

WORKER CO-OPS



Launching a Worker Co-op Sector: lessons from co-op housing.

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Vancouver, British Columbia

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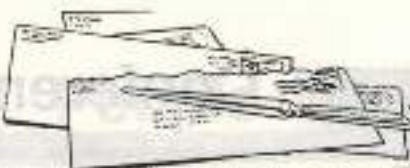
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Changes

Jack Quarter, Editor

Since the inception of the Worker Co-ops magazine two years ago, Jo-Anne André has served as production and business manager. It will be difficult to imagine the magazine without Jo-Anne, but we shall have to do so because she has moved on. We shall miss her. Her work has been invaluable.

I'd also like to thank a number of others who have called it a day. Joanne Lindsay has been involved with the publication since it was a newsletter, helping with marketing, editing and, recently, with book reviews. She deserves much credit for the publication's development.

And while on the topic of Joanne's, Johanne Bérard has departed the Centre de gestion des coopératives where she diligently prepared the French-language features.

Last but not least, our thanks to Robert Thompson, Maureen Edgett and Lars Apland who until their recent departures, have capably provided news from Newfoundland, New Brunswick and Saskatchewan, respectively.

Canadian porcelain

It was good to see that the events surrounding the attempt to build the largest industrial worker co-op in Canada have not been forgotten. These middle-aged workers are again facing loss of what for many of them has been their life's occupation and this time there are even fewer options to help them reconstruct their lives.

At the initiative of our local MPP, Richard Allen, Hamilton Mayor Bob Morrow has developed a task force to find new employers to go into the Lapp facility. It is hoped that these new firms may offer

employment to the former Lapp employees. This hinges on the willingness of Lapp to sell or lease part or all of its plant.

Certainly not only the workers but Canada as a whole lost a fine opportunity to engage in a noble experiment in economic self determination with the Canadian Porcelain Workers Co-op. The Mulroney Government will have this affair to add to its record of dubious achievements.

Bill Thompson
President
Canadian Porcelain
Worker Co-op

Worker Co-ops welcomes letters and conference notes from its readers. Letters should be sent to the Worker Co-ops Magazine, OISE, 252 Bloor St. W., Toronto, Ontario M5S 1V6.

Conferences

Women and Community Economic Development -- A National Conference

May 27-29 women from across Canada will assemble at Douglas College, in New Westminster (Greater Vancouver), to discuss community economic development, including worker co-operatives. This conference brings together women who are new to CED and women who have been active with CED projects.

Registration information is available from Margaret Zucht, Community Programs & Services, Douglas College, P.O. Box 2503, New Westminster, B.C. V3L 5B2; (604) 520-5479 or (604) 430-0453. Conference sponsors are Douglas College and Women Skills.■

CICOPA Attracts 63 Countries

The third world conference of CICOPA, the International Committee for Industrial and Artisanal Production Co-operatives, a specialized organization of the International Co-operative Alliance, was held in Paris, France February 23-26, 1988. The conference was marked by an incredible breadth of participation. Representatives from 63 countries, including delegations from African states, India, Central and South America, Japan, Western Europe and Eastern Europe, attended, as did Canadian and American contingents.

The conference program focused on problems common to worker co-operative development, new forms of worker ownership, and conditions for exchange between co-operatives, particularly between less developed and more developed nations. The Canadian delegates included Alain Roy, a member of the Co-operatives Secretariat of the federal government; Jean-Leon Rondeau, Fédération Québécoise des co-opératives de travail; Andre Godbout and John Jordan, Co-operative Insurance. The United States was represented by Sherman Kreiner and Cindy Coker, from PACE; David Ellerman, ICA; Walden Swanson, Wisconsin Development Council; and Corey Rosen, NCEO.■

Worker Co-ops in Canada Conference August 12-14, 1988

The conference will centre on planning strategies for the worker co-operative movement in Canada. The Worker Ownership Development Foundation is sponsoring the conference as a followup to the Co-op Strategies Conference. Both conferences will be held at Grindstone Island near Kingston, Ontario.

For further information: Grindstone Co-op, P.O. Box 564, Station "P", Toronto, Ontario, M5S 2T1; (416) 923-4215.■

Popular Summit Conference

June 17 -21, 1988

A Toronto-based committee representing a broad range of interests and political positions is organizing the Popular Summit Conference in Toronto. National and international representatives from churches, the labour movement, native and women's organizations will speak on free trade, democracy and social justice, world peace, and current struggles in the Third World. The conference offers an alternative to the "official" Economic Summit Conference hosted by Prime Minister Mulroney, June 19-21.

For more information: Popular Summit Conference, c/o SCM Office, Hart House, University of Toronto, Toronto, M5S 1A1.■

Worker Co-ops welcomes letters and conference information from its readers. Write to: Worker Co-ops Magazine, 9 Violet Ave., Toronto, Ontario M4E 1A9.





A feminist view of worker co-operatives Meg Luxton interviewed by Grant MacDonald

Meg Luxton, a professor of Social Science, is the author of More Than a Labour of Love: Three Generations of Womens Work in the Home (The Womens Press, 1980) and other books on women's work and family life. Her most recent is co-edited with Heather Jon Maroney, Feminism and Political Economy: Womens Work, Womens Struggles (Methuen Press, 1987).

- I understand that, as for many people, co-ops have played a significant role in your life.

- Yes. I have had three kinds of experiences. I have lived in co-op houses, small individually set-up groups. In 1969 I was involved, in Toronto, with setting up the Campus Community Co-op Day Care Centre, and my children went there. Now I am in the Karma Co-op, a food co-operative that has been going for 15 years.

- In your experience, what sorts of struggles have accompanied these involvements?

- The issue that I think of first is the tension that seems to exist between paid staff and volunteers in those co-ops that have been set up to provide a service. The staff, who are always underpaid and overworked, bear the brunt of the responsibility. Volunteer members tend to have other demands on them which get priority and so find it difficult to participate.



Photo by D. Wursluk

I think that the demands for participation must be a problem too in worker co-ops, certainly for working-class women members who tend to have many other responsibilities in addition to their paid work.

- So, perhaps the democracy that co-operatives pride themselves on does not always take account of people's reality?

- That's right. . . and it privileges the most privileged. Formal democracy, where everyone is entitled to speak, is not worth very much if some people are too frightened to speak. I think that the women's liberation movement is really struggling with the fundamental differences that people bring to groups -- things like gender, race, class,

and education -- and has developed skills and methods of trying to involve everyone. Women's caucuses for instance, now fairly commonplace in the trade union movement, have really helped give women a voice in their organizations. As far as I know, it is the very rare co-op that actually tries to formally deal with members' different situations.

- Do you see co-ops playing a particular role in respect to women's work?

- It seems that worker co-ops have often been seen as solutions to employment when all else has failed. I would assume that many women are motivated to form co-ops by their inability to get other kinds of paid work.

Also, co-ops can provide women with some control over their working conditions -- for instance, having their own co-op, they do not have to put up with the sexual harassment they often encounter in other kinds of workplaces. Or a co-op may allow them to deal creatively with their child-care responsibilities.

The hope is that if there were some successful worker co-ops that really presented alternatives for women in terms of flexible hours, help with child care etc., then they would be a real vision of the future. That would be wonderful.

- What obstacles do you see in furthering worker co-op development?

- Well, I think the economic clout of large businesses opposed to worker control could be a factor. I think that governments too will be an obstacle. They will not come out and say they are opposed, but they tend to be far more supportive of private enterprise than of co-operative enterprise. This has certainly been true in the housing sector, and we are going to see the same thing very soon with regard to non-profit daycare.

- Are there more subtle obstacles to worker co-op development?

- Yes, the kinds of demands that worker co-ops make on people, especially during start-up. The amount of time and financial

commitment that is required is often beyond the capacity of individuals to give.

The other thing is that there is a really strong sense among people, women especially, that they do not have the skills to run their own enterprise. To say that we have been indoctrinated may be too strong, but certainly there is a powerful notion that most people do not have the capacity to control their own lives, to make their own decisions. This also serves to justify the belief that a few people do have a right to make all the decisions and to profit by them.

In reality, people probably do not have the simple skills that they could apply to running their own enterprise -- skills like basic accounting, how to set up an office, how to run a meeting, or even how to present an argument logically. It makes me realize just how the education system has failed. These are not things people get from their schooling or their work experience, yet these are pretty straightforward things to learn. When people feel inadequate, it just feeds into the notion that it is hard and complicated to control your own workplace, that it is best left to others.

- Yes, but it is a lot harder to counter these beliefs when there are so few worker co-ops to serve as inspirations.

- Yes, but it is interesting that we have negative role models. People can see large bus-

inesses collapsing around them, they can experience in their own workplaces that things are inefficient, that they are not being used effectively, that working conditions are poor. You know that when businesses go under, people do not say that capitalism does not work. Yet, when a worker co-op fails, it is probably seen as a failure of worker co-ops in general.

- Do we need more visions?

- Positive visions must come out of real experience, I suspect. I remember when we were setting up the daycare centre, we occupied the building at the University of Toronto to assert our claim to the space. One night at the end of the first week of the occupation we realized that we had created something different. There were 150 of us, and we had successfully organized our own meals, cared for our children and lived together continually for that time. It was slightly tense but also slightly triumphant, and the magic of that helped me to think about doing things differently.

Grant MacDonald, the Forum Editor, can be contacted at 306 Harbord St., Toronto, Ontario M6G 1G8; (416) 588-5738. ■

Worker co-ops and community development corporations: Joining forces in community economic development

Marty Donkervoort

The role of worker co-operatives in community economic development could have been made clearer in the features in the last issue of this magazine.

In the retail, health and financial-services consumer co-ops described in the feature on the Evangeline area of P.E.I. affect thousands of people in the immediate community who are members. On the other hand, the two worker co-ops (a potato chip manufacturer and a children's clothing company) directly affect only 14 and five worker-members respectively. Unlike consumer co-ops, the products and services of these worker co-operatives are marketed outside the immediate communities. However, these and other worker co-ops are definitely driving forces behind community economic development, creating employment and new wealth for their communities and at the same time maintaining local control over these resources.

CDCs provide link

One way in which the link between the worker co-op and community economic development can be made more explicit is by having a worker co-op associated with a community development corporation (CDC). A CDC is usually a non-profit organization with charitable status, with a board of directors representing the local community.



Just Work members Earl Groeneweg (top), Jose Colindres (middle) and Dwight Doan (bottom).

The board hires management, which in turn hires employees.

There are lots of examples of this model, including new Dawn in Nova Scotia.

CDCs can play an important role in soliciting government support, assisting with new enterprise financing, engaging in community organizing to identify potential members, and in supporting these members during their enterprise's development or expansion periods.

But for those of us concerned with workplace democracy, this model has some serious shortcomings, the key one being

control. In the case of worker co-ops, the workers have control, while in CDCs, control lies with members from the community at large -- non-workers in the enterprise.

Over the last couple of years, a number of enterprises have overcome this shortcoming of the CDC by combining with a worker co-op. This combination increases responsibility and accountability to the larger community and also provides real workplace democracy for the workers. One example of this combined structure is Just Work, a construction company in

Forum

Toronto which provides renovation and new construction services for both the residential and commercial markets. The CDC component of Just Work was incorporated in 1981 as a non-share capital corporation called Just Work Community Economic Development Services of Riverdale. Support in the form of in-kind donations, office space and the experience of members in the Riverdale community was quickly forthcoming. It was set up with the intention of providing workers' control, livable wages for the workers and quality professional services. It was also to be self-sufficient.

The founding members shared values related to co-operative principles and social justice. Five years after establishing this successful business and building up the financial reserves of the CDC, the time came to deal with future growth. Since one of the objectives of the CDC was to initiate and sponsor new enterprises in the community, it seems appropriate to spin off the existing business as a worker-controlled company.

The transition

In late 1987, with annual sales in excess of \$1-million, **Just Work Construction Ltd.** was incorporated on its own as a share-capital corporation. The workers, after completing an 18-month probationary period, were able to purchase one common (voting) share at the nominal

price of one dollar. The CDC purchased preferred (non-voting) shares worth \$130,000. The shareholder's agreement spells out the details of the relationship between the CDC, the worker co-operative and its members. Another agreement features annual transfer payments to the CDC equal to 20 per cent of the after-tax profits of the co-operative. Also the articles of incorporation include the transfer of all the assets of the worker co-op to the CDC in the event of dissolution.

Future plan

With the two companies operating separately, the worker co-op is getting on with the business of providing quality construction services to the community, and doing so with the worker-members fully in control, while the CDC is free to pursue the development of new enterprises. The CDC is already actively developing a business in technical design, and has other business concepts in mind for future development in such areas as waste management. John Brouwer, one of the founding members, expressed his excitement about moving into new ventures, but quickly added: "We are in no hurry and are willing to spend a year or more planning carefully for our next worker co-op enterprise."

This approach to community economic development has a lot of potential for it deals with the key questions of balancing worker control with some degree

of accountability to the larger community.

Marty Donkervoort is a worker-member with Co-op Work, a resource group for the development of worker co-operatives and other community-economic-development initiatives. It is located at Carrot Common, 348 Danforth Ave., Toronto, Ontario M4K 1N8; (416)-7371.

