

WORKER

# CO-OP

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## The New Europe



Leland Stanford's forgotten vision

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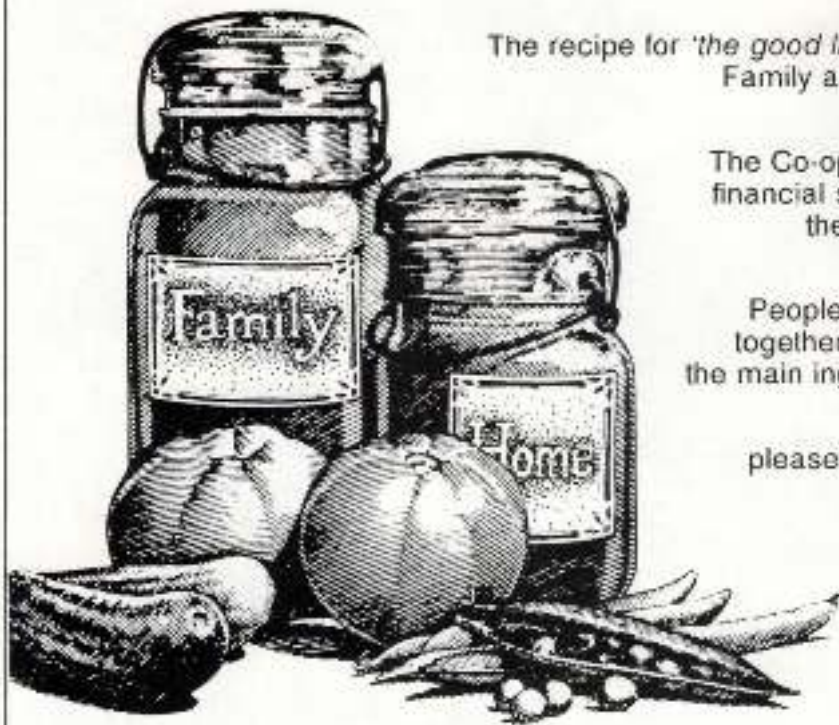


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# CONTENTS

## DEPARTMENTS

### 4 EDITORIAL

More credit unions and caisses populaires are taking the lead in financing co-operative development. That initiative is needed by worker co-operatives and other emerging co-operatives.

### 5 LETTERS

Woman's Choice • Erroneous Sources • Twin Co-ops • Unionized Worker Co-ops • Alive and Well • Payscale Issues • Not Quite

### 7 ACROSS THE COUNTRY

Founding Convention • GST • WORC Is Working • West Coast Plywood Buyout • Lamford R.I.P. • Rural Bonds • Co-operators Data now 24th • Ontario Tidbits • Co-op Maech Lake • Auxi-Plus R.I.P. • Sol Food • Calibec • Women's Ghetto • Hail to the Sixth • Technological Impact • Québec's Prez • Nova Scotia Nixes CDC • Three Start-ups • Gone Fishin' • P.E.I. Ark Refloated • Gang of Four • Youth Services • Mondragon P.E.I. • Videoflicks • New Brunswick Acadians

### 15 AROUND THE WORLD

Spain Builds More Mondragons • Italy's Buyouts • Co-op Consolidation in Europe • The Soviet Scene • 20 Per Cent in Poland • And a Piece in Hungary • British ESOPs • United Buyout up in the Air • Weirton Goes Public



### 33 REVIEWS

*We're the Boss* by Brian Pollard, *Michel Lemieux* and *Rex Tasker* and *The Italian Co-operative Movement* by John Earle analyze very different societies. The former is a film and the latter a book. However, both highlight co-operative communities. *Communities on the Way* by Stewart Perry also analyzes communities, but from a community economic development perspective.

## FEATURES

### 18 THE ROBBER BARON

Leland Stanford — railway magnate, U.S. Senator and university founder — passionately promoted worker co-ops in the 1880s and 1890s.  
*By Lee Altberg*

### 23 SMALL IS BEAUTIFUL

theory is not producing good results for worker-owners. *By Paul Phillips*

### 24 ITALY'S SACMI

is worker owned and also has 13 subsidiaries in six countries. SACMI is a world leader in the ceramics industry.  
*By John Earle*

### 27 AT THE CROSSROAD

Yugoslavia's social ownership system, an innovative approach to greater workers' control, is in trouble as that country undergoes rapid changes. *By Paul Wilkinson*

### 30 NEOCO-OPERATIVISM

The Mondragon worker co-operatives in the Basque region of Spain are consolidating their structures as they prepare for the European Economic Community and global competition.  
*By Jesus Larranaga*

### 32 THE TEN PRINCIPLES

## NEXT ISSUE

Soup and Nuts



## The Evangeline challenge

We're the Boss, the recently-released National Film Board of Canada production about the Evangeline community in western Prince Edward Island, should cause some rethinking of the Canadian co-operative tradition. In Canada, as in other modern societies, co-operatives have been divided by types of activities (e.g., farm marketing, food retailing and wholesaling, financial services, housing) and have related only peripherally to co-operatives in other specializations.

Evangeline, too, contains specialized co-operatives — 16 in all — but each is part of a common community of about 2,500 people, primarily of Acadian descent, in the three tiny villages of Wellington, Mont Carmel and Abraham's Village. Evangeline, therefore, is not just about its cable television co-op or its Olde Barrel potato chip worker co-op or its funeral services co-op, to choose a few examples, but about a community meeting its needs through developing a co-operative infrastructure.

Evangeline is significant in another respect: It illustrates how a credit union/caisse populaire can stop the loss of financial resources, typically in rural communities throughout Canada, and even more so take the lead in channelling the savings of the community into developing new co-operatives and expanding existing ones. Prince Edward Island's Minister of Community and Cultural Affairs, Léonce Bernard, a former manager of the Evangeline Credit Union, emphasized this point in a recent speech: "The root of the whole co-op movement in the area is undoubtedly the Evangeline credit union . . . with 2,850 members and assets worth almost \$17 million."

In that respect, the Evangeline Credit Union behaves like the Caja Laboral Popular in the Mondragon Group or the BANCA in the co-operative communities of Northern Italy — albeit on a smaller scale. Not only has the Evangeline Credit Union ensured that local savings lead to co-operative development, but it has also successfully lobbied provincial and federal governments to augment the credit union's investment in projects.

Through its example, the Evangeline Credit Union has issued a challenge to financial co-operatives across the country to broaden their original mission, based upon consumer and personal loans, and to place a greater portion of their investments into co-operative development. The Evangeline example speaks directly to the rural communities outside Canada's industrial mainstream — communities based upon the farming, fishing and forestry industries that have formed the strength of Canada's co-operatives.

But Evangeline cannot be ignored by urban financial co-operatives either. For as was noted in the last edition of *Worker Co-op*, the Confédération des syndicats nationaux (CSN), a 250,000-member labor confederation in Québec, is using the savings from two of its financial co-operatives (the Caisse d'économie des travailleuses et des travailleurs de Québec and the Caisse populaire des syndicats nationaux de Montréal) for co-operative and community development, primarily in urban Québec. To date, \$30.5 million has been invested in housing co-operatives and other forms of social housing, \$23 million has been invested in worker co-operatives and \$2.5 million has been spent in support of other community projects. Léopold Beaulieu, the CSN's treasurer, views these initiatives as "tools for economic and social action over which CSN unions could have control."

Evangeline and the CSN are examples of a new thinking about financial co-operatives — a thinking that must occur if the co-operative movement is to articulate a vision that will meet the needs of communities across Canada. It is a thinking which also is vital to the effective development of worker co-operatives.

Jack Quarter  
Editor

# WORKER CO-OP

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# LETTERS

## Woman's Choice

### To the Editors:

In her brief description of the demise of Woman's Choice Health Clinic (*Worker Co-op*, Vol. 9, No. 4), Judith Brown correctly identifies the unique structure of the clinic. Woman's Choice was the first attempt in Canada to offer abortion services to women in a non-Dr.-centred, non-profit, feminist-run co-operative. The project was a success. We developed our concept of a community-based clinic from feminist principles and extensive, practical experience in women's healthcare. We believe that the non-profit worker co-operative model can most effectively reduce power imbalances within traditional medical and social services and redress associated problems for women, both receiving and providing healthcare. The co-operative model was at least as important to this project as was increased access to abortion services.

There has been a smokescreen created about the co-op's finances, which deflects analysis from the physician's (Nikki Colodny) decision to take over the clinic by changing the locks on the door. Despite the usual stress and long hours of building a new co-operative clinic, Woman's Choice was running beautifully. There were some financial difficulties, but in our opinion these were normal for a new business. Difficult decisions, financial and otherwise, were being made. Despite the various difficulties inherent in this project, there simply was no crisis which threatened the clinic's well-being or which justified its takeover.

In our opinion, the aspect of finances significant to the takeover was that the physician occupied a social and economic position, which enabled her to defend her actions through a long process of litigation. Unfortunately, this was not true for the other members of the co-oper-



ative who were excluded from the clinic.

**Janet Mawhinney  
Margaret Shaw  
Bonnie Burgess  
c/o 32 Burnfield Ave.  
Toronto, Ontario  
M6G 1Y5  
(416) 533-1334**

## Erroneous sources

### To the Editors:

I am mystified by the tenor of the news item on The Big Carrot in the Spring, 1990, issue of *Worker Co-op* magazine. You refer to the departure of "key management personnel." You are obviously misinformed about the inner workings of our organization. Paul Gibbard, for example, has never been involved in the management of the store, except in a department-head capacity for a short period of time. Bob Allan has been our Comptroller for some time but, again, has never been a manager at The Big Carrot. Similarly, Mary Lou Morgan stepped down as co-manager of the store over a year ago.

The reference to Luc Labelle is also somewhat spurious. He did not "decide to end his contract with the Big Carrot," it was decided for him. Also erroneous is your statement that "The Carrot

is currently deep in discussion about its management structure." Our management structure is quite sound, thank you, and we kind of like it. Perhaps you would do well to check your sources in the future as they clearly do not represent the reality of the situation.

**Chris Babey,  
Vice-President  
The Big Carrot  
348 Danforth Ave.  
Toronto, Ontario  
M4K 1N8  
(416) 466-2129**

## Twin co-ops

### To the Editors:

The Northern Ireland Co-operative Development Agency, in conjunction with a number of fellow co-operators in the south of Ireland, have recently been awarded a grant from the International Fund for Ireland. This grant will help the co-operative movement in Ireland to gain valuable experience and skills from the established co-operative sector in Canada, U.S.A. and Europe. The Wider Horizons Co-op Program will cover important areas such as management and technical and marketing skills, as well as a Schools' Education Program and a fact-finding trip for economic policymakers from the north and south of Ireland.

While there has always been a history and tradition of collective working in Ireland, it has been treated as a peripheral economic activity by policymakers, the private sector and financial institutions. Many of the recently formed co-operatives have emerged within disadvantaged communities where unemployment can exceed 75 per cent of the adult population. These co-operatives are seen by many as a natural response to the ravages of unemployment and poverty.

Those involved in collective working in Ireland have felt isolated. Wider Horizons is designed to alter and change these feelings. One part of Wider Horizons will be to twin co-ops in Ireland with those overseas. We are appealing to co-operators in Canada, U.S.A. and Europe to help us make this twinning project a success so it can begin to build a strong collective working base in Ireland. We need to match Irish co-ops with similar type co-ops in other countries. Involvement in Wider Horizons will not cost you money, but obviously it will cost you time and will involve sharing of your experience and skills.

**Conal McFeely  
Northern Ireland  
Co-operative Development  
Agency  
The Union Hall  
42 Shipquay St.  
Derry City  
Northern Ireland BT48 6WD  
(0504) 371 733;  
Fax (0504) 360143**

**Editor's Note:** The twinning of Canadian co-ops with those in Ireland is being arranged by the Organizing Committee of the Ca-  
*cont'd on p. 6*

### Letters welcome

*Worker Co-op* welcomes letters and conference information from its readers.

Write to: Jack Quarter, Ontario Institute for Studies in Education, 252 Bloor Street W., Toronto, Ontario M5S 1V6; (416) 923-6641, Ext. 2576.



# LETTERS

cont'd from p. 5

nadian Federation of Worker Co-operatives. For more information contact Bob Allan, 457 Palmerston Blvd., Toronto, Ontario M6G 2N9; (416) 537-6543.

## “Alive and well”

**To the Editors:**

Nelco is indeed alive and well and looking for more members. Hopefully, with more of our owners reading *Worker Co-op*, they will gain greater insight into the challenges of bringing forward new forms of ownership. As we know, it's not easy.

If I may for a moment refer back to the article on Nelco in Vol. 8, No. 3 of *Worker Co-op*. I've been quite remiss in not acknowledging the fine work Judith Brown and Jo-Ann Hannah did on the Nelco profile. The article was accurate, clear and informative. Please let them know of our full acceptance of their work.

**Mike Knell,  
Manager, Business  
Development  
Nelco Mechanical Ltd.  
77 Edwin St.  
P.O. Box 1086  
Kitchener, Ontario  
N2G 4G8  
(519) 744-6511**

## Payscale issue

**To the Editors:**

I'm completing a master's degree in community economic development at New Hampshire College. A couple of weeks ago, I submitted a final report of an independent study, which I did on the relationship between compensation and recruiting in alternative organizations.

I've just read the article "Dollars & Sense" by Paul Wilkinson in the spring issue of *Worker Co-op*. I believe that some of the issues that I raised in my study may be of some interest to him and others.

Keep up the good work with the magazine.

**William A. Ninacs  
P.O. Box 92  
Victoriaville  
Québec G6P 6S4  
(819) 758-7401**

**Editor's Note:** People interested in a copy of Bill Ninacs's study should contact him directly.

## Not quite

**To the Editors:**

I would like to congratulate you on yet another very interesting edition of *Worker Co-op* (Vol. 9, No. 4). It is providing a fascinating picture of the worker co-op

network in Canada, as well as an excellent education and training tool for the worker co-ops themselves.

As the chairperson of the committee that prepared the "National Strategy for the Development of Workers' Co-operatives" for federal and provincial ministers responsible for co-operatives, I would like to clarify one reference in the "Across the Country" section of the above edition.

The proposal for "five regionally-based enterprise centres or resource groups" was made by the Canadian Co-operative Association and was included as an appendix to the National Strategy Report. The National Strategy Committee supported the need for resource groups but did not make a recommendation as to how these groups would be structured. It was felt that this should be determined by the needs of the sector itself.

Thank you for providing the opportunity to clear up this misunderstanding, and good luck with your efforts to establish a solid basis for the long-term future of the magazine.

**Ken McCready,  
Director  
Co-operatives Secretariat  
Sir John Carling Building  
930 Carling Ave.  
Ottawa, Ontario  
K1A 0C5  
(613) 995-4787**

## Unionized worker co-ops

**To the Editors:**

I'd like to draw your attention to our recently completed study on unionized worker co-operatives. I am today convinced that we could generate the interest and commitment in the labor movement for establishing unionized worker co-ops, both for takeover purposes and new enterprise purposes. However, without the proper capital backing and human resources I would not want to heavily promote it because of fear of failure in the initial ventures. Sure, we could create small ones, but to get into it wholesale, I am quite reserved until the backing is there.

