WORKER CO·OP

The Voice of Economic Democracy in Canada

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Privatization

Empowering women: home healthcare

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Privatization: what's to be done?

The widespread privatization of Crown corporations and government services, both in the West and in Eastern Europe, raises many issues for advocates of worker ownership. One of these is the circumstances in which privatization should be supported.

The complexity surrounding this issue is reflected in the demise of Auxi-Plus in Montréal, an award-winning homecare worker co-op employing about 150 women. Auxi-Plus's contracts came primarily from government health clinics (CLSCs) that were under pressure from the provincial government to privatize their services by contracting them to outside organizations. Québec's labor movement fought fiercely against this policy because it has resulted in a loss of unionized jobs within the CLSCs. Eventually, labor succeeded in ending the contracting-out policy.

This is now the second major victory for Québec's unions against privatization. In 1985, they succeeded in getting the newly-elected Liberal government to reverse the plan of the previous Parti Québecois government to convert its 360 liquor stores to worker co-operatives.

This opposition to privatization by Québec unions should not be seen as an opposition to the principle of worker ownership. The Confédération des syndicats nationaux, whose locals took the lead in both of these battles against privatization, has established a consulting group in its head office in Montréal, which has organized 10 worker buyouts since 1988.

Similarly, in British Columbia, the government employees' union (BCGEU) fought without success the Vander Zalm government's privatization of the highway services in 1987 — 10 of the contracts eventually being taken by 8 employee-owned companies. Again the BCGEU's position, as Shane Simpson notes in a feature in this issue of the magazine, should not be seen as opposition to the principle of worker ownership. When the government decided to proceed with the plan, the BCGEU bid for the entire contract, and previously it had organized the B.C. Cafeteria Co-operative from a service associated with the provincial government.

In these examples, unions have been concerned about such issues as job security, remuneration, pensions, and union membership. Labor has supported worker ownership as a way to maintain union jobs, and it has opposed reductions of union jobs, pay standards, and pensions.

Another issue related to privatization that merits consideration is the structure of the company. There are employee-owned companies that are actually controlled by their workers (either worker co-operatives or conventionally-owned companies with widespread employee ownership), and there are other setups in which there is no effective employee control.

The worker co-operative may be suitable for small purchases, as occurred in Nova Scotia, for example, when three employees of the government-owned St. Peter's Fish Hatchery purchased the operation in 1987 and established the Salmonid Propagation Associates Co-op. However, the worker co-op structure is clearly inappropriate for purchasing large corporations. In these cases the large amounts of private financing needed would not be attracted to a worker co-operative.

As representatives of worker co-operatives across Canada meet in preparation for the formation of a national organization at the founding convention in Antigonish, Nova Scotia, April 4-7, 1991, issues related to privatization should be discussed. These issues not only speak to the relationship with organized labor but also to the definition of the worker-ownership movement. Clearly it is vital to the worker-ownership movement to have a good working relationship with organized labor; and clearly it is vital to have a vision that extends beyond the limitations of a worker co-operative.

These issues are very complex and require careful consideration; it is important that they not be avoided.

Jack Quarter
Editor

WORKER

CO-OP

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LETTERS

Where was the French?

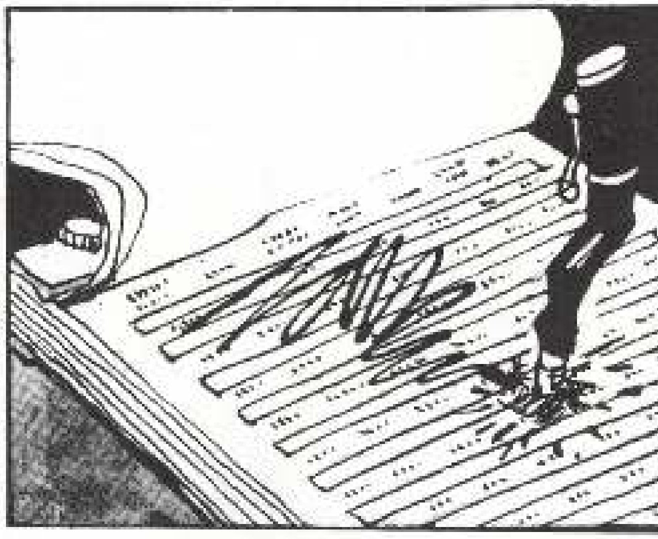
To the Editors:
I was concerned when the last issue of *Worker Co-op* appeared without its customary French section. Although I now understand that this was a one-time lapse, I would like you to assure your readers that *Worker Co-op* will retain its two-magazines-in-one format. This is a unique feature which provides both francophone and anglophone co-operators with a glimpse of what is happening in other parts of Canada. The French section of *Worker Co-op* is now my main source of information on developments in Québec's worker co-op sector; I would not want to see these pages disappear.

In co-operation,
Walter Schenkel
Lantana Non-profit Homes
290 Shuter St.
Toronto, Ont. M5A 1W7
(416) 366-3746

The missing French

For the second consecutive time, there is no French section in *Worker Co-op*. We apologize for this change. The Montréal-Laval CDR, which has been co-ordinating that section, has suffered a reduction in staff and is attempting to negotiate another arrangement for the French. For more information, readers can contact Richard Roussin or Pierre Allard, Montréal-Laval CDR, 3514 avenue Lacombe, Montréal, Québec H3T 1M1; (514) 340-6056. We sincerely hope that an alternative arrangement can be made very soon.

Jack Quarter
Editor



NZ PSA / CALM

Letters Welcome

Worker Co-op welcomes letters and conference information from its readers.
Write to: Jack Quarter, Ontario Institute for Studies in Education, 252 Bloor Street W., Toronto, Ontario M5S 1V6; (416) 923-6641, Ext. 2576.

Wonderful

To the Editors:
Congratulations on the latest *Worker Co-op*, which was a wonderful issue. I loved the international focus! What happened to the French section?

George Melnyk
New Lanark Consultants
301-14th St. N.W.
Suite 470C
Calgary, Alberta
T2N 2A1

Appealing

To the Editors:
While I am always enjoying reading *Worker Co-op*, the last issue was especially appealing to me. It had a report on Slovenia, the country of my origin, and some new information on Mondragon.

Rudolf Cujes
26 Xavier Drive
Antigonish,
Nova Scotia B2G 1G9

The Auxi-Plus Demise

To the Editors:
The news item in *Worker Co-op* (vol. 10, no. 1) on the closing of the Montréal homecare worker co-operative, Auxi-Plus, raises many issues about the contracting-out of provincial government services from Local Community Service Centres (CLSCs) — issues which our labor confederation, the Confédération des syndicats nationaux, has had to address. The CLSC network is part of the major social and health reforms introduced in Québec. The 158 CLSCs throughout the province are responsible for the provision of basic health and social services.

Each CLSC is headed by a board which reflects the characteristics of its community. The board is composed of the following representatives: four members elected by a general meeting of the CLSC clients; one member appointed by the Social and Health Services Regional Council upon recommendation of the regional voluntary organizations involved in health and social work; two members appointed by the Health Department after consultation with the most representative social and economic groups within the CLSC territorial limits; one person elected by the consultative council of the clinical personnel; one person elected by the nonclinical personnel of the CLSC; one person elected by the Physician, Dentist and Pharmacist Council in a CLSC; one person elected by the board of directors of the hospital, which is contracting with the CLSC; one person elected by the board of the centre for the aged related to the CLSC; one person elected by the board of the social services centre affiliated to the CLSC.

The originality of the CLSC resides in its holistic approach to providing health, social, and community services. The CLSCs are responsible for the implementation of the governmental home services program for persons whose self-sufficiency is declining, thereby preventing or postponing the placement of these persons in institutions. One hundred and twelve CLSCs (out of the 158) use a multidisciplinary team to provide assistance to families who have lost their self-sufficiency.

Fewer than half the CLSCs contract out services to private agencies or co-operatives. We disagree with the contracting out of such services by a CLSC. We believe that these services should be provided directly by the CLSC network. The multidisciplinary teams composed of doctors, social workers, nurses, physiotherapists, and ergotherapists should be maintained. The CLSCs who resort to private agencies do so because of inadequate governmental funding and in order to reduce costs. In fact, statistics show that private agency wage rates are lower than those paid to CLSC family-aid personnel.

When confronted with personnel cuts due to policies applied by some CLSC boards (and compounded by governmental underfunding), it is understandable that personnel on recall lists for CLSC jobs have decided to protect themselves as best they could against job uncertainty and substandard employment conditions offered by private agencies. They organized worker co-

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operatives such as Auxi-Plus in order to prevent private agencies from taking advantage of them by reducing wage rates, which are already too low. Auxi-Plus may have lessened wage differentials between CLSCs and private agencies. However, we still believe that the responsibility and the mandate given to the CLSC network — which is to supply "directly" health services with the assistance of others when required — remains essential in implementing a holistic approach to services which are adapted to each person's needs. Contracting out services to private agencies and co-operatives raises questions as to the consequences of these practices upon the quality of home services.

The Confédération des syndicats nationaux has always supported the development of consumer, production or worker co-operatives. But we consider that a family aid policy, which calls upon subcontractors in order to reduce costs endangers a holistic approach to services required by families, the aged, and by persons who are less autonomous. Moreover, we believe that contracting out promotes instability among staff because of low salaries and unstable working conditions.

Léopold Beaulieu
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Montréal, Québec H2K 4M5
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Leland Stanford

To the Editors:

Thanks for the fantastic job on the layout of my article on Leland Stanford in the last issue of *Worker Co-op*. It was quite a thrill to see.

Lee Altenberg
Duke University
Dept. of Zoology
Durham, North Carolina 27706

Call for papers

The Canadian Association for Studies in Co-operation (CASC) will hold its annual conference from June 3-5, 1991, at Queen's University. The conference topic, "Globalization and its Impact on Co-operatives," should be of interest to researchers and activists throughout the entire co-operative and credit union sector. Abstracts of proposed papers should be sent no later than December 31, to **Daniel Coté**, Centre de Gestion des Coopératives, École des Hautes Études Commerciales, 3333 Queen Mary, Rm. 640, Montréal, Québec H3V 1A2. For registration and housing information (mention CASC), contact: Secretariat, 1991 Learned Societies Conference, Queen's University, Kingston, Ontario K7L 3N6. To become a member of CASC, write to: **Doug Holland**, Canadian Co-operative Association, 275 Bank St., Suite 400, Ottawa, Ontario, K2P 2L6.

Workers' Self-Management

The Council of the International Association for the Economics of Self-Management is holding its 6th international conference at Cornell University in Ithaca, New York, on August 8-11, 1991. Presentations involving theoretical analysis, case studies, and formal empirical evaluation are invited. The conference is interdisciplinary. For more information contact Professor **Jan Svejnar**, IAFESM Co-ordinator, Dept. of Economics, University of Pittsburg, Pittsburg, Pennsylvania (PA) 15260, U.S.A.

Communal Studies

The International Communal Studies Association is holding its third conference on July 25-29, 1991, in Elizabethtown, Pennsylvania, at the Center for the Study of Anabaptist and Pietist Groups on the campus of Elizabethtown College. This conference draws academics and practitioners from communal associations throughout the world. For more information contact **Donald B. Kraybill**, Young Center, Elizabethtown College, Elizabethtown, Pennsylvania 17022-2298; (717) 367-1151, ext. 440; Fax — (717) 367-7567.

Canadian ESOPs

The National Center for Employee Ownership (NCEO) in the U.S. is organizing a conference for Toronto in late May or early June, 1991, "to inform businesses of some of the ways that Canadian firms may achieve some Employee Stock Ownership Plan (ESOP) benefits under existing federal law and to develop recommendations for federal ESOP legislation for Canada."

The proposed participants for the seminar, expected to last one and a half days, are business people, union officials, government representatives, and other interested people. Persons interested in either attending or participating should contact **Margaret Lund**, Director of International Projects, NCEO, 2201 Broadway, Suite 807, Oakland, California 94612-3024; (415) 272-9461; Fax (415) 272-9510.

Innovative rural communities

This conference, with a special emphasis on success stories, will explore how rural communities throughout the world are innovating to overcome problems facing them. Proposals for conference presentations should be submitted by year-end, 1990, to: **Floyd Dykeman**, Director, Rural and Small Town Research and Studies Program, Mount Allison University, Sackville, New Brunswick E0A 3C0.

Founding Convention

Representatives of worker co-operatives from across Canada will meet in Antigonish, Nova Scotia, April 4-7, 1991, to form a national organization.

*For more information about the founding convention contact should be made on a regional basis: West — **Marty Frost**, CRS, 3450 Vanness, Vancouver, British Columbia V5R 5A9; (604) 439-7977; Ontario — **Bob Allan**, SUMAC, 457 Palmerston Blvd., Toronto, Ontario M6G 2N9; (416) 537-6543; Québec — **Huguette Giard**, Les Nuages, 3827 rue Ontario est, Montréal, Québec H1W 1S5; (514) 526-6651; Atlantic — **Peter Hough**, Constructor's Co-op, R.R.#2, St. Peter's, Nova Scotia B0E 3B0; (902) 535-3129.*

Thank you

We would like to thank Marty Donkervoort for his invaluable contribution to *Worker Co-op* as the business and marketing manager and in many other ways. Marty has become the Senior Policy Adviser to the Minister of Energy and Natural Resources in the Ontario Government. We wish him well with his new position.

DONORS

CCA Education Foundation of Co-operatives, Co-op Atlantic, Co-operative Housing Federation of Canada, Co-operative Trust Company of Canada, Credit Union Central of Saskatchewan, The CUMIS Group, Drum Travel, Gay Lea Foods Co-op Inc., Mark Goldblatt, Skilled Trades Co-operative Society Limited, Universities and Colleges Credit Union (Toronto) Ltd., VanCity Savings Credit Union.

Add your name to the Worker Co-op donor box with a donation of $100 or more.

ACROSS THE COUNTRY

FOUNDING CONVENTION SET TO GO

Antigonish — Up to 10 delegates per province could be attending the founding convention for worker co-operatives in Canada, set for April 4-7, 1991 in Antigonish, Nova Scotia. Each province will be allotted one delegate per worker co-op up to the maximum of 10.

A broad definition of eligibility is being used. It includes producer co-ops with workers as members (e.g., fisheries and craft co-ops) and companies not incorporated under co-op legislation but which have by-laws similar to those of a worker co-op.

The founding convention is being organized by a national committee established at a meeting of worker co-op representatives in Ottawa last February. Marty Frost, General Manager of CRS in Vancouver and a committee spokesperson, says the goal is "an annual conference with a focus on education." Workshops on conflict resolution and compensation are already planned, and others are anticipated.