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Launching a worker co-op sector: lessons from co-op housing

Mark Goldblatt

Co-op housing represents the most significant sector of new co-operative activity in Canada. It has emerged and consolidated itself since the Second World War in a social, economic and cultural environment very similar to that facing worker co-operatives today. Virtually the entire Canadian co-op housing system has developed in the past 20 years. During the 1960s, only a few articulate advocates for the concept could be found, along with a few sponsoring organizations (Canadian Labour Congress, Co-operative Union of Canada, United Church of Canada). There was definitely no groundswell of demand, or even comprehension of the concept, by tenants.

As of November, 1987, a Co-operative Housing Foundation of Canada (CHF) survey found there were 40,000 non-profit co-operative housing units owned by 1,249 housing co-operatives, with an additional 4,600 units under development and another 5,500 units in the planning stage (total book value over \$3.5-billion). There were 18 regional federations of housing co-operatives, two provincial confederations, 60 resource groups employing over 450 full-time staff and one staff association. CHF's 1988 budget is \$1.5-million. The entire infrastructure -- regional federations, resource groups and CHF -- is entirely self-financing. Management support services, including an extensive adult education program, are in place.



One of CHF's first boards of directors meeting in Ottawa. Standing, L to R - Lloyd Graham, United Church of Canada, Jim MacDonald, Terry Phalen, Canadian Labour Congress, Glen Haddrell, executive director. Seated, L to R - Don Montgomery, Canadian Labour Congress, Breen Melvin, Co-op Union of Canada.

Reasons for growth

There are two critical factors that can explain this rapid growth: first, the existence of adequate financing mechanisms and, second, the creation of an effective delivery system for developing new housing co-operatives. In June, 1973, during the flexible environment created by a minority federal government, CHF lobbying resulted in the amendment of the National Housing Act to create a comprehensive financing program

for non-profit housing co-operatives. Key elements of the program included feasibility funds for each new project, subsidized long-term financing and grants to assist in the creation of a network of community-based resource groups. These resource groups, conceived as comprehensive co-op housing developers, expert in both residential development and co-op organization, became the driving entrepreneurial force for the creation of successful co-op housing projects.

Application to worker co-ops

The application of these critical elements to the worker co-operative concept would result in something along the following lines. First, an adequate financial system for worker co-operatives must be put into place. It must include funds for feasibility work, business plans, equity financing and access to secured and unsecured commercial credit. The financing system should assume modest amounts of workers' capital, a system for accessing traditional commercial financing (including co-operative financial institutions), and a very significant role for government grants, loans, and loan guarantees, concentrated in high-risk start-up development.

Secondly, we need to create at the earliest possible time at least five regional resource centres that are designed to provide a one-stop capability for development and management support of worker co-operatives. The Community Development Co-operative, based in Nova Scotia, and the Worker Ownership Development Foundation/Co-operative Work in Toronto, provide focal points around which we can build two of these regional centres. The Groupes Conseils and the Federation of Worker Co-operatives in Quebec are further along this path.

Financing

Unlike the circumstances faced by the visionaries who launched the Mondragon system

of worker co-operatives in Spain in the late 1950s, Canada has a fully-developed co-operative financial system. It should not be necessary to start all over again with a parallel institution. However, this statement makes the assumption that Canada's co-operative financial system, which has been primarily oriented to providing personal financial services (savings and credit), is capable of the interested in becoming a significant commercial lending source for worker co-operatives. Direct discussion aimed at resolving the issues should be launched immediately, including the idea of creating a small number of focal points within the co-operative financial system where the expertise for engaging in this kind of commercial lending can be concentrated.

On the government side, an affirmative political campaign needs to be launched by the entire co-operative sector to engage both our federal and provincial governments in creating financing programs to assist in the development of worker co-operatives. This activity is both necessary and desirable. It is necessary because there is no other identifiable source in our society besides government which has both the mandate and the capability to provide a significant amount of financial resources for new initiatives such as worker co-operative development. It is desirable because worker co-operatives deserve a significant share of the mammoth amounts of taxpayer funds currently

flowing to invest or owned companies to stimulate economic development.

Dependency on government

Co-operators have raised at least two concerns regarding an extensive role for government financing in worker co-operative development. The first is that such an embrace will result in compromises unacceptable to the healthy development of a worker co-op sector. This is definitely a possibility since the government always has its own priorities which seldom match those of the co-op sector. However, the co-op housing experience suggests that, if our sector's objectives and minimum expectations are defined by ourselves and if we are ready to walk away from the table when minimum objectives are not achievable, an acceptable, although sometimes rocky, relationship can be hammered out.

The second objection is that significant government support creates a dependency cycle from which dire consequences can result. Again, the co-op housing experience suggests that this is only so if you fail to plan for independence by building in, from the earliest possible time, financial and structural mechanisms for ongoing self-support.

Resource groups

Regarding an effective delivery and support system, three initial comments are offered. First, worker co-op

resource centres, as suggested above, will need significant grant funding in their early years until both the volume and continuous flow of clients is sufficient to enable them to become self-supporting from fees. This is a characteristic of any consulting company, but it is particularly true in the case of a specialized organization in a field where most of its clients have yet to be created.

Secondly, some careful consideration should be given to the structure of the regionally-based worker co-op resource centres. How can we get maximum performance in the context of the existing Canadian realities? How can we get continuity, the buildup of practical expertise, and the room for institutional growth over time? Most important, how can we attract and hold and remunerate both committed and competent staff who have been the driving source of the entrepreneurial success of the housing co-operative resource groups? In turning these questions over in our minds, and remembering that no one model is essential, consideration should be given to a multi-stakeholder control structure involving supporting organizations (co-op, church, labour), the resource-group employees and existing worker co-operatives (as they are developed).

Thirdly, from the outset consideration should be given to how we can build into the development process a flow of funds which will support, over time, a self-financing infra-

structure both for ongoing development and to provide management support for worker co-operatives. The latter concept was entirely overlooked in the initiatives that launched the co-op housing sector in Canada and, while the situation has now been almost entirely turned around, it was a hair-raising experience which is not worth repeating in the worker co-op sector.

Optimism important

The time has come to consolidate, among the many interested parties, an initial strategy for developing a worker co-operative sector in Canada, and then to move forward immediately with its implementation. There has been a fair amount of discussion within the co-operative sector in the past five or six years about the worker co-operative concept, but to date no significant political or financial resources have been mobilized, particularly within English Canada.

Without doubt, the most relevant contribution that the

history of co-operative housing in Canada has to make to the development of a worker co-operative sector is the optimism to get started. Starting with a band of only a few committed advocates and limited institutional support, it has been possible to create an entire new and dynamic sector of Canadian co-operative activity to which thousands and thousands of ordinary people have been attracted and have devoted enormous amounts of their time and expertise in a dazzling display of leadership and commitment. This experience would suggest that our task is to find ways to make the relatively new worker co-operative concept known and accessible to the working people of Canada.

Mark Goldblatt is executive director of the Co-operative Housing Foundation of Canada and a director of the Canadian Co-operative Association. He can be reached at 202-275 Bank St., Ottawa, Ontario K2P 2L6; (613) 238-4644. ■



Easton Housing Co-op, Mount Pearl, Newfoundland.

Intégration des nouveaux membres: quelques réflexions

Johanne Berard

Suite à sa révision en 1984, la Loi sur les coopératives du Québec prévoit que "La coopérative (de travailleurs) doit soumettre toute personne acceptée comme membre à une période d'essai d'au plus un an (...); pendant cette période d'essai, cette personne est un membre auxiliaire (...)" (art. 224.2). À toutes fins pratiques, le nouveau membre peut donc, après seulement un an, jouir des mêmes droits et privilèges que les membres-fondateurs. Ces membres-fondateurs qui ont vécu toutes les difficultés inhérentes au démarrage de la coopérative ont souvent des réticences bien compréhensibles à partager les premiers surplus d'opération avec de nouveaux venus, tout en admettant la nécessité d'augmenter le nombre de travailleurs pour assurer la croissance de l'entreprise.

Devant ce dilemme, certains membre-fondateurs choisiront d'embaucher surtout des travailleurs(euses) occasionnels(les), i.e. des non-membres sur la base de l'article 224.5 de la Loi ("La coopérative peut engager une personne non-membre pour exécuter des travaux occasionnels et de courte durée"); mais cette alternative peut-elle être une solution à long terme? D'autres par contre résoudront ce problème d'équité entre anciens

et nouveaux membres en passant du statut juridique de coopérative à celui de compagnie, éliminant du même coup l'obligation de maintenir une réserve impartageable (i.e. "l'obligation de faire involontairement don au patrimoine économique des résultats de (leurs) efforts"¹). D'autres enfin instaureront des mécanismes de reconnaissance de l'ancienneté. Ainsi une coopérative forestière de la région des Laurentides fonctionne avec un système de rappel des travailleurs-membres fondé sur l'ancienneté; cela constitue un avantage pour les ouvriers de la première heure lorsqu'il n'y a pas suffisamment de travail pour que tous les membres soient rappelés.

Par ailleurs, un document de réflexion préparé à l'automne 1987 par la Direction des agents de développement de la Société de développement des coopératives (organisme gouvernemental) propose, entre autres, d'expérimenter "une formule de partage des ristournes basée sur les heures travaillées et l'ancienneté du membre-travailleur au sein de sa coopérative et de l'inclure aux règlements de régie interne de la coopérative pour approbation par la Direction des coopératives." Le document donne en exemple la formule suivante pour déterminer la ristourne du membre:

Le montant total attribué en ristournes pour l'année courante

multiplié par le nombre des heures totales cumulatives travaillées par le membre depuis son admission au sein de la coopérative divisé par le nombre des heures totales cumulatives travaillées par tous les membres depuis le démarrage de la coopérative.

Rappelons qu'actuellement le mécanisme de ristourne est généralement basé sur les heures travaillées annuellement. La loi laisse toutefois une certaine latitude aux membres d'une coopérative pour fixer par règlement la mesure à utiliser afin d'évaluer le volume de travail du membre (art. 226).²

La formule proposée reconnaît donc la contribution des membres plus anciens et leur permet, lorsqu'ils vieillissent et s'ils le désirent, d'écourter leur temps de travail sans affecter leurs revenus de façon aussi drastique qu'actuellement. Par exemple dans une coopérative forestière où le travail exige un effort physique important, le risque d'accidents croît avec la fatigue; le membre-travailleur devenu moins résistant pourra choisir de réduire ses heures en forêt et ainsi diminuer ses risques sans par ailleurs être trop pénalisé du point de vue monétaire si ses heures travaillées cumulatives lui sont reconnues.

Outre l'aspect économique, d'autres facteurs -- dont la formation et l'information des

membres tant actuels qu'à venir -- jouent un rôle important dans l'intégration harmonieuse des nouveaux membres. Considérons à nouveau le secteur forestier. Une coopérative qui oeuvre dans la coupe et la transformation du bois ajoute une nouvelle activité, par exemple l'aménagement forestier, et recrute donc de nouveaux membres. Ces derniers recevront minimalement une formation coopérative de base³ et devront bien comprendre l'historique propre à la coopérative dont ils souhaitent devenir propriétaires-usagers. D'autre part, il est également essentiel que les membres actuels réalisent (i) que les activités en place devront contribuer au financement pendant un certain temps de l'activité aménagement, et (ii) que des différences bien réelles existent entre eux et les nouveaux travailleurs en terme par exemple de nature des tâches, d'horaire et de vision de la coopérative. Dans cette optique, la coopérative forestière précédemment citée a résolu que le conseil d'administration serait obligatoirement composé de représentant(e)s de chacune des activités exercées par les membres, donnant ainsi l'occasion à chaque division de s'expliquer et de s'inscrire dans une vision d'ensemble de la coopérative.

Jusqu'à maintenant, l'expérience face aux conflits qui

pourraient survenir entre anciens et nouveaux membres semble limitée. La plupart des coopératives de travail québécoises, à l'exception des forestières et de quelques autres, sont relativement jeunes; à moins de connaître une croissance rapide et d'avoir déjà réalisé des surplus, elles ne vivent donc pas encore, du moins pas de façon aiguë, cette problématique d'intégration des nouveaux membres. Comment les membres-fond-ateurs envisagent-ils de prévenir/résoudre les conflits potentiels découlant d'une telle situation? Le présent article a tenté d'apporter quelques éléments de réponse...sans toutefois prétendre faire le tour de la question!

Merci à Paul Vincent pour ses commentaires.

¹ Jean-Claude Guérard, "Pour une fiscalité appropriée à la spécificité des coopératives de travail," *Coopératives et Développement, revue du CIRIEC*, vol. 18, no. 2, 1986-87, p. 129-135; voir aussi le concept de ristourne-retraite dans Jean-Claude Guérard, "La réserve, un mal non nécessaire pour les coopératives québécoises de premier niveau," *Coopératives et Développement, revue du CIRICE*, vol. 15, no. 2, p. 65-73.

² Article 226: "Les ristournes sont calculées en fonction du volume de travail que le membre effectue pour sa coopérative ou pour la compagnie dont sa coopérative est actionnaire.

Ce volume peut être mesuré par le revenu du membre ou par le nombre d'heures de travail ou selon toute autre mesure déterminée par règlement."

³ Tel que prévu à l'article 224.2 de la Loi: "La coopérative doit soumettre toute personne acceptée comme membre à une période d'essai d'au plus un an et à un cours de formation technique et coopérative(...)."



An innovative approach to paying dividends to old and new members of co-ops

The Problem

The 1984 Quebec law on co-operatives states that "the (worker) co-operative must impose a probationary period of a maximum of one year on anyone accepted as a member...; during this probationary period, this person is an auxiliary member..." (article 224.2).