I am also convinced that with deregulation, privatization and the free trade agreement hammering away at our jobs, we absolutely must look for positive alternatives. When government, as ours is doing, runs headlong into these areas and absolutely refuses to intervene in the marketplace, including nationalization, then worker co-operatives is certainly more than a little answer.

**Dick Martin,  
Executive Vice-President  
Canadian Labour Congress  
2841 Riverside Drive  
Ottawa, Ontario K1V 8X7**

### Thank you

The *Worker Co-op* magazine extends its gratitude to the Co-operative Secretariat for its financial assistance this past year. We also want to thank the Canadian Co-operative Association for assisting the magazine in access funding for 1990/91 through the Education Foundation for Co-operatives.

### DONORS

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# ACROSS THE COUNTRY

## The B.C. Desk

### WORC IS WORKING

By Melanie Conn

**Vancouver** — The exciting news from the West is that British Columbia's Worker Ownership Resource Centre (WORC) is finally up and running, after several years of planning. The Centre is located in downtown New Westminster, where the project was originally initiated by the New Westminster Economic Development Association (NWEDA). As reported in the last issue of *Worker Co-op*, the project was seriously jeopardized when the municipality of New Westminster abruptly withdrew NWEDA's core funding. But with the agreement of Douglas College to sponsor the Centre, Innovations funding from the federal government was secured for 22 months. This has provided WORC with the resources to establish development services and to build a solid base for further activity. The steering committee and staff members — Karen Buchanan, Melanie Conn and Shane Simpson — are now engaged in the task of implementing the Centre's plans.

The first set of priorities includes the production of a community information package about democratic worker ownership, and the establishment of resources to provide specific expertise to developing enterprises. Another important objective of the Centre is to participate in activity to strengthen worker ownership in the region. Networking with worker co-ops is underway, as well as with trade unions, community education institutions, regional and municipal government and other major players in community economic development.

Since January, 1990, the staff has been offering development services to groups and individuals interested in worker ownership.

*For more information, contact Shane Simpson, #102-713 Columbia St., New Westminster, B.C. V3M 1B2; (604) 520-3341; FAX (604) 520-3161.*



### WEST COAST BUYOUT INVOLVES 300 WORKERS

By Jack Quarter

**Vancouver** — The largest total worker buyout in Canada occurred in June when 300 employees paid \$7.2 million to Weldwood for its Kent St. plant in Vancouver and established West Coast Plywood Co., Ltd. All full-time employees at West Coast are owners, and no shares are held by outsiders. The board of directors consists of three groups: three representatives of employees, one of which is appointed by the union local, the International Woodworkers Association, Local 1-217; three representatives of management; and three outsiders with needed expertise (e.g., accounting, legal) appointed by other board members.

Weldwood had announced it would close its Kent Ave. division two years ago because the plant was not profitable and needed modernization. However, according to Lance Ripley, the President of West Coast and a general manager at Weldwood, "The parent corporation felt a loyalty to its employees, many of whom worked in the plant all their lives."

Weldwood paid for a feasibility study, which was negative. Nevertheless, management,

union and the parent corporation worked out an interim arrangement for two years, in which the Kent St. plant continued to operate as a division of Weldwood while the buyout was organized.

The financial plan for the buyout was based upon a 25 per cent reduction in wages, an investment in shares of \$3.5 million by employees and management, a loan of \$4 million from the provincial government and a loan guarantee of \$2 million from the province. Shares at West Coast cost from \$10,000 to \$16,000 at entry. Upon leaving the company, the shareholder is entitled to the original value plus 50 per cent of the difference between the original value and the market value (currently \$22,000).

The West Coast buyout is the third in the last five years involving locals of the International Woodworkers Association. Victoria Plywood is functioning, although the IWA did not support the buyout and was decertified by the worker co-operative. Lamford Cedar closed in June because of a declining market for its products.

The West Coast buyout will not have any easy time of it. The forestry industry is in a slump and the high Canadian dollar is hurting exports. Nevertheless, Lance Ripley is cautiously optimistic.

The buyout of West Coast Plywood is the third in the last five years involving locals of the International Woodworkers Association. President of West Coast, Lance Ripley (left), says the buyout will have "tough uphill sledding." Photo: Tim Harvey

"We are looking forward to tough uphill sledding," he states.

*For more information contact Lance Ripley, President, West Coast Plywood Ltd., 900 East Kent Ave., Vancouver, British Columbia V5X 2X9; (604) 325-2286*

### LAMFORD R.I.P.

By Jack Quarter

**New Westminster** — The worker buyout of Lamford Cedar has come to an unhappy ending. The New Westminster plant closed in December, 1989, and the Sooke plant closed in June of this year.

John Vernon, president of the International Woodworkers Association local, which represented the Lamford workers in New Westminster, explained that "the cedar market has been an absolute disaster for a year. Lamford was only a little player which depended upon competitors for its fibre supplies. The company also had logistical problems because part of its cedar products were made in Sooke and a portion in New Westminster. In addition, the high Canadian dollar has hurt forestry exports."

Lamford was not making money, and each plant was sold for the price of its land. Nearly 300 workers lost their jobs, though



# ACROSS THE COUNTRY



**Lamford Cedar closed in June. Award-winning buyout could not survive downturn in cedar market.**

Vernon states that the New Westminster workers have found other jobs.

The Lamford buyout, which was completed in 1986, was widely acclaimed because the company received awards and was featured on the Canadian Broadcasting Corporation. In spite of the closure, Vernon believes that the buyout was the right move: "We'd do it again," he said, "if the circumstances were the same."

*For more information, contact John Vernon, International Woodworkers Association, 1176 8th Ave., New Westminster V3M 2R6; (604) 521-1858.*

## **BONDS FOR RURAL DEVELOPMENT**

**Regina** — The Saskatchewan government is promoting local investment in industry through an innovative concept called community development bonds. Aimed primarily at rural Saskatchewan, which is losing popu-

lation and industry because of the depressed agricultural economy, the community development bond reduces the risk in investment because the provincial government guarantees the principal portion of a project.

Each project has a limit of \$2 million and must be in one of the following areas: commercial water, tourism, export services, manufacturing and improvements to the environment. There is no limitation on the ownership structure of a project, so worker co-operatives and other forms of co-operatives would be eligible. However, the application for financing by a community development bond has to be approved by a Community Bond Corporation within the local community. These corporations must be supported by a formal resolution of a municipality.

According to Ben Plemel, Director of Corporate Financial Services with the Saskatchewan Credit Union Central, "The community development bonds concept seems like one we could support. We are small-town based and supportive of rural Saskatchewan."

*For more information contact Ben Plemel, Credit Union Central, P.O. Box 3030, 2055 Albert St., Regina, Saskatchewan S4P 3G8; (306) 566-1200.*

## **The Ontario Beat**

**By Judith Brown  
GST TO HIT CO-OPS**

**Ottawa** — The government apparently plans to apply the GST to co-op share capital, including that of worker co-ops. In response to a very direct question on June 18, by Ray Funk (the NDP member from Prince Albert-Churchill River): "Will the minister guarantee that the GST will not apply to co-op membership and co-op shares?" the Deputy Prime Minister, Don Mazankowski, accused Mr. Funk of "not standing up for farmers."

John McDermid, the Minister of State, was somewhat more conciliatory, promising that the government "will co-operate — if I can use that word — with the co-ops in trying to solve any concerns they may have with the goods and services tax."

Both the Canadian Co-operative Association and the Conseil canadien de la coopération have submitted their concerns about the GST to the federal government.

## **PROMISES! PROMISES!**

**Toronto** — Despite promises of retraining opportunities, workers who lost their jobs in the shutdown of Toronto's Inglis plant last year have been unable to obtain unemployment insurance

benefits while retraining. The Tories have put a freeze on programs operating under Section 26 of the Unemployment Insurance Act. These programs enable workers to collect UIC benefits while in retraining. Officials at Employment and Immigration Canada claim the budget for these programs is exhausted and that until legislation currently stalled in the Senate is passed, no further funding is available. Labor activists claim the freeze is a strategy to force support for the Bill. Inglis was the object of an buyout attempt organized by the United Steelworkers of America.

## **TIDBITS**

**Jubilation Bakery**, a natural foods worker co-op in Toronto, has reached an agreement to subcontract production to one of Toronto's sheltered workshops. St. John's Community Centre is working with neighborhood churches to provide work for participants in its drop-in centre.

**Origins**, the new natural foods co-op distributor, has its first products, including fruit spreads, listed in the catalogues of the Alliance of Canadian Natural Food Co-ops. Under the label, *Co-operating with Nature*, jute bags produced by a women's group in Bangladesh, are being distributed by Origins through Bridgehead. These bags



are for sale to various food co-ops throughout Canada.

**Convergence**, a five-member Ottawa group, that does adult education with women's and francophone groups, is considering converting to a worker co-op.

**Mississauga** — Co-operators Data Services Limited attained 1989 sales of \$76.3 million, the 24th largest among co-operatives in Canada. It is also Canada's third-largest computer-service bureau. CDSL evolved from the data processing division of Co-operators Insurance Co. to incorporation in 1983. The company's unique multi-stakeholder structure gives staff, clients and the Co-operators Group (the holding company for eight subsidiaries including CDSL) a stake on the board of directors. CDSL supplies data processing, network management, information management and consulting services to health-care and financial organizations. The co-op employs a staff of 800 in offices across Canada.

**The International Ladies Garment Workers Union** has hired Coady Consulting to assess the feasibility of a non-profit worker-owned business that will assist new designers in Toronto who have difficulty getting small runs produced by established firms. The ILGWU views worker-ownership as one approach to combatting shutdowns, as well as utilizing the skills of its membership. Funding for the project came from the Fashion Industry Liaison Committee and City's Community Business Centre.

When the Collingwood shipyard closed three years ago, three workers formed a courier service, with support from the local credit union. **Fast Lane Courier Co-op** has been making runs between Collingwood and Toronto for the last 18 months.

Nine worker co-ops in Ontario have provided representatives to the **Ontario Network of Worker Co-ops**. The Network has begun discussions with the Canadian Co-operative Association, On-



**CDSL has created an innovative multi-stakeholder structure through which employees are one of three groups in the co-op.**  
Photo: CDSL

tario Region, regarding participation in their activities. For more information, contact Bob Allan, 457 Palmerston Ave., Toronto, M6G 2N9 (416) 537-6543.

**Kagiwiosa Manomin**, producers of wild rice in the Kenora region, is expanding its product line. The native co-op will have a new line of jams available this fall. Products are available through Bridgehead and the Ontario Federation of Food Co-ops.

The **Jesuit Centre** in Toronto is working with Coady Consulting

to develop a worker co-op for five El Salvadoran refugees with experience in teaching, illustration and publishing. In addition, Francesco Rico, a former professor in El Salvador now affiliated with the Jesuit Centre, is seeking financing for a prefeasibility study of alternative employment options for refugees. He believes that the worker co-op model can provide dignified jobs utilizing the specialized skills of refugees.

#### INVESTORS OF THE WORLD

**Toronto** — If you are looking for a way to make an investment that

is socially conscious, environmentally friendly and offers a rate of return similar to mainstream ventures, **Just Work** is seeking investors in a new venture that will recycle organic waste in the greater Toronto area. The business will be set up as a worker co-operative. For more information call **John Brower**, (416) 466-9964, Just Work, 947 Queen St. E., Toronto, Ontario M4M 1J9; (416) 466-9964.

**Bob Allan and Marty Donkervoort**, the business consulting duo who attempted to make a go of a specialized consulting group for worker co-ops called Co-op Work, have recycled themselves to new firms with a broader mandate. Allan is working with Mary Lou Morgan and Russ Christianson at SUMAC Consulting, primarily on projects dealing with natural foods and food co-ops. Donkervoort and Karen Knopf founded Coady Consulting to deal with non-profit and community economic development projects. Both Allan and Donkervoort report that they are extremely busy.

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

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# ACROSS THE COUNTRY

## FOUNDING CONVENTION

By Jack Quarter

Toronto — The founding convention of the Worker Co-operative Federation of Canada will be held at the historic Coudy Institute, Antigonish, Nova Scotia, April 4-7, 1991. The decision to proceed with a founding convention was taken last February when 17 representatives of worker co-operatives from across Canada met in Ottawa and established an organizing committee. The Ottawa meeting felt that a national federation would give the worker co-operative movement an opportunity to speak on its own behalf.

The founding convention will be based on delegates chosen by regional caucuses. Of the regional groupings, Québec is the best organized, having both a provincial federation and an organization for forestry co-operatives. There have, however, been provincial meetings in Nova Scotia, Ontario, Manitoba and British Columbia, and more are expected as the delegate-selection process gets underway.

According to Bob Allan of the organizing committee, "The convention will be open to all members of worker co-operatives, even if they are not delegates. The organizing committee is also exploring a structure for associate members — for example, from other types of co-operatives and supportive groups."

Worker co-operatives are being defined by incorporation, except for Ontario where changes to the co-op statute are being negotiated with the government.

There will be many details to be decided in the coming months. The organizing committee has also been busy making presentations at Canadian Co-operative Association meetings — nationally, in the Atlantic and in Ontario.

For more information about the founding convention contact should be made on a regional basis: West — *Marty Frost, CRS, 3450 Van Ness, Vancouver, British Columbia V5R 5A9; (604) 439-7977; Ontario — Bob*

*Allan, SUMAC, 457 Palmerston Blvd., Toronto, Ontario M6G 2N9; (416) 537-6343; Québec — Huguette Giard, Les Nuages, 3827 rue Ontario est, Montréal, Québec H1W 1S5; (514) 526-6651; Atlantic — Peter Hough, Constructor's Co-op, R.R. #2, St. Peter's, Nova Scotia B0E 3B0; (902) 535-3129.*

## La Belle Province

By Marcel Artsau  
CO-OP MEECH LAKE

Québec City — Québec's Minister of Industry, Trade and Technology, Gerald Tremblay, has decided to close the Société de développement des coopératives (SDC), the primary agency responsible for assisting co-operatives, and to divide its functions between two other departments. An initial request for assistance from a co-operative will be dealt with through the Co-operatives Branch of the Department of Industry, Trade and Technology; requests for financial assistance will be dealt with through a co-operatives' unit within the Société de développement industriel du Québec (SDI), a government branch which assists industry in general.

The decision to close the SDC has caused a split within the co-operative movement in Québec. The central organization for forestry co-operatives (the Conférence des coopératives forestières) had decided to leave the umbrella organization for Québec's co-operatives (the Conseil de la coopération du

Québec) over its decision to accept — albeit with some reluctance — the closure of the SDC.

Fernand Miron, president of the forestry co-operatives, was blunt in his reaction: "Our partners in the Conseil de la coopération du Québec have never taken into account the needs of users of the Société de développement des coopératives. This is the Meech Lake of the Québec co-operative movement."

## AUXI-PLUS R.I.P.

Montréal — Auxi-Plus, the award-winning homecare worker co-op in Montréal with 150 members, has been closed. The closure was due to the complex politics surrounding privatization in Québec. Auxi-Plus's contracts came primarily from government health clinics (CLSCs), under pressure from the provincial government to privatize their services by contracting them to outside organizations.

Québec's labor movement has fought fiercely against this policy because it has resulted in a loss of unionized jobs within the CLSCs. Last spring, the CLSCs agreed to stop contracting out. As a result, Auxi-Plus lost its primary source of revenue. In June the bank called in its loans, and the co-op could no longer meet its financial obligations.