This convention will include the election of a five-person board with one representative each from B.C., the Prairies, Ontario, Québec, and the Atlantic.

Huguette Giard, the Secretary of the Québec Federation of Worker Co-operatives, has been representing Québec on the organizing committee. Given the Meech Lake fallout, there are now some doubts as to how much Québec's worker co-operatives (the largest group in Canada) will participate. For now, as Frost notes, "Our intention is to create a bilingual organization that represents Québec's worker co-ops. We plan to have simultaneous translation at the meeting."

Worker co-operatives joining the national federation will pay dues pegged at 15 cents per $100 of their total salary budget.

*For more information about the founding convention, contact the person in your region: West — **Marty Frost**, CRS, 3450 Vanness, Vancouver, British Columbia V5R 5A9; (604) 439-7977; Ontario — **Bob Allan**, SUMAC, 457 Palmerston Blvd., Toronto, Ontario M6G 2N9; (416) 537-6543; Québec — **Huguette Giard**, Les Nuages, 3827 rue Ontario est, Montréal, Québec H1W 1S5; (514) 526-6651; Atlantic — **Peter Hough**, Constructors Co-op, R.R. #2, St. Peter's, Nova Scotia B0E 3B0; (902) 535-3129.*

Last February, delegates to the Ottawa meeting of worker co-ops laid the groundwork for the founding convention in Antigonish, Nova Scotia, April 4-7, 1991. Photo: Maureen Laverty

THE GST BLUES

Ottawa — It is still uncertain whether the federal goods and services tax (GST) will be applied to the share capital of worker co-operatives. The co-operative sector is lobbying the federal government to have its share capital exempted from the GST. The Worker Co-operative Organizing Committee has been invited to participate in the co-operative sector's briefing of federal Finance Minister Michael Wilson.

Gary Rogers, taxation advisor to the Canadian Co-operative Credit Society, has been assisting the Worker Co-operative Organizing Committee's interpretation of the GST legislation. "I don't see anything in the legislation that would tax share capital in worker co-operatives," Rogers says, "but we have requested a written opinion from Revenue Canada and are awaiting a response."

*For more information contact **Bob Allan**, SUMAC, 457 Palmerston Blvd., Toronto, Ontario M6G 2N9; (416) 537-6543.*

UIC CHANGES

Winnipeg — The national organizing committee for worker co-operatives has been lobbying the federal government to make sure that the amendments to the Unemployment Insurance Act which provide incentives for self-employment also apply to worker co-operatives. Under the amended federal legislation, an unemployed worker who starts a business can receive $200 a week for the first year, in lieu of unemployment insurance.

Members of worker co-operatives are eligible for this payment under the federal Community Futures program. This would apply in 30 high unemployment areas in Canada, but not in the rest of the country. The national organizing committee is lobbying to have the self-employment incentive applied throughout the country to those wanting to start a worker co-operative.

*For more information contact **Peter Hough**, Constructors Co-op, R.R. #2, St. Peter's Nova Scotia B0E 3B0; (902) 535-3129.*

UNION STUDIES WORKER BUYOUT OF CN

St. Catharines — The largest union at Canadian National Railways is launching a feasibility study of a worker buyout of the Crown corporation. The United Transportation Union (UTU), representing 10,000 of CN's 38,000 employees, is anticipating that the federal government will privatize CN and possibly sell it to Canadian Pacific or a major American railway.

Over the past five years CN has downsized its operations, shedding hotels, a communications subsidiary, numerous other properties and investments, and its trucking operations (now the subject of a criminal investigation because of the manner in which it was bankrupted by the entrepreneurs who bought it from the government). In total, 13,000 CN workers have lost their jobs, and it is anticipated that another 5000 jobs will be lost by 1993.

UTU General Chairperson Tom Hodges has been pushing the feasibility study proposal among the 14 unions representing CN workers. Recently he stated: "While we are not advocating the purchase of CN Rail by its employees, it is important that we have all the facts available to us should it be necessary for CN Rail employees to protect themselves against the purchase of CN Rail by CP Rail....A feasibility study, which can be expected to take up to two years to conduct, will enable us to make a more informed decision with respect to the options available to employees."

CN would be an expensive proposition for any purchasers. According to its 1989 annual report, it has assets of $8.14 billion and debt of $3.17 billion. In 1989, CN declared a profit of $205.8 million on revenues of $4.2 billion.

*More information is available from **Tom Hodges**, General Chairperson, United Transportation Union, 55 King St., Suite 600, St. Catharines, Ontario L2R 3H5; (416) 641-2770.*

CN

ACROSS THE COUNTRY

In the Atlantic

TAXI CO-OP

St. John's — After a year of planning and cutting through red tape, 25 taxi drivers have launched the St. John's Co-operative Taxi Society, Ltd. in Newfoundland's capital city. The members own their taxis individually, but they have formed the taxi co-op to provide dispatching, advertising and promotion, service and safety standards, health benefits, workers' compensation, and a revolving loan fund for emergency repairs.

The primary reason for forming the co-op was that taxi-stand owners were earning large profits and providing minimal service. A steering committee of 10 drivers worked for a year with the assistance of the Newfoundland and Labrador Federation of Co-operatives (NLFC) in planning the co-operative.

As Jim Winter, development specialist at the NLFC says, "After a long battle with city hall the drivers won the right to own their stand, much to the consternation of the large stand owners. The little guy won over the big guy and persuaded city hall to change its rules."

Winter predicts that there will be 50 drivers in the co-op within a year, and he believes that the co-op will start its own service station in the near future.

For more information contact ***Jim Winter****, Newfoundland and Labrador Federation of Co-operatives, The Co-operators Building, Crosbie Place, P.O. Box 13369, St. John's, Newfoundland A1B 4B7; (709)726-9431.*

Cast and crew of Mulgrave Road Co-op Theatre's production of *The Sewer Show*. Mulgrave is renowned throughout Atlantic Canada for its witty productions. Photo: Paula MacMillan

Nova Scotia News

By Peter Hough

CDC PERSISTENCE PAYS OFF

Cape Breton — The Community Development Co-operative (CDC) of Nova Scotia has landed on its feet. When the CDC learned in July that the provincial government wouldn't contribute to the CDC's new initiative to develop worker co-ops, the directors responded with two successful initiatives — a fundraising drive, and lobbying to reverse the province's decision.

The fundraising committee approached all Nova Scotia credit unions and large consumer and agricultural co-ops. Nearly half of the respondents have pledged support for the full three years of the initiative. Many groups attended a meeting where CDC outlined its work and the potential for worker co-ops to contribute to the development of communities. Members of the fundraising committee have also had favorable responses from church-affiliated groups whom they've approached.

In response to lobbying by worker co-ops, community organizations, and the Nova Scotia Co-op Council, the province has pledged $25,000 to the CDC in the current fiscal year.

This and the financial support received from the co-op sector mean that the CDC can carry on its work with renewed vigor.

Even with limited resources, CDC has accomplished many of the goals set out in the original development proposal. Last year, seven of eight projected new worker co-ops were incorporated with the CDC's assistance. This year, with additional resources, the CDC will establish training and monitoring programs for new co-ops, helping to ensure their success.

VILLAGE GROCERY OPENS

St. Peter's — The people of St. Peter's once again have a major grocery store, and this time it's a worker co-op. The Village Grocery Worker Co-op opened last November, replacing the former Foodland store and adding one more co-op enterprise to a growing number in the area.

Many of the 15 worker-members had previously been employed by the local Foodland franchise, but deteriorating management-employee relations led to a protracted strike when their first contract negotiations failed last January. Late last spring Foodland's manager resigned his franchise, leaving the employees on strike but with no one to bargain with.

The situation created hardship not just for the workers, but for the whole town. With Foodland closed, residents had to travel 30 miles to the nearest comparable store. This was difficult in bleak winter weather, particularly for senior citizens.

Local municipal councillor Clair Rankin, Manager of the Green Butler Landscaping Co-operative, proposed the worker co-operative option to the striking employees. Fred Pierce, Director of the co-operatives branch at the Nova Scotia Department of Small Business Development, approached TRA Foods, which controls the building, about a worker co-op running the store.

The workers were interested, if they could retain their union affiliation. By the middle of September, they had reached a tentative agreement on the store's lease and inventory with TRA Foods. The workers prepared the co-op's incorporation papers, developed a union contract to regulate wages and working conditions, and named a management team and board of directors to complete the negotiations and prepare for the store's startup. The agreement between Village Grocery Workers Co-op and TRA Foods was signed in late October. The worker-members are now working hard to make a success of their new venture.

MULGRAVE ROAD GETS READY

Guysborough *(Atlantic Co-operator)* — Mulgrave Road Co-op Theatre is getting ready for another season. The highlight of the 1990-91 season will be the main-stage production, *From Fogarty's Cove*, based on the musical imagery of Stan Rogers, who had family roots in Guysborough County, N.S.

Events scheduled for the 1991 Summer Theatre Festival include a musical cabaret, Roadies Theatre School, and the popular Guysborough Come Home Week Family Street Fair.

In the spring during April and May, Mulgrave Road will tour the Maritimes with *The Sewer Show*, currently being revised by Haligonian Sudsy Clark.

After reviewing the accomplishments of the theatre and its future plans, Jenny Munday was unanimously re-elected as Artistic Director for a third year. Donna Wellard has joined the theatre staff as General Manager. She has worked extensively in the United Kingdom as an arts administrator and publicist. Paula MacMillan, Mulgrave Road's Tour Co-ordinator and Publicist, and Michael Gosbee, the theatre's Administrator/bookkeeper, complete the management team for 1990-91.

Peter Hough is Manager of the Community Development Co-operative (CDC), R.R. #2, St. Peter's, Nova Scotia B0E 3B0; (902) 535-2033.

Five women in Evangeline, P.E.I., have created a thriving business producing clothing for children and adolescents. Camilla Richards of Les P'tits Acadiens shows how it's done.
Photo: *Atlantic Co-operator*

P.E.I. News

ISLAND EXPERIMENTS

By Frank Driscoll

Charlottetown, P.E.I. — The most recent study tour to Mondragon has inspired a new working group to look at those aspects of the Mondragon experiment that might be adapted to the Island. The team will follow up on recommendations contained in a report by tour members. The tour was organized by Greg MacLeod of the University College of Cape Breton.

Working group members are Dave Campbell of the Co-operative Union of PEI, Claudette Gallant of the Le Conseil Co-op de l'I.-P.-E., and Bob Gregory of the P.E.I. Credit Union Central. Gregory will chair the group, which has already had one meeting. While no specific timetable has been established, the group will meet regularly and will soon make specific recommendations for an action plan to implement some local Mondragon-style experiments.

*For more information contact **Frank Driscoll**, Provincial Manager of Co-operatives, P.O. Box 2000, Charlottetown, Prince Edward Island C1A 7N8; (902) 368-4411.*

By Elizabeth Cran
(Atlantic Co-operator)

YOUTH CO-OPS CATCH ON

Tignish, P.E.I. — Two recent incidents in the Tignish-Palmer Road areas of western Prince Edward Island suggest youth involvement and interest in co-ops is catching on.

During July, the Palmer Road Youth Service Co-op, a worker co-op for youth between 14 and 16 years of age, made more money for its members than in the whole summer of 1989. The members, a boy and three girls, stacked wood, babysat, cut grass, and cleaned houses.

August was less active but the co-op's future, which was in doubt a year ago, now seems safe provided it can continue to get funding for an adult counsellor each season.

In August, another youth group showed its interest in co-ops in a different way. The 10 members of the Work Orientation Workshop (WOW) program in the Tignish area donated $183, which they had raised by holding a car wash and a "kids day," to the newly formed Tignish Community Transportation Co-op.

The WOW program helps young people who are finding school difficult to explore job possibilities, learn job hunting and life skills, and spend four weeks working for a local employer. In addition, this particular WOW group wanted to try its hand at fundraising.

The choice of Tignish Community Transportation Co-op as recipient was a thoughtful one, as the Co-op is working to raise $25,000 to provide a van for transporting elderly and disabled people in the area.

A NICHE IN TIME

Urbainville, P.E.I. — After struggling to find its niche in the Island economy, Les P'tits Acadiens co-op of Urbainville is now busy much of the year making sports clothing for schools and programs, including next year's Canada Winter Games. Manager Camilla Richard says the five members of the worker co-op now spend their days making fleece tops and pants and a few nylon items. All the work is done to fill custom orders, and Richard says they're always ready for new customers.

It's a far cry from the co-op's original intention, which was to make affordable, attractive children's clothing. Members found they couldn't produce the clothes for the prices people like themselves could pay, so they turned their attention to sweatshirts and pants and found a ready market. Les P'tits Acadiens is the only all-women worker co-op on the Island, and one of the most stable. Without much publicity, its members are making a living — and a distinctive product too.

ACROSS THE COUNTRY

THINKING ORGANIC

Charlottetown — Seeking markets for organic farm produce is the first goal of members of Abegweit Organic Co-op, chartered earlier this year. It's applying for funding to carry out a market research project aimed at off-Island centres and featuring organic potatoes and cole crops (such as cabbage).

The six-member co-op is made up of four organic producers, a baker who uses only organic products, and a man who intends to make organic sauerkraut.

La Belle Province

By Claude Carbonneau

SDC MANDATE TRANSFERRED

Québec City — Gérald Tremblay, Minister for Industry, Commerce and Technology, has tabled the bill which will see the mandate and staff of the Société de développement des coopératives (SDC) split between Tremblay's ministry and the Société de développement industriel du Québec (SDI).

As noted in the Spring issue of *Worker Co-op*, several Québec co-op federations fear that the transfer will considerably reduce the services available to co-operatives in the province. They also foresee being marginalized within a structure that usually deals with large-scale projects.

WORKERS INVEST IN TREE TOP SUCCESS

S. Munger, Ltée., on the cutting edge of forest equipment manufacturers, recently moved ahead of the competition by developing, manufacturing, and marketing an innovative tree top cutter. Twenty-two workers have formed a co-op to invest in the future of this enterprise. Collectively they hold 20 per cent of the company and have a seat on the board of directors. This partnership with the company's founders and several local investors will create a new dynamism that can only help the business.

MORE AMBULANCE CO-OPS

Rivière-du-Loup — Twenty workers in Rivière-du-Loup have formed Québec's sixth ambulance co-operative. All of these co-operatives have been formed by union locals in the Confédration des syndicats nationaux (CSN) with the assistance of the consulting group at the CSN's head office in Montréal. These co-ops have been formed since 1988, shortly after the CSN created its consulting group.

