja deciding what will happen because the Caja's officials know best and will fund any developments which pass the tests they set. The system is heavily centralized and lacks spontaneity.

The organization is a conservative one which is developing slowly and cautiously and investing in the private sector in the process. It is anti-union

and does not appear to value its worker-members, their interests or their views. The relationship between members who are managers and those on the shop floor does not suggest a great democratization of the workplace.

A distinctive feature about Mondragon is its surplus distribution system. The earnings of a majority of worker-members are equal to or even a little higher than for comparable jobs in the surrounding area. In addition, members have credited to their capital accounts their proportional share of the surplus. This deferred income is available to the members upon retirement or leaving the area. The capital accounts are adjusted for inflation on a periodic basis. Thus, worker-members, through their efforts, are investing in, and benefitting from their investment in the co-operative.

But is surplus distribution sufficient for Mondragon to be referred to as a system of worker co-operatives? There is much in the way Mondragon operates which serves to call into question its co-operative features. It is not alone amongst co-operative movements in

this, of course.

Perhaps it is a mixture of success and longevity which explains the partial replacement of the co-operative dynamic with a more business-oriented one. This process may not be deliberate, but it seems to be widespread. If Mondragon is to be the beacon to the co-operative system, more attention to its co-operative features is called for. It is difficult to know how much of this Mondragon is capable of, whether it has the will to bring this about and even how much of it ever existed. After all, Father Arizmendiarieta, the guiding light behind the establishment of the Mondragon system was very much the paternal and guiding figure the Caja is today.

Chris Axworthy is director of the Centre for the Study of Co-operatives at the University of Saskatchewan. He visited Mondragon a year ago as part of a study group and is author of a monograph, Some reflections on worker co-operatives: Mondragon, France and Britain, available for \$2 from the Centre, Rm. 181, Diefenbaker Centre, University of Saskatchewan, Saskatoon, S7N 0W0; (306) 966-8503.

Book Reviews

FUTURE BREAD

by Dennis Clark
Merry Guben

How Retail Workers Ransomed Their Jobs and Lives, O&O Investment Fund, 119 Cuthbert St., Philadelphia, PA, 19106; \$12.50 (Cdn.)

Reviewed by **George Melnyk**

This book chronicles the story of how several supermarkets in Philadelphia became worker co-operatives. It was written by people involved in the O&O Investment Fund, a non-profit organization established in 1982 to encourage the development of worker co-ops.

The authors describe their book as a plea for "new institutions and a new ethic for the renewal of work life." They show how ordinary workers and trade unions can co-operate to acquire and operate businesses. In describing the specific case of the O&O supermarkets, they show how this experience can guide others.

The story begins in the early 1980's when the A&P food chain cut back operations. In little over a year, A&P

closed down 40 stores, some of which were in Philadelphia. The city had been experiencing an economic decline during the 1970's because its heavy industry was moving south or closing down. Closing the stores was just one more nail in the coffin.

The initiative to confront the closures came from Wendell Young, head of the United Food and Commercial Workers Union local. He proposed that the stores be taken over by the workers and then contacted various employee-ownership agencies to develop a specific approach for food stores.

Initially most employees of A&P were skeptical of his plans. But when he emphasized the goal of saving jobs, they listened. When it was announced that 600 union members had pledged \$5,000 each as seed money for purchase fund, A&P finally took notice. Eventually A&P signed a pact with the union called the "Quality of Life Plan", which was a modified Employee Share Ownership Plan with an option to take over some stores as worker-owned enterprises.

The authors make the point that

"most of the workers involved...had no grandiose visions. They were merely trying to secure their own futures." Out of innumerable meetings at which Sherman Kreiner of the Philadelphia Association of Co-operative Enterprises served as a consultant, a decision was made to open two stores under employee ownership. These came to be called the O&O supermarkets and were "the first 100 per cent worker-owned, union organized chain of retail food markets in the United States."

Although the authors encourage study of the O&O experience, they also indicate how ESOPs can help. At O&O a member is required to work in the business and to pay \$5,000 as a combined membership fee and personal equity investment. The equity share is needed to lever additional loan monies for the purchase. Members of O&O receive dividends based on the number of hours worked. There is only one share per member and on termination, a member's share reverts to the co-op. The co-op hires managers and non-owner workers. The authors point out how different the O&O structure is from ESOPs because of its strict co-

operative nature.

The authors concentrate on the union's role both before and after worker ownership. They argue that union membership is vital throughout the process. They claim that it protects the 'worker' part of the worker-owner by encouraging discussion of issues of worker interest, by ensuring industry standards in safety and health and by providing an independent resource for job classification, rates of pay and benefits.