The Québec Federation of Worker Co-operatives has been caught in a dilemma because of the Auxi-Plus closing. It has opposed privatization, but it supports its member-organ-

izations. The Federation has to define its relationship with organized labor more clearly.

## THE WOMEN'S GHETTO Sherbrooke

— Women in Québec worker co-ops are primarily in traditional work roles, a recent study by Nicole St.-Martin, Dominique Ouellet and Jasmine Godbout shows. The researchers found that the average woman member of a worker co-op is 32-years-old, married, averages 1.7 children, and has had limited specialized work experience.

Even though Québec's worker co-operatives have developed historically in market sectors dominated by men (e.g., forestry), the number of women members has increased dramatically during the 1980s. However, the jobs performed by women in these industries remain marginal and traditional.

The authors of the study were associated with IRECUS, the co-op research centre at the University of Sherbrooke, and Orion, a worker co-op research organization. A copy of this study, *L'autogestion au féminin* (Coll. Essais #21, IRECUS, Sherbrooke, May 1990) is available from the Québec Federation of Worker Co-operatives, 1026 rue St. Jean, Suite 102, Québec City, Québec G1R 1R7; (418) 692-2026.

## HAIL TO THE SIXTH

Québec City — The Québec Federation of Worker Co-operatives (FQCT) is arranging markets for its member-organizations through an interco-operative linkage. The primary target is the established co-operatives of the province, including the powerful Desjardins caisse populaire movement, which accounts for 80 per cent of the total revenue for Québec's co-operatives.

The Desjardins federation is providing financial support and professional expertise for the project. Raymond Lenoir, a Desjardins delegate to the project, states: "Our goal is to help the worker co-ops and their federation to help themselves."

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market identification, the FCQT has been holding meetings with groups of worker co-operatives in different regions of the province. Thus far, the response from both the worker and the established co-ops has been excellent.

#### AWARDS

**Aylmer** — An employee buyout of a privately owned natural-food store four years ago is doing very well. Sol co-op, with six full-time members and three part-time staff, has won three prizes in the past two years, including the Aylmer Small Business of the Year Award for 1989. At the end of April, the co-op took over an adjoining store and doubled its space. Sol, the commercial name for *Epicurie Sol Santé*, is another in the growing network of natural-food co-ops in Canada.

**Trois-Rivières** — *Cellibec*, the computer software worker co-op, has received three awards for 1989, including the prestigious Business of the Year Award for Trois Rivières. *Cellibec* started in 1981 as a buyout by four engineers of *Selin*, a company in financial difficulty. *Cellibec* now has about 40 workers and sales in excess of \$3 million.

#### TECHNOLOGICAL IMPACT

**Sté.-Anne-de-Bellevue** — Worker co-operatives are an effective tool for protecting workers against the impact of technological change. This is the main conclusion of a study by Paul Vincent, in which he compared Harpell, a worker co-operative printing firm with 165 members and \$15 million of annual revenue, and three privately-owned printing companies.

The printing industry was hard hit by technological change in the 1960s and 70s. According to Vincent, co-op members adapted better because of shared decision-making.

Harpell is the oldest worker co-operative in Canada, having been founded at the end of the



Second World War by James-John Harpell, a benevolent entrepreneur who established the co-operative upon his retirement.

Vincent's paper, presented at the 58th Congress of the French-Canadian Association for the Advancement of Science, is available from him, c/o the Montréal-Laval CDR, 3514 avenue LaCombe, Montréal, Québec H3T 1M1; (514) 340-6056.

#### THE PREZ

**Québec City** — Richard Messier, president of the Québec Federation of Worker Co-operatives, has been reappointed to the executive of the Conseil de la coopération du Québec, the umbrella organization for all of Québec's co-operatives. Messier views his appointment as "a reflection of the increasing credibility of worker co-operatives and their federation within the co-operative movement."

*Marcel Arteau is the director of the Québec Federation of Worker Co-operatives, 1026 rue St. Jean, Suite 102, Québec City, Québec G1R 1R7. (418) 692-2026. The Québec news was translated from French by Rosemary Oliver.*

## The Maritimes

### NOVA SCOTIA GOVERNMENT NIXES CDC FUNDING

By Peter Hough

**St. Peter's** — The Nova Scotia Community Development Co-operative, the primary support group for worker co-ops in the province, faces an uphill battle for financial viability after its cost-sharing proposal was rejected by the provincial government. The CDC had requested \$50,000 a year for three years from the province to go with the equivalent amount contributed via fees for service, services in kind, and cash contributions from the co-op sector and other supporting groups. In this period the CDC expected to assist in the development of 30 new worker co-ops, provide a monitoring service and training program, as well as make some equity investments. Although the provincial Department of Small Business Development liked the proposal, there was not strong support from the provincial Director of Co-operatives or from the Executive Director of the Small Business Service Centers, who is responsi-

**Cellibec, a computer software worker co-op, is the business of the year in Trois-Rivières, Québec.**

ble for the Co-operatives Branch. In addition, severe budget constraints in the province worked against the proposal.

In spite of its limited resources, the CDC has assisted six start-ups so far in 1990. It has also helped the Glace Bay Workers' Co-operative buyout with its financial package and is currently assisting a mussel and scallop farm co-op and a greenhouse co-op, which are about to become operational. Five other groups are being assisted with feasibility analyses.

Although the Nova Scotia Co-operative Council has requested the CDC's funding proposal be reconsidered, the CDC's board of directors is not resting its hope on the provincial government. It is studying other funding options and a dues structure to ensure that member co-operatives receive services they require at a reasonable cost, and that the CDC's role as a worker co-operative federation will be strengthened.

*Assistance and suggestions for the fundraising should be directed to Kathleen MacNearney, Treasurer of the CDC, R.R. #2, St. Peter's, Nova Scotia BOE 3B0; (902) 535-2563.*

#### THREE NEW START-UPS

**Halifax** — Village Productions Co-operative has been formed to provide a variety of media services, ranging from sound and taping systems for conferences and festivals to video productions, photography and copywriting. Although much of the co-op's work is being carried out in the Halifax area, it also maintains

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# ACROSS THE COUNTRY

a presence in Cape Breton where one of its members resides. Prior to incorporation, members of Village Productions had been providing services on an *ad hoc* basis. As a growing demand became apparent, they decided to formalize the business and develop it as a full-time operation. Village Productions can be contacted at P.O. Box 33044, Halifax, Nova Scotia B3L 4T6; (902) 423-9005.

**Baddeck** — Victoria County Carpenters' Co-operative Limited has been formed to provide its members with seasonal employment during slack periods from their other jobs. The group is working in the beautiful Cape Breton town of Baddeck and the surrounding areas.

Baddeck Carpenters' Co-operative Limited is focusing on general construction, and boat repair and maintenance. The co-op has been very busy on a large renovation contract for a developing tourist business. The three members are using the co-op as their primary employment and are hoping to see it evolve into a year-round operation.

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

## NEW BRUNSWICK ACADIANS FINANCE CO-OPERATIVE DEVELOPMENT

By Maureen Edgett

**Caraquet** — The Acadian Co-operative Movement of New Brunswick (le mouvement co-opérative acadien) has created a \$2.6 million venture capital fund to assist employment. The actual details of the Société d'Investissement still are being worked out, but according to its manager, Gilles Menard, "Worker and worker-investment co-operative development is a high priority. We have one staff member, Melvin Doiron, who has expertise in worker co-operative development and who will be able to assist people who approach us with ideas."



Gilles Menard

New Brunswick's Acadian Co-operative Movement, consisting of 87 caisses populaires (Federation de caisses populaires acadiennes) and 28 other co-operatives, is contributing 65 per cent of the venture capital, using a formula based on 1988 assets and revenues; the provincial government is contributing the remainder and is being given one seat on the fund's 10-member board of directors.

The fund will invest up to 30 per cent of the capital requirements of any one project. In exchange it insists upon one vote on the board of a project until the loan is repaid, the maximum term being seven years. Even as the fund is just getting underway, projects are coming forward every week.

Menard, who has been a leading figure in the Atlantic co-operative movement, visualizes continued growth for the fund: "Although our development plans are not based on those of Mondragon's Caja Laboral Popular, we have studied and are aware of how a strong movement can assist in the development of successful co-operative enterprises. We are just beginning our venture capital program, but I see it as a very proactive step for the Acadian Co-operative Movement to take on behalf of its members and the people of New Brunswick."

For more information contact **Gilles Menard, vice-président, Le conseil acadien, P.O. Box 920, Caraquet, New Brunswick E0B 1K0; (506) 727-6565; FAX (506) 727-4162.**

## ARK REFLOATED

By Elizabeth Cran

**Spry Point, Prince Edward Island (Atlantic Co-operator)** — Five years after the first meeting to consider what could be done with the Spry Point Ark in eastern P.E.I., the pioneering alternative-energy building was reopened as a restaurant-motel. More than 300 people from all over the Island attended the opening ceremonies in June.

Ronald Victor, the Spry Point Co-operative's secretary and a frequent spokesperson for the project, cut the ribbon, which was held by Rose Marie MacDonald, the local MLA, and Craig Crosbie, representing ACCOA (Atlantic Canada Opportunities Agency), which has made a large financial contribution to the Ark's renovation. Some people who lived and worked in the Ark during the 1970s, when it was being used to demonstrate a sustainable ecological lifestyle, were present to see its new life officially begin. The recently finished work is in complete harmony with what was done in 1975. There are a 60-seat dining-room and eight motel rooms. Later, a museum telling the story of the Ark's earlier days will open. A private beach and hiking trails on the 90-acre property are further attractions.

Both restaurant and motel will remain open until the middle of October. Eighteen people from Eastern King's County, where unemployment is high, have jobs at the Ark. The first season looks promising, according to Paulette Solomon, the manager. She adds, the co-op offers facilities for meetings,

public dinners and small conventions.

## GANG OF FOUR

By Elizabeth Cran

**St. Louis, Prince Edward Island (Atlantic Co-operator)** — In spite of fears the two-year-old Palmer Road Youth Services Co-op might not function in 1990 because of poor participation the previous year, four young people joined for work from mid-June to the end of August.

The members, between 14 and 16 years old, were Nancy Arsenault, Crystal Butler, Wendy Doucette, and Billy-Joe Wedge. All except Wendy were co-op members in 1989 or 1988. For \$4.25 an hour, they did such jobs as babysitting, cutting grass and brush, throwing in and stacking wood, painting, being clowns and any other work suitable for their age.

After their earnings are pooled and a small percentage deducted for the co-op's expenses, members were paid according to hours worked per week. All the co-op's business was managed by the members, with some help from a part-time, volunteer facilitator,

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Eileen Harper.

Palmer Road Youth Services Co-op is one of two on P.E.I. The other, which is several years older, is in the Island's Evangeline region.

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

## MONDRAGON, PRINCE EDWARD ISLAND

By Amand Arsenault

Wellington — The Prince Edward Island contingent on this year's Mondragon study-tour, organized by Greg MacLeod of the College of Cape Breton, will make recommendations about how the Mondragon experience can fit within the provincial government's Rural Development Strategy, which will soon be released. This Strategy is expected to make recommendations that will keep the Island's communities vibrant and alive. It is expected also that co-operatives and other community development practices will be highlighted.

The P.E.I. representatives on the Mondragon study-tour — now an annual event — were Allan Buchan and Morley Pinsent of the provincial government, Bob Gregory of the Credit Union Central, and Amand Arsenault of the Conseil de la coopération de l'I.-P.-E.

## EVANGELINE YOUTH SERVICE CO-OPERATIVE

The Evangeline Youth Service Worker Co-operative was in operation again for the summer, with eight students between the ages of 14 and 16. The Co-operative offered a variety of services to the community, including painting, babysitting, grass cutting and housecleaning. The members also met regularly to discuss co-operative ideology and how the community could benefit from co-operative development. All profits from the operation were distributed equally at year-end. Lisa Gallant was the co-ordinator.



The 1990 Mondragon/Valencia study-tour organized by Greg MacLeod (front row, centre).

## VIDEOFICKS

The Conseil de la coopération de l'I.-P.-E. is very pleased with the new video, *We're the Boss*, now available from the National Film Board of Canada (see the review in this issue of *Worker Co-op*).

The video highlights the cultural identity of the Acadian region on the south shore of Prince Edward Island. To a lot of people, this identity has been a driving force behind the solidarity that exists in the area. The video also focuses on co-operative development, but it must be noted that a number of commu-

nity-based projects and initiatives have experienced great success because of this spirit of "working together." The video is very well presented and its co-producer, Brian Pollard, regards it as his best work so far. It is hoped that it will inspire other villages and towns to develop their own resources by using the co-operative approach.

For more information, contact **Amand Arsenault**, manager, Regional Services Centre, P.O. Box 58, Wellington, Prince Edward Island COB 2E0; (902) 854-3131.

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## GONE FISHIN'

By Frank Driscoll

Charlottetown — The movement to establish a network of Atlantic fish co-ops gained momentum recently at a workshop held in Halifax. The AFCO (Atlantic Fish Co-op) group, organized in 1988, reported on the successful completion of Phase I of its marketing project and gave notice that it has decided to stick together. It is already committed to a major lobster promotion project in the southern U.S. through GTA Fisheries Consultants of Moncton. AFCO presently consists of eight co-ops, and President Yvon Deveau invited other fish co-ops in the region to become involved. At least three expressed a strong interest in joining.

Participants also learned that Fisheries and Oceans Canada have offered the services of Cleo Cormier to work with fish co-ops in the region. The workshop was co-sponsored by the Canadian Co-operative Association and the Conseil canadien de la coopération, with financial support from the Canadian Co-operative Secretariat.

In addition to the co-operative sector, the workshop attracted representatives from the governments of the four Atlantic provinces, the federal government and the Atlantic *caisse populaire* movement.

For more information contact **Baldur Johnson**, c/o the Canadian Co-operative Association, P.O. Box 1488, Moncton, New Brunswick E1C 8T6; (506) 858-6041.



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— policy document, Canadian Labour Congress, May 1990

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# AROUND THE WORLD

## SPAIN

### More Mondragons

By Sergio Godoy

Zaragoza — With total unemployment at a staggering 19 per cent of the labor force and unemployment for those under 25 years at 40 per cent, Spain has turned to worker co-operatives as a job-creation strategy. Of the 13,023 co-operatives created in the last five years, 9,683 are worker co-operatives employing 81,786 people. In addition, SALS (companies in which at least 51 per cent of the social capital belongs to full-time workers and none of the members, either worker or investor, can own more than 25 per cent of the capital) have generated 28,000 jobs.

Sales from Spanish worker co-ops in 1988 were about \$5.7 billion (U.S.), including those from the Mondragon Group. About 20 per cent are in construction, 46 per cent are in other forms of industry, 24 per cent are in the service sector, and 8 per cent in agriculture.

Worker co-operatives in Spain have been encouraged by generous financial support from all levels of government. These include direct grants of \$68.9 million (U.S.) between 1985 and 1988, technical assistance of \$6.2 million (U.S.), subsidies on bank interest of \$31.9 million (U.S.), training and promotion assistance of \$7.4 million (U.S.), and rent subsidies of \$16.7 million (U.S.).