Léopold Beaulieu, president of the consulting group, views the CSN's decision to organize worker co-operatives as "part of a broader struggle by workers to control their jobs and to ensure greater democracy in the workplace." To date the CSN has invested $25 million in worker co-operative projects by using the savings in CSN-controlled credit unions and caisses populaires.

The other ambulance co-operatives are in Montréal-Laval, Montréal's South Shore, Trois-Rivières, Québec-Chicoutimi, and Hull. In total they represent about 70 per cent of Québec's ambulance business.

*For more information contact **Léopold Beaulieu**, CSN, 1601 De-Lormier Ave., Montréal, Québec H2K 4M5; (514) 598-2275.*

MANICOUAGAN-OUTARDES EXCEPTIONAL YEAR

(Le Co-opérateur forestier) 1989-90 turned out to be the most successful year ever for forestry co-op Manicouagan-Outardes, now celebrating its 10th anniversary. The excellent fiscal return will speed up plans for its long-awaited sawmill. Construction of the sawmill means the business will be able to negotiate long-term contracts with buyers, ensuring the co-op's future and resulting in more secure employment for members.

__Claude Carbonneau__ is the Communications Director of the Société de développement des coopératives, 430 Chemin Ste. Foy, Québec G1S 2J5; (418) 687-9221.

The Ontario Beat

By Judith Brown

ONTARIO ASSOCIATION

Toronto — After a year of informal meetings, the Ontario Association of Worker Co-ops (OAWC) has decided to incorporate. Founding members include The Big Carrot, Jubilation Bakery, Handyworkers Co-op, Just Work, Origins, Our Times, and SUMAC. Several other co-ops are also interested. The OAWC is a member of the Ontario region of the Canadian Co-operative Alliance, with Bob Allan liaising between the two organizations.

The OAWC has already presented a brief to Peter Kormos, Ontario's new Minister of Consumer and Commercial Relations, regarding the federal and provincial Co-operative Ministers Meeting held last October. The Association would like further meetings with the minister to discuss issues affecting worker co-ops in Ontario.

Association representatives also met with Secretary of State officials to promote co-operative options in programs for natives, women, people with disabilities, and multicultural groups.

A HIGH TEA

Toronto — Origins, the federally-incorporated organic-foods marketing co-op, hosted its grand launch on October 19 at Natalie's House Cafe in Toronto. Guests, mainly from the organic food community, were treated to tea and English muffins with Origins's delicious raspberry and apricot spreads. Origins homemade jute string bags, handmade by village women in Bangladesh, were also on display.

Mary Lou Morgan and Russ Christianson, the principal members in Origins at this point, are optimistic about the co-op's potential. They also see a mammoth job ahead in organizing organic farmers under a common marketing label.

*For more information contact **Origins Co-operative Inc.**, R.R. #2, Mitchell, Ontario N0K 1N0; (519) 393-5238. Origins is seeking additional investors.*

DISTRIBUTOR TO BE WORKER-OWNED

Windsor — Windsor Factory Supply (WFS), a distributor of tools, agricultural and mill supplies, should be 100 per cent employee-owned by 1995. Workers currently hold 49 per cent of company stock. The new ownership structure, while not a co-operative, will limit any one employee's stock holdings to six per cent and formalize means of worker participation.

At present, worker input is through informal channels. There are no official job titles at WFS and, with few exceptions, workers move into positions of increasing responsibility from within the company. Everyone starts at the bottom and moves up. All of the more than 100 eligible employees plan to become worker-owners.

GOOD TIMES FOR TORONTO CO-OPS

Our Times reports a very good year. The co-op has expanded its membership, purchased a press, and updated its computer system to keep up with demand. Members recently accepted a new collective agreement which features a pay increase and a retirement savings plan. Our Times uses a high percentage of recycled paper and vegetable inks. Much of the company's business comes from organizations seeking environmentally friendly products.

Just Work has recently completed a business plan for another environmentally-sensitive worker co-op. The new business will provide recycling services.

SUMAC Consulting had a busy fall and may hire a fourth member. Recent projects included discussions with three groups interested in setting up a national cooperative food store.

Jubilation Bakery has been adding about one new store a week to distributors of its natural food products. Loblaws is the most recent chain to show interest. Workers at St. John's Community Centre, who make some of Jubilation's products, have purchased new equipment to keep up with demand.

Mary Lou Morgan of SUMAC Consulting spoke at a mid-November conference sponsored by the Social Investment Organization of Ontario. The conference focused on social investment and the environment.

Marty Donkervoort of Coady Consulting is now a forestry policy advisor for Bud Wildman, Ontario's new NDP Minister of Natural Resources.

***Judith Brown** is a doctoral student in Community Psychology at the Ontario Institute for Studies in Education, 252 Bloor Street West, Toronto, Ontario M5S 1V6; (416) 923-6641, ext. 2576.*

Ed Connery, Manitoba's Minister of Co-operative Development, strongly praised worker co-ops at the Co-op Ministers Conference.

On the Prairies

NO NEW AGREEMENTS AT CO-OP MINISTERS CONFERENCE

By Dan Nicholson

Souris, Manitoba — Manitoba's Minister of Co-operative Development, Ed Connery, didn't win any new agreements at the Co-op Ministers Conference held Oct 13 and 14 in Winnipeg, but not through any lack of effort. Says Connery, "We didn't come to any conclusions on the items which were under study. We have no agreement on worker co-op funding...federal funding for housing co-ops is still not in place."

Connery says that the province will continue to incorporate co-operatives in the housing and health care sectors unilaterally. The province will continue to incorporate worker co-ops as well. Connery notes, "We've lost no money on the worker co-op program since it was initiated. Worker co-ops appear to be viable enterprises and should be encouraged where applicable."

Connery felt that worker co-ops provide an opportunity for worker-sponsored buyouts of existing businesses, and the potential for real economic growth in the future. The Minister did indicate that the federal Co-operative Secretariat would be putting out a report on taxation as it affects worker co-ops in Canada.

Peter Hough, National Worker Co-op Committee representative to the conference, praised Connery for his support of worker co-operatives at the national level. "It's unfortunate," he noted, "that ministers for co-operatives across this country don't show as much commitment to their portfolios." Hough noted that there was a general consensus among the officials present that the Self-Employment Initiative provisions in the new Unemployment Insurance Act should include worker co-ops.

***Dan Nicholson** is president of Souris River Communications Co-operative Ltd., Box 490, Souris, Manitoba; R0K 2C0; (204) 483-2335.*

BIGGAR BUYOUT

Biggar *(The Independent)* — There has been another employee buyout of a closing plant in Saskatchewan. Employees at Univision industries have purchased the plant in Biggar and have established Westline Manufacturing Limited.

Twenty-two of Westline's 29 employees have a financial stake in the company, which manufactures highway trailers (flatdecks for hauling steel and grain) and markets them in Canada through a coast-to-coast dealer network. The purchase price of $2 million was arranged through a complex financial package involving worker contributions averaging $10,000, and which included participation of the Saskatchewan Economic Development Corporation, the Biggar Credit Union, the provincial Labour-Sponsored Venture Capital Program, the Small Business Investment Program, and the Royal Bank.

No union is involved. The six-person board of directors has a stakeholder structure — two representatives of employees, two for management, and two outsiders selected by the other board members.

Univision originally had two plants in Saskatchewan. Its other plant in Humboldt went into receivership in September.

Gord Lehne, President of the employee-owned company in Westline, was originally a general manager and part-owner of Univision. Lehne says, "I was skeptical at first about an employee buyout." But now he has changed his mind and feels that employee participation has been a good thing: "We're definitely ahead of the competition. With employee participation, production has gone up 25 to 30 per cent. Each person provides his or her own quality control. If we show a profit everyone benefits."

Westline has about 25 per cent of the flatdeck market in Western Canada, an industry that is in a slump because of the depressed economy. The Westline buyout was assisted by the consulting company Camberlain, Broton and Orr, the same firm that prepared the business plan for the employee buyout for the Great Western Brewery in Saskatoon.

In its first year, Great Western has received awards from Saskatchewan Business Magazine and from the Saskatchewan Chamber of Commerce. Having consolidated its position in Saskatchewan, it is now preparing to move into the Manitoba and Alberta markets.

*For more information on Westline, contact **Gord Lehne**, President, P.O. Box 879, Biggar, Saskatchewan, S0K 0M0; (306) 948-3344.*

MANITOBA WORKER CO-OPS PLAN CENTRAL

By James Ritchie

Souris, Manitoba — Representatives of five Manitoba worker co-ops are planning a second-tier co-op, tentatively called the Workers Development Co-operative of Manitoba Ltd. Founding members are Phoenix Reforestation, Working Margins, PRT Manufacturing, DSI Tandem, and Souris River Communications. The new co-op will buy and sell common services on behalf of its member co-ops, assist with business planning, accounting, and financing, and generally promote co-operative development.

The definition of membership proved difficult when drafting the incorporation documents. ▶

ACROSS THE COUNTRY

The problem for a second-tier co-op is how to reconcile the interests of the individual co-ops it serves with those of larger co-op systems (such as Federated Co-operatives, Credit Union Central, government, etc.) with which it must work. The five worker co-ops were not completely satisfied that they had answered these concerns.

The steering committee's major task is writing a first business plan, including a budget for the new organization and goals for co-operative development. The relationship of some co-op systems to the new group will depend on what sort of activities the business plan includes.

The founding co-ops are engaged in silviculture, consulting, electronic wiring, harness manufacture, housing co-op creation, and rural media.

James Ritchie is a member of Souris River Communications Co-operative Ltd., Box 490, Souris, Manitoba, R0K 2C0; (204) 483-2335.

The B.C. Desk

FORESTRY BLUES

Victoria — Workers at Victoria Plywood have gone on a two-day week to keep the co-op afloat in a depressed forestry market. Victoria was a controversial buyout of a Canadian Pacific Industries subsidiary in 1985. To make the buyout a success, the employees took a wage cut from $15 to $8 per hour. The International Woodworkers Association (IWA) opposed the buyout under those conditions, and its local at Victoria was decertified by the co-op.

Victoria had been doing very well until the current downturn in the market. The co-op made record profits last year, which meant $6 per hour bonuses ($10,000 for some workers) at year end.

The forestry industry in Canada, which relies heavily on exports to the U.S., has been hurt badly by American competition. Lamford Cedar, a west coast worker buyout that incorporated a year after Victoria Plywood, closed in June of 1990. Its workers were also involved in IWA locals. Nevertheless, the IWA has recently participated in another worker buyout at West Coast Plywood in Vancouver, formerly a subsidiary of Weldwood. Its president, Lance Ripley, echoes the lament that "it's a tough, tough market. Lower labor costs in the U.S. are making their products cheaper." Nevertheless, Ripley remains optimistic and promises, "West Coast is hanging in."

PRESSING ON
By Pam Tranfield

Vancouver — Press Gang Printers of Vancouver have signed a second contract with the Communications Workers of America. "Since joining the union and signing our first contract, we're dealing with businesses and associations that wouldn't print with us before because we didn't have a union bug," says worker Dorothy Elias.

The Communications Workers, a member of the B.C. Federation of Labour, were amenable to the Press Gang's collective structure. "There are some pretty progressive people in this union, and our interests were not at odds," notes Elias.

Press Gang, a feminist collective formed in 1974, originally did both publishing and printing. In 1986 the groups split into separate collectives.

The other offshoot, Press Gang Publishers feminist co-operative, launched four new titles in 1990, double the number they usually publish in a year. They also reprinted four titles, again twice as many as usual. "This is a major step for us," says collective member Barbara Kuhne.

"Members took out personal loans and we increased our line of credit. We would like to see revenue generated from these publications, and we have every reason to be optimistic that they will be successful."

The four new titles are *Proper Deafinitions* (sic) by Betsy Warland, *Scuttlebutt* by Jana Williams, *Sojourner's Truth* by Lee Maracle, and *Telling It: Women and Language across Cultures* edited by Sky Lee, Lee Maracle, Daphne Marlatt, and Betsy Warland.

POPULAR UPRISING

Vancouver — Uprising Breads Bakery, part of CRS Worker's Co-op in Vancouver, closed for a few days last fall and reopened with a new look: $30,000 worth of renovations have resulted in higher ceilings, black-and-white checkered floors, new self-service bread racks, and more accessible coolers.

"We want to provide attractive surroundings for our customers and workers, and easier access to our products," says Marty Frost, Manager of CRS. The new environment should help increase retail sales at the bakery by 16 per cent this year. "We expect to see the money spent on renovations returned by bringing in new customers and offering the old customers better service and convenience," he says.

Frost estimates that Uprising Breads grossed more than $1 million in sales in the 1990 fiscal year, $650,000 of that in retail sales.

Pam Tranfield is a member of CRS worker co-op, 3450 Vanness, Vancouver, B.C., V5R 5A9; (604) 439-7977.

B.C. WORKER CO-OPS MEET
By Shane Simpson

New Westminster, B.C. — In late September the Worker Ownership Resource Centre (WORC) hosted a meeting of seven B.C. worker co-operatives. It was an opportunity to share information on each other's activities and common issues. As well, WORC reported on its activities and plans for the coming year.

In consultation with the co-ops, WORC prepared a B.C. response to the *Proposed National Strategy for the Development of Worker Co-operatives*, a report to the Co-operative Ministers Conference. The response focused on legislative and programmatic changes needed to enhance worker co-op development, called for financial support for development resources, and for venture or equity financing. It was delivered to Mel Couvelier, the B.C. minister responsible for co-ops, prior to the national conference in October.

Those at the meeting also discussed establishing a regional organization and will meet again on that topic in the near future.

STOCK OWNERSHIP NEWS

New Westminster — To encourage employee stock ownership, the B.C. government has passed the Employee Investment Act. Individuals can now invest directly in the company that employs them through the Employee Stock Ownership Plan (ESOP), while employee groups can purchase shares in their own Employee Venture Capital Corporation (EVCC), which in turn invests in specified sectors of the provincial economy.

As an incentive, the B.C. government allows employee investors a 20 per cent provincial tax credit on investments, to a maximum of $2,000 per year and a lifetime maximum of $10,000. In addition, a 20 per cent federal tax credit is available for EVCC investors, to a maximum of $700 annually.

The plan requires investments to be locked in for periods of three to five years. It also requires that investment be in voting shares and not have limited risk. The plan excludes major shareholders from participating. To date, four companies have established ESOPs and one company has an EVCC.