For practical purposes, the new member can, after only one year, enjoy the same rights and privileges as the founding members. Founding members have experienced all the difficulties inherent in starting up their co-operative and often are understandably reluctant to share their first operating surplus with newcomers. Yet they recognize the need to increase the number of workers to ensure the growth of the business.

Solutions

Faced with this dilemma, some founding members hire casual workers, i.e., non-members, in accordance with article 224.5 of the law. ("The co-operative may hire a non-member to carry out short-term, casual work.") But this is not a long-term solution.

Others resolve this problem by changing their incorporation from a co-operative to a conventional corporation. And some create ways of recognizing seniority. A forestry co-

operative in the Laurentians for example, gives priority to worker-members with seniority when there is not enough work for everyone.

A new formula

A working document prepared in the fall of 1987 by la Société de développement des coopératives (a government body) has proposed a formula whereby seniority is a factor in calculating dividends. (See inset.)

It is important to remember that the formula for dividends is usually based on the hours worked annually. Quebec law, however, allows some latitude for co-operative members to assess the members' volume of work (art. 226), as has been done in the SDC proposal. The proposed formula acknowledges the senior members' contribution to the co-op, and also allows them, when they grow older and if they so

wish, to shorten their work time without affecting their share of dividends as drastically as at present.

Resolving conflicts

So far the experience in Quebec of resolving conflicts that can arise between old and new members has been limited. Most Quebecois worker co-operatives, except the forestry ones, are relatively young. Although they have experienced rapid growth and have already acquired surpluses, they have not yet experienced in a significant way the problem of integrating new members. *Johanne Bérard*

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$$\begin{array}{l} \text{member} \\ \text{rebate} \end{array} = \frac{\begin{array}{l} \text{cumulative total of hours} \\ \text{worked by the member from} \\ \text{the time of admission into} \\ \text{the co-operative} \end{array}}{\begin{array}{l} \text{cumulative total of hours} \\ \text{worked by all members since} \\ \text{the beginning of the co-operative} \end{array}} \times \begin{array}{l} \text{total amount payable} \\ \text{in dividends} \\ \text{for the current year} \end{array}$$



How members of Newfoundland's Skilled Trades Limited deal with unemployment insurance problems

Skilled Trades Limited is a unique organization of carpenters, plumbers, electricians and other tradespeople that builds and renovates various types of dwellings. Originally incorporated as a co-operative, Skilled Trades recently changed its legal structure to a limited company. The new company has been in operation since June 1, 1987, but there are a number of details to be finalized yet.

Skilled Trades deals directly with the consumer. It provides skilled labour at a basic wage plus 25 per cent, and it arranges for the consumer to purchase materials at discount prices. Because Skilled Trades involves a large number of workers, its overhead is relatively low.

In the following, W.M. Chisholm --manager and founder--describes the company's history, and how it resolves problems when they arise with Revenue Canada about unemployment insurance for its members.

W.M. Chisholm

In the late 1950s I abandoned the cozy jobs which industry had to offer for one of my own making. I set up a small construction company, incorporated under my own name. It was successful, thanks to the



Helen Rowe, office manager, and Bill Chisholm, general manager, of Skilled Trades.

faithful employees who had worked along with me and who had helped greatly in establishing a good reputation for workmanship and reliability.

All the while I was planning to show that industry could be operated on democratic lines. That day came in August of 1965 -- the day that all my employees including myself incorporated Skilled Trades as a co-operative

construction company. It was a happy day for us all; but it was not to last.

It soon became evident that good reliable tradespeople do not necessarily make good administrators. Accounting and paperwork were for the birds, and people who worked after 4:30 p.m. without pay were not normal. However, we survived as general contractors for about

six years. At the end of this period, with jobs looking for people rather than the other way around and with most of our key people having taken more lucrative positions, we placed Skilled Trades in mothballs.

The 1980 recession awakened some members of the original co-operative. They called one night to say that they were in serious financial trouble, no U.I. stamps and no work; nothing but welfare was the brick wall that many of them faced. Would I consider reactivating Skilled Trades?

Although I had reached the age of retirement and had intended to do some travelling, the old experimental bug won out. I had a very close look at our original successes and failures and developed a new approach to operating the worker co-operative.

The new plan required that every member-employee would have to actively participate in the operation on a daily basis. Members would be obliged to do the following: (1) to look for work; (2) when a job was found, call the office, get a work order prepared, then go and do the job or see that it is done and done properly; and (3) at the end of each week, collect payment on behalf of the co-op and turn the proceeds over to our office for payroll processing. Pay cheques would be issued within two days (on Wednesdays as a rule). In this way, no payroll capital was required. The customer, or others, would be required to supply materials and equipment.

This plan was tried out in 1982 employing only three

carpenters. It worked so well that by 1983 we received a federal-provincial grant of \$25,000 for promotional work. By 1985 our revenue passed the \$500,000 mark; we had employed over 200 people for periods ranging from two to 52 weeks. The 1987 picture was not so good. As a result of a sluggish economy, we employed 126 people and our total revenue amounted to approximately \$400,000.

Our procedures were co-operation at its best, but they were not necessarily democratic, since one person dictated the policy of the operation. The employees could not care less, just so long as they could find a job. And I could not care less, just so long as I could carry on with my experimental program.

One redeeming feature for the lack of a democratic structure was the fact that the books were wide open to all employees and even to our customers if they cared to see what we were doing. Briefly stated, our objective was to pay all employees 100 per cent of their net earnings.

This idea of paying the employees 100 per cent of their net earnings was inspired by Adam Smith's theory that "the basis of wealth is work". That is, the person who did the work should receive all of the value so created.

Enter Revenue Canada

Our operation attracted the attention of Revenue Canada. Their visit, lasting as it did for about a week, served to assure us

that our operation conformed with their regulations and also to provide us with much needed "know how" regarding interpretation of that complicated document known as the *Unemployment Insurance Act*. When they returned to St. John's they issued the following statement:

"We have concluded our investigation into the status of workers performing services for Skilled Trades Co-operative Society Limited. We are of the opinion that worker-members are your employees for purposes of the *Unemployment Insurance Act*. Therefore in accordance with the provisions of the relevant Act and Regulations, employer and employee contributions and premiums are required on behalf of these persons. This ruling is based on the information obtained. It will remain valid until there is a significant change in the facts, at which time a new ruling should be obtained" (dated September, 1984).

This ruling still remains in effect, in as much as we have not received any formal notice to the contrary. However, some of our employees recently have experienced problems in collecting the U.I. benefits.

Most of these problems seem to have developed as a result of different interpretations of our three basic rules: "look for work; do the job; and collect payment on behalf of the co-op". Some officials have claimed that this should be regarded as self-employment; others agree with the original ruling. To say the least, these rulings lack consistency.

We had a case a short time ago that involved three employees. When these employees applied for U.I., two were turned down and one was approved even though all three did exactly the same work and under the same conditions. However, we have also had some fraudulent applicants who were apprehended, not only by Revenue Canada but also by ourselves.

This problem has now been solved to our satisfaction by establishing a position "Project Inspector". It would appear that this move on our part has also met with the approval of Revenue Canada. Each project is inspected from time to time by this person who is a well-qualified construction superintendent, with 25 years of experience.

To sum up

We have taken the 1984 Ruling of Revenue Canada as quoted above in the literal sense. While that may be referred to as the "spirit of the law", the letter of the law (to use a Newfoundland expression) is a different quental of fish. Example: A member would find a job, get a work order as required, but fail to tell the customer that he/she was an employee of Skilled Trades. As a result, the employee was regarded as being self-employed and therefore disqualified for Canada Pension and U.I.

However, when our carefully prepared work orders and instructions have been followed, we have not experienced any problems.

We are now satisfied that our concept of employment is sound. Our customers are pleased with the ease with which their ideas may be implemented and our employees are happy too because they realize that the master-servant relationship which has existed for all too long is just about finished.

Once government more fully realizes that there is room for improvement in our age-old employment system, then the unemployment problem will be solved more quickly.

Postscript

Skilled Trades did not change its incorporation because of the unemployment insurance issue. It was because Newfoundland's Co-operatives Act was interpreted as meaning that membership should be open to anyone who could be gainfully employed and pay the admission fee by buying at least one share. Our position was that an applicant must first become an employee for at least six months before becoming a member and purchasing a voting share which in our case has a nominal value of \$1. Nevertheless such applicants would enjoy the same rights and privileges as a fully qualified member except for the rights to vote and to hold office.

This position was based on our previous experience. Once membership is thrown open to the public, discipline becomes a problem -- a problem which worker co-operatives can do without.

The change in our incorporation was no small undertaking. It was not just a

matter of changing the registration from one government department to another; it involved winding down the co-op and incorporating a new company, Skilled Trades Limited. The change was time consuming and expensive.

It is my opinion that worker co-operatives have produced a new concept of employment, which if properly developed will lead to a happier workplace. It is also our ambition to bring about legislation in Newfoundland designed specifically for worker co-operatives.

For more information, W.M. Chisholm can be contacted at Skilled Trades, P.O. Box 839, Manuels, Newfoundland AOA 2Y0; (709) 834-8069. ■



Fred George, Project Inspector for Skilled Trades Limited



NATIONAL

Albert Chambers
Mark Goldblatt

CCA

The Canadian Co-operative Association (CCA) board has named its worker co-operative advisory committee. Chaired by Norm Bromberger (a CCA board member and CEO, Saskatchewan Credit Union Central), the committee includes volunteers from most types of co-operatives. Its members are: Val Arsenault (P.E.I. Co-operative Union); Doug Ackland (CUMIS); Jack Craig (Credit Union Central); Eric Dean (Co-op Atlantic); Mark Goldblatt (Co-op Housing Foundation); Al Huffman (CSP Foods); John Jordan (The Co-operators Group); Laird Hunter (barrister); Rick Parker (Nova Scotia Credit Union Central); Ethan Phillips (Worker Ownership Development Foundation); and Jack Quarter (Worker Co-ops Magazine).

The first meeting, on March 28th, focussed on defining the committee's terms of reference, reviewing current initiatives (including the CCA's second Innovations application and the new venture capital funds being established by co-operatives in the Atlantic and in Saskatchewan), and developing a work plan. In addition, the committee discussed the forthcoming dominion/provincial conference on co-operatives and made recommendations concerning the CCA's presentation on

worker co-operatives at that forum.

A working group was established to develop a plan for a prototype of co-operative enterprise centres (objectives, staff requirements and budgets) prior to the next committee meeting which is scheduled for May 27, 1988.

Innovations Program

The dominion government's Innovations Program (CEIC - Canada Jobs Strategy) has attracted a lot of attention from those interested in furthering the development of worker co-operatives. Several applications have been successful in obtaining funds (as reported in previous *Worker Co-op* issues).

One major application, by the CCA, for a comprehensive initiative to fund worker co-op resource groups was rejected. Another, by a coalition of Quebec groups, is being reviewed by Innovations.

CCA also submitted, in March, a second, narrower proposal to the Innovations Program. Aimed at a particular labour-market program -- industry adjustment due to technological or trade-related changes and at worker buyout -- this proposal has been well received by Innovations officials. Should it be funded, this project will focus on developing and testing the practical tools required to evaluate and implement a worker buyout.

February 1988 Budget

Modifications to the Income Tax Act concerning labour-sponsored venture-capital corporations, may prove valuable to worker co-operatives outside of Quebec. From its introduction in the May-1985 budget, this 20 percent dominion tax credit has only been available in situations where these venture-capital corporations were provincially chartered and where a matching provincial credit was available. As a result, the very successful Quebec Federation of Labour's fund, with \$120-million of assets) was the only beneficiary.

Now Finance Minister Wilson proposes to permit nationally sponsored corporations to take advantage of the dominion tax credit. The Canadian Federation of Labour subsequently announced that it would establish a fund as soon as possible. Targeted at small and developing businesses, the rules may have to be modified to facilitate venture capital being available to worker co-operatives (as has been done with the Quebec trend). This will present a challenge both to proponents of worker co-operatives and to the labour unions or federations who sponsor venture-capital corporations.

Third Dominion/Provincial co-operative conference

It is likely that Charles Mayer, dominion minister responsible for liaison with co-operatives, will invite his

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provincial counterparts and the national co-operative organizations to a third conference on co-operatives in Halifax in mid-June. The first two conferences, Regina (1985) and Ottawa (1986), considered worker co-operatives in some detail. It is anticipated that officials will report on the results of the study agreed to at the second conference.

Recent provincial program developments and announcements (e.g., P.E.I. Co-operative Development Strategy and the New Brunswick Throne Speech) will be reviewed in detail. Also on the agenda will be healthcare co-operatives, capital formation in the co-operative sector and the "role of government in co-operative development".

Changes at CEIC

Monique Vezina, M.P. for Rimouski-Temisconata in the Gaspé, has been appointed Minister of State (Employment and Immigration). Ms. Vezina was a senior manager in one of the regional federations of the Desjardins movement prior to her election to the House of Commons in 1984. Her strong co-operative background should balance the equally strong private-sector background of the senior minister in the department, Barbara MacDougall.

Albert Chambers is director of government affairs at the Canadian Co-operative Association, 275 Bank Street, Suite 400, Ottawa, Ontario K2P 2L6; (613) 238-6711.■

The Co-operators does it again

Co-operators Communication, the third of the Co-operators Group subsidiaries to be converted to a multi-stakeholder co-op, has received official approval from the Board of Directors.

As reported in *Worker Co-ops* (winter 1988), Co-operators Communication is proceeding with eight members who will provide audio-visual services to the Co-operators Group and to the public.