In addition, the government has permitted 37,151 workers to capitalize unemployment benefits for investment in worker co-ops. Some of the government grants are targeted at the employment of women and youths.

Despite government assistance, financing remains a problem for worker co-ops because of a lack of access to conventional sources. The plan at present is for the movement to become master of its own destiny by following the model of Mondragon's Caja Laboral Popular.

Competent management is an



The Mondragon Group in the Basque region of Spain is influencing industrial development throughout Spain.

Photo: Trabajo y Union

other critical problem for most small co-operatives. To overcome this shortcoming, the government in association with the Institute of Employment runs courses of 350 hours duration for both managers and board members.

*Sergio Flores Godoy is a consultant and co-op trainer with ASECOOP, Coso, 24-32, 2<sup>a</sup> pla, 5, 50004-Zaragoza, Spain.*

### Mini-Mondragon

By Paul Gibbard

Valencia — The Co-operative Enterprise Group of Valencia has had difficulty replicating the Mondragon model of Basque, Spain. The Valencia Group consists of seven co-ops with 1240 workers and \$183 million of sales:

- Consum: a retail consumer food co-op with 54 supermarkets;
- Caixa Popular: a credit union with nine branches;
- Grupo Coop: a consulting co-operative with 30 professionals;
- ASECOOP: an insurance co-operative with 130 co-op customers;
- Esquila La Florida: a co-operative training institute with over 1,500 students;
- En Canya: a worker co-op with

13 members, which designs and manufactures furniture from cane;

- Mediterranea: a worker co-op of 250 members, which manufactures high-quality glassware, a significant portion for export.

The Valencia Group was spurred in 1969 by the Popular Housing Co-op, Coinsar. By 1978, the credit union Caixa Popular was established and, like Mondragon's Caja Laboral Popular, development activities were funneled through it.

However, by 1983, it became apparent that the attempts to transfer the Mondragon model to Valencia had not been altogether successful. As a result, the co-operative sector fragmented. For the next four years, attempts to build a common vision were informal and around projects of mutual interest. In 1987, this experience of working together bore fruit, as a number of co-operatives decided to renew their commitment to the Group.

One unique feature of the Valencia Group is the commitment to respecting the rights of both consumers and workers. For instance, Consum, the retail consumer co-op, has equal numbers of consumers and workers on decision-making bodies. The one exception is the

president, who must be a consumer-member.

*Paul Gibbard is a Co-op Development and Education Officer with the Ontario Federation of Food Co-operatives and Clubs, 22 Mowat Ave., Toronto, Ontario M6K 3E8; (416) 533-7989.*

## POLAND

### The 20-per-cent solution

Warsaw (Globe and Mail) —

The Solidarity government of Poland has started unveiling its plan for privatizing state corporations. Workers will be able to buy "up to" 20 per cent of their company's shares at half price, and each individual employee will be permitted to invest one year's salary for this purpose. In addition, all adults will be given a coupon which can be exchanged for free shares in a company of their choice.

These initiatives are intended to build public support for privatization and to overcome a chronic lack of capital. In spite of the Polish government's widely-publicized economic reforms, the sell-off of the 7,600 state corporations is still in the blueprint phase.



# AROUND THE WORLD

## HUNGARY

### The worker piece

**Budapest** — Faced with concerns about public support for foreign purchases of state corporations, the Hungarian government is looking at proposals for giving workers a piece of the action, says Károly Soos, the chair of the Committee for Budget, Taxes and Finance. Soos's comments were made at the CIRIEC conference in Portoroz, Yugoslavia.

"We have to care for the popularity of privatization by distributing cheaply, among the workers, 10 to 20 per cent of the shares of enterprises sold to foreigners. Of course, this is also a way of creating supplementary 'buyers' for the shares."

Soos also notes that "the idea of creating institutional owners (public investors) is widely accepted." Hungary, like other Eastern European countries wanting to sell state corporations, is struggling with the practical problem of sources of capital.

Soos also predicted that Hungary's co-operative sector would be undergoing a change. Both the state-controlled co-operatives in agriculture and co-operatives which emerged in recent years because they were the only form of privatization possible (co-operatives of convenience) will disappear and be replaced by co-operatives which are similar to those in the West.

## BRITAIN

### ESOP legislation

**London (National Center for Employee Ownership)** — Britain's Thatcher government will introduce legislation to provide owners of companies selling stock to an Employee Stock Ownership Plan (ESOP) the same tax break as in the U.S., as long as the ESOP owns at least 10 per cent of a private company's shares. Owners will not be taxed on the proceeds of stock sales to an ESOP that are

re-invested.

Britain has had ESOPs since 1987 by using existing profit sharing and trust laws. A union-financed bank, the Unity Bank, has specialized in financing ESOPs. Formal ESOP legislation was first enacted by the British parliament in 1989, but without the tax benefit that is about to be introduced.

The National Center for Employee Ownership in Oakland, California, estimated there are 75 ESOPs in Britain covering about 20,000 employees, but only a few of these involve majority employee-ownership.

## ITALY

### Consolidation

**Reggio Emilia** — As the European Economic Community approaches total integration, co-operatives are consolidating in order to make decisions more quickly. This is the direction in Italy, says Bruno Veronesi, a vice-president of the powerful Lega federation. There are concerns, however, about the impact of increased consolidation upon

democracy in individual co-ops.

The issue of consolidation was taken even further by José Barea, a professor at the University of Madrid. In a recent presentation at the CIRIEC conference in Portoroz, Yugoslavia, he advocated the integration of all financial co-operatives within the EEC into one co-operative bank.

### Over 100 rescues under 1985 law

**Rome (ICA)** — The number of industrial co-ops established under Italy's 1985 Marcora law is now estimated to have passed the 100 mark. Under the law, named after a former minister of industry, the government helps workers of failed private companies turn their firms into co-operatives by putting up three times the amount of capital that the workers muster. Applications and funding are processed by a finance company jointly set up by the three main co-operative organizations — the Confederazione, the Lega and the Associazione.

## USSR

### Soviet co-ops fight for survival

**Moscow (ICA)** — Maikop, a fertile region of southern Russia, is acquiring a reputation as the graveyard of Soviet free enterprise. In one year, over 1000 small co-operatives have been killed off in the territory of Krasnodar. Those which haven't been closed down are being pushed to the brink by taxes and other policies. The co-operative movement is now regarded by the territory's party leader as "a malignant tumor."

"To our authorities, the co-operative people represent an alien ideology," said Sergei Giluch, a correspondent who has written sympathetically about private entrepreneurs in the official youth newspaper, *Komsomolets Kubani*.

### Moscow in June

By Miriam Altman

**Moscow** — There was a lot of excitement about the "free" market at the Interregional Symposium on the Role of Industrial Co-operatives in Economic Development, held in the Soviet Union, June 1990. "Co-operatives" in the USSR are often family businesses or small partnerships with employees. They do not conform to the ICA standards.

In July, 1989, there were an estimated 100,000 such co-ops, with a total participation of about 1.5 million members and employees. This represented a significant increase from January,

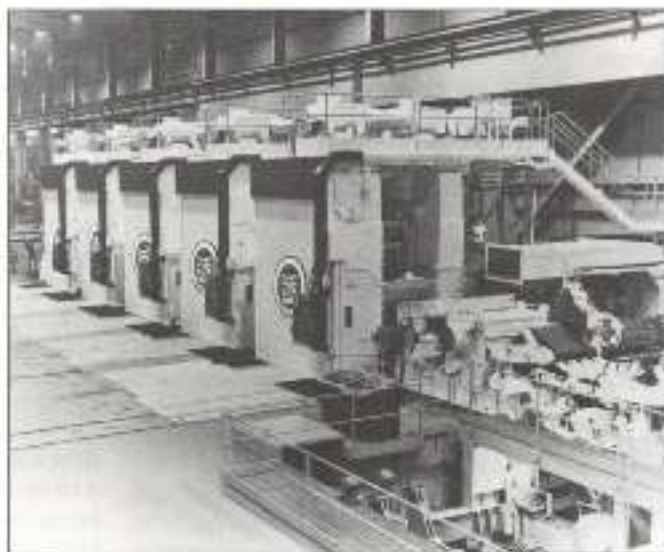


The Lega, also known as "the reds," is one of the three national umbrella groupings for co-ops in Italy. Pictured here are the Lega's headquarters in Reggio Emilia.



1988, when there were only 13,900 co-ops with 155,800 participants. Three-quarters of these are in the service sector, particularly in restaurants, automobile repairs and retail shops. Of the industrial co-operatives, 80 per cent are "spin-offs" from state-owned enterprises. The output of co-operatives as a share of GDP rose from 2 per cent in 1988/89 to 4.5 per cent in 1989/90. The average co-operative has about 15 employees, although some producer co-ops contain as many as 2,000 employees. In 1989, their output rose, but the number of co-ops and co-operators declined.

Five major problems are faced by these co-ops in their bid for survival. First and foremost is the scarcity of supplies. While the 1987 law on co-operatives allowed for the establishment of independent enterprises, it did not eliminate the role of the central allocation system in gaining access to material inputs. Second, co-ops do not have a stable, accessible source of credit. No law currently allows for independent banks, and there is little understanding of the need for lines of credit. Third, there have been great problems and uncertainty associated with high and changing rates of taxation. Fourth, co-operatives are uncertain of government intentions and unstable policies directed towards them. Fifth, co-operatives, and service co-ops in particular, face a negative public attitude towards their generally higher prices. Yet, higher prices of co-operative goods can often be justified since they must reflect their real, relatively unsubsidized costs. The seemingly significant growth in co-operative activity in the past few years has still had little impact on the economy. The 1987 law on co-operative enterprises was implemented with the hope that, by 1990, the proportion of output directed toward state orders would have been reduced to 40 per cent, with the remainder sold through wholesale channels. Instead, central orders still account for approximately 90 per cent of output. This is not surprising since the vast majority of co-operatives offer services



After buying Weirton Steel in 1984, workers are selling 23 per cent of their holdings on the New York Stock Exchange. Photo: Weirton Steel

and are not involved in manufacturing or processing activities.

Clearly, co-operatives will not be able to operate and expand to their potential until some form of market economy is introduced. This would entail not merely the elimination of state controls over production and prices, but also the elimination of political and economic monopoly structures over the means of production and material inputs. Although these issues were widely discussed in the Moscow symposium, they were given a generalized and idealistic treatment.

## UNITED STATES \$4.38 billion wanted

**Chicago (Associated Press) —** Employees at United Airlines have been given an additional two months to arrange the \$4.38 billion (U.S.) of financing that they agreed to pay for the company. The buyout attempt has been organized by United's three unions — the Airline Pilots Association, the International Association of Machinists and the Association of Flight Attendants. The purchase, which would lead to 100 per cent employee ownership, is being arranged through an ESOP (Employee Stock Ownership Plan).

United's board of directors has indicated that the deadline is being extended because "the recent turmoil" in the Middle East may have adversely affected efforts to raise financing. However, if the fi-

ancing is not arranged by October 9, the agreement with the employees will be terminated.

## Workers go public

**By Judith Brown**

**Weirton, West Virginia —** In March 1989, workers at Weirton Steel, the largest wholly employee-owned industrial company in the U.S., voted to sell 23 per cent of their common stock on the New York Stock Exchange. Workers also agreed to lower their share of profits from 50 to 35 per cent for the next six years, a move which will cost the average worker about \$4,000 annually. These changes in the company's financial structure will permit a \$650 million capital improvement program, while still preserving workers' majority ownership and control.

The Weirton mill, which has operated for over 80 years, merged with National Steel in 1929. In 1984, National offered the mill to its employees. After a sometimes bitter struggle, the workers purchased the company for 22 per cent of depreciated book value. Workers also agreed to a 20 per cent cut in wages, but with the

per cent profit sharing agreement.

Since 1984, Weirton Steel has made a profit each year, yielding workers more money than the industry average. Weirton is currently the seventh largest steel-maker in the U.S. However, faced with an increasing number of retirees, the company could not repurchase the stock of these employees and also proceed with its capital improvement program. Therefore, Weirton decided (with the support of a large majority of worker-shareholders) to raise the necessary financing through a public offering of Weirton stock and a reduction in employees' share of profits.

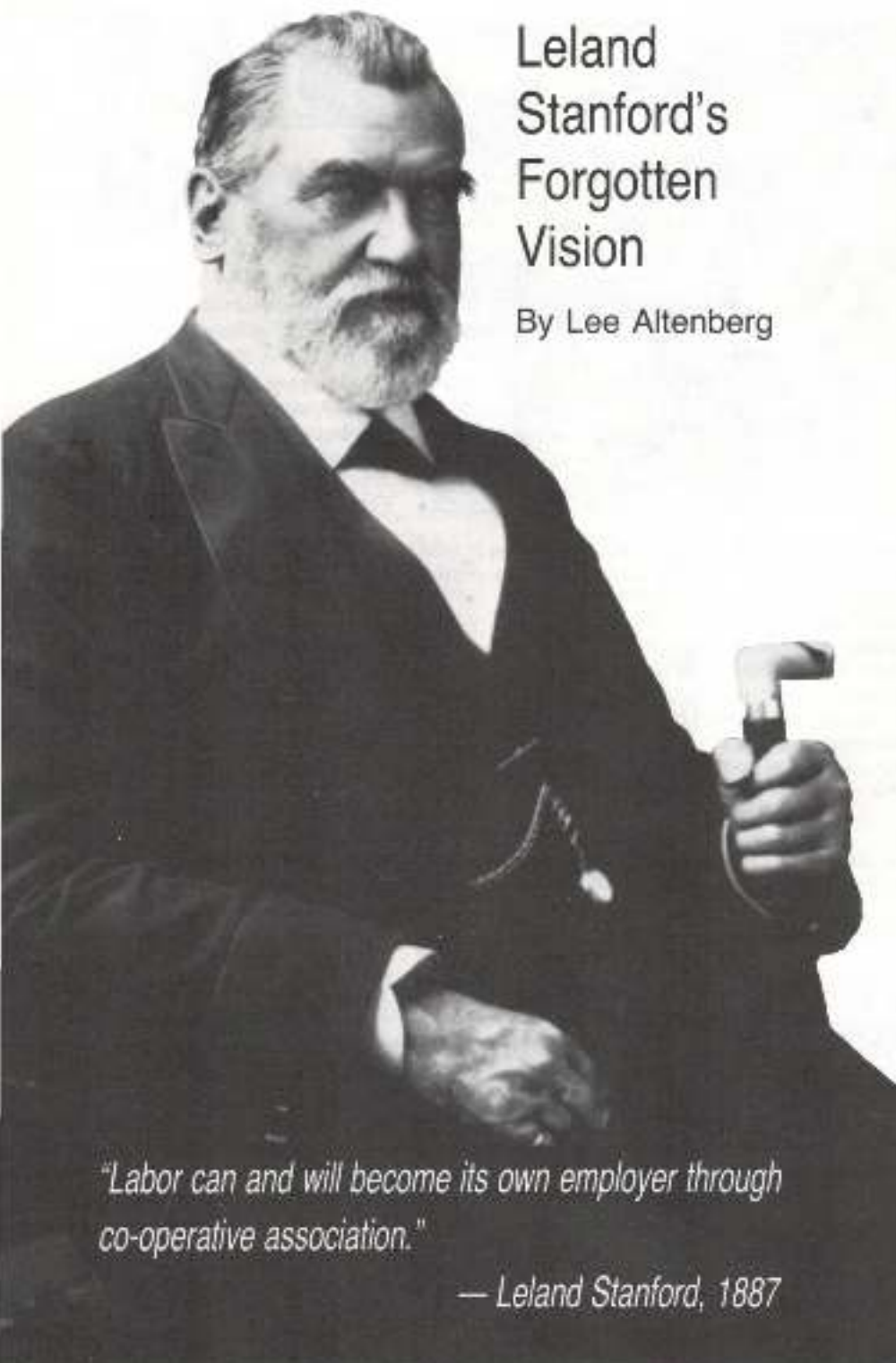
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## Leland Stanford's Forgotten Vision

By Lee Altenberg

■ One of the facts of life for co-operative activists in the United States is that their movement is invisible. The concepts of worker ownership and self-management are unavailable in the schools, the mass media, or the major political organizations. For a co-op activist who has grown used to this invisibility, it is hard to imagine that it ever could have been otherwise. Therefore, discovering the extent to which the co-operative movement had swept into the American political landscape during the Populist era can be a startling revelation. To encounter the Populist movement from today's vantage point is akin to discovering the books of a lost civilization. Here, 100 years ago, there developed a breathtaking vision of a democratic economic system, which was embraced by hundreds of thousands of farmers and industrial workers.