Shane Simpson is the Executive Director of the Worker Ownership Resource Centre, 102 – 713 Columbia St., New Westminster, B.C. V3M 1B2; (604) 520-3341.

AROUND THE WORLD

SPAIN

EEC jitters

By Paul Gibbard

Mondragon (Trabajo y Union) — The Mondragon Group of co-operatives has become preoccupied with competitiveness and reorganization as a result of integration into the European Economic Community. To date, Spain has been the major market for Basque exports. However, economic integration with Europe has meant that high protectionist barriers have fallen and foreign producers are making great inroads into the Spanish and Basque markets.

In the last five years, the share of the Spanish market in heavy equipment supplied by domestic producers (including the Basques) fell from 50 to 40 per cent. Of even greater concern, between 1985 and 1989 exports from the Basque region dropped by almost 20 per cent, while imports of foreign-made products increased by more than 22 per cent.

The Basque economy continues to be very vulnerable because of its concentration on a relatively few products for export, the small number of Basque exporters, and the relatively few resources they have invested in international marketing and development. Faced with much stronger competition in the Spanish and Basque markets, the Mondragon Group is attempting to increase its productivity and to find new markets. Its continued success depends on achieving these goals.

Co-op principles

A survey taken in 1989 indicates that fewer than 10 per cent of members in the Mondragon co-operatives could identify even one of the six co-operative principles of the International Co-operative Alliance. Only 34 per cent of those in the study were satisfied with their awareness of co-operative principles.

There is a concern within the Mondragon Group about improving member education, particularly as the Group is reorganizing to deal with increased international competition. This concern also arises because a new generation of leaders is gradually replacing the founders. With the increased emphasis on modern technologies, some leaders of the Mondragon Group have advocated "the humanization of work." Jose Maria Mendizabal has taken up this issue in a number of essays, in which he argues, "The humanization of work requires that workers incorporate their intellect into their work." "Technology," Mendizabal suggests, "can be manipulated to worsen the condition of workers. An ethical framework, such as co-operativism, values workers' rights and their participation in the productive process."

Paul Gibbard is the Co-op Development and Education Officer for the Ontario Federation of Food Co-operatives and Clubs, 22 Mowat Ave., Toronto, Ont.; (416) 688-3230.

Workers at Erie Forge and Steel have purchased the company. This is now the tenth worker buyout involving U.S. locals of the United Steelworkers of America.
Photo: Erie Forge and Steel

UNITED STATES

Down but not out

Chicago (Globe and Mail) — United Airlines has rejected the latest attempt by the three unions representing its employees to purchase the company. The employees had originally offered $4.38 billion to purchase United, but they had difficulty lining up adequate financing.

This is now the second attempt by United's employees to purchase the airline. The previous attempt was in October, 1989, and coincided with the stock market crash.

The unions representing United employees (the Airline Pilots Association, the International Association of Machinists, and the Association of Flight Attendants) haven't given up on the purchase. Recently, United has become the top carrier in the U.S. in terms of revenue. Had the buyout succeeded, United would have become the largest employee-owned firm in the United States.

Another steel buyout

Pittsburg (National Centre for Employee Ownership) — The United Steelworkers of America (USWA) has organized another worker buyout of a steel plant. The 270 employees at Erie Forge and Steel in Erie, Pennsylvania, have bought their company for $19 million from National Forge. The financial package was put together from a variety of private and government sources. Erie Forge is the tenth buyout in the American steel industry organized by USWA locals since the mid-1980s. Support for these initiatives has come from the USWA head office in Pittsburg.

State assistance

Oakland (NCEO) — Seven American states have established employee ownership programs during the last few years. The list now consists of Hawaii, Massachusetts, Michigan, New York, Ohio, Oregon, and Washington. These state programs typically undertake promotion, initial consulting, and assistance with employee participation programs. They have budgets ranging from $60,000 to $400,000.

A recent study by the National Center for Employee Ownership in Oakland indicates that the centres in Ohio and New York — operating since 1987 — are responsible for a large increases in employee ownership. The other state programs were not included in the NCEO evaluation because they still are too new.

Supermarket chain buyout

By Shane Simpson

Seattle — In the northwest United States, employees of the Roseauers Supermarket chain have purchased 15 of the company's 24 stores through an Employee Stock Ownership Plan (ESOP). The deal, involving 1,000 unionized workers, was spearheaded by Sean Harrigan, President of the United Food and Commercial Workers, Local 1439, and Roseauers President, Larry Geller. The stores are located in Washington, Idaho, Montana, and Oregon.

The $25.5 million buyout is being financed through a payroll deduction plan over the next 6.5 years. The percentage of employee contributions is individually ▶

determined, on a graduated basis from 4 to 11 per cent of wages, with persons who earn larger incomes paying a greater percentage.

Eighty-five per cent of the company is owned by the employees and 15 per cent by management. The company's 11-member board of directors is comprised of 3 senior management representatives, 1 store manager selected by peers, 4 employee representatives, 1 of whom may be a union official, and 3 outside members who are selected by the other 8 directors. The remaining nine stores in the Roseauer's chain are continuing under conventional ownership.

NORWAY

Encouraging women

Oslo (ICA) — The agricultural co-operatives in Norway started a campaign in 1989 entitled "More women in agricultural co-operatives." The main purpose of the campaign is to engage more women as members and as representatives in agricultural organizations. The campaign will continue until 1992. Every national and regional agricultural co-operative in Norway is taking part. A trophy will be awarded to the co-op making the greatest effort to involve women in organizational and political positions.

POLAND

Spreading the word

Gdansk (NCEO) — Former U.S. President Ronald Reagan has taken the employee-ownership message to Poland. In a recent speech in the Gdansk shipyard, Reagan advocated employee ownership as a method of ensuring that state monopolies become profitable.

The Solidarity government of Poland already indicated that workers will be able to buy up to 20 per cent of their company's shares at half price, and that each individual employee will be permitted to invest one year's salary for that purpose. In addition, all adults are being given a coupon, which can be exchanged for free shares in a company of their choice.

These initiatives are intended to build public support for privatization of state corporations and to overcome a shortage of capital that will be required as state companies are sold off.

Financial co-operatives

Warsaw (ICA) — A team of experts appointed by the World Council of Credit Unions and the Solidarity Polish Credit Union Working Group travelled to Poland on June 7 to study prospects for developing a national credit union movement in that country. Poland lacks financial institutions serving the savings and credit needs of consumers and producers. The team will prepare a comprehensive strategy for the development of credit unions. At year-end 1990 there are 10 savings and credit unions operating in Poland.

AUSTRALIA

Co-operators of the world!

Melbourne (ICA) — The Co-operative Development Union (CDU) of Victoria's Corporate Affairs Office is preparing an information system to increase awareness of activities of co-operative movements worldwide and disseminate their publications to co-operatives in Australia. The CDU is anxious to establish contacts with co-operative federations and associations.

*Interested organizations should contact **Jane Reynolds**, Co-operative Development Unit, Corporate Affairs-Victoria, P.O. Box 4567, Melbourne, Victoria 3001, Australia.*

SOUTH AFRICA

Small Changes

By Georgina Jaffe

Johannesburg — With increased levels of unemployment and social dislocation caused by repression, a variety of organizations are exploring ways to involve people in new activities in order to maintain their support for progressive forces and to extend the culture of resistance. This is most developed within some union co-operative projects where the union has made provisions for the establishment of co-operatives for workers retrenched or on strike (e.g., Sarmcol Workers Co-operative in Natal and the Num's Co-operative in Phalaborwa). Other union co-operative initiatives are attempting to provide their members with access to services which are organized co-operatively. These services are also made available to the wider community, thereby increasing the overall union presence in that community.

Multinationals

Both Shell and Mobil Oil are setting aside "social investment" funds for community projects, some of which are co-operatives. Attention these companies are paying to community projects is a result of pressure on the multinationals from two sides. On the one side the disinvestment campaign has put increased pressure on multinationals to legitimize their role through contributing to change in South Africa. This has forced them to extend the amount of money for "social justice programmes," to show that they are attempting to oppose apartheid. On the other side, the radicalization and organization of the black community has led to intense debate and discussion of the relationship between capital and the state. This has forced capital to recognize that if it wants to develop a good image in the community, it will have to sponsor projects which are credible in the eyes of that community.

Shell has started supporting small co-operatives in the Western Cape and is presently in the process of drawing up criteria that projects must meet if they are to be considered co-operatives. At this stage Shell seems serious about supporting ventures which can be regarded as true co-operatives.

The Mobil Foundation is presently supporting co-ops in Natal and in the Northern and Eastern Cape and is also concentrating on giving support to umbrella-type bodies which are responsible for co-ordinating, training and servicing co-operatives. The Mobil Foundation provides support to both the Masibambane Co-operative Forum in the Western Cape and the Black Initiative Resource Centre in Cape Town.

*For more information contact **Georgina Jaffe**, Co-ordinator, COPE (Co-operative Planning and Education), 7a Rockey St., P.O. Box 93540, Yeoville 2143, South Africa; (Phone) 648-9117; Fax 648-6919.*

One Year Later

Would a buyout have been better for Inglis workers?

By Mike Hersh

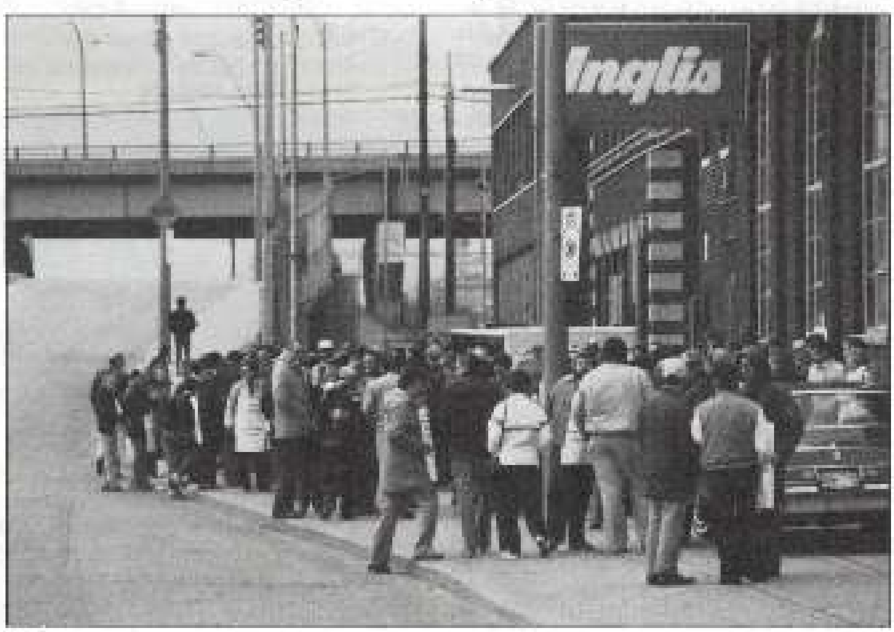
On Wednesday, November 29, 1989, the last automatic washing machine rolled down the line at the Inglis plant in Toronto. One hundred and sixty-three assemblers placed their signatures on that final cabinet, thus ending 108 years of manufacturing activity that, over the years, included turbines, beer vats, paper mills, Bren guns, fishing rods, and finally, major appliances. Nearly 550 employees were terminated on that day, with the remaining 90 to follow by the end of July, 1990.

Up the street, the demolition of the Massey-Ferguson buildings continues. Acres of industrial facilities are being replaced by office buildings, banks, and whatever. And a few hundred yards to the south of Inglis, Molson Breweries produced its last bottle of "Canadian" at its Fleet Street facility early in 1990, thereby putting the final nails in the coffin for manufacturing in the area which was once the hub of Toronto's industrial base. (In the early 1940s there were 17,800 workers at Inglis and about 12,000 at Massey Ferguson.)

The rule

This all-too-familiar scenario has been repeating itself throughout Canada, and as a result there have emerged dramatic changes in the demographic structure of the labor force. In 1967, for example, 59 per cent of Canada's jobs were in the service sector with 24 per cent in manufacturing. By 1988, those percentages changed to 71 and 17, respectively. Not only are service-sector jobs earning 20 to 30 per cent less than manufacturing jobs, but there also exists a mismatch between the skills of dislocated industrial workers and the service jobs that are available. Furthermore, the few manufacturing jobs that are accessible require greater entry-level qualifications as corporations tighten their screening process. The present economic crisis, therefore, has led to a change not only in the nature of work, but also in the nature of looking for work. Hence the need for "adjustment" programs, the catchword of the 1990s.

The demographics of the Inglis workforce in Toronto revealed all the characteristics common to the recent spate of plant closures: an older population (average age of 47), with considerable stability (57 per cent with more than 15 years of seniority) and limited formal education (grades 10 or 11 on average). To complete our picture: the workforce was predominantly semi-skilled (90 per cent), with assembly workers comprising about half of those unionized; nearly ▶



Toronto's Inglis plant was closed on November 30, 1989. Six hundred jobs were lost.
Photo: Nancy Farmer

One Year Later Cont'd

20 per cent were women; almost 50 per cent had non-English-speaking origins; and payscales were in the $13-14/hour range.

A long hard road

Most studies showed, and the Industrial Adjustment Service (IAS) branch of the Federal government confirmed, that our people would face a particularly difficult period of transition to re-employment. When it became apparent that the worker buyout being studied by the United Steelworkers locals representing the workers was unlikely to succeed because Inglis did not want to sell, we focused on the adjustment program, with an emphasis on retraining. The Inglis Adjustment Committee was formally set up on March 1, 1989, consisting of three union and three management personnel. The adjustment committee adopted a multi-dimensional approach, starting with assessment of the Inglis workers' needs — since the workers were quite diverse.

The assessment was undertaken by the Metro Labour Council Education Centre (MLCEC) on company premises during working hours, and it was paid for by Inglis. Ultimately, 413 of 520 available workers took part in the exercise, a 79 per cent participation rate, which, according to MLCEC, was very high. Reducing worker cynicism was the key to the high participation rate.

The services initiated while the plant was still in operation included training and upgrading in Adult Basic Education (ABE) and English as a Second Language (ESL) (121 participated); skills-training courses such as appliance repair, welding, lift-truck driving, heating repairs, computer training, and blueprint reading (nearly 300 participated); seminars in small business start-up, job-search techniques, and financial and retirement planning; and assistance with placement. (Prior to the closure, a skills inventory of the Inglis workforce was sent out to 900 employers, primarily from the manufacturing sector. After the closure, the adjustment committee continued operations for another 10 months.)