The step-by-step process outlined in part two of the book is sufficiently detailed to be useful for the serious practitioner. The list of hurdles and pitfalls is well documented and the issues clearly spelled out. The authors emphasize the need for "supportive resources" to carry out a successful worker takeover.

Future Bread provides a well researched and readable introduction to worker co-op developments in the U.S. It is strong on co-operative principles. However, there are several drawbacks to the book. First, the authors are too intimately involved with the O&O experience to provide an objective evaluation of its impact. Besides, the book was written immediately after the experience. Too little time has passed to see how effective their model is in sustaining worker co-op principles and structures over the long haul.

Second, the emphasis on the professional leader means that the rank and file is treated in a cursory manner. The achievements of the officers were discussed, while those of the rank and file weren't. The book would certainly appeal more to ordinary workers by telling and analyzing their stories in greater detail.

Third, the book is American. Our situation differs from that of the U.S.: our co-op movement is different; we do not have the emphasis on ESOPs; and our industry faces different problems. All this must be kept in mind when reading *Future Bread*. Nevertheless, employees of co-operative retail grocery stores would find it of special interest.

George Melnyk lives in Calgary. He is the author of The Search For Community: From Utopia to Co-operative Society, just published by Black Rose Books of Montreal.

CARING AND SHARING

by Jean Gaffin
David Thoms

The Co-operative Union Ltd.,
Manchester, 1983, paperback
260 pp.

Reviewed by **Grant MacDonald**

Except for keeping alive the memory of past glories and occasionally reiterating the Rochdale principles there is little interest these days within the co-operative movement of its own history. Much of what has been forgotten is the stuff that allows us to see ourselves as part of a broader social movement, not just as a bunch of people pushing an alternative form of economic organization.

For this reason Gaffin and Thoms history of the Co-operative Women's Guild in Great Britain is a welcome addition to the literature on co-operation, not to mention an important contribution to the recovery of lost traditions in the women's movement. For those unfamiliar with the unique role women have played in the co-operative movement in the past, and are playing in social movements today, *Caring and Sharing* is an eye opener!

The Women's Co-operative Guild was formed in 1883 with the modest aim of giving the "wives of male co-operators" an interest in the movement in their role as consumers. As one of the few vehicles for women's participation in the "public sphere" the Guild was not long in an "auxiliary" role. By early in this century the Guild with over 60,000 members in branches across Britain, became a powerful voice for social issues both inside and outside the co-operative movement.

What early male historians of the movement (G. D. H. Cole, Sydney R. Elliot, Percy Redfern and A. M. Carr-Saunders) have alluded to in their own works, Gaffin and Thoms bring home: male co-operators have tended to stick to matters "purely co-operative in flavour" while women co-operators have used the movement as a way of organizing and lobbying for change on a wide range of social issues.

Since its inception the Guild championed such causes as improved maternity and general health care, better social assistance, divorce law reform, equal pay for women workers and peace and disarmament. It was women

more than men in the movement who pushed most vigorously for an international perspective, for extending the benefits of co-operation to the poor, and for stronger links with the trade union movement. The authors provide ample evidence that the Women's Guild has been the real "conscience" of the co-operative movement in Great Britain.

The authors depict the Guild as a "working class organization with middle class leadership" and as "reformist" rather than "radical" in its political orientation. They describe the Guild's organizational problems, and internal debates as well as its battles with the larger co-operative movement. Gaffin and Thoms show great admiration for Margaret Llewelyn Davies, General Secretary of the Guild from 1889-1921. Anyone who has read Davies' own wonderful writings would share this sentiment.

Caring and Sharing is valuable to us today in shedding some feminist light on what it means and what it takes, to be a social movement. Perhaps it will encourage some reflection on our co-operative past here in Canada.

Grant MacDonald is involved in adult education and community outreach at the Institute of Public Affairs at Dalhousie University in Halifax, Nova Scotia, B3H 3J5.



Youth Action Co-operative Ltd. Enjoying a successful summer

Candice Selby

In the last issue of *Worker Co-ops*, Bernadine Rudichuk reported on plans for a student worker co-operative in Saskatoon during the Summer.

Youth Action Co-operative Limited, as it is now called, is incorporated and has a board of five directors. Due to the huge success and overwhelming workload, Y.A.C. has expanded from eight initial working members to its present size of 10.