One of those "lost books" of Populist history is Stanford University. Leland Stanford, the great railroad "Robber Baron," was possessed during the final decade of his life by the co-operative vision. He advocated, in his efforts as United States Senator and in founding Leland Stanford, Jr. University, as a memorial to his late son, that the corporate system of American industry be replaced by an industrial system of worker co-operatives. In the Senate, Stanford introduced several bills aimed at helping the new co-operative sector flourish. And at Stanford University, the advancement of worker co-operatives was to be "a leading feature lying at the foundation of the University."

Yet Stanford succeeded in none of these endeavors; his bills never made it out of committee and his vision for Stanford University was not only unrealized, but was entirely erased from the University's collective memory. In recovering this history we gain a unique glimpse into the thinking of one of the few great American capitalists ever to consider at length the co-operative vision.

### Stanford's roots

At age 28 Stanford headed out alone to California to join his brothers in the Gold Country, running a hardware business for the gold miners. It was the co-operative bands which the miners formed, Stanford claimed, that first showed him the potential of co-operation as an organizing force for labor. "Generally four or six men would unite to do this work; if there were four, three of them worked at the tunnel and flumes, while the fourth

*"Labor can and will become its own employer through co-operative association."*

*— Leland Stanford, 1887*

# The "Robber Baron" and the co-op movement



went off to a distance and got wages, so that he could supply them with food. In that way the workers were kept alive by one man's wages, and he, in his turn, got his proportion of all gold taken out of the bed of the stream."

When Stanford was twice as old, after he had made a fortune building the Central Pacific Railroad, had lost his only child, Leland Stanford, Jr., and had been elected by California to the United States Senate, he drew the following conclusions about the basic problem of the capitalist economy: "In a condition of society and under an industrial organization which places labor completely at the mercy of capital, the accumulations of capital will necessarily be rapid, and an unequal distribution of wealth is at once to be observed. This tendency would be carried to the utmost extreme, until eventually the largest accumulations of capital would not only subordinate labor but would override smaller aggregations."

Stanford gave his prescription for halting this monopolization of capital: "The one remedy for this tendency, which to all appearances has been ineradicable from the industrial system, is the co-operation and intelligent direction of labor."

"What I believe is, the time has come when the laboring men can perform for themselves the office of becoming their own employers; that the employer class is less indispensable in the modern organization of industries because the laboring men themselves possess sufficient intelligence to organize into co-operative relation and enjoy the entire benefits of their own labor."

"With a greater intelligence, and with a better understanding of the principles of co-operation, the adoption of them in practice will, in time I imagine, cause most of the industries of the country to be carried on by these co-operative associations."

Stanford pointed to some concrete examples in interviews in the *New York Tribune* and *Cincinnati Enquirer* in 1887: "A co-operative association designed to furnish labor for farming operations is clearly within the realm of practical achievement." He countenanced workers taking over his own line of work, the railroad: "A co-operative association of men who know how to build a railroad might be able to take a contract just as well as a corporation. There is no undertaking open to capital, however great the amount involved, that is not accessible to a certain amount of labor voluntarily associated and intelligently

directing its own effort."

Stanford's analysis of the basic "principle of co-operation" is interesting because it conceptualizes employment as a service that the worker pays for, in the form of profits kept by the employer. For workers to provide this service for themselves is the key to their being able to keep the profits of their labor.

Stanford understood that the worker co-operative would not only secure the profits for the workers, but would change their basic relation to one another and to management: "The employee is regarded by the employer merely in the light of his value as an operative... But when men are about to enter partnership in the way of co-operation, the whole range of character comes under careful scrutiny. Each individual member of a co-operative society being the employer of his own labor, works with that interest which is inseparable from the new position he enjoys. Each has an interest in the other; each is interested in the other's health, in his sobriety, in his intelligence, in his general competency, and each is a guard upon the other's conduct. There would be no idling in a co-operative workshop." Stanford's analysis is mirrored in recent studies of productivity in worker co-operatives.

### Theory and practice

Stanford even developed a macroeconomic analysis of the effect that co-operatives would have on the labor market and unemployment. He wrote, "When you see a man without employment... the contemplation is necessarily saddening. The fault is with the organization of our industrial systems." Stanford outlined three ways labor would be benefited: first, corporations would have to in-

crease wages to compete with co-operatives in hiring labor; second, greater worker prosperity would translate into greater consumer demand and hence more demand for labor; and third, workers' experience in self-management would flood the market with people able to organize businesses and thus lower the comparative advantage of the employer class.

In concluding a lengthy interview in the *New York Tribune*, Stanford drove home his vision by remarking, "In fact co-operation is merely an extension to the industrial life of our people of our great political system of self-government."

One may wonder, given these views about capitalism, what Stanford thought about his own career and those of his fellow industrialists. "Those who by their enterprise furnish employment for others perform a very great and indispensable office in our systems of industry, as now organized," Stanford stated. "But," he went on to say, "self-employment should be the aim of everyone."

To even talk about the co-operative vision is difficult today, because in American usage the terms capitalism, free enterprise, free market, and democracy are used so interchangeably that the idea of a free enterprise system distinct from capitalism sounds self-contradictory. Corporate and state ownership are served up as the inherent opposites between which we must choose. But clearly, Stanford was advocating a "third way" — direct worker ownership — which he saw as the ultimate and most enlightened form of free enterprise.

The voluntary nature of this alternative was central to Stanford's viewpoint; he was highly critical of coercive or gov-

**Leland Stanford made a fortune building the Central Pacific Railway. He believed that a worker co-op could have done the same.**





# "Robber Baron" Cont'd



ernmental redistribution of wealth, which was advocated by communist and other movements of the time. "[Co-operatives] will accomplish all that is sought to be secured by the labor leagues, trades-unions and other federations of workmen, and will be free from the objection of even impliedly attempting to take the unauthorized or wrongful control of the property, capital or time of others," Stanford said. In a critique of statism that is prophetic for what is taking place in the East Bloc today, Stanford wrote, "All legislative experiments in the way of making forcible distribution of the wealth produced in any country have failed. Their first effect has been to destroy wealth, to destroy productive industries, to paralyze enterprise, and to inflict upon labor the greatest calamities it has ever encountered." Stanford's answer to those who argued that labor and capital were inherently opposed, and hence class war inescapable, was that "it should be clearly perceived that the dispute is not between

capital and labor, but between the partial and actual realization of co-operation."

## Women's rights

Leland Stanford was a vocal advocate of women's rights, and supported suffrage, women's participation in politics, equal pay for equal work, and equal educational opportunities. In founding Stanford University he required the trustees "to afford equal facilities and give equal advantages in the University to both sexes." In his advocacy of worker co-operatives, he repeatedly pointed to their benefits for women of a co-operative's intrinsically democratic nature.

As an example of how co-operatives would remove the exploitation of women, Stanford said, "There is no reason why the women of the country should not greatly advance themselves by this act. Take the matter of clothing alone; there are sixty million people in America, and if each expends \$10 a year for clothes, that makes \$600 million; it might just as well go to co-operative associations of

**With the crushing of the Populists, there was no political force behind Leland Stanford's ideas. Even his University ignored him. His ideas, therefore, were quickly forgotten and ceased to have any impact in the United States.**

women as to these large partnerships which pay hardly living wages. At the same time the grade of woman's labor would be advanced."

Regarding the particular needs of working women due to maternity, Stanford pointed out that since each co-operative is organized to meet its members' needs, "under co-operation they would draw wages when they could not labor, or the character of the labor could be changed for them." Stanford saw co-operatives as a key means for women's empowerment.

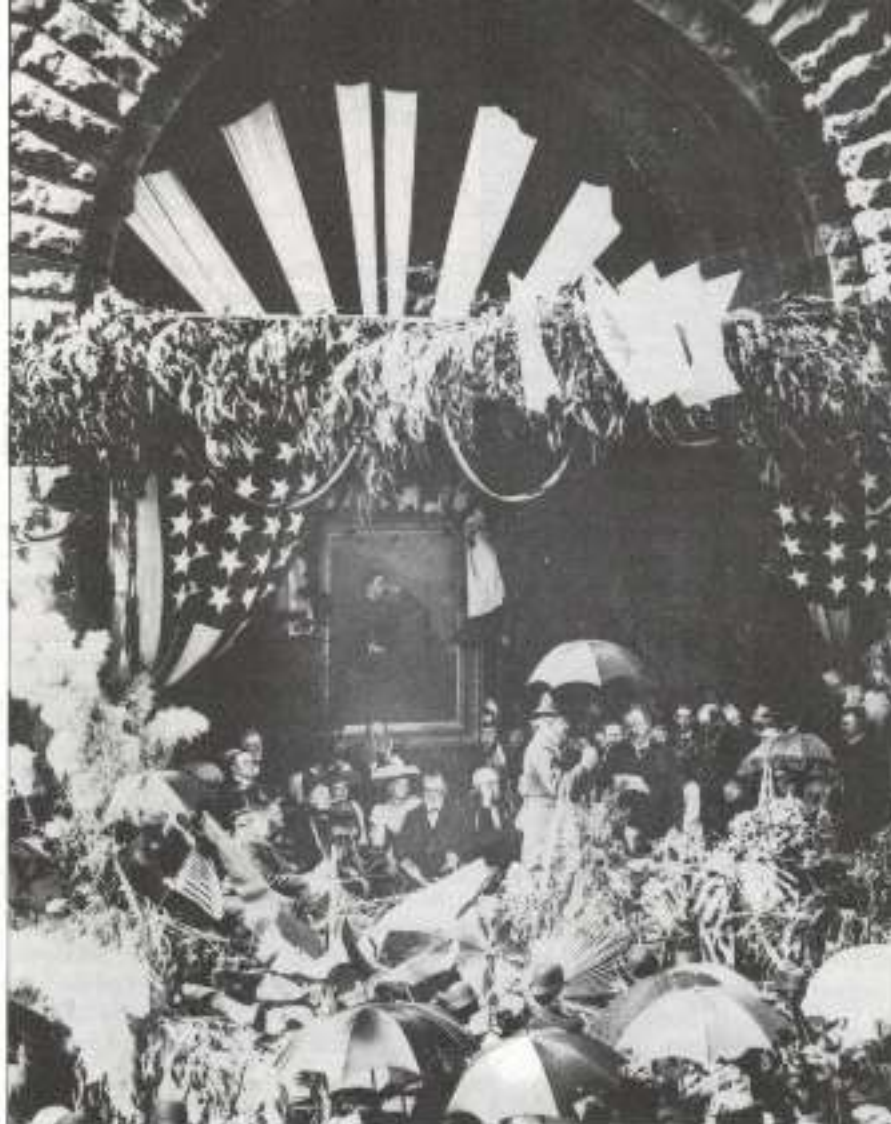
## In the Senate

Stanford authored several bills in the U.S. Senate to help implement his co-operative vision. The first was his bill to provide a legal basis for the incorporation of worker co-operatives. On May 4, 1887, in an interview with the *New York Tribune*, he stated that part of the bill's purpose was to "attract attention to the value of the co-operative principle upon which our industrial systems should be founded. It will be a governmental attes-



**Stanford's ideas had an initial impact on the University; he fought for the emancipation of women. His ideas with respect to women were far ahead of his times.**





**Opening day:** Leland Stanford wanted the University to encourage co-operative work-organization. He called for "thorough instruction in the principles of co-operation."

cause the banking establishment refused to finance them. It was the problems of lack of access to capital and the control of the currency by the banking establishment that drove the co-operatives into the political arena with the founding of the People's Party. The critical insight of the Populists was that capital would remain ascendent as long as the government issued currency only to the banks. Their "subtreasury" plan would have had the United States Treasury issue currency directly to the citizens at low interest. Stanford's bill incorporated the element of issuing currency to farmers based on land value.

The Land-Loan Bill was widely discussed, earning Stanford, the wealthiest man in the Senate, criticism as being "fully impregnated with socialistic ideas," and spawning moves by some within the Farmers' Alliance and People's Party to nominate Stanford as their candidate for President in the 1892 election (a move that Stanford declined). The bill also resulted in Stanford's ousting from the presidency of the Southern Pacific Railroad by his business partner, Collis Huntington.

That Stanford's legislative efforts left a lasting impression upon organized labor is perhaps best illustrated by this anecdote. During the great Pullman railroad strike a year after Stanford's death, his wife Jane was in Dunsmuir, California, and urgently needed to return to San Francisco. Out of respect for Leland Stanford's memory, a California committee of the American Railway Union, which had called the strike, went so far as

tation to the value of the co-operative principle, which alone can eliminate what has been called the conflict between capital and labor."

This interview appeared, perhaps by no coincidence, on the first anniversary of the Haymarket Riot in Chicago. This was both fitting and ironic. The riot erupted during a massive strike for the 8-hour day by 200,000 workers and turned into one of the bloodiest attacks on labor demonstrators in U.S. history. It brought labor issues to the forefront, but also

proved to be the beginning of the end for the Knights of Labor, and with it, the centrality of worker co-operatives for the U.S. labor movement.

Stanford, although an outsider to the co-operative movement, and despite his defeats in Congress, seems to have followed it closely enough to put some of its basic ideas into legislation. His most famous effort was his bill for issuing currency based on agricultural land value. In the late 1880s many of the huge farmers' co-operatives failed, in large part be-

**Stanford University, 1906, following the San Francisco earthquake. Stanford's vision was forgotten by then. After his death there was no movement to keep his dream alive.**





# "Robber Baron" Cont'd

to make up a special train to provide transport for her.

## Stanford University

Stanford believed in the power of new ideas to improve society. Thus he made a major effort to promote co-operatives through education, and in particular, through Stanford University.