Like the two previous Co-operators Group subsidiaries (Co-operators Data and Co-operators Development Corporation) that have been set up using a multi-stakeholder model, the Board of Co-operators Communication is representative of the Group (which has provided \$500,000 of start-up capital), consumers and the workers. First-year sales for Co-operators Communication are projected at \$500,000.

For more information, contact Peter Hlushko or John Jordan, The Co-operators, Priory Square, Guelph, Ontario N1H 6P8, (519) 824-4400.■

B.C. Desk

Melanie Conn

Office for worker ownership

Soon, there may be an Office For Worker Ownership Development in B.C. Shane Simpson and Melanie Conn have just completed a contract with the New Westminster Economic Development Association (NWEDA) to study the feasibility of establishing development assistance services for worker-owned business. The study recommends that NWEDA sponsor the creation of an office which would have a variety of functions: the establishment of an information base; the development and delivery of community education to heighten the profile of worker ownership; the co-ordination (with other business and educational institutions in New Westminster) of pre-development education for potential worker-owners; and the provision of specialized development assistance to emerging worker-owned businesses.

CO-OP

**The Farm Store...
and more!**

QUALITY PRODUCTS FOR YOUR
HOME AND FARM

UNITED CO-OPERATIVES OF ONTARIO

The next challenge will be to obtain funding for this pilot project. NWEDA's membership includes representatives from business, labour, government, education and community organizations. This broad base of support strengthens the likelihood that the project will move forward.

Women Artists Co-op

Readers may remember a story in *Worker Co-ops* (Fall 1987) about a group of women graduates of "Co-operative Employment for Women", a Job Re-Entry program offered at Douglas College, whose plan was to create an artists' co-op. The co-op would offer retail and studio space, a slide registry, and marketing services for women artists in British Columbia. Job development, one of CEIC's training programs, was considered as a possible source of funding for the women to develop the co-op.

After a five-month wait, the application was finally approved and the group is now embarked on making their dream a reality.

For more information, write Rita Chudnovsky, Community Programs and Services, Douglas College, P.O. Box 2503, New Westminster, B.C. V3L 5B2.

Employee Share Ownership Plan

On January 7, the provincial government announced "Sharing in the Future", a proposal to encourage employee share ownership "for the purpose of

job protection, job creation and participation in corporate ownership". One unique aspect of the proposal is that it recommends a 20 per cent incentive payment to eligible employees, based on the amount invested in equity shares of their employer's company. The maximum payment would be \$2000 per year.

While the government information on the program says not a word about democratic control, two of the three examples used to demonstrate the merits of employee ownership are Lamford Forest Products and Victoria Plywood. Both enterprises allow only one voting-share per shareholder-member. (Lamford is incorporated as a limited company, Victoria as a co-op.)

It may be that this program could help to defray start-up capital costs for new worker co-ops or take-overs. But without a highly publicized education program about workplace democracy, it is unlikely that employees desperate to save their jobs will hear about that option.

Melanie Conn can be contacted at the B.C. Desk, 1646 West 7th Ave., Vancouver, B.C. V6J 1S5 (604) 430-0453.

ONTARIO

Experiment for the psychiatrically disabled

Judith Brown

A-way Express, a Toronto courier service for the psychiatrically disabled, is no longer a worker co-operative. A-way was housed in Applause Community Development Corporation, which planned to relinquish control to the co-op's members over a period of five years.

Unfortunately, the business did not meet projected revenue in the first year of operation. Forced to secure additional funds from granting agencies unsympathetic to the co-operative structure, A-way had to sacrifice co-op principles.

A-way currently operates in a more traditional hierarchical form with workers paid a commission. Healthcare workers associated with the project claim that the co-op structure was inappropriate for the psychiatrically disabled.

However, others who were involved have a different view. Marty Donkervoort, previously a Board member and also business consultant for the venture, argues that "A-way could have thrived as a worker co-operative but was never given a chance since it challenged the dependency model of the traditional social worker-client relationship and since governments have no existing programs to support a model which fosters independence."

Worker Ownership Development Foundation

Rumours have it that amendments to the Co-operative Corporations Act, first proposed by Ontario's co-operative sector in October, 1986, will finally be going to the Ontario Cabinet. The worker co-op component of the amendments provides a definition of a worker co-op as well as sections related to membership, distribution of surplus, contracting out and member investment.

The Foundation's latest publication, *Fighting Plant Shutdowns*, is about to be released. The publication contains sections on early warning signals, legislation affecting plant shutdowns and alternatives to shutdowns.

Co-operative work

Co-operative Work is working on two new worker co-ops. On one project, a maintenance and repair worker co-op providing services to housing co-operatives in the Metro Toronto region, Co-operative Work is working closely with the Co-operative Housing Federation of Metro Toronto.

Co-operative Work is also involved in a friendly buyout of a natural food bakery. The bakery, which avoids the use of dairy products, is one of Toronto's more established "vegetarian" bakeries.

The Sault

A community economic development group in the Sault Ste. Marie area, Offing Enterprises, is developing what may become one of Ontario's largest manufacturing worker co-ops. Offing is part of a larger group which has received funding from the Ontario government to do a feasibility study of a "manufactured housing" plant based on Swedish technology. The worker co-op model is one organizational form being considered.

Ethan Phillips is director of the Worker Ownership Development Foundation, 348 Danforth Ave., #212, Toronto, Ontario M4K 1N8; (416)-6992.

Big Carrot does it again

First it was a small natural-food market; then there was a major expansion to a 7,000-square-foot market and a 14-store mall, Carrot Common.

And if that isn't enough for four years of work, the latest move is Big Carrot Natural Meats. This small store, tucked in beside the main market, is selling meats from animals which are given feed free from sprays and pesticides. Unlike other animals being prepared for slaughter, these animals do not receive hormones and antibiotics.

Farmers are already breeding their animals for the organic-meat market. Big Carrot Natural Meats is providing a retail outlet for them.

This store has five staff and projects first-year sales of \$500,000. In total, The Carrot has 43 workers, 20 of whom are members. This co-op expects to have 40 members within the year.

For more information, contact Mary Lou Morgan, The Big Carrot, 348 Danforth Avenue, Toronto, Ontario M4K 1N8; (416) 466-2129

QUEBEC

Federation of worker co-operatives

On January 23, the Quebec federation of worker co-operatives held its second annual general meeting in Victoriaville. Representatives from nine co-ops attended.

The President's report highlighted the conclusion of an agreement with the Solidarity Fund of the Quebec Federation of Labour. This agreement enables co-op members to capitalize their enterprises by setting up a retirement fund within the Solidarity Fund. By doing this, worker co-op members can take advantage of 40 per cent tax credits (20 per cent federal and 20 per cent provincial) available to investors in the Fund. In general, the \$120 million solidarity fund has invested in privately-owned small businesses with growth potential.

However, all is not rosy for the Federation. Since the Quebec government refused it a subsidy last year, it has been impossible to maintain permanent staff. All

Across the Nation

the work is carried out by members of the administrative council on a voluntary basis. Because of this, the Federation's priority is the recruitment of new co-operative members.

Worker co-ops on TV

In January, the French CBC network presented a series of four television programs called "How to buy out the boss". This series showed the experience of a group of workers who purchase and revive a factory after it has closed down.

Based on a true story, the drama succeeds in presenting the difficulties of this type of experience. We see not only the energy and strategy that led to the revival of the factory, but also the internal dissension and the problems caused by the change in status from employee to owner.

"How to buy out the boss" is an excellent series which shows, in four hours, that the co-operative model is a useful and realistic tool. The transformation of a business into a worker co-operative necessitates profound changes in attitude on the part of the workers. This doesn't always happen, even under ideal conditions.

Tembec

The Tembec group operates primarily in the northwest of Quebec (Abitibi, Temiscamingue). It specializes in the conversion and processing of wood products, and is one of the

most important producers of pulp in Quebec. Since its creation, it has been involved in several transactions affecting forestry co-ops.

During the past year, Tembec acquired the Taschereau sawmill, which is owned by two co-operatives. This sawmill, among the largest in Quebec, was acquired in exchange for 10 per cent of the shares in Tembec. The principal shareholder of the company is still the government of Quebec, through Rexfor (20 per cent) and the Caisse de dépôt (6 per cent). Among the other major shareholders are the employees, who jointly with the Solidarity Fund own about 6 per cent of the company.

Tembec runs two pulp factories in Temiscamingue, each using a different process. It is about to build a cardboard factory and a sawmill. The company wants the workers to be directly involved in the construction and operation of the mill, and is considering a worker co-operative.

Tembec was founded in 1972 as the result of a controversial buyout. Its 1988 sales are projected at \$215-million. Currently, it holds nine corporations.

Worker co-op wins prize

The Entrepreneurship 1987 competition, organized by the corporation for economic and community development for Central-south (Montreal), awarded four grants of \$10,000 to new businesses. One of these

was designated for a worker co-operative.

The Librairie de Montreal (Montreal Bookstore) won this award. The Librairie was started by former employees of Classics bookstores in the Montreal region who got together to open a new anglophone bookstore downtown.

More budget cuts

Recent budget cuts have reduced to four the number of regional development co-operatives (CDRs) receiving financial support from the Quebec government. However, those which survived are very active and have attempted to fill the void left by the disappearance of the other CDRs in neighbouring regions. The Quebec government only supports CDRs in Montreal, Quebec, Sherbrooke and Hull. There is a possibility that federal financial aid might be available for the CDRs.

Trend setter

An embossed sign factory which is partly owned by the forestry co-operatives in the Saguenay Lac-St-Jean region is now under construction in Chambord.

Already, the project has aroused interest in other regions of Quebec. The wood producers of the Bas St-Laurent region have established a similar factory in their region. There is also talk of converting this project into a worker co-op.

SDC Symposium

The SDC is planning a symposium on the capitalization of co-operatives. The SDC will invite representatives of the co-op movement and of other concerned organizations to identify new ways of financing worker co-ops, without betraying their special nature.

In the meantime, the SDC wants to bring together the principal participants in the development of worker co-ops. This meeting would identify the obstacles to development. This meeting would also study ways to increase the popularity of worker co-ops.

Claude Carboneau is an information officer at the Société de développement des coopératives, 430 Chemin Ste. Foy, Quebec City, Quebec G1S 2J5; (418) 687-9221.

Assemblée annuelle de la fédération des coopératives de travail

Le 23 janvier dernier, la Fédération québécoise des coopératives de travail tenait sa deuxième assemblée générale annuelle. Celle-ci a eu lieu à Victoriaville et elle regroupait des représentants de 9 coopératives en provenance de plusieurs régions du Québec.

Le bilan présenté par le Président fait état de plusieurs réalisations importantes, notamment la conclusion d'une entente avec le Fonds de Solidarité de la FTQ. On se

rappellera que cette entente permet aux membres des coopératives de capitaliser leurs entreprises tout en se dotant d'un fonds de retraite.

Tout n'est cependant pas rose pour la Fédération. En effet, sur le plan financier, sa marge de manoeuvre est très mince. Le gouvernement du Québec lui ayant refusé une subvention au cours de la dernière année, il lui est impossible de maintenir une permanence. Tout le travail est donc effectué par les membres du Conseil d'administration et ce, de façon bénévole. Sur cette base, la priorité de la Fédération est donc le recrutement de nouvelles coopératives membres. Cette opération devrait être facilitée par l'intérêt suscité par l'entente négociée avec le Fonds de Solidarité.

L'usine de Chambord fait des petits

L'usine de panneaux gaufrés dont les coopératives forestières de la région du Saguenay Lac-St-Jean sont en partie propriétaires est actuellement en construction à Chambord. Déjà, le projet suscite l'intérêt dans d'autres régions du Québec. Ainsi, les producteurs de bois de la région du Bas-St-Laurent se sont montrés très intéressés à l'implantation d'une usine du même type dans leur région. Tout comme le projet Chambord, les promoteurs du Bas-St-Laurent souhaitent que l'implication de la population régionale soit importante. Il est également question de la formation d'une

coopérative de travailleurs dans ce projet.

La SDC prépare des colloques

La SDC prépare actuellement un colloque portant sur la capitalisation des coopératives. En effet, les entreprises ont aujourd'hui besoin de capitaux importants pour se développer. Or, comme les coopératives ont une structure de capitalisation différente des entreprises à capital action, il importe de bien identifier tous les éléments susceptibles d'inciter les membres à bien les capitaliser. La SDC veut donc inviter les représentants du mouvement coopératif et de certains organismes concernés à se pencher sur la question et à identifier de nouvelles voies qui permettraient d'améliorer la situation sans pour autant trahir la nature particulière des coopératives.

Cette rencontre devrait donc avoir lieu au début de l'été 1988. Entre-temps, la SDC souhaite réunir les principaux intervenants intéressés au développement des coopératives de travail (d'investissement). Cette rencontre se veut plus opérationnelle et vise à identifier les principaux problèmes qui retardent le développement de ce type d'entreprise. Cette démarche devrait également permettre d'identifier des solutions applicables dans le contexte actuel. Enfin, cette rencontre devrait permettre d'identifier des pistes qui permettraient à moyen et long terme d'accroître la popularité de la formule coopérative pour permettre aux

travailleurs d'investir dans les entreprises.

De façon minimale, cette rencontre devrait favoriser une approche commune de ce type de dossier. Cette rencontre est donc conçue comme une concertation en vue de l'action.