The results

One note of caution before outlining the results: the placement figures reflect a methodology that is accepted, in fact encouraged, by the federal government. In our view, it is highly suspect! As long as an individual is placed in a job (any job) for just one day, it is considered a placement.

Using government-accepted criteria, faults and all, the Inglis adjustment program showed a 92.4 per cent placement rate (581 out of 629) as of September 28, 1990. This rate compares well with the Goodyear experience (95 per cent) in a similar labor market. Our further research indicated, however, that of those the government classified as "adjusted," 16 per cent had retired; 45 per cent were employed in full- or part-time work; 3 per cent were self-employed; 11 per cent were still in training; and 10 per cent were sick, on compensation or disability pensions. In addition, about 7 per cent of the Inglis workers moved, died, could not be contacted or did not participate in the adjustment program.

While these statistics satisfy government standards, we were not satisfied. So we are presently tracking the Inglis people to find out what they have done since the closure. In a word, we want to know if they have really adjusted to life after Inglis. In a preliminary random survey conducted by members of the Adjustment Committee from July 1 to September 1, 1990, 120 former unionized employees were contacted with the following results:

- Among those who found work (38 per cent), it took 14.6 weeks to do so, better than the average displaced worker in a large metropolitan labor market.
- The average wage was $13.79, only slightly less than what they had been earning at Inglis ($14), and nearly as many found higher paying jobs as did not.
- Twenty-two per cent of those initially placed have since been laid off. This was our greatest fear.
- Thirty-nine per cent had accessed training or upgrading, many of whom found it a rewarding experience, but it seemed to have little impact on their ability to obtain employment or on their post-closure earnings.
- Twenty-one per cent retired.
- Seven per cent were in their own business.

- Eight per cent were still in training.
- Eight per cent were sick or disabled.
- Nineteen per cent were out of work during the entire closure period.
- Of those workers 55 years and over who wanted work, 57 per cent found it; all but one at reduced earnings. Yet this age group appeared very satisfied with its jobs or retirement opportunities.
- Men were slightly more likely to find work than women (39 per cent vs. 33 per cent). However, men were much happier with their jobs than women.
- Using our criteria, 45 per cent of the total sample could be classified either as "adjusted" on their job, in retirement or self-employed.

Conclusions

All the data have yet to be collected, and we suspect that the current recession will take its toll. However, we can draw some conclusions based on our experience:

1. The 15-month advanced notification was absolutely invaluable in enabling workers to plan their future course and in enabling the Adjustment Committee to create an environment to assist those plans.

2. It is crucial that an adjustment committee adopt a multi-dimensional approach. Every worker must be treated as an individual with services provided to meet specific needs. Training, for example, is not for everyone. Some workers may only need a resume and some job postings, and off they go. Whatever the need, it should be met.

3. We found the tri-partite arrangement conducive to a successful program: the government provided funds, services, and information; the company contributed money, time, expertise, and facilities; and the union, by doing much of the leg-work, made the entire process work.

The union's three-pronged strategy of a worker buyout, a decent severance package, and a proactive adjustment program, while not entirely successful, was at least an attempt to best utilize the period of advanced notification. Workers appreciated this kind of attention and support, which, we feel, reduced the devastating emotional impact of the plant closure.

We will never know whether the Inglis workers would have been better off, had a worker buyout been completed. We will also have to follow the Inglis workers further before we can get a good picture of their adjustment process.■

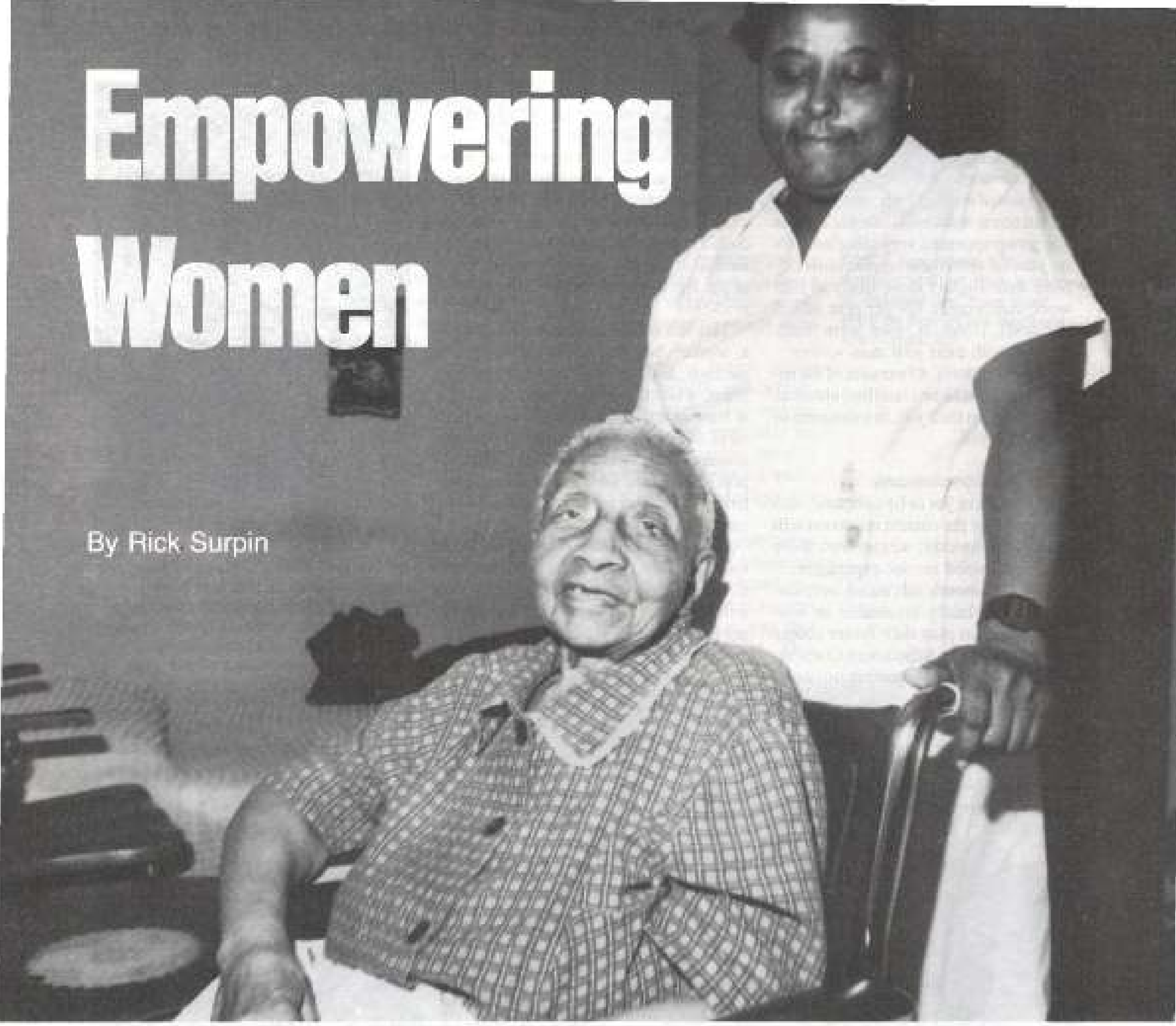
Mike Hersh was President of Local 2900, United Steelworkers of America, at the Inglis plant in Toronto. He is a project co-ordinator for Canadian Steel Trade and Employment Congress, a joint initiative of the USWA and Canada's major steel companies: 234 Eglinton Ave. East, 8th floor, Toronto, Ontario M4P 1K7; (416) 480-1797.

Before and after the plant closing which resulted in 600 lost jobs, many Inglis workers took programs to upgrade their education and job skills. Graduates of upgrading programs are pictured above and below.
Photo: Mike Hersh (Courtesy of Metro Labour Education Centre)

Photo: John Flood (Courtesy of CP Trucks Training Centre)

Empowering Women

By Rick Surpin



Co-operative homecare in the Big Apple

Cooperative Home Care Associates (CHCA) is a worker-owned home healthcare company in the South Bronx section of New York City. CHCA was founded by the Community Service Society of New York in 1985, with the vision that paraprofessionals in homecare should have permanent salaried positions, adequate pay and fringe benefits, opportunities for career advancement, and a sense of belonging to an organization which cares about and supports their daily work. At the time, they worked in a system that paid poverty-level wages, lacked health insurance coverage and retirement benefits and, for many, provided only minimal vacation and holiday benefits.

As a business and employment model, homecare offered a significant opportunity. The homecare industry was growing, largely in paraprofessional care which did not require extensive entry-level training. Moreover, an enterprise fuelled by social as well as economic goals could become a "yardstick" corporation. It could demonstrate to the industry and its public sector regulators that high-quality service and high-quality jobs are directly related, rather than mutually exclusive, choices. Finally, the worker co-operative governance structure could form the skeleton of an empowerment strategy to build the company around the employees.

A initial success

Cooperative Home Care Associates is an initial success. After five years, we have created approximately 170 jobs. Nearly all of our employees are African-American and Latina women who live and work in the South Bronx and Harlem. Most of them were receiving public assistance prior to being trained for their jobs at CHCA.

We also have become a viable business which earns modest profits. Total sales have grown from $200,000 the first year to over $2.5 million in 1989-90.

The quality of the paraprofessional job at CHCA has also significantly improved. The initial starting salary in 1985 was $4.50 an hour, the highest uniform starting wage in New York City. In comparison, the average starting wage among our competitors in the private sector of the industry was approximately $3.50, with many workers receiving the legal minimum wage of $3.35. Today, the average starting wage in the industry is $5.50, while we are paying $5.70 an hour, and our staff are averaging $6.00 to $6.25 an hour, among the highest in the industry. In contrast to many agencies which negotiate with workers on an individual basis, CHCA wages are standardized. For the last two years, bonuses from year-end surpluses have been distributed to worker-owners as well.

In addition, the initial benefit package has been significantly expanded to include health insurance and paid vacation and sick time. Of our paraprofessionals, 70 per cent are employed on a full-time basis, in contrast to the industry average of 50 per cent. Our workers generally view CHCA as a good place to work. The annual turnover rate is 20 per cent, compared to the industry average of 60 per cent.

We have also invested significantly in worker education. An entry-level training program is the primary vehicle for hiring new workers. Approximately one of every three applicants is selected. In-service training primarily makes use of small group exercises rather than a lecture format. Teams are established for education sessions, which enable people to meet together over time and get to know one another. The workers are treated as people to invest in and to help develop rather than as replaceable parts.

Finally, we have successfully completed the transitions from initial control by the Community Service Society to control by worker-owners. There are 100 worker-owners today. Seven of the nine seats on the board of directors are held by worker-owners, including the company president, and two by staff of the Community Service Society.

Advocacy coalition

CHCA's worker ownership structure (without the pressure of outside owners for an immediate return on investment) has enabled us to provide a relatively better quality job than the rest of the industry and to improve the standards for health-care workers employed in other enter-

Members of CHCA at work and in their general assembly. Sarah Lee (opposite page) with patient; Maria Hayes (above) participating in planning meeting (pictured below).
Photos: Cooperative Home Care Associates

Empowering Women Cont'd

prises. The initial increase in wages within the local industry was due to the wage competition we generated upon our entry into a relatively tight labor market.

We recognized that low reimbursement rates from Medicare and Medicaid make it impossible to properly compensate homecare paraprofessionals. During the past two years we have worked with the healthcare unions (especially Local 1199, Health Care Employees Union and District Council 1707, America Federation of State, County and Municipal Employees) to advocate for adequate wages and benefits, decent working conditions, permanent jobs and opportunities for advancement. The unions and CHCA have used every opportunity in public hearings, conferences and through participation in government task forces to raise these issues. The shortage of healthcare workers has increased responsiveness to these concerns.

The unions began a major public relations campaign in 1988, which highlighted the poverty-level wages and the irony of a lack of health insurance for health workers. This campaign led to a significant increase in Medicaid rates, which in turn led to improved wages and benefits in the industry.

CHCA played a substantial role in that campaign, as a "public voice," which has both a management and labor-based perspective, and is therefore not perceived as a "special interest" in the way that unions have been characterized. This

CHCA has given 170 women in New York a voice in determining how their jobs as homecare workers are organized.

Most of CHCA's employees are African-American and Latina women from the South Bronx and Harlem who were receiving public assistance prior to being trained for their jobs in the co-op.

role enabled CHCA's president to serve as a technical advisor for the New York State Labor-Industry Task Force on Health Care Personnel, which recommended parity in wages between institution-based paraprofessionals and those in homecare. Today, CHCA serves as the convenor of the New York City Home Care Work Group, which recently proposed reforms to the home healthcare system, including increased supervision of agencies.

The future

Cooperative Home Care Associates is now prepared to enter its second stage of development. First, CHCA will grow from its present 170 to over 200 employees within the next two years. Public funding for our entry-level training has been obtained through a contract with the New York City Department of Employment. This has enabled us to increase our investment in the development of our workers, both at entry level and through upgrading.

The next challenge for CHCA is to provide a real job ladder for homecare paraprofessionals. Such a ladder does not exist in the industry. The Home Care Worker Education Project has been established to meet this need. The Project is a collaborative effort of CHCA, Local 1199 of the Health Care Employees Union, the Regents College Degree Nursing Program of the University of the State of New York, and the Center for Worker Education of the City College of the City University of New York. The program will initially award a certificate in licensed practical nursing and an associate's degree in nursing.

The program began in October, 1989. Its components include paid releasetime for participants to attend classes on a part-time basis, academic skills instruction, a curriculum which combines competency-based learning with classroom instruction, and vocational and personal counselling. The degree will be granted by the University of the State of New York, with City College providing the general education component. Approximately 20 homecare workers from CHCA will receive associate degrees in nursing in the next 4 years, representing increased skills, income and professional status for them, while creating new entry-level positions in the agency.

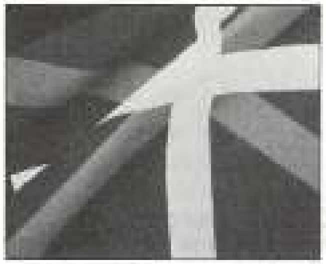
CHCA's role in public policy for the industry will also continue. Having concentrated initially on wages and benefits, we will now focus on the organization of work — for example, full-time guaranteed work, increased support and supervision, specialized training linked to opportunities for advancement — and its relationship to quality care. These are areas within which CHCA will again serve as both an action laboratory and an advocate for industry-wide reform through the Home Care Work Group.

Finally, there are three efforts under way to replicate CHCA: by Manos in Oakland, California, by the Industrial Cooperative Association (ICA) in Boston, Massachusetts, and the Naugatuk Valley Project in Waterbury, Connecticut. CHCA is assisting all of these projects.■

About 20 homecare workers from CHCA will receive associate degrees in nursing in the next four years, representing increased skills, income, and professional status for them.