"I want this institution to deal particularly with the welfare of the masses," wrote Stanford to the University President in his last signed letter. Stanford told the first meeting of the University Trustees that in the principles of co-operation "will be found the greatest lever to

**Altenberg wants Stanford University to recall its founder's vision. He has used the occasion of Stanford University's centennial to revive Leland Stanford's forgotten vision.**



Photos: Stanford University Special Collections

**Farming at Stanford University, 1891. Stanford wanted the University for the working-class.**

elevate the mass of humanity." At the Opening Exercises in 1891, Stanford told the first class of Stanford students, "We have also provided that the benefits resulting from co-operation shall be freely taught."

Some of these students apparently took Stanford's words to heart and founded the Students Co-operative Association in 1891. It evolved into the Stanford Bookstore, which is incorporated as a co-operative. The faculty and others organized a co-operative high school in Palo Alto for their children. A group of low income students took over the barracks that had housed the University's construction workers and ran it as a "self-managed democratic co-operative" known simply as "The Camp." Stanford had called for "thorough instruction in the principles of co-operation," and the Stanford University course catalog for the first year lists Economics 16, "Co-operation: Its History and Influence." But no such course was found in subsequent catalogs.

## Defeat

What became of Stanford's efforts to advance worker co-operatives in the Senate and at the University? Stanford was unable to get either his co-op or his land-loan bill passed in the Senate. The 1886 co-op bill was twice dropped because of Stanford's absence due to illness. Stanford's land-loan bill had a very different course. From the moment he introduced it he met opposition in the Senate. But Stanford fought tenaciously for this bill, introducing it three times between 1890 and 1892; each time it was killed by the Finance Committee. The Senate was not yet ready for the "revolution in finance" Stanford said he was offering. McKinley would win the 1896 Presidential election by campaigning against just such financial revolutions.

At the University, Stanford's vision of an education to support worker co-operatives never became established. Leland Stanford died two years after the University opened, and neither President David Starr Jordan, nor Leland's wife Jane Stanford, who took on the governance of

the University, showed any evidence of sharing Leland Stanford's interest in worker co-operatives.

But the ultimate reason Leland Stanford's vision was not implemented in the University probably goes beyond this. There are limits to what one person, even one as influential as Leland Stanford, can do to change society in the absence of a mass movement. With McKinley's election and the defeat of the Populists in 1896, the co-operative movement was crushed. Leland Stanford had no apparent experience in actually setting up co-operatives, and when he established the University, he gave it a standard hierarchical corporate structure. With Leland Stanford and the co-operative movement both gone, there was no longer any organic connection between the co-operative vision and the University. Stanford missed the opportunity to forge such a connection when he failed to establish the University itself under a co-operative model.

Leland Stanford's vision was not only gone, but over time was entirely forgotten by the Stanford University community. This forgetting appears to have been fairly rapid, occurring within the first decade of the University. Undoubtedly most of the faculty and administrators knew of Stanford's wishes, but they ceased to speak and write of them, and thus the knowledge was not transmitted. This exemplifies the manner by which the co-operative vision, although it survives in the refugia of co-operative businesses in the U.S., became unavailable as a concept to most Americans. Making this idea available, by reclaiming and retelling the history of the co-operative movement, must form a part of the movement's efforts today.

**Lee Altenberg earned his Ph.D. in Biological Sciences at Stanford University in 1985. He currently is a research scientist studying evolutionary theory in the Department of Zoology at Duke University (Durham, NC 27708). A lengthier version of this article was published in the Stanford Historical Society journal, *Sandstone and Tile*, 14(1): 8-20, Winter 1990. copyright 1990 by Lee Altenberg.**





■ One of the traditional appeals of worker co-ops and other forms of worker-managed firms has been to counter the alienation caused by top-down bureaucratic management typical of capitalist companies. Worker-owners would be "masters of their destiny," able to participate in a direct and meaningful way in the important day-to-day and strategic decisions.

To accomplish this goal, worker co-ops have set limits on their size. Thus Schumacher in *Small is Beautiful* notes that the Scott-Bader Commonwealth, a successful worker co-op in England, set 350 employees as the maximum number compatible with industrial democracy. In Mondragon, the same number was set as a maximum size.

Perhaps the most ambitious attempt to limit the size of worker-managed enterprises occurred in Yugoslavia during the constitutional reforms of 1974-76. Separate co-ops labelled as BOALs (Basic Organizations of Associated Labor) were created to give production workers control over such strategic business decisions as investment and income distribution. This organizational plan was also applied to the social-service sector (i.e., health, education, culture and recreation). Each BOAL was affiliated with other similar organizations to form a complete business enterprise (Composite Organizations of Associated Labor or COALs).

#### A disaster

This "small is beautiful" approach has been a disaster. In Yugoslavia, it has contributed to a collapse of public support for worker self-management. In France and Spain, it has contributed to the virtual disappearance of independent co-ops. The Mondragon system has reversed itself and is now actively promoting the consolidation of its member co-ops into larger basic units and into even larger, integrated groups. In Valencia, Spain, the newer co-op movement is emulating the Mondragon structure.

The change of philosophy in each of these cases could be explained in terms of unique situations. The dismantling of the Yugoslav system of worker-managed firms is a manifestation of the collapse of communism in Eastern Europe, or the changes in Mondragon are in preparation for the European Economic Community in 1992.

There is an element of truth in all these explanations, but only an element. In the new global economy, smallness may be

# BIG is better

## The "Small is Beautiful" theory reconsidered

By Paul Phillips

attractive, but it is size that is successful. That may change in the future, as the demands of a sustainable economy necessitate smaller scale production. But for the present, larger corporations are more competitive.

The reasons for Yugoslavia's economic stagnation are complex and hotly debated. However, one of the generally recognized factors was the cost and inefficiency associated with the proliferation of BOALs. The decentralization of decision-making within enterprises made it difficult to respond rapidly and effectively to the European market and international competition, a necessity if Yugoslavia were to progress on its desired path to market-oriented reforms.

#### A new vision

Unlike Yugoslavia, Mondragon was able to reverse its advocacy of smaller units before its system was hurt economically. The current plan is to reduce the number of individual co-ops from 165 to 100 (thereby increasing their membership by about one-third) and to link these "level one" co-ops into 12 groups ("level two"), organized around common market sectors. Strategic decisions on investment and market planning are being taken at the group level. Nor does the centralization stop there. A "third-level" co-op congress has replaced the co-operative bank (Caja Laboral Popular) as the supreme co-ordinating and rule-making body.

These changes are a far cry from the earlier vision of a community of self-reliant co-operatives. However, the leaders of the Mondragon co-ops are quite emphatic about their necessity: "Either reorganize on the same basis as the multinationals or face extinction in the fiercely competitive European Economic Community."

This centralization of strategic deci-

sion-making would appear to strike at the heart of self-management or co-operation. To compensate, the Mondragon Group is making an extra effort to involve individual co-op members in the process of change — or what they call "formación." An average of \$600 per worker is being spent on increasing education about Mondragon's economic context and improving the retraining programs for new technologies. This expenditure is in addition to the education, social services and adjustment programs currently provided.

Given the competitive challenge of European integration, the Mondragon Group has adopted an interesting variant of co-operative philosophy: Co-operation means voluntarily subjecting each individual's interests to that of his/her co-operative, subjecting each co-operative's interests to that of the co-operative community, and subjecting the co-operative community's interests to the larger community (in Mondragon's case, the Basque community). The overall interest is survival and expansion, something only possible by centralized strategic management.

In contrast, the Yugoslav approach to European integration has become defeatist. A key indicator is the loss of any sense of community, a consequence of the decline of idealism in an increasingly geriatric single-party system. However, in Yugoslavia's haste to embrace a market economy based upon multinational corporations, it may be "throwing out the baby with the bathwater" — that is, eliminating worker self-management in total. In that case, size may be very ugly! ■

Paul Phillips is the director of Labor Studies, University College, Winnipeg, Manitoba. He has written extensively on worker self-management.



# Italy's SACMI



By John Earle

## 13 subsidiaries in 6 countries and worker owned

In the difficult times after World War One, when work was scarce, a group of mechanics at Imola in Emilia-Romagna set up a co-operative workshop. Their first job was to repair some agricultural threshing machines.

Now, 70 years later, this co-op is world leader against capitalist competitors in the supply of equipment and the erection of plants for the ceramics industry. It is a major force in its second activity, the manufacture of crown caps for bottles. SACMI (Società Anonima Cooperativa Meccanici di Imola) has kept the link with the founding mechanics through its name. The co-op reported a turnover of 289 billion lire<sup>1</sup> last year and net profit of nearly 43bn. According to Benito Benati, the finance director, prospects for 1990 are good and results should be comparable.

The co-op has no debts and strong cash reserves. Over three-quarters of its output is exported to nearly 130 countries. SACMI has become parent of an international group with 13 subsidiary companies, six in Italy and seven abroad.

### Research and development centre

Out of its own resources SACMI invested 11.7bn. lire in a research centre opened last September in the presence of Italy's Minister for Scientific Research, Antonio Ruberti. The centre is researching new materials and production processes for ceramic tiles, sanitary ware, kitchenware, refractories, as well as for crown and screw caps and methods of closure. It has over 16,000 earth samples from different countries so that, for example, if a ceramic tiles plant is

wanted in Indonesia, production machinery can be adapted to local raw materials.

SACMI's foreign subsidiaries are in Argentina, Brazil, Portugal, Spain, West Germany and (opened this year) Mexico. In Canada SACMI had what Benati calls "rather a particular experience." About ten years ago it built a factory for ceramic tiles at Trois Rivières, Québec, for an Italo-Libyan client. It failed, and the plant was taken over by an Italian, only to fail again. The province of Québec then promoted the establishment of a company, Les Tuiles Dynamark, to get production restarted, but this also came to nothing. The plant was dismantled and the machinery was transferred to the USA, so SACMI now has no direct involvement in Canada.

The SACMI parent employs 600 people, of whom 250 are members of the co-



Above: SACMI's headquarters in Imola, Italy. Worker co-op has about \$300 million of annual sales.

Left: Italian Minister of Scientific Research Antonio Ruberti (centre) at opening of SACMI's Research Centre.



op and the rest wage earners. Each member has subscribed 19 million lire as a capital share, which under present legislation will never appreciate in value. In addition, members can lend to the co-op at a good interest rate — their loans amounting in 1988 to 9bn. lire. SACMI's policy is to pay well; individual remuneration, in fact, is well above the industry average.

The members have to approve the budget and policy decisions, and elect for two-year terms a five-member board (in which membership is renewable). The board appoints the managers, who are normally members of the co-operative.

An in-depth study of SACMI and of another Imola industrial co-op, La Ceramica, has been completed by Robert Oakeshott of London's Job Ownership.<sup>2</sup> Oakeshott writes, "Though SACMI is management-managed, it is unquestionably worker led." He adds, "The kind of business success which SACMI has been enjoying with worker leadership is at variance with much conventional thinking. For according to the latter, a workforce is almost incapable of taking a long-term view and will nearly always prefer higher consumption (rates of pay and cash bonuses) to capital investment. That view is simply confounded by recent SACMI experience."

What, then, lies behind this success? Benati has no doubts. "I believe that a co-operative association has within it a series of chances that allow it to obtain (if

properly managed) better results than other companies organized in other ways, for example, joint-stock companies of a classic capitalistic type," he said at a recent symposium held in London to discuss Oakeshott's study. The basic reason is that "the worker is not *against* the company but *sides with* the company."

#### Copcats beware

Benati stresses that SACMI's experience cannot simply be copied by others. SACMI is very much a product of its own history, environment and culture. However, Benati sees worker participation as one of the major issues emerging in industrialized society. He said while in London, "The economic reality of the developed world is an abundance of money but lack of a qualified workforce. It is easier to find money than it is to find brains. In future, the most important thing will be brains, not money. The economists have to solve this problem by introducing workers into the capital of the company."

For co-operators, SACMI appears open to criticism on one obvious ground. Less than half its workforce are members; in 1988, 242 out of 537; now, about 250 out of 600. Is this not a denial of co-operative principles? Some kind of closed workers' aristocracy?

SACMI replies that the breach is not so glaring as might appear. A number of wage earners are on a members' waiting list, for there is a probationary period of

five years and a minimum entry age of 24. Some workers are not interested in membership. Experience shows that few want to join after the age of 40. Applications have to be approved by the board. Admittedly the board is not above error, but the co-op has always believed in the values of mutual solidarity and social justice.

In this it is typical of the Imola scene. Imola, a town of 61,000 inhabitants, 20 miles southeast of Bologna, has a strong leftwing tradition dating from the last century. The local economy is the most "co-operativized" of any in Italy. Imola and surroundings — some 80,000 people — contain 65 co-operatives of all kinds, with 28,000 members and an annual turnover of nearly 900bn.

As Benati said, "In Imola the working class has been following the difficult path of self-management for almost 100 years." This still holds good, even if the area's social composition has changed notably: there are now far fewer blue and many more white collar workers, often with diplomas or degrees. In Imola, Benati went on, "Members feel, and really are, the owners of their business. Nobody over the last 20 years has succeeded in imposing any business choice against the members' will. Nobody has

**Inside SACMI: Main office has 500 workers, about half of whom belong to the co-operative.**  
Photos: SACMI





# Italy's SACMI

## Cont'd

succeeded in imposing the appointment of any board of directors or chairperson undesirable to members."

The town has other industrial co-ops, such as CIR, born after World War II, with help from the then British military governor. Its workers were heirs to a private firm, whose premises had been destroyed. It makes dentists' chairs and metal fittings for buildings.

La Ceramica, the other object of Oakeshott's study, is the oldest industrial co-op in Italy. In 1984 Giuseppe Bucci, follower of the republican and idealist thinker Giuseppe Mazzini, gave his firm away to his 32 workers, half of whom are illiterate. The authorities thought this was merely a tax dodge, and had Bucci investigated by the internal revenue. The co-op survived and prospered, and now claims to be fifth largest manufacturer of wall and floor tiles in Italy, 15th largest in the world.

### Les rouges

SACMI belongs to the Lega Nazionale delle Cooperative e Mutue (Lega or "League" for short), one of three national umbrella groupings. Its heartland is the Emilia-Romagna region. Strong local co-operative organizations, embracing sectors such as retailing, farming

("production and labor") manufacturing construction, housing, tourism, services and cultural activities, exist in the regional capital of Bologna, and in towns like Modena, Reggio Emilia and Ravenna. Bologna is also seat of the big Lega insurance company Unipol and of the recently established bank called BANEK (Banca dell'Economia Cooperativa), though the national headquarters of the Lega itself is in the capital, Rome.

In all sectors, the Lega had 17,324 co-operatives at yearend 1988, with 3.1 million members and total turnover of 30,503bn. lire. Lanfranco Turci, national president, has been trying with mixed success to reorganize the Lega into a more cohesive force. In sectors like civil engineering, agri-business and retailing, co-ops are being grouped into bigger units, to meet the sharpening challenge of private corporations. Traditionally weak in capital and financial resources, the Lega has not only founded BANEK, but also is setting up a network of financial services. With the other national groupings of co-operatives, it is pressing for legislation to allow the revaluation of capital shares and the issue of minority shares in co-ops to outside shareholders.

Traditionally, links with trade unions have been close. Early this century, the Lega was bound by a formal pact of alliance with the trade union movement and with the federation of mutual social insurance societies. Now relations are more distant, and co-ops negotiate as employers with unions on wage rates and employment conditions. But the degree of unionization in a typical co-op is high.