NEW BRUNSWICK

Udo Staber

Contrary to the general claim of little worker co-op activity in New Brunswick, a number of projects have been started in recent years. Most of these organizations are service rather than manufacturing oriented and thus do not fit the traditional image of a worker or producer co-operative which is wholly owned and controlled by worker-members. However, they do follow basic co-operative principles and they tend to involve wage workers (if they have any) as participants in their control structures.

The list of such co-operatives includes 14 enterprises engaged in the arts (theatres, galleries, museums, craft shops), five educational organizations (mostly pre-schools), and 16 senior citizens' co-operatives providing recreational opportunities. Most of these co-operatives were incorporated during the past five years. Their formation is consistent with the recent growth of self-help groups, and they may be part of the expanding self-service economy that has been observed in many advanced industrial societies.

Act Amendments

As announced in the March Throne Speech, the New Brunswick government has introduced amendments to the Co-operative Associations Act which will make it easier to incorporate a worker co-operative. Instead of requiring 10 members, as is currently the case, the amended Act will make it possible for three people to incorporate a co-operative. This amendment will pertain primarily to worker co-operatives as they often start with a very small membership.

Udo Staber teaches in the Faculty of Administration, University of New Brunswick, Fredericton, N.B. E3B 5A3; (506) 453-4869.■

NOVA SCOTIA

Donna Huffman

Planning seminar

Antigonish -- over 30 representatives from worker co-operatives in Nova Scotia attended a workshop on the planning process for worker co-operatives. Marty Donkervoort of *Co-operative Work*, a Toronto-based consulting firm specializing in worker co-op development and research, led the workshop.

Donkervoort emphasized that planning is even more important for worker co-operatives than for public corporations because the

objectives and structure of the organization are very complex.

The worker co-operatives represented at the workshop included: Future Forestry Co-operative, a silviculture co-operative in Pictou; Eastern Evergreen, a Christmas tree co-operative near Antigonish; a newly formed greenhouse co-operative in St. Peters; Work-for-Women Co-operative in Halifax; Cape Gael Co-op, a Cape Breton co-operative promoting Gaelic culture; Co-op Resources, a co-operative selling resource materials; and the Caledonia Products Co-operative, a community co-op in Prince Edward Island. Several representatives



Marty Donkervoort leads a workshop on planning for worker co-operatives sponsored by the Community Development Co-operative of Nova Scotia in Antigonish, N.S.

Photo by Innovations project, St. Francis Xavier University

Across the Nation

from the provincial government and St. Francis Xavier University also attended.

The workshop was the first in a series of quarterly workshops offered by the Community Development Co-operative of Nova Scotia. These workshops are designed to meet the needs of worker co-operatives being identified by the Innovations Project at St. Francis Xavier. The Innovations Project is currently conducting a field survey of all worker co-operatives in Nova Scotia. The research is funded through the Innovations Program of Employment and Immigration Canada.

For more information, contact Scott MacAulay at the Community Development, St. Francis Xavier University, Box 5, Sydney, N.S. B1P 6G9; (902) 539-4600.

New worker co-operatives

The following businesses have incorporated as worker co-operatives in Nova Scotia during 1987:

East Winds Productions Co-operatives Ltd., Sydney;

Future Forestry Services Co-operative Ltd., New Glasgow;

Just-A-Minute-Productions Co-operative Ltd., Halifax;

Mac-Ing-Ro-Forage Co-op Ltd., Margaree;

Masterpiece Business Systems Co-operative Ltd., Sydney;

Officextra Co-operative Ltd., Sydney;

La Co-operative de Jeunes Travailleurs de Cheticamp Ltee., Cheticamp;

Live Loomer Lettuce Co-op Ltd., Falmouth;

Social Action Theatre Subscribers Co-op Ltd.;

The Greenhouse, St. Peters.

For more information, please contact Fred Pierce, Inspector of Co-operatives, Nova Scotia Department of Small Business Development, P.O. Box 5, Truro, N.S. B2N 5B5; (902) 893-1595.

Mulgrave at 10 years

Guysborough -- The Mulgrave Road Co-op Theatre Co. Ltd. is celebrating its tenth anniversary this year, with its production *Ten Years After*.

The anniversary production has given the theatre an opportunity to look at its rural roots. The theatre works out of a renovated hardware store in the small town of Guysborough, and

its plays reflect the heritage and current issues of rural life in Nova Scotia.

The co-op's 90 members include 28 part-time actors and actresses as well as three full-time artistic and management staff. The co-op has produced at least three or four original works each year and has taken them on the road to many rural areas of Nova Scotia.

Mulgrave has toured Canada and Scotland. It also was invited to Expo and has had a co-production with the National Arts Centre (Ottawa). In spite of these national and international successes, Mulgrave's primary goal is "developing and strengthening the community fabric of rural Nova Scotia through its work as a theatre co-op."

For more information, contact Ed McKenna, General Manager, Mulgrave Road Co-op Theatre Company Ltd., Box 219, Guysborough, N.S. B0H 1N0.



Members of the Mulgrave Road Co-op Theatre (from left to right) Michael Gobee and Gay Mauser in front of the renovated hardware store in Guysborough. The co-op recently celebrated its tenth anniversary. (Photo courtesy of Innovations Project).

Red Herring co-op bookstore

Halifax, Red Herring Co-operative Books, a worker co-operative bookstore in Halifax, also celebrated its tenth anniversary this year with a cabaret dance. The alternative bookstore provides resources in politics and the economy, labour history, women's issues, ecology and the environment, peace and disarmament, media and culture, religion, Canadian literature and Third World politics. Red Herring also provides a roving book service to groups and organizations sponsoring lectures, conferences and workshops across the province.

The co-op's birthday was marked by a visit from the mayor of Halifax, and it made the news on local television, two radio stations and two newspapers.

The co-operative began when a group of Halifax organizations perceived a need for a bookstore to supply materials not available in Halifax. The co-op still relies on volunteer staff, membership fees and the occasional fundraiser to keep the business going.

For further information, contact Red Herring Co-operative Bookstore, 1652 Barrington Street, Halifax, N.S. B3J 2A2; (902) 422-5087.



Members of the Red Herring Co-op Books (from left to right) Martha Cody, Doug Meggison and Kevin Ellsa at their store in Halifax. The co-op celebrated its tenth anniversary in December.

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Scott MacAulay, the recently appointed manager of the Community Development Co-operative of Nova Scotia.

The Extension Department of St. Francis Xavier recently appointed Scott MacAulay as a full-time manager for the Community Development Co-operative of Nova Scotia (CDC). A graduate of Mount Allison University, MacAulay has a broad background in community development. He is a faculty member in the Community Studies Division of the University College of Cape Breton and is working on a Masters in Adult Education. He has a special interest in worker co-operatives.

The CDC has also moved its office, and it should be possible to provide better access to services for worker co-operatives in the Industrial Cape Breton area. Maureen Coady, the research assistant for the

Innovations Project, expects to provide field services for those worker co-operatives closer to the Antigonish area.

The CDC was formed in 1986 to promote and assist in the development of worker co-operatives in Nova Scotia. It also has established a loan fund for worker co-operatives, which it hopes will become a Venture Capital Corporation.

For more information, contact Scott MacAulay at the Community Development Co-operative of Nova Scotia, Extension Department, St. Francis Xavier University, Box 5, Sydney, N.S. B1P 6G9; (902) 539-4600; or Maureen Coady, Extension Department, St. Francis Xavier University, Antigonish, N.S. B2G 1C0; (902)-5165.

YES for worker co-ops

Truro -- Fred Pierce, the Inspector of Co-operatives for Nova Scotia, is proposing to extend the Youth Entrepreneurial Skills Program (YES) to include worker co-operatives. Administered by the Nova Scotia Department of Small Business Development, YES provides planning and financial assistance to youth starting new businesses. According to the preliminary proposal, youth co-operatives would be eligible for loan guarantees and interest subsidies. Management assistance and accounting services would also be provided to the co-operatives under the plan.

For further information contact Fred Pierce, Inspector of Co-operatives, P.O. Box 5, Truro, N.S. B2N 5B5; (902) 893-1595.

Donna Huffman is research director of the Innovations Project, St. Francis Xavier Extension Dept., Antigonish, Nova Scotia B2G 1C0; (902) 867-5165.

Lobbying

The Nova Scotia Co-op Council is lobbying the province to provide assistance to worker co-operatives. At the April conference of the Nova Scotia credit unions, Tom Webb of Co-op Atlantic spoke about worker co-operatives.

P.E.I.

Frank Driscoll

Worker Co-op Program

Prince Edward island has now become the third province (after Quebec and Manitoba) to announce a support program for worker co-operatives. The worker co-op program is part of a broader co-operative development strategy tabled in the legislature on March 10 by the Honourable Leonce Bernard (see *Worker Co-ops*, Winter 1988, pp. 11-13).

Mr. Bernard noted that "immediate action will be directed toward stimulating new co-operative investment; encouraging new worker co-ops and providing resources to local co-operative organizations."

To encourage worker co-operatives the government will guarantee for three years 80 per cent of the principal, up to \$5,000, for a loan to purchase shares in a worker co-op. To take advantage of the full loan guarantee, a co-op member must also invest at least an additional 20 per cent (i.e., \$1,000) in shares. The loans will be available from any of P.E.I.'s credit unions.

Technical assistance for worker co-ops will be provided, free of charge, by the government's business development officers. To make sure that they understand the worker co-op model, there will be a special

training program for government staff.

Mr. Bernard described the programme as based on a "vision . . . in which our communities have control over their own future, one that will release local initiative in new and innovative ways . . . leading to the creation of sustainable jobs in our local economy."

For more information, contact Frank Driscoll, Dept. of Industry, Shaw Building, P.O. Box 2000, Charlottetown C1A 7N8; (902) 368-4240.

Potato Chip Co-operative

The potato chip co-operative is going full steam ahead, with an average of 50 hours of production weekly. It has added two new flavors: ketchup; and sour cream and onion. The co-op's "Olde Barrel" chips are sold across Prince Edward Island, New Brunswick and the northeast corner of Nova Scotia. The co-operative has also expanded its market by acquiring a distributor in Ottawa.

La Coopérative "Les P'tits Acadiens"

Following a three-month period of intensive training, the members of this co-operative are finally at a competitive level of production. Between the two seasons in the production of children's wear -- the summer line which finishes in January and the winter line which begins in May -- the six

women/members are going into the production of souvenir sweatshirts. They are also studying the possibility of supplying local schools with jogging suits. Their goods, with the label "Les P'tits Acadiens", can be found in co-operative stores in Nova Scotia, New Brunswick, Newfoundland and P.E.I. The members are now looking to expand their market by going after private stores.

Amand Arseneault is chairman of the Conseil Coop de l'I.P.E., 37 Mill Road, Wellington, Prince Edward Island COB 2E0; (902) 854-2595.

NEWFOUNDLAND

Jim Winter

Household Services Co-op

The Household Services Co-operative, developed to provide employment services to domestic cleaning people, is about to start up its business operation. A business plan has been developed by Co-operative Work Consultants.

The members, formerly self-employed cleaning and homecare service workers, will be providing \$2,000 each as share capital to help finance their operation. Application is presently being made to the newly-formed Co-operative Development Fund to provide guarantees for the personal loans. A business loan will also likely need guarantees from the Fund.

Across the Nation

The Co-operative Development Fund has been set up through the Newfoundland and Labrador Federation of Co-operatives from the proceeds of liquidation of a Fur Farmers' Co-operative. Provincial legislation requires that any remaining liquid assets of a dissolved co-operative be used within the co-operative movement. After several years of deliberation by the co-operative movement and the Office of the Registrar, it was decided to put these assets into a fund that would provide equity-loan guarantees for developing co-ops and their members, where conventional financing would be impossible.

Household Services Co-operative has been in the development stages for more than a year. It has proven to be difficult and involved. With very little experience in either organized activity or the business world, the members of Household Services have had to muster considerable personal fortitude and commitment to stay with the process.

Mussel Farmers

Mussel collecting and growing have recently become popular with Newfoundland fish catchers. On the west coast of the province, fish catchers have been considering the formation of a processing and marketing co-operative. Being a long way from markets, Newfoundland fish catchers have always been vulnerable to the marketing

process. The proposed producer/worker co-operative would go a long way to resolving this problem.

The farmers are scattered along more than seven hundred kilometers of coastline. Communication is difficult and the organizational needs, a potential nightmare. However, with the leadership of a few key people, a steering committee is exploring the many aspects of putting the co-op together.

ACOA hearings

On March 6th a House of Commons Legislative Committee visited St. John's to hear presentations on how people felt the new Atlantic Canada Opportunities Agency (ACOA) should operate. The committee will be providing recommendations on the final form of Bill C103 -- the enabling legislation for ACOA. In its presentation to the Committee, the Federation of Co-operatives explained how it felt the co-operative approach,

and particularly the worker co-op could be a key development tool in creating employment and economic growth in the region.

The Atlantic Canada Opportunities Agency is being set by the Federal Government to provide a regional mechanism for the delivery of economic development programs in Atlantic Canada. The Agency is, in the words of the government, to provide flexibility in its approach to promoting and supporting entrepreneurship . . . especially small and medium-sized business. The Federation of Co-operatives wants to ensure that this flexibility includes the co-operative approach. The Federation's specific recommendations included the appointment of a representative of the co-operative sector to ACOA.