Some of the jobs that the co-op has been undertaking include: housesitting, yard work, office duties, babysitting, cleaning, work at the Saskatoon Exhibition, construction work, painting and much more. This wide variety of work provides members with experience in many areas and keeps their work interesting. The co-op provides its own training for the areas in which members lack skills. For example, training for painting and window washing has already occurred, and a training session for wall papering is planned for the future.

Client and worker

Another way in which Y.A.C. ensures customer satisfaction is by

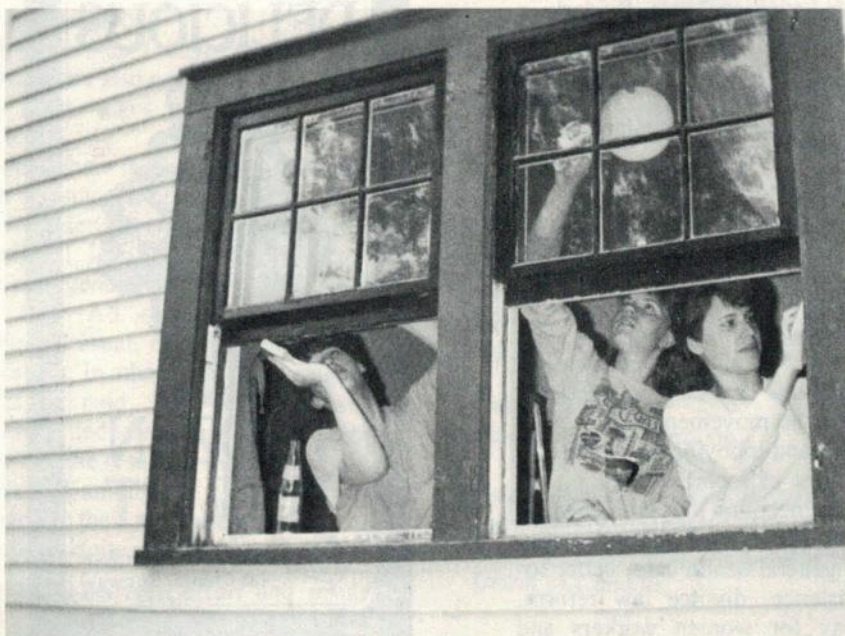
carrying out spot checks while a job is in progress. In this way, any problems that do arise are caught and can be straightened out before the job is finished. There is also a great deal of contact with the customer to elicit their opinions about a job.

The workers are very pleased with the amount of work they have been receiving as well as the philosophy of the co-op. They are proud to own their own business and to have equal say in decisions. They understand the importance of quality work to keep the good reputation that Y.A.C. has established with its clients.

This has been proven by the excellent feedback customers have given and the number of customers who have called a second time with more work.

Y.A.C.'s first job was painting a fence for Don Haworth who works for Saskatoon Federated Co-operatives Limited. Says Haworth: "My experience with Y.A.C. was most enlightening. The workers were dependable and their quality of work exceptional. I would have no reservations in recommending Y.A.C. to my family and friends."

Part-time work an option for fall



Youth Action Co-operative Ltd. members doing their thing.

Working members include: Jim Babych, Signy Gudmundson, Yvonne Hanson, Todd Hudson, James Letkeman, Patricia Marianovits, Penny Marianovits, Marion Nelder, Katrina Sarich, and Steve Semehyshen. All of these workers are students and will be attending high school or university in the fall.

Two people have been hired to work with this project: Candice Selby as coordinator and Lenard Bachman for public relations.

Y.A.C. has an office in the Co-operative Trust building for the summer. The workers have the option of continuing their business part-time after the summer and starting it up again in full force next year. This being the case, it has not been decided where their office will be located after August.

If you would like more information, please contact: Bernadine Rudichuk, manager, Saskatchewan Co-operative Youth Program, 141-105th St. W., Saskatoon, (306) 373-0474.

NASCO Training Institute

North American Students of Cooperation (NASCO) announces its 9th annual bi-national Co-operative Education and Training Institute, October 18-20 in Ann Arbor, Michigan. This annual conference aims at improving the skills of managers, directors, staff and members of food, housing, worker and student co-ops and credit unions.

The three-day training conference features in-depth courses along with a variety of shorter workshops covering a broad range of subjects of interest to both young and old co-operators alike. Course topics are geared toward different levels of experience — in introductory, intermediate and advanced. Close to 500 co-operators are expected to participate in Institute '85.

For further information, contact: **John Cohen**, NASCO, Box 7715, Ann Arbor, Mi. 48107; (313) 663-0889