Like many big Italian organizations, the leftwing Lega is subject — some say too subject — to politics. Influence and

top jobs are traditionally divided between Communists (majority), Socialists (substantial minority) and Republicans (small minority). But Turci is a Communist, and like Communist parties everywhere the Italian party faces a crisis over its future. This is reflected in the Lega's leadership, where the Socialists backed by Republicans are clamouring for more say. It is to be hoped that politicking will not hamper economic effectiveness.

Nevertheless the Lega makes more economic impact than the other big movement, the Catholic-oriented Confederazione, or Confederation. It has 23,198 co-operatives with 3.6 million members and total turnover of 22,809 bn. lire. In contrast to the Lega, it has the financial backup of a national network of affiliated rural savings banks.

The third, and smallest national organization, the Associazione or Association is controlled by Republicans and Social Democrats. It has 5,221 co-operatives, with 199,000 members and total turnover of 4,560 bn. lire.

There are numerous other co-operatives outside the three national bodies, particularly in house building. Some are genuinely independent — people band together to build an apartment block in which to live — while some are promoted by local politicians. A few may be instruments for mafia infiltration. By law, all should register with the labor ministry. But it is a shadowy world, and even ministry officials admit they do not have the full picture.

SACMI is only one in the many-colored spectrum of Italian co-operatives. But among all the genuine ones runs a commitment to economic democracy, as a valid means for meeting the needs of society today. ■

John Earle is a freelance journalist who has served from Rome as the economics correspondent for the *London Times* and Reuters. His current address is Via Udine 21, 34132, Trieste, Italy. He is the author of *The Italian Co-operative Movement*. London: Unwin Hyman, 1986; £25.

<sup>1</sup>There are about 1,000 lire to the dollar.

<sup>2</sup>Oakeshott, R., *Workers as Entrepreneurs: Two striking success stories from Italy*, Job Ownership Ltd., 9 Poland St., London W1V 3DG, 1990.



SACMI has developed state-of-the-art equipment for the ceramics industry.



# At the Crossroad



In the last few months Yugoslavia has experienced a bloodless revolution. On the political front, the republics of Croatia and Slovenia (two of the six republics and two provinces which comprise Yugoslavia) have held their first multi-party elections since the Second World War. On the cultural front, the issue of nationalities has erupted with demands for independence by both Croatia and Slovenia. In the economic sphere, private ownership of property has been legalized, and all restrictions on foreign investment have been removed. Workers' self-management, Yugoslavia's unique contribution to the workplace democracy movement, is no longer legally guaranteed. Ivan Ribnikar, a Slovenian economist put it this way: "In Yugoslavia, everything is in the process of change."

who met an old lady the day after the election and asked her how she voted: "I'm very happy I didn't have to vote for the Communists," she said. "I'm really fed up with one-party rule." The journalist asked again: "So whom did you vote for?" The woman replied, "For Mr. Kucan, of course. He's the best, even though he's a Communist."

While the Communists retained the Presidency in Slovenia, the Croatian elections saw the opposition coalition win both the Prime Ministership and Presidency. In the republic of Serbia, where single-party elections were held less than a year ago, pressure is building to declare them invalid. Many observers expect new multi-party elections before the end of the year, with the rest of the republics and provinces quickly following Serbia's lead. Once the republic and provincial elections have been held, multi-party elections at the federal level are certain to follow, probably before December.

## Social ownership in Yugoslavia

By Paul Wilkinson

### Political change

The April elections in Slovenia saw a coalition of six opposition parties under the name "Demos" sweep the Communists out of power, winning the government and the right to name the Prime Minister. Nevertheless, the Slovenian Communists were not completely repudiated since Milan Kucan, their candidate for the Presidency, won by a large margin on a platform appealing to Slovenian nationalism. This phenomenon may be best understood by a story about a journalist

### The economic crisis

Underlying the political and ethnic turmoil is the precarious state of the Yugoslav economy, which has been in crisis since 1980. In that year foreign debt reached \$20 billion, productivity and living standards began to fall, and unemployment increased to one million, about 18 per cent of the labor force. Inflation became a way of life, with prices

The legislative chambers for the republic of Slovenia in Ljubljana, Yugoslavia. Slovenia is one of Yugoslavia's six republics, and has indicated that it will no longer be bound by legislation from the national government.





# At the Crossroad

## Cont'd

on consumer goods rising between breakfast and lunch.

In 1988, inflation reached a peak of 2,000 per cent. Ante Markovic, newly elected as Prime Minister of Yugoslavia in 1989, reacted swiftly. He arranged for new money to be printed, and in a dramatic announcement in Parliament on December 17, 1989, he pulled a new bank note from his pocket and declared that inflation would stop. To make good on his pledge, he made the dinar convertible with the West German mark on a 7:1 basis and implemented a tight-money policy which has led to real interest rates of up to 40 per cent.

These drastic measures have stopped inflation and restored confidence in the currency, with the result that Yugoslav citizens have taken home the savings that they had invested in foreign banks. However, the high level of the dinar against the German mark has led to a decrease in exports and an increase in imports. There has been an acceleration of bankruptcies and a skyrocketing unemployment rate. The May 12 to 18 issue of the Belgrade-based newspaper, *Politika*, stated that some 6,300 enterprises with over 2.7 million employees could not pay their creditors and were facing bankruptcies. Already GNP has dropped by five per cent, and it is hard to see how the country can avoid a severe recession.

Another aspect of the Markovic economic reforms has been the abolition of social ownership and workers' self-management as an integrated social system. An amendment to the Yugoslav

Constitution, passed at the end of 1988, ended discrimination against private property and guaranteed equal treatment to all forms of ownership.

In addition, the Enterprises Law and the Law on Banks, both passed in 1990, open virtually all types of investment to foreign capital. Whereas under the previous law, enterprises were governed by a workers' council elected by the employees of the enterprises, under the new law the powers of the workers' councils have been severely curtailed. In joint ventures between foreign owners and Yugoslavs, the workers' councils have been limited to the rights to appoint one employee representative to the managing structure of the enterprise; to be consulted on working conditions; and to participate in decision-making, as agreed on by investors. Wholly owned foreign companies are not required to constitute workers' councils. The rights of employees in such companies are limited to those specified in the collective agreement.

### Tito's legacy

The system of social ownership was established in the early 1950s by Marshal Tito, Yugoslavia's war hero and president until 1980. Social ownership was a departure from the Soviet-style centrally planned economy that had been set up in 1945. Sometimes described as a market-planned economic system, social ownership was an attempt to find a middle way between private ownership and state ownership of capital. The idea was to convert state, or public enterprises, into socially owned enterprises by turning them over to the workers. The rights of ownership would be vested directly with the workers themselves, who would exercise them collectively. As a result, the separation of functions between owner and worker could be eliminated. Workers would then be able to participate in all of the processes of production, including

decisions about their product and the distribution of earnings.

The complementary notion of "self-management" meant that an assembly of workers would elect the workers' council from among their own members as the governing body of the enterprise. The workers' council, which was to be responsible to the rank and file and subject to recall by referendum, would choose the general manager of the enterprise. This function, however, was poorly defined. The general manager was normally selected from a list presented to the workers' council by the local commune government, which represented the Yugoslavian League of Communists. In spite of this limitation it is clear that workers' councils had wide powers, which included the right to make investment decisions, distribute profits among themselves, and to veto the commune's nominees for general manager.

In a plant visit I made to Union Pivo, the largest beer producer in Slovenia, the tour leader pointed out that in the past the appointment of general manager was often based on political considerations rather than upon appropriate qualifications. Once appointed, the general manager had the authority to select the management team. Annual plans for the enterprise and proposals for investment were prepared by this team and presented to the workers' council for approval. The workers' council had the power to veto management proposals but rarely did so. In terms of worker involvement, he noted that there was one member of the workers' council from every department to facilitate the flow of information. Also, regular meetings were held with workers every three months to explain production and enterprise finances, and minutes of workers' council meetings were posted. From this description it is clear that while workers had the *right* to control the enterprise, *in practice* the



The Ljubljana Bank is a socially-owned bank, which is now open for purchase by private investors. This change of ownership is part of the government's privatization policy.



**Union Pivo, a socially-owned company, is the largest beer producer in the republic of Slovenia. Union Pivo is sold throughout Yugoslavia.**



management team tended to dominate. While workers sometimes vetoed proposals they found unacceptable, it was management who took the initiating role.

### **Taking stock**

The Yugoslav system was superior to those of other Eastern Bloc countries, both in terms of supplying the needs of consumers and in terms of workers' participation in decision-making. Unfortunately, it has been unable to resolve certain critical issues.

In explaining the failure of what he now considers "an attractive but utopian system" Slovenian economist Ivan Ribnikar located the root problem in the fact that no legal person or body actually owned the equity (permanent funds) of the enterprise; consequently, no one felt responsible. "Everybody owns it, and nobody owns it," was a common Yugoslav description of socially owned firms. Since the ownership of an enterprise was not specifically located, there was no incentive either to invest in expansion or to start new enterprises. According to Ribnikar, a second weakness of the socially owned firm was the high debt/capital ratio. Such firms could only survive and expand where financing was available at a negative nominal interest rate. This caused continuous inflation, which was augmented by the government's printing of money to cover the borrowing of enterprises from banks that they themselves controlled. Job creation, however, remained high because of government guarantees of full employment. Essentially investment in each enterprise could occur at no direct cost to the enterprise. The cost to the country, however, was price instability and a low level of productive efficiency. Some critics of the Yugoslav system have viewed its problems as an inherent characteristic of labor-managed firms. This criticism does not take account of the system's history. The Yugoslav system was developed by government legislation as a top-down monopoly based on ideological principles. All enterprises were required to set up self-governing structures but workers themselves were not in-

involved in developing these structures and rules of operation. Also, unlike the Mondragon system of worker co-operatives, with its internal capital accounts, Yugoslav workers had no individual, personal stake in their enterprise. No mechanism was developed to retain the profits allocated to workers, so that they could be reinvested, as in the Mondragon system. Instead, Yugoslav workers tended to distribute the profits to themselves and to rely on borrowing to finance investment.

In addition, interference by the League of Communists discouraged the workers from developing a responsible attitude to their enterprises. While workers were allowed to distribute profits among themselves, the local commune government had the power to revoke these decisions. In situations where enterprises were profitable, high taxes often took most of the surplus, thus weakening workers' motivation to produce. Conversely, in unprofitable situations, government could be counted on to prop up the enterprise, so there was little incentive to operate responsibly.

Another weakness was the inability of the system to find a satisfactory fit between the workers' council and the role of management. Since the general manager's appointment was often more related to outside political influence than to the free choice of the workers, he/she had a good deal of autonomy. There was little indication that managers understood their role as an educative one, to encourage and nurture worker participation.

For example, in an agricultural co-operative I visited, the manager acted in a domineering way in relation to the workers, responding on their behalf and discouraging them when they tried to speak for themselves. Another indication of managerial power was the Slovenian Chamber of the Economy, a body which had been set up to bargain on behalf of the enterprise managers with representatives of the workers.

### **The future**

While it is considered desirable in the new Yugoslavia to restructure the exist-

ing socially owned enterprises, there is no consensus of what to do and how to do it. Some sectors of society favor full privatization, with socially owned companies being first taken over by the state and then sold to private investors. A more generally accepted view, however, supports partial privatization. Utilities and natural monopolies, like railroads and power stations, would be converted to state ownership. A second group of socially owned companies would be converted to joint-stock companies, with shares that would be sold to private investors. A third group, while also converted to joint-stock companies, would operate with some restrictions to protect workers' rights and the interests of society. These latter enterprises would have three types of shares: those that trade freely on the market; untransferable shares sold only to workers; and shares owned by pension funds or perhaps by the state.

While these and many other suggestions are being floated, the unknown part of the equation seems to be the workers themselves. Will they agree to give up their guaranteed rights to self-management in exchange for the ownership of stock? The answer is still uncertain. Should the workers refuse, groups such as the Chamber of the Economy plan to lobby the government to expropriate socially owned firms in order to privatize them. While no one is sure what the next few months will bring, I find myself agreeing with Ana Barbic, a sociologist, who regretted the tendency to reject the achievements of the past 40 years. "Perhaps," she said, "it would be wiser to look at the past system and to choose the good things from it, rather than to throw it all away." ■

Paul Wilkinson is a doctoral student in Adult Education at the Ontario Institute for Studies in Education (252 Bloor St. W., Toronto, Ontario, M5S 1V6). The information for this article is based upon lectures, discussions and site visits, which took place during the month of May in Ljubljana, Yugoslavia, where he participated in a course on workers' self-management.



# neoCO-OPerativism

## Mondragon prepares for global economy

By Jesus Larranaga

Mondragon's co-operatives have invested heavily in research and development.



Co-operatives that were born under the guiding hand of socialist ideas grew in a given historical context and in small markets. As legally independent units, they have had to create federations as an expansion strategy, although their competitive value is doubtful. This model is not the best for overcoming the limitations of a medium-sized nation.

The Mondragon Co-operative Group stands at the threshold of attaining a new identity, that of a megagroup. If it is to continue as a group, it must take new, larger steps and create systematic power links. Small groups are not adequate to meet the challenge of large markets and new technologies. Therefore, we must combine the geographic model of organization with technological and market models in order to survive.

### Strategic Integration

The decisions necessary to gear up for the Europe of the future must be daring, since time is running out. The majority of companies of a certain size and importance are about to finalize strategies for alliances, so that they can move in the new Europe and the rest of the world. We at Mondragon must do the same thing.

Co-operativism takes place in the fullness of unity, where the organs for representation and power are compatible. To

move to higher levels of organization it will be necessary to forge federative links and pacts. Each higher level of organization demands the explicit renunciation of sovereignty, a gradual relinquishing of power. This is a carbon copy of political organizations. The European Community itself reflects a similar process of federation. However, although political decision-making allows for delays, decision-making in a competitive market demands speed. The market moves so fast that success and failure depend on the ability to respond quickly — the capacity to make immediate decisions. And this is the Achilles heel of the co-operative system. Expansion strategies involving the purchase of companies and alliances with others must be employed. We need to emphasize the integration process within the Mondragon Co-operative Group as a means of growth and as an intermediate step towards larger strategies.

However, we must first answer a few simple but vital questions: Will the social collectivism of the different communities support integration when operating accounts favor some and harm others? Are the directors ready and able to crack the whip of integration? Is sectoral fusion or total fusion compatible with decentralized management and responsibility?



Doesn't integration mean the loss of local independence and identity?

There are at least two elements in favor of integration: the need to be stronger and the desire to maintain industrial democracy in communities that have known and lived with it. No one is forced to do so because of the basic co-operative principle of the right to free association. But those who decide to take the step are facing the most difficult and most meaningful challenge in the history of co-operativism.

### Neoco-operativism

In the theory and practice of neoco-operativism (to give this new form of organization a name), intangible capital and horizontal links or dependencies flourish, born from joint creative activity and intelligence. Decisions must converge on the final goal of what we want to become, which is:

*A supra-regional model, adequately organized, with decision-making power over the strategic and management variables that are necessary in this new global era.*

This would be the conceptual definition, but in every-day practice it would mean implementing new organizational arrangements by sector or branch of activity, and even by region, with a view to becoming more competitive and acquiring a suitable scale.