For more information, contact Jim Winter, the Newfoundland and Labrador Federation of Co-operatives, P.O. Box 13369, Station A, 19 Crosbie Place, St. John's, Newfoundland A1B 4B7; (709) 726-9431. ■

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United Messenger Co-op formed by striking transport workers

Jeremy Hull

In September, the drivers working for Northern Express in Winnipeg went on strike in response to extreme demands on the part of management to reduce their commissions. These drivers owned their trucks or cars, but were paid on commission by the company which "owned" the customers. They calculated that their commissions would be reduced by about \$8,000 to \$9,000 per person if they accepted management's proposal. As a result, the drivers went out on strike under the leadership of their in-house union.

Company was losing business

As the strike went on, the drivers feared they were losing their clientele. They were already worried that the company had lost much of its business in the preceding three years, following a change in ownership of the business. Moreover, they felt that, following the acquisition of 65 per cent of the company's stock by Air Canada in August, the business had taken a further turn for the worse. They decided that, rather than see their customers slip away during what might be a long and bitter strike, they would establish an alternative service run by the union.

Initially, this was to have been a temporary measure. As the strike wore on, and as

feelings towards the company deteriorated, the drivers gradually came to the position that they could run their own operation rather than go back to work for the company.

One element in the dispute was the desire of the in-house union to consider affiliation with the International Association of Machinists and Aerospace Workers (IAMAW). IAMAW provided the strikers with important organizational support, office space and moral support. Staff of IAMAW were the first to tell the striking workers about the possibility of forming a worker co-operative under the Manitoba government program, and put them in touch with Don Maurer of the Co-op Development Board. He worked with the in-house union leadership to help form the new co-op owned by its drivers and

office staff, which they called United Messenger Co-op.

Financing a problem

The biggest problem faced by United Messenger was financing. Although each driver owns and operates his or her own vehicle, there was a need for working capital to cover office costs and payroll until the new company could build up its working capital. Although each member of United Messenger had to buy a \$1,000 share, under the Co-op's articles of incorporation, this met only part of the need for capital. The banks were unreceptive to financing United Messenger because of its co-op structure. As Bob Morton, United Messenger's new manager, said, "If a couple of the individual workers had approached the bank as owners of a corporation and



Brian Shuvera, Dispatcher and co-op member.

Profile

attempted to borrow the money, they would not have had a problem, but the banks did not seem to know what a co-op was." Even credit unions were reluctant to finance the co-op.

The Department of Co-operative Development felt that United Messenger, which had secured the accounts of many long-time customers of Northern Express, should be viable without government loans or guarantees. The problem was finally resolved when six senior staff made loans and guarantees to the co-op, and a line of credit was secured with a credit union.

The workers had an alternative to forming the co-op -- they were approached with several offers to buy the business. However, they felt that they would be back in the same situation as before and therefore they stuck with the co-op.

Co-op structure

United Messenger pays its members on commission. Any year-end surplus is distributed to members in proportion to the amount of work they have done. In addition the co-op pays a dividend of up to 8 per cent on each member's \$1,000 share once it is paid in full. (The 8 per cent limit is written into the Manitoba law governing co-operatives.)

The Co-op has many of the former staff of Northern Express. There are currently 57 employed at United Messenger (Northern Express had 94 before the strike), and some of these have over 25 years experience. The average experience of United Messenger's

workers is 10 years. They speak with pride of their experience with the old company, its reputation over its 32-year history in Winnipeg as the best transport company in town. In their view, poor management by recent owners undermined the company. Through the co-op, they hope to restore faith in the company.

Problem areas

One potential problem facing United Messenger is the need for skilled management. The current manager and assistant manager, who are co-op members, estimate that they could earn substantially more working for another transport company -- in fact they have been approached with job offers. Because of their ties to the other workers and their commitment to seeing the co-op succeed, they have indicated they won't consider these offers. However, once United Messenger is well-established, the differential between what the co-op pays its management and what they could earn elsewhere may pose a more serious problem.

Most of the staff are doing much better financially under the co-op than they had been before. At Northern Express, operating costs had been 26 per cent of the company's cash-flow. United Messenger spends about 16 per cent on operating costs; and as the co-op grows it is expected that this percentage will be reduced because of economies of scale. United Messenger is confident of winning back a larger share of the market

through improved service by their members. They are currently in the process of establishing benefits for co-op members, such as disability insurance (for the first time).

At United Messenger the co-op structure has been suitable for the business's organization. There has been little difficulty in the transition from staff being primarily owner-operators working on a commission to being members of a co-operative who appoint management to work on their behalf. The difference is that management is accountable to the membership for its performance. This has been accomplished with relatively minor changes in the way the business is organized.

Those wanting further information can contact **Bob Morton** (manager) or **Bernie Sadowski** (assistant manager) at United Messenger Co-op Ltd., 247 McPhillips Ave., Winnipeg, Manitoba R3E 2K5; (204) 783-6311. ■



Drivers own their vehicles and all co-op members are required to purchase a \$1,000 share in the business.



MONDRAGON

Canadian products in demand

A high-level delegation from the Mondragon co-ops recently visited Toronto in search of Canadian products which could be assembled and marketed by worker co-operatives in the Basque region of Spain.

Mondragon already has such an arrangement with Mitsubishi of Japan whereby OINAKAR (a 62-member Mondragon worker co-op) assembles and markets Mitsubishi trucks in Spain and is now planning to market them across Europe through the Mitsubishi sales network. Its 1986 sales were nearly \$7-million (Canadian).

The Mondragon delegation consisted of Jose Maria Ormachea (president of the Co-operative Council), Tnaki Dorronsoro (Director of Industrial Development of the Empressarial Division of the Caja Laboral Popular), and Jose Aizpuru (Director of Interventions for the Empressarial Division).

The Mondragon group is studying a deal with a Toronto-based security system company. Other foreign products that Mondragon co-ops are assembling and marketing under license are laser coding machines, robots, electro-medical equipment and monitoring devices.

Agricultural co-ops

There are now eight agricultural co-ops in the Mondragon group, with a total workforce of

about 275. These co-ops combine both primary producers and plant workers. Behi-alde produces vitamin-enriched short-lifespan milk for the Basque region; this product appeals to health-conscious consumers.

Barrenetxe specializes in greenhouse vegetables; ARTXA is a pig-breeding co-op; MIBA manufactures feed and markets fertilizers, insecticides, tools, and equipment; ETORKE specializes in forestry products; and Consecheros Alaveses markets wines. In total, Mondragon's agricultural sector had 1986 sales of more than \$35-million (Canadian).

Mondragon agricultural co-ops will henceforth be focusing on food processing. LANA, a 127-member dairy co-op, has already had success producing mixed cheeses, and IAN is producing tinned and bottled fruits and vegetables.

Eroski

This innovative market system was started in 1969 when nine Basque consumer co-ops formed one single co-operative with a worker-consumer control structure. Half of the board members represent the worker-members (currently 1,500), and half represent the consumer-members (currently about 135,000).

There are now 264 shops; 98 belong directly to the co-op and the rest operate under franchise. 1986 sales were \$360-million.

Sales for all the Mondragon co-ops in 1987 were about \$2-

billion (Canadian). This is double the 1982 figure.

About 22 per cent of sales now come from exports, and 70 per cent of exports are to the European Common Market countries. The creation of Lankide Export in 1980 has helped the Mondragon co-ops to increase their exports.

The Caja Laboral Popular (the working people's bank that finances and develops Mondragon co-ops) had 1986 deposits of \$1.9-billion, more than double 1982. Investments also have more than doubled in a five-year period to more than \$1-billion.

Looking for a robot?

Remember that robot in the BBC documentary, *The Mondragon Experiment*? Well, it has been perfected and is ready for marketing.



SOUTH AFRICA

The huge Anglo-American corporation of South Africa plans to give its employees stock that is equivalent to two-three months' pay (about \$150 each for black workers). Employees would eventually own 3.5 per cent of the total shares in South Africa's largest corporation.

Reported first in *Worker Co-ops* (Fall 1987, p. 31), the Anglo-American plan is intended to give the workers an appreciation of the capitalist system. Union officials have opposed the plan.

• • •

EUROPE

Group of nine

Nine member countries of the European Committee of Workers' Co-operatives (CECOP) met in Brussels in May to discuss areas of mutual collaboration. They agreed to the following:

1. Establishment of a data-bank (in Brussels) of co-op products and services;
2. Sharing of facilities with other co-op movements (e.g., the French and Italian export agencies);
3. Exploring relations with the co-op movement in developing countries.

The worker co-operative movements in Italy and France have been highly successful in exports and contracts with Third World countries. The Brussels meeting expressed an interest in

having European worker co-operatives expand that market.

CECOP was created in the fall of 1979. About 16,000 worker co-operatives with more than 300,000 members are affiliated with CECOP. Represented at the Brussels meeting were Italy, France, Poland, Hungary, Spain, Portugal, Belgium, Netherlands and the United Kingdom.

Technological co-operation

The European Committee of Worker Co-operatives (CECOP) has established Coop-Net to assist technological co-operation among its member organizations.

Coop-Net's functions are: (1) to set up trans-national networks of worker co-operatives so as to promote technological innovation; (2) to encourage joint R & D projects; (3) to exchange information and experience; and (4) to create pools of experts.

Up to now, Coop-Net has focused on European worker co-operatives specializing in construction and printing.

Coopération technologique

Coop-Net est un réseau européen de nouvelles technologies élaboré récemment par le Comité Européen des Coopératives de Production (CECOP). Il a comme fonctions principales:

- mise en place d'un réseau transnational entre les infrastructures de promotion à l'innovation technologique;
- développement de mécanismes de coopération (par exemple recherche et développe-

ment communs) entre coopératives de production;

- échange d'informations et d'expériences;

- création d'une structure européenne d'expertise (pool d'experts).

Coop-Net a ainsi mis sur pied le réseau des entreprises du bâtiment et celui des imprimeries. Le fait suivant illustre dans quel genre de situation un tel réseau a son utilité. Au Royaume-Uni et en Hollande, des initiatives ont été prises par des imprimeries coopératives pour élaborer un logiciel de calcul des prix de revient. Malheureusement les projets néerlandais et anglais peuvent difficilement s'intégrer, notamment en raison des choix d'outils différents. C'est un handicap qu'il va falloir résoudre à travers Coop-Net pour trouver des distributeurs dans les autres pays européens.

Extrait de: Alternative Wallonnes no. 49-50, 15 avril 1987 (adresse: Solidarité des Alternatives Wallonnes ASBL, Av. Général Michel 1B-6000 Charleroi Belgique). ■

Prepared by Johanne Bérard, Centre de gestion des coopératives, École des HEC, 5255 avenue Decelles, Montréal, Que. H3T 1V6.

• • •

UNITED KINGDOM

Norma Henderson

The challenge of equity-participation co-ops

A workshop was held at the ICOM Annual General Meeting to discuss the response to the increasing number of organizations which claim the right to be called worker co-ops, but which do not adopt the common-ownership structure favoured by ICOM and many other bodies.

The situation in the U.K. is different from that in Canada. In the majority of co-ops here each member owns a nominal voting-share of £1, and that is the only share which is permitted to be issued. Anyone who is not a member of the co-op does not have the right to possess a share or to vote.

Recently, however, there has been a growth in "equity participation co-ops," frequently employee buyouts. The established co-op body in this country, ICOM, tends to view these moves with some trepidation. Many organisations are looking towards the equity-participation model, with its permission to have external shareholders, as a desirable and practical means to set up, or more commonly rescue, a business.

This has provided something of a dilemma for ICOM. Should it recognize these hybrid beasts

as co-ops? Should it extend aid to them? The answer, after much debate, was a cautious "yes". ICOM decided that the feeling of the meeting was such that it could respond to requests for help with developing legal and management structures which are not common ownership, while still holding up the principles behind ICOM's model rules as the optimum structure for workers' democratic ownership and control.

Wholefood co-ops to form secondary marketing co-op

Britain's wholefood wholesale co-ops have been working together for the past two-and-a-half years to plan a secondary co-op for marketing and buying. The seven co-ops involved--Nova, Suma, Wholesale Trucking, Bramble, Green City, Harvest and Infinity--have combined turnover of £13-million.

As yet the proposals have to be ratified by the members of each of the co-ops. Five of the co-ops appear to favour the move strongly, but the two larger co-ops, Suma and Nova, have reservations.

The plan is that each of the co-ops will contribute £2,500 over the next five months to the secondary co-op. It will produce a marketing strategy and business plan, including plans for own-label products, improved discounts and promotional deals with suppliers.

It was felt that the major benefits of the secondary co-op would go to the smaller co-ops.

Nationwide marketing would provide a recognizable identity, and joint buying would attract better discounts.

One concern about the proposal is that the member-co-ops would be little more than distribution points for the secondary co-ops. In addition, Suma was concerned about the fate of its manufactured goods, which currently provide the co-op with a good profit and form a substantial part of its turnover.

New ICOM President

The Right Honourable John Smith QC, MP, Shadow Chancellor in the Labour Opposition, is ICOM's new president. In a statement to *The New Co-operator* he says:

"The Labour Party has long advocated the cause of worker co-operatives and over the coming year we will continue to call for measures to encourage and support this valuable 'third sector' of the British economy. There is no doubt that a supportive policy for worker co-operatives will form part of our plans for social ownership in the 1990s.

"The continental co-operative experience provides evidence of what can be achieved, and I believe that a Labour government, in association with local authorities, will be able to realize British potential for growth. There is certainly scope for building on the successes of Labour local authorities, ICOM and CDAs."