Rick Surpin is the President of Cooperative Home Care Associates, 349 East 149th St., Room 706, Bronx, New York 10451, U.S.A.; (212) 993-7104.

An Insider's View



The social economy of Basque Spain

By Luis Irazabal

The social economy is an option with a future: a symbiosis of the two great opposing systems of the world (capitalist and state economies). The social economy is a humane democratic system, set up by and for the people. The purest and probably most highly developed manifestations of this system in the Basque Country are the co-operatives and the co-operative stock companies.

The framework for co-operation

The Gernika Statute of Autonomy enacted by Spain grants the Basque Country exclusive control in matters concerning co-operatives. By virtue of this, on February 11, 1982, the Basque government proclaimed the Basque Law of Co-operative Societies. This law was based upon the principles of international democratic co-operation laid down by the International Co-operative Alliance. Article 66 of the Basque Law of Co-operatives declares them to be of "social interest." This statement is in accordance with Article 129-2 of the Spanish Constitution, which directs public authorities to encourage co-operative societies by means of suitable legislation.

But the position of the Basque legislators does not end with the mere publication of a law of co-operatives. It also shows up in clear support for them, as evidenced by the budgets worked out by the various departments of the Basque government, which totalled more than $54 million (U.S.) in 1988.

History

Co-operation has been part of the Basque tradition for a very long time. It showed up in many economic activities, such as common neighborhood projects (hauzo lan) or in connection with agricultural labor (lurra) and the fisher's guilds.

The industrial revolution considerably reduced the importance of these practices and institutions while, at the same time, new examples of co-operative economic activities appeared. These included the consumer co-operatives in the 18th and early 19th centuries in the Greater Bilbao area, or even the industrial production co-operatives such as ALFA from Eibar. These experiences were cut short by the Civil War in 1936.

In the post-war period, the co-operative movement has developed and consolidated its position in the Basque Country. It now accounts for more than 15 per cent of the gross national product, and the movement is still growing. The Basque Country has 2,300,000 inhabitants, with a labor force of 800,000 of whom 150,000 are unemployed.

(See accompanying table).

	Co-operatives	Members
Credit	3	131,823
Maritime	4	120
Wholesalers	16	2,225
Services	33	3,380
Consumer industry	43	190,796
Housing	80	5,030
Country	106	18,130
Teaching	119	36,445
Production	724	27,351
Total	1,128	415,105

The number of working-members is over 33,000.

The Basque social economy has more than 33,000 jobs, and more than 400,000 co-operative members. It is hard to find a home in the Basque Country which does not relate directly to the social economy. More than five per cent of the social economy's contribution to production in the European Community can be found in the Basque Country.

The Basque co-operative movement is institutionalized through the High Council of Basque Co-operatives, the highest organization representing and promoting co-operatives under the Basque Law on Co-operatives. Among the main objectives of the High Council are the following:

- To spread the principles of the co-operative movement by education and training.
- To inform the co-operatives and their federations directly about legal and statutory provisions referring to them.
- To protect and defend the legitimate interests of co-operation and co-operatives, in general and sectorally.
- To organize services of common interest to co-operatives.

Although the Mondgragon Group has been the most influential part of the Basque social economy, it represents only 170 of the 1,100 co-operatives in the Basque Country.
Photos: *Trabajo y Union*

- To improve the legal and institutional framework of the social economy, and to take part in institutions and organizations with that aim.
- To arbitrate in questions of litigation arising between co-operatives, or between co-operatives and their members, when both parties request such arbitration or are obliged to resort to it by their bylaws.
- To act in general for the benefit of co-operatives and their organizations.

This council contains representatives of all the co-operatives in the Basque Country, including those of the Mondragon Group.

Mondragon

Basque co-operation clearly cannot be reduced to the experience of the Mondragon Group. It consists of fewer than 170 co-operatives out of a total of more than 1,100 in the Basque Country. However, the current common understanding of Basque co-operation is based on the "experiment" which began in Mondragon. We must not forget that this is the largest, most highly developed and most organized movement among Basque co-operatives, and it acts as a stimulus to the remaining co-operatives. Mondragon's success has been achieved thanks to the vigor and, above all, coherence of the experiment, and in particular its strict discipline in observing the regulations democratically drawn up by the Group. Company democracy is made into an unalterable principle; a principle which is an essential element in the development of the Basque Country.

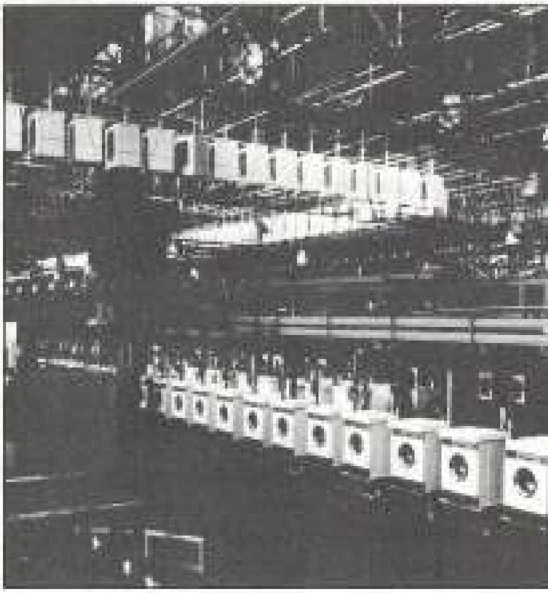
Next year will be the 35th anniversary of the "Mondragon experiment." But why is it still referred to as an "experiment?" Simply because the concept implies a dynamic, day-to-day process at all times. Indeed, this is how it is defined by its managers. There is a creative dynamism with constant experimentation. Stereotyped dogmas and theoretical posturing are avoided, as are conventional alternatives to the systems in force.

The history of the experiment began in 1940 when a recently ordained priest named Jose Maria Arizmendi-Arrieta was sent to Mondragon. As a councillor for the Catholic Action Movement, he created study groups for young workers aimed at giving them social training. But he soon realized the need to give them technical training too. In 1943, he created the Mondragon Professional College, which eventually became a Polytechnical Professional College awarding journeyman and master's diplomas. In 1973, this College extended its studies and became also a University College of Technical Engineering.

Education has formed an important part in the history of the international co-operative movement, as Jose Maria saw, and thus it was also important in the movement he founded. (This was before education was declared to be a basic principle of co-operation.) The outstanding role of education in the Mondragon experiment has been, and still is, clear to see.

The first co-operators whom he tutored in their studies obtained their industrial expert qualifications in 1952. They then started work in local, capitalist companies before finally opting to create their own firm. This embryo of the Mondragon Group of today was founded in 1956. Their aim was to create a company under the difficult circumstances of that time and give it a legal form in accordance with their ideas.

After some trials the members began to manufacture oil stoves and hotplates in Vitoria. They called their company ULGOR, from the initials of the founders' surnames. In 1958 butane gas was introduced in Spain, and they started to make cookers under the trade name FAGOR. In 1964 the Spanish market entered what was known as the "cold spell," which consisted of the massive introduction of refrigerators. FAGOR became one of the big names in domestic appliances. In 1970, every 24 hours, it was producing 2,000 refrigerators, ▶



An Insider's View

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1,000 cookers and 650 water heaters, as well as heaters, dishwashers, etc..

1990

The co-operatives which make up the Group have their registered offices in the autonomous communities of the Basque Country and Navarre, though their business influence extends practically worldwide.

(See accompanying table).

The industrial co-operatives have $2.25 billion (U.S.) in sales, $414 million (U.S.) in exports and $180 million (U.S.) in investments. Investments were increased by 38 per cent over 1988, in order to adapt technology and equipment for the competitive demands of the European Economic Community. Apart from 20,157 jobs in the industrial co-ops, there are 1,000 agricultural members and almost 150,000 consumer-members, as well as 500,000 current account holders, who can attend the savers' assemblies of the Caja Laboral Popular (savings bank), where they can make their voice heard.

The group's overall institutional structure has three levels: basic, regional, and superstructure. Basic co-operatives work within the legal framework and co-operative spirit contained in the ICA's directives, but in competition with other companies in a free market economy. They act as a third option in competition with capitalist companies.

Regional groups are governed by a multilateral agreement aimed at institutionalizing co-operation between co-operatives located in the same area. They began in the early 1980s and at present bring together most of the associated industrial co-operatives.

In general, the aims of the most highly developed regional groups may be summed up as follows:

- Common management, through central departments capable of developing economies of scale in personnel, technology, marketing, etc.
- Sharing personnel resources, including management personnel.
- Sharing financial resources and setting up mutual guarantees for third parties.
- A tendency to pool results, so that the members of the different co-operatives within a region share profits and losses.
- The adoption of similar bylaws for all the co-operatives in a region.
- Assuming responsibility for co-operative promotion in the area.

Types of co-operatives (apart from the Caja Laboral Popular itself)

Industrial	84
Food and Agriculture	8
Consumer goods	1
Teaching	46
Housing	15
Services	5
Superstructure	3
Total	**162**

Industrial Sectors

Forging and Casting	7
Investment goods	17
Machine tools	10
Intermediate goods	29
Consumer goods	15
Construction	6
Total	**84**

Superstructure co-operatives

The growth of the Mondragon Co-operative Group cannot be understood without appreciating the role of the Caja Laboral Popular and the other superstructure co-operatives, which have offered the basic co-operatives and regional groups support in the development of their activities. The involvement of Lagun-Aro in social security matters, the participation of the Liga de Educacion y Cultura (League of Education and Culture) in technical training and teaching research, and the role of Ikerlan in technological research — all are examples of a protective shield which most companies of this size lack.

Let us focus on the role of the Caja Laboral Popular. Its functions include:

- Controlling savings and financing co-operatives.
- Placing resources at the disposal of the associated co-operatives through its company division, which supports both the creation of new companies and the development of existing ones.
- Being an instrument of solidarity and socialization necessary for the maturity of the Group.

To do this, the Caja has a staff of 1,263 members working in a network of 189 branches or operative offices.

Eroski

While there is only one consumer co-operative in the Mondragon Group, Eroski is the largest co-operative of its kind in Spain, with a turnover of $531 million (U.S.), 1,928 jobs, and a chain of 330 markets. It is the result of the coming together of a large number of previously widespread small co-operatives.

The social welfare organization Lagun-Aro also is very important. It has 18,523 members and more than 46,000 beneficiaries in the 136 co-operatives associated with it. Ikerlan, the technological research centre (a non-profit organization), was founded in 1974 by a group of industrial co-operatives with the initial support of the Caja Laboral Popular and the Eskola Politeknikoa of Mondragon. It acted without a formal legal structure of its own until it was set up in 1982 as a service co-operative. Its research centre is backed by the Basque government. The purpose of Ikerlan is to assist the technological development of its associated companies. It also now serves the rest of the industrial fabric of the Basque Country. There are now 41 companies in the Basque social economy associated with Ikerlan.

The workforce of the Caja Laboral Popular, of Eroski, and of Ikerlan are working-members of the co-operative, even though these are credit, consumer goods, and service co-operatives, respectively. This is very different from the ordinary co-operative setup in which staff are salaried employees, a role that goes against the very significance of co-operation as an alternative to the capitalist system. Inevitably, the usual boss-worker confrontation develops. This difference means that the Mondragon system is to a certain extent special, and brings us back to its experimental nature.

It should be stressed that the Mondragon Group's philosophy is based on the logical principle that a single, isolated co-operative has little chance of survival without institutional support. Superstructure institutions have been created around the Group, as a concession to pragmatism and in the search for greater overall efficiency by developing economies of scale.

Rules of the game

The basic regulations of the group associated with the Caja Laboral Popular are as follows:

a) All members should be working-members.

b) There is an initial contribution of $8930 (U.S.) of which $1140 is destined to a reserve fund.

c) The profit/loss sharing system is:

- 40 per cent (minimum) to non-divisible reserve fund;
- 10 per cent to a fund for community work;
- 50 per cent (maximum) to individual members' capital accounts.

d) The necessity of capital is acknowledged: While its necessity is acknowledged, capital is instrumental and subordinate to labor. Remuneration is pegged at 7.5 per cent of the gross annual capital. Access to capital in an individual's account is difficult while someone is an active member of a co-op. Upon leaving or retirement, an individual's capital is paid out, but under conditions which avoid decapitalization of the co-op.

e) Remuneration of personnel is indexed: The remuneration index is from 1 to 6, that is, the top salary is no more than 6 times the lowest. This is the maximum salary ratio in the Mondragon Co-operative Group, though it is usually lower within each co-operative.

Having described for the co-operative movement in the Basque Country, I shall now turn to a phenomenon which arose during the crisis of the 1970s and which has gained a great deal of relevance and strength.

Co-operative stock companies

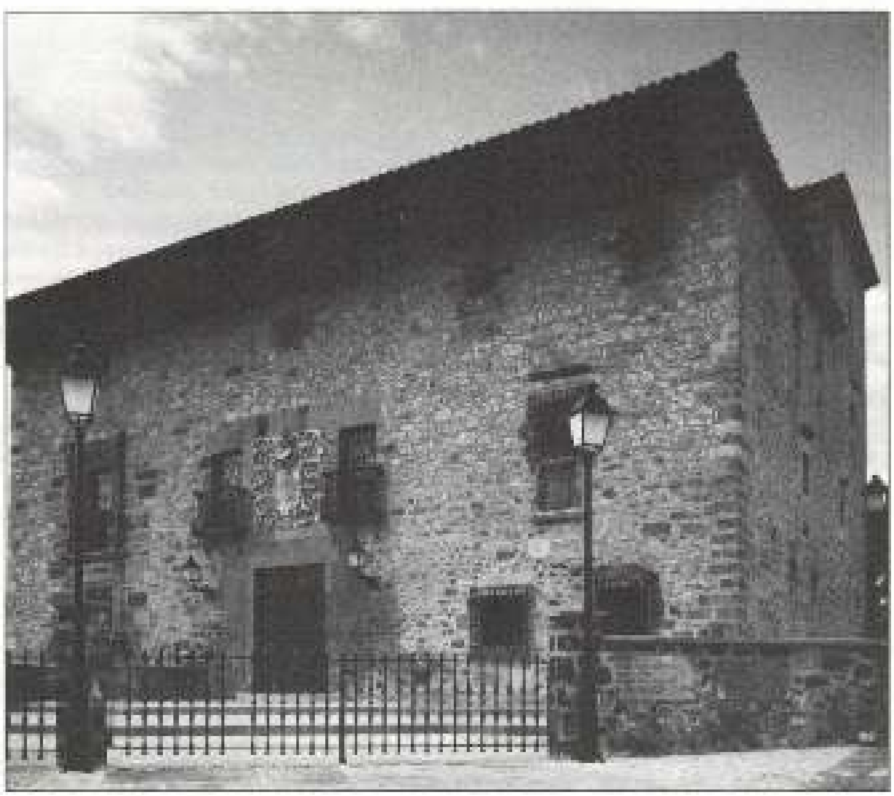
The first co-operative stock company (CSC) in the Basque Country made its appearance in 1979. The economic crisis had forced many firms to close, especially those small workshops no one ever remembers. Firms with a larger workforce, or which were located in areas of growing unemployment, found more help in solving their problems.