Intense work would be required on the so-called horizontal links:

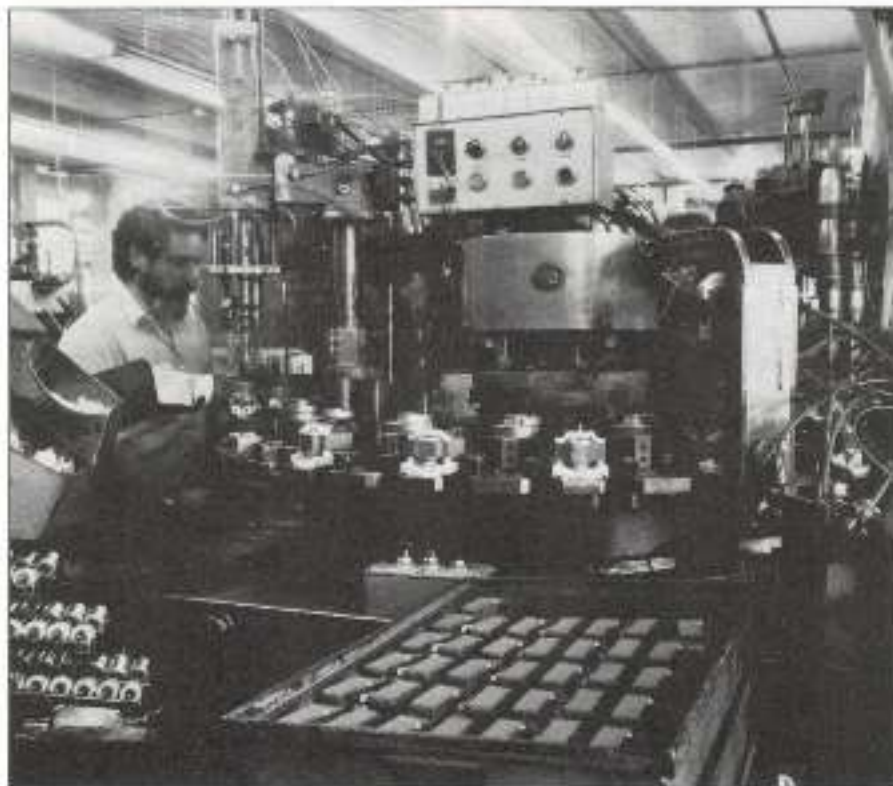
- specialized research and development centres in each sector;
- sectoral and strategic marketing;
- specialized corporate images and communications;
- a financing company for purchases and shares in foreign companies and joint ventures abroad;
- a trading company for the Group;
- operations branches for training, quality and management;
- and an apex organization with a broad capacity for decision-making.

These suggestions for a possible solution assume acceptance of two ingredients: ideology and necessity. It will take imagination and the ability to hurdle the barriers of the routine and the conventional to solve these problems. The most difficult, but the best part, remains to be done: to integrate efficiently and to survive over time as an industrial democracy.

I am certain that if Jose Maria Arizmendi [founder of the Mondragon Group] were alive, he would have invented a 'neu' of some kind or another to bridge gaps, to breach barriers, without renouncing the idea of communities of individuals taking responsibility for managing their futures, for becoming part of a boundless community. ■



Critics of the Mondragon Group have noted the sexual division of labor. Women tend to be located in lower level jobs.



Jesus Larranaga was one of the founders of ULGOR, Mondragon's first worker co-operative. He remains a leading figure within the Mondragon Group, currently the director of International Relations with Fagor (B o San Andrés, s/n — Apdo 67, 20500 Mondragon, Spain; Telephone 34-43 79 36 11). This article was taken from a lengthier version by the same name. It was translated from Spanish by Lorraine Hernandez.

The Mondragon Group continues to change its structures in response to new circumstances. The community-based system of co-operatives in Basque, Spain, has transformed itself into a megagroup with a neoco-operative philosophy. Photos: Trabajo y Union



# The 10 PRINCIPLES

The Mondragon co-ops, in the Basque region of Spain, have revised their 10 basic principles. The principles are based upon those formulated by the Rochdale pioneers and updated in successive congresses of the International Co-operative Alliance, the accumulated experience at Mondragon after more than 30 years of entrepreneurial co-operativism, and the need to maintain the open and dynamic character of the principles.

## The Mondragon principles

By Mary Carmen Romero

### 1. Freedom to join

The co-operative experience of Mondragon is declared open to men and women who accept the basic principles and who possess the professional qualifications required for jobs.

### 2. Democratic organization

All worker-members have an equal right to be, to own and to know. The members are required to participate by voting in the annual general assembly and in the election of the board of directors. Members also take part in discussions with board members during the rest of the year.

### 3. The significance of work

Work is the essential factor in the transformation of nature, society and, indeed, human beings. Therefore, Mondragon:

- a) renounces the "employment" of non-members;
- b) considers that work has a predominant role in co-operative entrepreneurship;
- c) considers work as the basis for the distribution of profits;
- d) widens the professional options of all the worker-members.

### 4. The instrumental character of capital

Mondragon considers capital as accumulated work. Consequently, each member's right to remuneration and to be part of the co-operative is subordinate only to the co-operative's continuity.

### 5. Participation in management

Democratic principles are involved not only in the election of officers but also in member participation in management of co-operatives. This requires that members be kept informed about management's policies and activities.

### 6. Solidarity in remuneration

This principle is enacted through a scale of payments, which is less extreme than in other types of business organization.

### 7. Inter-co-operation

As a requisite of efficiency and as a concrete practice of solidarity, the principle of inter-co-operation must be manifest among the co-operatives (by regions and by sectors of production), through the creation of superstructural entities. By working for the benefit of all the co-operatives in the group and by working alongside other co-operatives in the movement, these superstructural entities endeavor to improve the movement in general.

### 8. Social transformation

The Mondragon co-operatives endeavor to expand their influence in Euskal Herria (the Basque country) in order to facilitate the construction of a Basque society with more freedom, solidarity and justice.

### 9. Universal character

Mondragon proclaims its solidarity with all people who work for economic democracy within the framework of a social economy. It subscribes to the principles of peace, justice and development, which are characteristic of international co-operativism. It maintains solidarity with European and international movements to improve social justice throughout the world, and especially among Third World countries.

### 10. Education

None of the above-mentioned principles is feasible without the allocation of sufficient economic and human resources to education in its diverse domains: co-operative, professional and general.



The Caja Laboral Popular (The People's Bank) has been central to co-op development in Mondragon. The Caja has branches throughout the Basque country.

Mary Carmen Romero is a doctoral student at the Ontario Institute for Studies in Education. The 10 principles were originally published in *Trabajo y Union*.



# REVIEWS

## **Communities on the Way: Rebuilding Local Economies in the United States and Canada**

By Stewart E. Perry, State University of New York Press, Albany, 1987, 254 pp., paperback, \$18.

Reviewed by George Melnyk

Stewart Perry heads the Centre for Community Economic Development in Sydney, Cape Breton, Nova Scotia. Since he was the director of the Institute for New Enterprise Development in Cambridge, Massachusetts, and frequent consultant to Cape Breton when he wrote this book, it reflects that transborder experience.

His focus is community-based economic development (CED) as he has experienced it from the 60s to the 80s. He describes himself as a product of the radical 60s who began his journey by doing a study of worker-owned garbage collection companies in San Francisco (*San Francisco Scavengers: Dirty Work and the Pride of Ownership*, University of California Press, 1978) and then worked with the "War on Poverty" in urban ghettos, where some of the first community development organizations began.

*Communities on the Way* provides an account of two of these early projects, one in Cleveland, Ohio, and the other in Sydney, Cape Breton. Both aimed to provide affordable housing and employment. Perry considers two crucial factors: attitudes and institution-building. He writes, "To produce change, one must promote and facilitate the use of the human and other resources *already in the community*" (emphasis mine). But this cannot happen, he argues, in only one segment of the community. The whole fabric of the community must be involved. Otherwise threatened elements will sabotage change.

Perry warns that the ideas, attitudes, preferences and values (cultural tools) of a community are essential to its definition of economic activity. Economic development is not solely business development. If it is treated as such, it will result in dependence on outside resources.

He goes on to outline what he considers to be a successful approach: "A community must find its own voice by confronting the local history of depression and exploitation." Once it has found that voice, it must create a stable institution that expresses its identity. This institution must be broadly-based in the community and do everything from providing venture capital, owning property and businesses to joint ventures.

Community development corporations face many challenges; Perry lists these and makes suggestions on how they can be dealt with. His own assessment of CED is positive and encouraging. He does not mention worker co-ops extensively, though co-ops in general play an important role in his concept of CED.

Perry's book is a challenge to the worker co-operative movement to make its role in CED more prominent. It shows us that the movement needs to do a lot more work with CED models and corporations so that worker co-ops become part of the mainstream of community reconstruction. Here is an opportunity that we cannot ignore. ■

George Melnyk is a consultant and author. He can be reached at New Lanark Consultants, Suite 470C, 301-14th St. N.W., Calgary, Alberta T2N 2A1; *Communities on the Way* is available for \$18 from the Centre for Community Economic Development, 436 George St., P.O. Box 357, Sydney, Nova Scotia B1P 6H2; (902) 562-2233.



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# REVIEWS

## Co-operative Communities

### We're the Boss

By Brian Poilard, Michel Lemieux and Rex Tasker, National Film Board of Canada, D-5, P.O. Box 6100, Montréal, Québec H3C 3H5; (514) 283-9000; Screening time: 29 minutes; Video — \$29.95 (home) and \$44.75 (institutional).

### The Italian Co-operative Movement: A Portrait of the Lega Nazionale delle Cooperative e Mutue

By John Earle, Unwin Hyman, London, 1986, £25, 15-17 Broadwick St., London, England W1V 1FP.

### Reviewed by Jack Quarter

What do a film about the small Acadian community in western Prince Edward Island and a book about Italy's co-operatives have in common? Both highlight how ordinary working people have been able to create integrated systems of co-operatives as a means of meeting their communities' needs.

First *Evangeline*: It is a story about a community and a people. The Acadians are one of the oldest cultural groups in Canada, their ancestors coming from France to Nova Scotia's Annapolis Valley in the sixteenth century. Caught in the wars between France and Britain, they were dispersed by the British to the United States in 1755, only to return to Atlantic Canada some years later.

Today, Acadian communities are found throughout the Atlantic provinces, and co-operatives play an important role within them. None has captured more attention than the *Evangeline* Group. *Evangeline*, Prince Edward Island, has been hailed "the undisputed co-op capital" of North America (see *Worker Co-op*, Vol. 7, No. 3) — and with good reason! Within three adjacent villages (Wellington, Mont Carmel and Abraham's Village), with 2,500 inhabitants, are a cluster of 16 co-operatives of all types, embracing services from the cradle to the grave.

The hub of the system is the *Evangel-*



ine Credit Union/Caisse Populaire and its affiliated organization, the Baie Acadien Venture Capital Fund, financed primarily by using about 10 per cent of the patronage dividends paid to credit union members. Like the Caja Laboral Popular in Mondragon, the *Evangeline* Credit union has taken the lead, essential to the community's welfare, in financing and planning other co-operatives. Among its recent projects are two worker co-ops — the *Oldé Barrel* potato chip factory and *Les Petits Acadiens* clothing — and even more impressively, *Acadian Pioneer Village* — a restaurant, hotel, pioneer village re-creation — structured as a community development co-op.

*We're the Boss* is engrossing from beginning to end. It brings a little known part of the Canadian mosaic to life, with a lively portrayal of the community, intermixed with information about the co-operatives and their problems. The film can be used at home by interested viewers and in educational contexts, ranging from courses on community development to social studies.

### Northern Italy

Whereas *Evangeline* may stand out on the Canadian co-op landscape, it is but a miniature of the integrated co-op systems in Northern Italy, portrayed in the book, *The Italian Co-operative Movement*, by retired journalist John Earle. Earle first became acquainted with the co-operatives of Northern Italy when he served as the economics correspondent for the *London Times* and Reuters, while based in Rome. Previously he had been a British liaison officer with the partisans in the mountains of Yugoslavia during the Second World War.

His book is one of the few up-to-date accounts in the English language on Italy's co-operatives. It is easy reading, a reflection of Earle's skill as a journalist, and covers much more than the integrat-

**The *Evangeline* Credit Union/Caisse Populaire is the hub for co-operative development.**

ed co-operative communities of Reggio Emilia, Imola, Modena, Ravenna and Bologna. *The Italian Co-operative Movement* adeptly portrays all of that country's co-operative landscape, including the three powerful federations — the Lega, Confederazione and Associazione — and the movement's history.

However, it is the chapters on the co-operative communities of the north (the Lega's heartland) which indicate parallels to the *Evangeline* Group. The scale of Italy's co-operative communities is reflected in Earle's portrayal of Imola, Italy's "undisputed co-operative capital." Imola and its surroundings (about 80,000 people in total) "contain 65 co-operatives of all kinds, with 28,000 members and an annual turnover of nearly 900 billion lire" (about \$1 billion Canadian). This community also contains some of the largest worker co-operatives in the world (see Earle's article on SACMI in this edition of the magazine).

Reggio Emilia, in which the regional headquarters of the Lega is located, is equally impressive. There, Lega Vice-President Bruno Veronesi proudly described his community to me and asked whether there is anything similar in Canada. I told him about *Evangeline*, albeit explaining it consists of three very small villages.

Community development specialists have a lot to learn from both *Evangeline* and Northern Italy. And The National Film Board's, *We're the Boss*, and John Earle's, *The Italian Co-operative Movement* are good starting points. ■

Jack Quarter is editor of the *Worker Co-op* magazine. Together with George Melnyk, he edited and contributed to *Partners in Enterprise: The Workship Phenomenon* (Montréal: Black Rose, 1989).



## Labour Unions & Economic Policy

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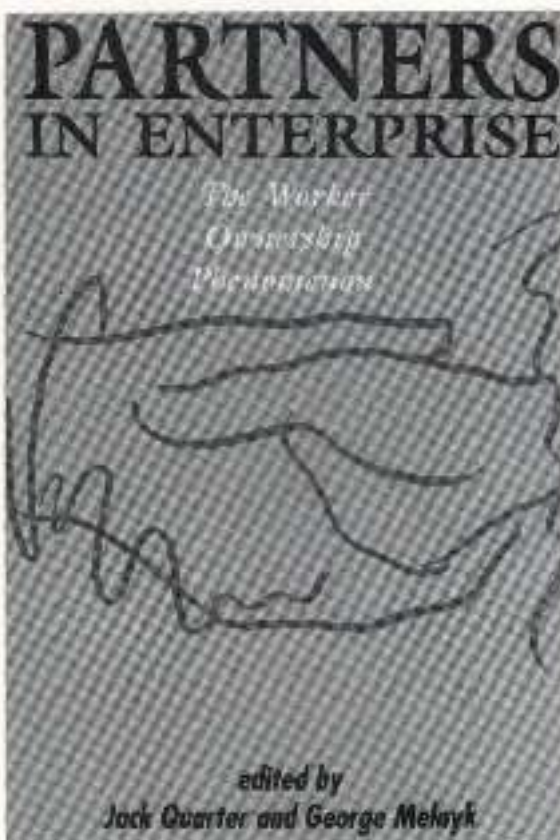
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