Bakery Rescue

Country Health Bakery, in Salford, Manchester -- a bakery producing high quality bread and rolls -- has recently been rescued from bankruptcy and converted to a worker co-op with the help of two local Co-op Development Agencies (CDAs). In setting up the rescue, it was essential that the supply of bread from the co-op did not cease even for one day or customers would have been lost.

When the firm was forced to go into liquidation, the liquidator produced a conditional contract selling the assets to the co-op. Thus the co-op could trade using the assets, before having to pay for them. Initial funding of £40,000 was needed to buy the assets.

Despite the co-op having raised £5000, the banks were unhappy about the level of gearing (the amount of capital in the business which was debt).

After much work, financing was raised from the Department of Trade and Industry, Salford Council, WorkNorth and the Royal Bank of Scotland. This, along with a 100 percent rent grant for 15 months has permitted the co-op to start trading.

Ethical Investment

Greenscene, a co-op supplying recycled paper, is issuing shares in order to finance an expansion. Currently Greenscene operates from a retail shop near Exeter's city centre. It

hopes to use the money raised by the investment offer to move into the wholesale market. It also intends using part of the money to renovate its 300-year-old basement so it can hold up to four tonnes of paper.

Greenscene's share issue follows a highly successful share issue by ICOM.

Merger talks

The National Network of CDAs has decided to seek a merger with ICOM as the result of a vote taken at a one-day conference in November. The Network has considered such ideas as having an ICOM staff member with special responsibility for CDAs and using the Network's organization to build regional groupings of ICOM.

Norma Henderson is a graduate student in the Co-operatives Research Unit, The Open University, Walton Hall, Milton Keynes, United Kingdom MK7 6AA.

SCOTLAND

Mondragon can't be copied

Scotland should not attempt to replicate the Mondragon experience. That was the opinion expressed by Jose Ignacio Mora of the Caja Laboral Popular when he attended the annual general meeting of the development organization for Scotland's worker co-operatives (SCDC).

The SCDC is studying the Mondragon experience and looking at the features that could be used in Scotland. Mora attributes the Mondragon experience, in part, to the fierce patriotism and separatist feelings in the Basque country. The Caja Laboral Popular has opened branches in other parts of Spain (Madrid and Barcelona), but only to serve the business interests of Mondragon co-ops.

Mora told his hosts that Scotland "would have to create its own model, taking its own history, politics and traditions into account."

Clever idea

Green City, the Glasgow-based wholefood worker co-operative, has an innovative approach to assist developing countries.

The SCDC News reports:

"Green City aims to import food from developing countries and pay for it with spare parts and machinery made in Scotland. The scheme is called Equal Exchange and the first agreement was recently concluded with Mozambique.

"We are processing five and half tons of Mozambican cashew nuts into a spread to be retailed under the Equal Exchange label. Each portion will be accompanied by a leaflet explaining the situation in Mozambique," explains Martin Meteyard.

"In an unusual marketing ploy, Green City have agreed to cut their margins on the produce and are encouraging retailers to

Around the World

do the same. There are plans to buy the Mozambican orange crop, press it into juice and market it as 'apartheid free'."

For more information, contact Martin Meteyard, Green City Wholefoods, 23 Fleming St., Glasgow, Scotland G31 1PH.■

* * *

USSR

A private cafe in Minsk

Yuri Zaritovskii

Larissa Sakuro, a resident of Minsk, the capital of Byelorussia, retired last spring on pension at the age of 55, after working in town planning for 30 years. She hated the idea of being a housewife for the rest of her life -- she was too energetic and sociable a person for that. Luckily, her retirement coincided with the passing of the new Soviet Law on Individual Enterprise, which expands the opportunity for private business.

She had learnt to cook traditional local dishes when she and her family were living in the Central Asian Republic of Uzbekistan. So she decided to start a small cafe, with Oriental cuisine. Hers was the first Uzbek cuisine cafe in Minsk.

Larissa invited two friends as partners: one of them was also an old-age pensioner, while the other had given up her job to help her daughter with her baby. The three of them constituted the

co-operative board. They decided to name their cafe "Uzbekistan".

First of all, they got a license from the local authorities. Their next concern was premises. The premises of a store which had gone out of business was allocated to them by the local State restaurant department. They drew a 5,000 rouble loan at a State bank and added another 3000 roubles of their own.

They are now drawing in some 200 customers a day and earning about 600 roubles, (about \$1200 Canadian) daily. They have hired two cooks, a waitress and a dishwasher, whose wages are slightly higher than those at State cafes.

"Uzbekistan" opens at midday -- lunch-time for the offices in Minsk. Larissa goes early to the market to buy meat and vegetables and fruit. A friend, also an old-age pensioner, drives her purchases to the restaurant for her, charging a small fee. Larissa is hoping to buy a car for the co-operative soon.

By contract, the owners are expected to pay three per cent of the profit in taxes in the first year, five per cent in the second year, and 10 per cent every year thereafter. They plan to set aside 500 roubles annually for a "development fund". In the near future, they will have to pay for the staff's uniforms.

"We work from eight or nine A.M. until 10 to 11 P.M., without any days off," says Larissa Sakuro. "When we have got a foothold, we will employ more people, so that everyone has

enough time off. But even now we feel rewarded, morally as well as materially, for the strain. This is a challenge, and we seem to be coping with it."

By eight P.M., the flow of customers peters out. So as to attract more people in the evening Larissa plans to purchase a video to entertain her clientele. "We must be flexible if we are to succeed," says Larissa Sakuro. "This is one lesson we learned in our very first days in business."

* * *

UNITED STATES

Frank Adams

At both the national and local levels, American unions continue testing the worker-ownership waters.

In Tukwila, Washington, "Western Cascade Truck" was founded when eight union mechanics learned their employer, Western Peterbilt, was sold. This truck-repair co-op opened in mid-1987, grossing over \$100,000 in its first four months' operation, according to Pat Malara, founder and president.

"Some of us didn't want to be a part of the changes that were taking place over there," Malara said. The mechanics, all members of District 160 of the Machinists Union, gather at each other's homes on weekends to review business finances and to make policy. "We are a lot smarter than people give us credit for," Malara said. "Just

because we work on trucks all day doesn't mean we don't have any business sense."

The shop is owned entirely by workers, each of whom invested \$5,000. They are earning \$15.40 an hour, about the same as when they worked for Western Peterbilt.

The new firm got assistance from the Seattle Worker Center, which helps unionized workers form worker co-ops. It is part of a growing network of support centres around the nation.

AFL-CIO Committee

In January, 1988, the Coordinated Bargaining Committee of the AFL-CIO's Industrial Union Department, meeting in Palm Springs, California, formed a working committee to explore additional ways that unions can use employee-ownership strategies, either to save jobs or to protect hard-won wage levels, hours and working conditions.

Gary Hansen, professor of economics at Utah State University, speaking at the IUD meeting urged unions to take an active role in the formation of worker-controlled employee stock-ownership plans and worker co-operatives.

"By itself, employee ownership cannot improve our nation's competitiveness nor can it singlehandedly broaden the ownership of wealth in America," Hansen told union leaders. "But with labor's leadership, strong support, and careful planning, employee ownership can become an important tool in constructing

a new economic system for America which will foster competitiveness, create a better and more participative workplace, and bring about a more equitable sharing of power and profits in business enterprises."

In 1986, the IUD issued cautious, common sense guidelines for unions on management-led employee buyouts. The new AFL-CIO committee formed during the January meetings is expected to explore with steelworkers, bricklayers and machinists the experience of worker ownership.

NCEO Survey

Elsewhere, the respected National Center for Employee Ownership in Oakland, California, completed a survey of how employee ownership has been used to create stable businesses, good jobs, and to give "a capital stake to people previously on the margin of the economy."

Not surprisingly, the NCEO study, which surveyed the more than 9,000 ESOPs and an "uncounted number of worker co-operatives", found worker-owned firms put economic control into the hands of local owners; create stable employment; provide opportunities for skill training and upgrading; foster retention of capital; and that worker-owned businesses recognize the "community as a constituent and will share its concerns for the environment,

human resource development and quality of life."

The study identified nearly 30 locally-based, regional, or national organizations which provided technical support for the formation of worker-owned firms. They were scattered from Anchorage, Alaska, to Apopka, Florida, and from Somerville, Massachusetts, to Silver City, New Mexico. Significant support for the emerging worker-ownership movement comes from churches, the study noted.

ICA Directory

In a separate development, the Industrial Co-operative Association, one of the oldest consulting firms, announced that it was undertaking to identify all the worker-owned co-operatives, employee stock-ownership plans in which workers own a majority of the shares and democratically controlled ESOPs. A related effort was undertaken in 1987 by Charles Rock, an economist at Rollins College, in Winter Park, Florida. He listed co-operative assistance groups in America. ICA will seek to identify operating worker-owned businesses, and to eventually publish a directory.

Frank Adams is director of educational services for the Industrial Co-operative Association, 58 Day St., Ste. 200, Somerville, MA 02144, USA; (617) 629-2700. ■

American Congress rethinking ESOP legislation

According to the news bulletin of the *National Centre for Employee Ownership* (NCEO), "pressure is building for a re-evaluation of ESOP benefits and regulations" in the American Congress. ESOP tax breaks are anticipated to cost \$2-3 billion in 1988 because the size of the deals has grown dramatically" (e.g., Avis at \$1.75-billion). In addition, some of the larger deals have involved controversial features (e.g., the investment of the employee pension fund to set up the Health Trust ESOP).

ESOPs are intended as an employee-benefit plan in which a company establishes a trust fund and either makes tax-deductible contributions of new issues of its stock or uses cash to buy existing shares. The trust fund itself also can borrow money to buy shares. Even if employees own a majority or all of the company's stock through the ESOP, they usually do not control the ESOP. Rather it is normally controlled by outside trustees.

In addition to the scale of the tax breaks, the lack of employee control has become an issue in the American Congress. Senator Edward Kennedy of Massachusetts, chairman of the Senate Labour Committee, has proposed legislation which would require employee approval of any ESOP owning 10 per cent or more of a company and would require full voting rights for employees in any plan owning more than 20 per cent of a company. Senator

Kennedy's bill would also create a \$50-million loan fund to assist financing ESOPs that have majority ownership of a company and are democratically controlled by the employees (e.g., the O & O Supermarkets in Philadelphia are worker co-operatives, with one member/one vote, financed through an ESOP).

However, there will be strong opposition to the Kennedy bill. ESOP lobbyist Michael Keeling argues that insisting upon employee voting rights in ESOPs would discourage many companies from adopting them. One of the primary attractions of ESOPs is that companies can gain the financial advantages from issuing shares to the trust fund, but still retain control.

There are now more than 9,000 ESOPs in the USA covering over eight million employees.

For more information contact the National Center for Employee Ownership, 426 17th St., Suite 650, Oakland, California 94612. ■

ESOP effect in doubt

Do ESOPs improve corporate performance? In general the answer is "no", according to a study by the General Accounting Office of the American government, unless the company also has a programme to involve workers in decision-making. In those companies, there is an increase in productivity and improved profits as compared to a control sample of non-ESOP companies.

The results of the GAO study is consistent with other research.

Copies of the report -- "Employee Stock Ownership Plans: Little Evidence of Effects on Corporate Performance" -- are available free of charge from the General Accounting Office, P.O. Box 6015, Gaithersburg, Maryland 20877, U.S.A.; (202) 275-6241.

PACE continues O & O development

PACE of Philadelphia, a dynamic development group specializing in the food industry has opened the fifth in its chain of O&O supermarkets in Lambertville, New Jersey. The first two of these worker-owned supermarkets were started five years ago through buyouts of closing A&P stores in the Philadelphia area. These buyouts and the other O&O supermarkets have been supported by local 1357 of the United Food and Commercial Workers Union.

One of the O&O supermarkets -- Strawberry Mansion -- has not worked out. This store, which opened in mid-1985 and employed community residents and experienced supermarket workers, was the harbinger of a return of supermarkets to the innercity. Strawberry Mansion experienced sales and management difficulties from the outset. Operational problems were compounded by a tumultuous board process in which political struggles in the community often found their way into the corporate board room.

In September, 1986, the store filed for bankruptcy and was purchased by another independent operator. Many jobs were retained and the community which had not had a supermarket for decades, continued to have access to high quality food at low cost. However, the worker ownership and control aspects of the project were lost.

In September, 1987, at the initiative of a local community organization, a small group of disgruntled employees and the community group commenced litigation against key management personnel, corporate officers and project consultants, including PACE, in an effort to recoup their respective investments in the project. While preliminary court rulings have been favorable to the PACE defendants, the matter is expected to remain in litigation for some time.

PACE has also done the feasibility assessment for the sale of a Long Island food brokerage firm, Atlantic Marketing Forces, to its employees. Financing for the sale, to be completed over five years, was via a leveraged ESOP. Financing was provided by NCB Development Corporation, the risk capital development arm of the National Co-operative Bank, a co-operatively - owned financial institution with \$360-million in assets for commercial banking services to employee-owned firms.

The Atlantic Marketing Forces conversion was the first

under the New York State economic development program.

For more information about PACE, contact **Sherman Kreiner**, 2100 Chestnut St., 2nd floor, Philadelphia, PA 19103, USA; (215) 561-7079.

ZIMBABWE

Five-year plan

The central organization for Zimbabwe's collective co-ops (OCCZIM) has announced a five-year plan that includes:

- a request for \$10-million a year from the government for OCCZIM's work;
- a recommendation for the creation of provincial centres that would develop collective co-ops;
- a provision requiring member co-ops to pay an annual subscription fee;
- a proposal that OCCZIM create a cultural arm to promote collective co-operatives throughout Zimbabwe.