Many of the early CSCs were created from firms that had gone bankrupt due to such factors as obsolete machinery, market recession, poor management, or lack of investment.

The process was as follows: having reached the point of insolvency, the owner would hand the firm over to the workers, sometimes retaining a small number of shares in the hope that the workers (who had not previously participated in any decision-making) could make it profitable. The workers accepted this new situation in order to maintain as many jobs as possible (which was logical), or found themselves compelled to do so because of the lack of alternatives offered by the trade unions.

In this way, a process of obligatory co-management or self-management began. The workers would soon discover that they had inherited a company burdened with debt, which needed more than just effort or imagination, more than wage-freezes or increased productivity, more than good will and judgment, to nurse it back to any degree of health.

The main problem, apart from finance, was relocating surplus labor. This could not be solved exclusively by bringing in co-operative measures. Unless some firms were discouraged from becoming CSCs, they would just be creating unreal employment expectations. It would be more effective for such a firm to close down, with society assuming the cost of that decision, than to prolong its ▶



The Ikasbida Institute provides co-op education for the Mondgragon Group in Basque Spain.

An Insider's View

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agony, knowing the company would disappear shortly.

The law on co-operative stock companies

The Spanish state published a law on April 25, 1986, governing CSCs and laying down the characteristics necessary for a firm to be considered as such:

- At least 51 per cent of the stock be worker-owned.
- No shareholder may hold more than 25 per cent of the stock.
- The share certificates must be registered.
- These certificates must indicate the limitations to their transferability laid down in the company bylaws.

In summary, CSCs are those companies in which at least 51 per cent of the stock is owned by the workers. The workers must be employed full-time for an indefinite period, and no shareholder in these companies may hold more than 25 per cent of the shares. In exceptional circumstances up to 49 per cent of the capital of CSCs may be held by public bodies (e.g., governments) or private corporations. Shares in portfolio are also permitted, provided they are shares reserved for workers, and the capital which they represent does not exceed one fourth of the capital represented by shares of this type.

At the end of the members' working relationship with CSCs, they are normally obliged to offer their shares to whomever has preferential right of purchase. Should this right not be exercised, they may stay on as a nonworking members, and shares will change type accordingly.

Should there be two types of shareholders, they are represented in the administrative bodies of the company in proportion to their contributions to the capital. The administrative bodies are those laid down by the laws governing stock companies and must always be within the classification of co-operatives.

CSCs are obliged to set up a special reserve fund of a non-divisible nature equivalent to 10 per cent of the cash profits of each financial year. CSCs also have freedom of amortization with regard to assets, as long as these affect their activities.

Having defined their nature, we shall now go on to discuss something of the philosophy behind this type of company.

Philosophy

A CSC is a self-managing or co-managed company with the following features:

- A greater capacity for self-financing through the contributions of the worker shareholders.
- Greater facilities for outside financing by increasing official financing channels.
- Better industrial relations due to the greater commitment of the worker-shareholders to the management of the company.
- Potential increases in productivity because the workers feel that they will benefit from part of the profits.

But having defined the characteristics that go to make up a CSC, we are faced with several questions:

How can the dominant interests of a stock company (profit and productivity) be safeguarded when the workforce participates in its management? How can a company be technically and economically manageable when capital and workforce participate on an equal footing?

Experience shows that the situation soon becomes unsustainable unless one party's interest comes to dominate. To achieve this difficult balance, power would have to be ceded by one party to the other. In the CSC that concession usually favors the social collective, as otherwise we could not include the CSC within the social economy.

In fact, if the CSC is to be a collectively self-governing company, it should be set up from the outset in such a way that all its capital, and therefore its overall ownership, is in the hands of the workers. "Workers" must be taken to mean all members of the collective without exception. Future strategy is another matter; that will depend upon the development of the company and the actions deemed necessary to be successful in an aggressive and changing economic environment. It will also depend upon a financial formula which matches the company's possibilities.

In this sense, we should not forget that, by their very nature, CSCs are somewhat unstable. The CSC exists because the previous owner gave up. It means that the CSC is born out of a company in crisis. Certain weakness are transmitted from the previous company and CSCs are hard put to fund necessary investments.

A new trend

Nowadays, more and more CSCs are created as start-ups of new companies. They assume the democratic principles and self-managing techniques of this type of firm, and their shareholders are becoming better and better qualified.

By year-end 1989 there were 608 CSCs in the Basque Country, offering more than 11,000 jobs. The CSC movement needs time to mature as an aspect of co-operation, but I venture to think that there will in the future be a rapprochement between co-operatives and CSCs, with legislation which strengthens the co-operative aspects of CSCs but is more liberal in its treatment of co-operatives. This may lead to confluence between the two approaches. ■

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Cat & Mouse Game at Eastside

By Pam Tranfield

"Wanted: one good mouser. This cat must be willing to work nights with little supervision and be sympathetic to the ideals of worker-owned and -operated businesses."

Rodents aside, the new location of Eastside Data Graphics' desktop publishing division is a welcome change for workers and customers. Since opening four years ago, this Vancouver worker co-operative has operated with only 800 square feet of space.

"With wheelchair accessible aisles, two photocopiers, a Fax service, the stationery business, and the desktop publishing operation, we literally did not have room for inventory and workers any more," says worker-owner Bill Culp.

"This is an important step in our evolution," says Culp. "We started here four years ago, and our sales were $96,000 during the first fiscal year. Last year sales were $280,000. We are a worker co-operative of five people, and we are a growing business. That's exciting. But we needed more room."

The desktop publishing centre will now have its own location (about two blocks from the stationery store), covering 950 square feet. There is room for three computers, three laser printers, a high resolution scanner, and a Fax transmittal service. A children's play area is planned, and the space will be wheelchair accessible. Stationery, art supplies, and the photocopy service will remain at the present location.

Industrial Workers of the World

Eastside is a unique worker co-operative. The worker-owners are members of the Industrial Workers of the World (IWW), an anarcho-syndicalist union. The IWW was founded at the turn of the century on the principle of workers' control of the workplace. The IWW has about 800 members worldwide (150 in Canada), and it covers co-operative job sites in Toronto (e.g., Blackbird Graphics) and Ann Arbor, Michigan.

All Eastside workers earn the same regardless of seniority or job specialization. "We didn't start out with specialized work areas," says worker-owner John Barker. "All of us have our own talents and interests, which have developed over time. I'm into art, so I buy the art supplies. Bill was a typesetter before joining Eastside, so it's natural that his orientation is to that part of the business. We haven't lost our co-operative aura. We stick by the policy of consensus decision-making."

As for the mouser needed to handle the rodents: "Well, I've only seen evidence of their meals," says John Hamm, "cracked seeds all over the floor. Female cats make the best hunters, I hear, and one of the IWW symbols is a black cat....Should make for interesting times ahead."

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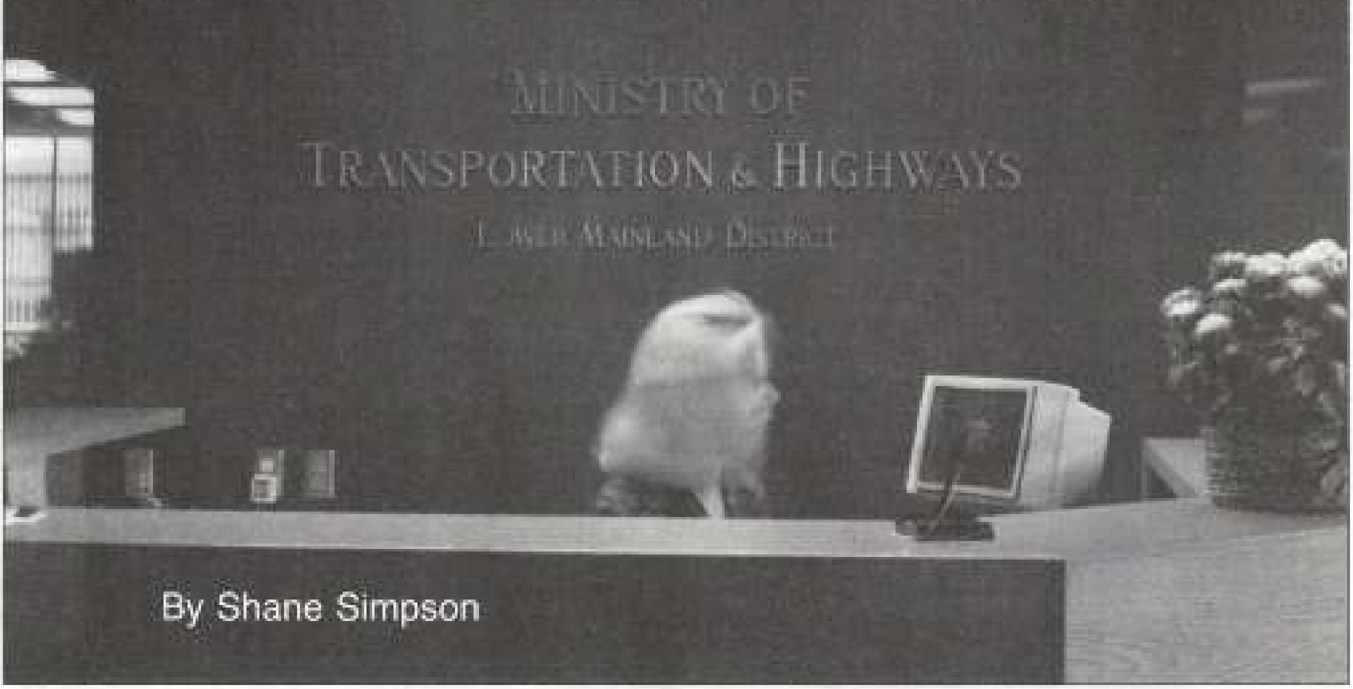
Many questions about B.C.'s privatized highway services



By Shane Simpson

In October, 1987, British Columbia Premier Bill Vander Zalm announced a major privatization of government services. The largest single component of the plan involved the province's highways and bridge maintenance services, affecting over 2600 government employees. The plan proved extremely controversial, causing a major conflict between the government and its largest union. Government claims that privatization would improve efficiency and reduce government expenditures, while maintaining or improving services, were challenged by the British Columbia Government Employees Union (BCGEU), who charged that the plan would jeopardize workers' job security and benefits, erode levels of service, and realize little, if any, tangible cost savings to the taxpayer.

Full steam ahead

This highly charged debate over privatization changed little in the government's plans. Nevertheless, the union did achieve a guarantee of the right of individual employees to remain with the government, if they so chose, and assurances of successor rights for its locals in representing the new private-sector employees. The B.C. government wanted employee ownership to play a key role in its privatization plan. To achieve this objective, the government instituted a number of incentives to encourage its employees to establish their own companies and to bid on the maintenance contracts. These included:

- Two-day seminars to help employees build business skills.
- Access for employees to independent business advisory services.
- Expanded eligibility for government-funded training in financial management and business law.
- Extended benefits in health, group life insurance, and dental coverage for the first six months of privatization.
- Once an employee-owned company bid on a contract, direct negotiations without going to a public request for proposals.
- An employee-owned company whose bid for a contract was within 5 per cent of a privately-owned firm would be considered the highest bidder.

To qualify for these incentives, employee-owned companies were required to be structured so that a majority of the employees were involved in the buyout and a majority of voting shares were held by employees. This led to 10 of the 28 highway contracts being let to 8 employee-owned companies, with the remainder going to conventionally owned businesses. (One employee-owned company received three contracts.)

A union-sponsored bid to have its members purchase the complete highways service, as a single unit, was rejected by the government who opted to created 28 separate contract areas. Government officials defend this decision, claiming they did not want a single buyer

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because of concern over the monopolization factor and the leverage it would afford that buyer. The union suspects the government's opposition was because it did not want the BCGEU to be the driving force behind the buyout.

Examples

Two examples of the employee-owned companies are Mainroad Contracting in the Greater Vancouver area and Caribou Road Services in the Williams Lake region. Mainroad has 172 employees, 140 of whom are shareholders. Three individuals at Mainroad each own 6.5 per cent of shares, while no other employee owns more than 2.5 per cent of shares. At Caribou, 71 of the 110 employees are shareholders. One person owns 10 per cent, 4 people each hold 5 per cent of the shares and 3 others own 3 per cent each. The remaining shares are distributed about equally among the other employee-owners. Control of each of these companies rests with a board of directors, which is majority-controlled by the employees. At Caribou, there is a board of nine workers, including the company's general manager. Mainroad also has a nine-person board, currently comprised of the three largest shareholders and four other employees. Two additional outside directors are selected by the seven employee-directors.

Mainroad is a unionized company with a collective agreement that provides a wage and benefit package comparable to existing public sector standards. The only area of significant difference is around pension plans. Mainroad has no pension plan, opting instead for a company-matched RRSP contribution.

Caribou decertified the union shortly after receiving its highways contract. "About three months after we started up, the guys decided that since they owned the company and made decisions anyway, there was little reason to keep the union," said Stan Palopski, President of Caribou. Caribou has maintained a wage and benefit package that is equivalent to the unionized firms, through there is no pension or retirement savings plan at this time.

There are significant differences in the internal communications systems of the companies. Mainroad publishes a newsletter three times per year, issues a quarterly synopsis of the company's performance, and regularly posts board of directors' minutes. At Caribou, the board meets only as needed, and limited information is distributed to the shareholders. Both groups hold annual general meetings.

While neither company has a current certified share valuation, both have in-house estimates of their share worth. At Mainroad, original $10 shares are now estimated to be worth $22, while at Caribou the initial $100 share is currently projected at $185.

One advantage of these employee-owned companies is reduced operating costs. At Mainroad, for example, the eight original service yards have been consolidated into three. Administrative costs have been controlled at approximately 7 per cent of overhead. This is reflected in one simple, yet effective, head office. There are no private offices for the president or senior managers.