It is estimated that there are 850 active collective co-ops with 25,000 members in Zimbabwe. About 20 percent of these co-ops are agricultural. Others are involved in sewing (e.g. school uniforms), retail shops, restaurants, mining, fishing and transportation.

Many of the founding members were ex-combatants in the war of liberation. The movement has a strong grassroots component, and is growing in strength. The first OCCZIM

convention in 1983 was attended by only 77 co-ops.

Regular information about OCCZIM and its work is available through its newspaper, **The Vanguard**, Box 66102, Kopje, Harare, Zimbabwe; (phone) 793407.

In an editorial about the five-year plan, **The Vanguard** writes:

"The task faced by OCCZIM -- to transform the socio-economic structure of the country -- is a momentous one. It calls for self-reliance, dedication and determination... This task cannot be achieved without maximum participation of the Ministry of Co-operative Development, other relevant ministries interested parties and the broad masses of the people."



Zimbabwe is free and independent since 1980. Independence was the result of a long and violent struggle against the white colonial state of Rhodesia and its racially determined socio-economic and political structures, similar to those which still pertain in South Africa.

As it is often the case, in countries that have achieved independence through an armed struggle and has suffered social impact of organized racial discrimination, Zimbabwe was left with human and economical problems and needs, far exceeding its resources.

Furthermore, the clearly expressed socialist option of the new national leaders and the popular support they enjoyed resulted in low levels of economic assistance from western states.



Ellen Frank and Airheart Co-op Travel are flying high

Dana Weber

When Ellen Frank tries to illustrate the role she played in the creation of Airheart Co-operative Travel, she does a lot of running in place.

Knees pumping high in comic imitation of a determined sprinter, she says first she ran to her trusted friends and business advisers with the idea of a co-op travel agency. I asked them: "Can I really do this?"

"Of course you can," they said and patted me on the back, "but you need to specify in writing what you're going to do."

"Okay (sprint, sprint). How's this?"

"Good. But you need partners."

"Right (sprint, sprint). Here we go. Five people. Just enough to incorporate a co-op. Two of us are already travel agents. Am I doing this right?"

"Perfect. Now you need money."

"Of course (sprint, sprint)."

And so the story goes, until, on February 2, 1987, Airheart -- Canada's only worker co-op travel agency -- opened its office on Vancouver's Commercial Drive, thanks in large part to Ellen Frank's determination and infectious enthusiasm. A lot of her sprinting took place between 7 and 9 in the morning or on lunch hour, out of earshot of her employer and co-workers at



another agency. Ellen worked there for three years before helping to found Airheart. Lack of control over her working environment was one of the main motives for starting the co-op.

Unionized Co-op

That sense of powerlessness is a bit surprising, since the agency was, at the time, the only unionized one in Vancouver. Airheart is now the second one organized by the Transportation Communications Union.

Says Ellen: "I always saw needs for improvement, but I couldn't do anything about it. I decided to become the shop steward because I thought it would make a difference. All

that did was allow me to complain."

The last straw came the day Ellen came to work and found that the box of staples she kept in her desk was gone. When she asked about them she was told they'd been moved into storage because she "didn't really need" a whole box of staples. She was to go back and refill her stapler only when it was empty.

Ellen says there were more serious problems too. Poor management was one; although now she knows that managing an agency is not as easy as it looks. Another dislike was that about 90 per cent of the firm's total sales came from business travel. Selling business-class airline tickets generates a lot of margin

People

for a little effort; it's the bread and butter of any travel agency. The pressure to churn out tickets meant Ellen had little opportunity to assist holiday travellers, which is what she wanted to do most.

Visit East Africa

At Airheart, by comparison, as soon as you walk in the door you know they're trying to meet a variety of travel needs. There's the usual array of advertised package tours to any number of (mostly warm) destinations. But along one wall there's also a wide selection of books and travel aids that are directed at the more self-reliant traveler: "East Africa: A Travel Survival Kit" or "Trekking in the Himalayas."

The office is comfortable -- professional but casual. It anchors the south end of a street that includes Uprising Breads Bakery, the East End Food Co-op, Reach Community Clinic, two left-leaning bookstores, several progressive small businesses, a VanCity credit union branch, lots of espresso bars and a variety of East Indian, Chinese and Italian groceries. You may find any one of the four working members on the front desk: Deb Bradley, Joe Abrahams, James Micklewright or Ellen Frank. They change positions periodically and take their desk drawers with them when they move. Everybody's drawer, however, contains its own box of staples.

As one of the two founding "Certified Travel Consultants", as agents are called in the trade, Ellen brought a lot of her clients

with her to Airheart. Now, she says, the service is becoming more "communalized." People usually take the first agent available, but there are a few established clients of whom Ellen still feels protective. The Disabled Women's Network is one. The needs of disabled travellers is an area where Ellen has developed special expertise.

Specialized service

Specialized service to particular groups is one of the strengths about which Ellen and her colleagues at Airheart feel most proud. Soon after opening they ran a weekly series of evening slide shows called "Around the World with Women", and presently they're organizing a women's trek in Nepal.

The book titles, the destinations, the location, ambience and specialized service reflect the kind of market Airheart has tapped. Taken together, the co-operative sector, the women's community, the political left and trade unions constitute enough of a market to sustain a travel agency. Without a great deal of intensive marketing, Airheart has become *the* travel agent for the first three of those groups. Even so, Ellen thinks they've only scratched the surface. If national co-op sector organizations like Co-op Housing Foundation used Airheart as their regular agent, she says, "we'd put in a toll-free line for them." Capturing more union business is also a goal for the coming year.

Financing was a problem

The International Association of Travel Agents (IATA) requires the co-op to maintain a net worth of at least \$35,000. In effect, Airheart cannot run a deficit -- an onerous requirement for a small business in its first year of operation. It has already had to raise significant financing from outside the membership in order to meet the requirement. That meant more sprinting for Ellen Frank.

When Airheart finally opened after the long months of preparation, Ellen says she suffered from something very like postpartum depression. But the capital crisis didn't allow it to last very long. Soon she was back in her customary role as Ms. Drive and Enthusiasm for the collective, urging everyone on to raise the necessary funds.

Does she ever get tired of the role? "I get tired, but I don't feel drained and angry like I did when I didn't have the ability to fix things. At least here we "own" the problems. We could be richer, but we're compensated by the good feeling about what we're creating.

"We've also learned a phenomenal amount about how to be a worker co-op. At first, when a problem needed solving, either we all thought someone else was doing it or everybody wound up doing it." Now the collective is very clear about delegating authority for particular areas of work.

For someone who specializes in drive and enthusiasm, there's still plenty left to do: increasing

market-share so incomes can be brought up to industry standards; reducing the ownership of non-working shareholders; finding another member with CTC status; doing more tour organizing....

It seems like Ellen Frank and her fellow members at Airheart Travel will be running for some time yet. Judging by their accomplishments over the last year, it's clear that they're no longer running in place.

Dana Weber is a co-op housing consultant and B.C. contributing editor for the *Worker Co-ops Magazine*. For information he can be contacted at *Worker Co-ops' B.C. Desk*, 1646 West 7th Ave., Vancouver, B.C. V6J 1S5; (604) 430-0453. ■



Deb Bradley (left) and Ellen Frank (right) from Airheart Co-op Travel Centre. Photos by Diane Strandberg.

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Book Reviews

PUTTING DEMOCRACY TO WORK

by
*Frank Adams
Gary Hansen*

Published by Huloogos'i, P.O. Box
1188, Eugene, Oregon 97440,
U.S.A., 298 pp., \$14.95 (U.S.).

Reviewed by Len Krimerman

Back in 1976, when a group of us in northeastern Connecticut began to slowly nurture a worker-owned business from the ruins of a plant closing, we had only the vaguest idea of where to begin. Terms such as "break-even point", "feasibility study", and "venture capital" were (to some extent) familiar to us. But knowing how to give them a meaning compatible with building democratic enterprises, and knowing how to do so in ways intelligible to workers-becoming-owners seemed almost insurmountable problems.

Had this fine and thorough guide by Adams and Hansen been available to us then, our tasks would have been far less overwhelming. How much better organized and more useful would it have made our trial-and-error worker-education program. This manual, alone, would probably not have saved our under-capitalized venture from eventual financial collapse. But it might well have given us a better start, and a sounder and sharper notion of the distinct sorts of resources we would need in order to survive. With it in hand, we would have had access to

procedures for evaluating our business viability, as well as our co-operative structure, access to capital and degree of shopfloor democracy. At minimum, we would have been heartened by knowing that someone at least knew what they were doing and had been able to shed a great deal of light on the difficult path to worker ownership.

Book is needed

In brief, this is a much needed book, one which begins to fill a very critical void within the worker-ownership movement. It does so by providing lots of practical, nuts-and-bolts detail -- from do-it-yourself checklists for prospective owners, to accessible charts on business plans and feasibility studies, to directories of resources. One of its major strengths lies in drawing on a wide range of worker-owned businesses. There are charts depicting the shopfloor decision-making system devised by Seymour Specialty Wire in Seymour, Connecticut; discussions of how the Mondragon co-operatives raise capital internally and cope with falling demand; references to the planning process which preceded the O&O takeovers of A&P supermarkets in the Philadelphia area; and a feasibility screening procedure developed by a state agency in California. In this way, Adams and Hansen have assembled, from many diverse sources, a decade's experience in developing worker-owned enterprises. Moreover, they have distilled that

experience into a single and extremely useful volume.

The publication of this manual is thus very much to be celebrated. I believe, however, it still can be strengthened and made into an even more potent and usable resource.

Proposals

First, the book is perhaps overly detailed and complicated, accessible primarily to those who have already had a lot of business courses or experience, rather than to workers who are starting from scratch. I don't believe the folks with whom I worked in Connecticut, even those fluent in English, could have gotten through many of the chapters on their own; most would have been overwhelmed by the extensive array of checklists, questionnaires, technical terms, etc.

For example, in an early chapter, is it necessary to have two-page chart comparing "capitalism, socialism (very narrowly understood), and workers' co-operation" and two charts contrasting "production minus sales = inventory investment" in conventional vs. co-operative businesses?

Second, why are there no living and personalized stories, even brief ones, of current North American co-operatives which have endured hard times and which provide lessons from which we can all learn? Some are indeed mentioned here and there, but I miss the richness and vividness that even a short historical sketch describing real



people and events, can furnish. And without such concrete accounts of how others, similar to us, actually did what the manual recommends and came through smiling, the authors miss an important opportunity to contribute to the confidence and empowerment of their prospective readers.¹

Then, why not a chapter, even a short one, on "Worker Ownership: The Wider Issues"? Such a chapter would assist worker-owners to see themselves as not only gaining their own voices but as helping others to do the same and as helping to build democracy not only in one enterprise but throughout our very undemocratic economy. This needn't require heavy-handed doctrine or rhetoric, but

could be drawn from some of the best of our working models, such as the Greater London Enterprise Board, the Lucas economic-conversion Plan, some of the provincially-based efforts in Canada and the Tri-State Steel Valley Authority.

Finally, a glossary, with abundant illustrative examples of key business and worker-ownership terms, might help to make this down-to-earth manual even more accessible.

These suggestions for how the manual might be improved should not, however, overshadow the book's numerous virtues and overall usefulness: in particular, the meticulous guidance it provides on virtually every step of the process of creating, and sustaining, fully democratic

workplaces. If we are ever to "put democracy to work", Adams and Hansen can help take us a good part of the way.

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¹ Daniel Bell does a good job of providing such stories, though only for ESOP companies, in his new book, *Bringing Your Employees into the Business: An Employee Ownership Handbook for Small Business* (Kent Popular Press, Kent State University, Kent, Ohio); see especially, chapter 3, "Companies with ESOPs speak out."

Update

After receiving a business excellence award, Lamford Forest Products (a 250-member British Columbia worker co-operative) has been featured by the *Globe* magazine, *Small Business* magazine, *Enterprise*, and the *CBC*.

Lamford got underway in January, 1986, when the workers purchased the assets of Sooke Forest Products, their former employer. They bought the company from the receiver for about \$13-million after lengthy negotiations led by Terry Smith (local president of the International Woodworkers of America), Bob Anderson and Don McMillan (managers of Sooke's two plants) and Vancouver accountant David Korbin.

The buyout has been a success with sales in the first year at \$40-million -- double those of Sooke at closing (July, 1984). The increased sales are attributed to higher productivity and to an upturn in the forestry industry. Unlike many other buyouts, Lamford was also fortunate to inherit plants in Sooke and New Westminster in relatively good shape. The original owners were caught in a financial squeeze because of spiralling interest rates and a \$55-million debt.

Each worker at Lamford holds one voting share and 12,500 non-voting shares worth \$1 each and paid for by a 17-per-cent payroll deduction. The original buyout was assisted by a \$500,000 loan from Vancouver's

CCEC credit union to the 250 workers.

Lamford's board of directors consists of two members from management, two union-local presidents, three outsiders chosen for their experience in the forest industry by the first four, and two representatives of the workers. Decision-making in the plants is carried out by "group study and consensus." Morale is good and there is great optimism about the future. In spite of last year's 15-per-cent export tax on lumber shipped to the U.S., final 1987-sales are expected to reach \$45 million.

The Lamford buyout was originally featured in the *Worker Co-ops* magazine -- Spring, 1986, pp. 12-14.

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