Premier Bill Vander Zalm of British Columbia.

Union locals maintained

The 28 service contracts given out by the British Columbia government involved more than 2300 employees moving to private companies from government. Approximately 270 highway employees opted to stay with the government by transferring to other public sector posi-

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Cont'd

tions. The total cost of the 28 contracts was $751.7 million over 3 years. Of the 20 companies that hold the contracts, 16 continue to be unionized. Two of the four companies that decertified their union, including Caribou, are employee-owned.

A number of pressing questions concerning privatization do exist. They pertain both to the benefits for the workers and the value for the broader community. Are the privatized workers going to have the same degree of job security and benefits as they did when employed by the government? Will the employee-owned companies be viable over the long term? Are the levels of service to the public comparable to the pre-privatization period? Is privatization cost efficient for the government and ultimately the taxpayer?

Union representative, Dave Matland, raises questions concerning the long-term benefit to the workers: "While workers have maintained comparable wage packages to their previous government jobs, the upward mobility of many employees is now restricted. Where an employee could look towards a transfer to another region within the system in order to achieve a promotion, that option is now gone," Matland said. "Furthermore, a government employee who required a transfer for compassionate reasons could get one. For example, a civil servant who had serious family health problems could be transferred to be in closer proximity to specialized medical facilities. That option is no longer there."

Pensions

Lost pension benefits are also a consideration. Of the 2200 unionized workers under privatization, 1000 are in the union-sponsored and -administered pension plan. Others have either no plan, an RRSP contribution arrangement, or smaller company-administered pension plans. In the case of nonunion companies, pension plans are currently not in place.

Union pension officer, Paul Martin, questions the quality of some of these arrangements for the workers: "Under some of these plans, individual workers may be required to make the decisions concerning the administration and investment of their own funds in order to build their future security, versus the more sophisticated fund management expertise available under larger plans. This can lead to difficulties, particularly for people who don't have extensive investment experience or expertise." Martin also felt that with economies of scale, larger plans could reduce fees for pension administration and take advantage of fund diversification opportunities, not available to an individual or small investor.

Dave Matland also raised concerns regarding the economies of scale for some companies, pointing out that government could purchase equipment, material, and fuel in bulk. Small private companies would have to make these purchases in much smaller quantities, potentially increasing their costs. This argument was rejected by Mainroad President, Rod Fru, who felt that through careful buying, they were able to find very satisfactory deals.

Quality control

The supervision and quality control of the contracts is handled provincewide for the government by 169 district and area

managers. This is done through the Quality Assurance Program, which involves a system of tests, inspections, and evaluations of performance to ensure that the contract requirements are being met. However, there are serious questions as to whether this quality control system works satisfactorily. The Auditor-General of British Columbia, in his 1990 annual report, conducted a study of the value for price of certain aspects of the highways' privatization. While he found that the standards the government required from contractors were acceptable, he identified serious flaws in the implementation of the quality control program.

Auditor-General, George Morfitt, states in his report, "We found that Ministry staff are not carrying out road inspections to the levels required by the Quality Assurance Program. Consequently, the Ministry cannot determine whether contractors are meeting its safety-related maintenance standards. As well, the inspection results are not reliable because there are inconsistencies in the interpretation and application of standards from one contract area to the next." Morfitt went on to say, "The Ministry has not been effective in rating performance or in communicating overall performance results to its contractors." The Auditor-General was of the opinion that the other demands on the area managers, who have responsibility for program implementation, did not allow them to carry out their inspection duties to a satisfactory standard.

Vince Collins, Deputy Minister of Transportation and Highways, acknowledged some of the criticisms by the Auditor-General, but is of the strong opinion that the privatized service is equal to or better than the previous government service. He cited the standardization of requirements in the contracts, which did not exist previously, and the Ministry's own records, which indicate that only one of the 28 contracts had experienced significant problems in performance. Collins is supported by the British Columbia Road Builders Association, who commissioned a survey in March, 1989, showing a 70 per cent approval rating by the public of the privatized highway-maintenance service.

Up in the air

The issue of savings to the taxpayer is equally unclear. The Ministry claims a saving of more than $100 million over the 3-contract. There are $25 million in direct savings and $75 million in indirect savings, including revenue returned to the government through corporate taxation and licensing fees. However, the accounting for privatization is vague at best. The government has not released information on the contracts, nor has it released any information on private consultants it has retained to carry out duties that were once the responsibility of the public sector. Furthermore, the government does not include in its calculations the costs of administering the Quality Assurance Program and related administration, claiming that this program would have been required even if the highway service had remained with the government, though such a program had not been in place before privatization.

This lack of financial information has raised a number of concerns, including calls from the Auditor-General for the Ministry of Highways to include such expenditure information in its annual report. New Democrat Highways Critic, Dale Lovick, questions whether any real savings exist: "There has been no clear demonstration of savings, and no information on consultants or contracts was made available. It is impossible to say what the true picture is."

Watershed

Nineteen ninety-one will prove a watershed for the privatized companies, both worker owned and conventional, as they will have to bid again for the highway service contracts. This time around, employee-owned companies will not be afforded any preferential treatment by the government. They will be required to bid on an equal footing with others in the industry. It is anticipated that many companies will be looking at expansion, through competing for contracts in regions adjacent to their current areas. There is also the expectation that the government will be much tougher in negotiations, as it was in the second round after contracting-out services for the mentally disabled. With a provincial election in the offing for the spring of 1991, and a widespread expectation that the New Democrats will form the next government, questions arise as to whether that party would want highways to operate as a private service. NDP MLA, Dale Lovick, says that an NDP government would need to conduct a full performance and financial audit before determining its position: "This decision will be based on clear information and what is best for British Columbia, not narrow ideological considerations."

The court of public opinion is still out on the privatization experiment in British Columbia, but what is clear is that there are many unanswered questions that will require more time and further information, before any definitive conclusions can be drawn.■

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Privatization with a Twist

Managing Owners: The National Freight Consortium in Perspective
By Keith Bradley and Aaron Nejad, Cambridge University Press, 1989, 182 pp., hardcover $75.

Review by Jack Quarter

J K Watson
Chair (designate)

Sir Peter Thompson
Chair

Most employee buyouts have been of companies in financial distress or receivership. The buyout of the National Freight Consortium (NFC) in the United Kingdom was different: though there was conjecture about the degree of financial well-being because of underfunded pension liabilities, it was a large, profitable government-owned corporation with 29,000 employees in hundreds of depots.

The context for the NFC buyout in 1982 was the British government's privatization policy of Crown corporations. This buyout gave privatization a new meaning because it was not a purchase by financiers or other capitalist corporations, but a purchase by management in combination with a broad range of the workforce.

The large employee participation in the NFC purchase did not ruffle any ideological feathers within the Thatcher government, according to Keith Bradley and Aaron Nejad, the authors of *Managing Owners: The National Freight Consortium in Perspective*. Rather they argue that "the Conservative government of Margaret Thatcher believes that the public interest is best served by a wide dispersion of share ownership and by employees having an ownership stake in their own company."

International trend

This advocacy of "worker capitalism" is not limited to Britain's Conservative Party. This same trend has taken hold in the United States through the ESOP movement — a movement which took a quantum leap forward in the 1980s and which now embraces 12 million workers. In 1984, its leading advocate, Senator Russell Long, argued that the best way to strengthen capitalism was to spread ownership more broadly:

"It is difficult for me to believe that any thoughtful policymaker can think for a moment that socialism or communism is in the best interests of people.... Yet if they look to us for leadership, what do they see? They see a nation in which 50 per cent of the privately-held capital is owned by only one-half of 1 per cent of the population.... We desperately need a working model of what we would advocate for other nations. And I firmly believe that employee stock-ownership is just such a model."

In Canada, too, we can see this same pattern through the spread of stock bonus and stock option plans. For example, a survey in 1986 by the Toronto Stock Exchange (TSE) indicates that 63 per cent of the companies listed on the Exchange had some form of employee share-ownership plan, and many companies offer their employees more than one type. The TSE survey also indicated that nearly one third of the corporations had share-ownership plans which are open to all employees (not just officers, direc-

An NFC employee shareholder putting a question to the board from the floor of the company's annual meeting.

tors, and senior management), and corporations normally provide financial assistance for employee purchases. Nor does the TSE survey stop at describing the lay of the land. It even advocates increased employee share-ownership: "Employers *should* not only encourage widespread participation by employees, but *should* also assist employees in making *larger* annual contribution, and to retain such contributions, if possible, within their share-ownership plans" (emphasis added).

The TSE survey never provides a precise definition of "larger." It is not clear, therefore, whether its advocacy would extend to something like the NFC buyout. Nevertheless, it is important to note that the NFC buyout is not an aberration, but part of an established political tradition in many Western countries of extending capitalism (i.e., share ownership) to workers.

Leading edge

The NFC buyout extends that tradition to the privatization of state enterprises. In Canada, employees have participated in such purchases, but these have either been very small (e.g., highway services in British Columbia or a fish hatchery in Nova Scotia) or they have involved a small employee stake in a large enterprise (e.g., Air Canada). NFC was a "leading edge" insofar as employee shareholding was large and widespread, and the company itself was huge.

The arrangement, though, as Bradley and Nejad note, was one with which the conventional business community could feel comfortable. The buyout was management-led, and the traditional management style remained intact. Management was under great pressure to invest in the company and because of their large numbers may have had actual majority control of the stock when the buyout occurred.

So why bother with worker participation at all? As Bradley and Nejad explain, there were practical advantages: "If participation were restricted to management, only a limited institutional buyout would be possible, with management holding a minority equity position....Additionally, it was felt that an employee buyout would have greater political appeal than a buyout limited to management....Finally, it seemed that Barclays Merchant Bank [the primary lender] strongly favored an extensive employee buyout on the grounds that participation of employees would win the commitment of the workforce to change. Employee financial participation also spreads risks and provided greater security for any loan finance the banks provided." There were other advantages as well. The government was committed to funding the substantial liability in NFC's pension. Once it did so, its net on any sale of the company would be very small, and funding the pension deficiency "prevented a conventional stock flotation."

There were also some distinctly political considerations. "An employee-owned NFC would be difficult for a future Labour government to renationalize." And in the words of Peter Thompson, NFC's Chief Executive and the buyout's chief organizer, "Some of our

NFC shareholders participating in the decision-making process of the company at their annual meeting. Twenty-five thousand workers at NFC are owners of the company, which was privatized by the Thatcher government.
Photos: National Freight Consortium

problems, which have been deep-rooted, particularly the union problem, would go away...."

Thompson's rationale for the buyouts is quite illuminating:

"We are owned for the benefit of the people who work for the company. And that turns me on. It satisfies people's natural greed and it also satisfies their need to be involved. It also satisfies the philosophical concept that if you are creating wealth you should share it."

Although this rationale treads the precarious line between left and right in British politics, the structure of NFC, as described by Bradley and Nejad, could go further in realizing that synthesis. Let us address that point by outlining the features of a buyout, acceptable to the political left. It would be a worker co-operative based upon the democratic principle of one-worker/one-vote; and it would have democratic management with broadly based worker participation.

Union opposition

Given the political climate in the U.K., such a structure was not in the cards; nor was it practical because the NFC buyout required 62.5 million pounds of financing. However, is there a middle ground that could have represented a greater synthesis of left and right? The answer to

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that may lie in a stakeholder structure in several Canadian buyouts. Within these buyouts in the forestry and brewing industries, employees and management are recognized as having distinct interests, and each is guaranteed an equivalent bloc of seats on the board to which it elects representatives. Unions representing the employees seem comfortable with this arrangement.

By contrast, the primary union involved in NFC, the Transport and General Workers' Union (TGWU), opposed the buyout. Would the TGWU have responded more positively to an arrangement which preserved a distinct employee interest? This may be a question worth further exploration.

In the case of the NFC buyout, the loss of a distinct worker interest did not appear to involve any reduction of management control. That being the case, it may have been better to call a spade a spade and to recognize the distinct employee interests through separate representation on the board. Such a stakeholder arrangement would have formalized the management-employee partnership in the purchase and operation at NFC.

In a postscript to the book, Bradley and Nejad provide the most compelling evidence that the buyout of NFC has been successful:

1) NFC employs 29,000 workers, of whom 25,667 own shares. At the time of the buyout about 40 per cent of the employees became shareholders;

2) Trading profits increased from 4.1 million pounds to 40 million pounds;

3) Despite the heavy debtload, loans were either paid on time or in advance of the due date;

4) NFC has diversified and developed its own distribution system;

5) Shares evaluated at 1 pound at the time of the buyout reached 74 pounds by 1989; dividends increased from 55p to 1.50 pounds; and capitalization increased from 7.5 million pounds to 600 million pounds;

6) Productivity has improved to 32,130 pounds per employee.

At the time of publication of the Bradley-Nejad book in 1989, the NFC story appeared to be a happy one. However, the authors note some possible storm clouds. In accordance with the agreement with the Thatcher government, there has been a flotation of NFC shares on the stock market. The anticipated rise in share prices of 15 to 20 per cent will create an incentive for workers to sell, as they will stand to make large capital gains. NFC has taken some safeguards, such as "double voting rights for employee shareholders" in case of a takeover bid. However, if large numbers of employees decide to sell, as has happened in other employee buyouts within a corporate framework, then the control structure at NFC would change. Board Chairperson, Peter Thompson, is philosophic about the outcome: "You've got to have confidence that concept of employee control is deep enough that it will survive on the backs of people believing in it....It is time to cast loose and let's see if the employees do believe in it."

Worker capitalists

Managing Owners never makes clear that employees "control" NFC, as Thompson claims. Employees are major investors, and it seems that management has improved its communication with employees. While the evidence about employee control is unclear, it is clear that NFC is a good example of worker capitalism (which it was intended to be), and that one of the prerogatives of a capitalist is to earn a profit from investments.

In conclusion, *Managing Owners* is an important book about a new direction in employee ownership: privatization of state companies. Although the context for the book is Britain, privatization of state corporations is occurring in other Western countries and in Eastern Europe.

There's a fitting postscript to this review: As I was writing it, I learned that the largest union at Canadian National Railways, a crown corporation with 38,000 employees, is launching a feasibility study of an employee buyout. Like the British government, Canada's Conservative government has been privatizing its Crown corporations, and the United Transportation Union anticipates the same will happen at CN.■

Jack Quarter is the editor of *Worker Co-op* and co-editor and contributor to *Partners in Enterprise*, Black Rose, 1989.