

Co-operatives are springing up in every corner of the British economy, displaying management skills and enterprise which shatter their previous 'alternative lifestyle' image. But do they work? And what part should they play in economic strategy? And what does the future hold for the established Co-op?

CO-OPS

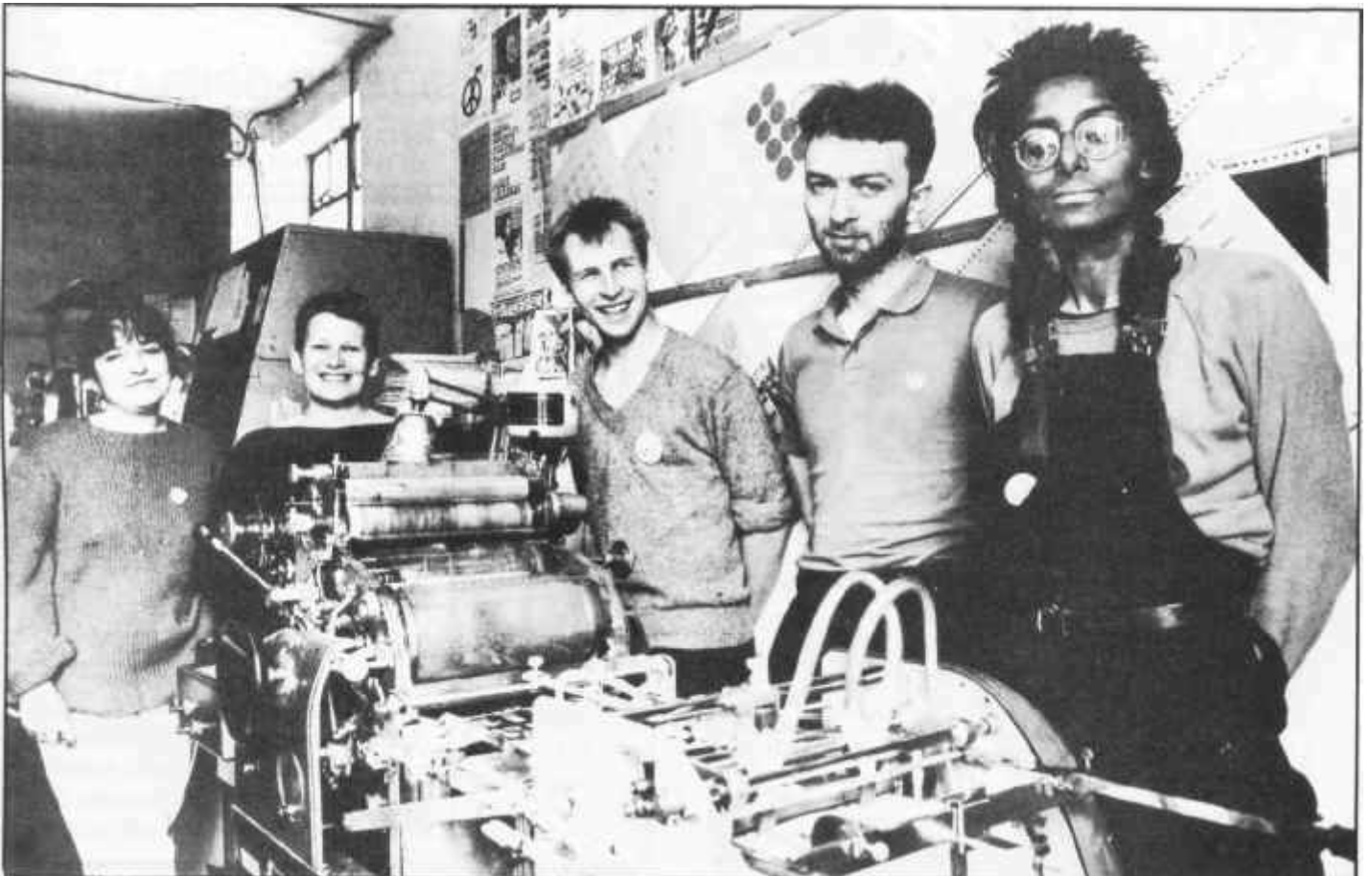
Worker co-operatives have existed in Britain since the last century. Many were formed then in response to recession, lock-outs and unemployment, and were often inspired by the liberal ideas of the Utopian socialists, although they were also closely linked to the growing strength of the trade union and consumer co-operative movements. However, by the late 19th century the worker and consumer co-operative movements were divided over strategies for achieving democracy in the wider

community. When the newly-formed Labour party, with trade union support, espoused nationalisation and municipal enterprise to achieve social ownership, worker co-ops were disregarded as an alternative and the existing ones became further isolated. After 1900, few new worker co-ops were formed until the mid-1970s.

At this time many co-ops emerged from the 'alternative' movement. The co-op structure suited their objective of non-hierarchical working, and co-ops

were established specifically to meet social needs not met by capitalist production, particularly in wholefoods, printing, publishing and radical bookselling. Since then, co-ops have again been stimulated by deepening recession, some resulting from attempts by workers and trade unions to save jobs in the face of plant closures and redundancies.

The three Benn co-ops formed in 1974, Triumph Meriden, KME and the Scottish Daily News, are perhaps the largest and best known. But they were established in



declining industries suffering from decades of mismanagement, and eventual collapse was inevitable without adequate state support. Since then most rescues have been more limited attempts to save only parts of failed companies.

In the 1980s the initiative has passed from central to local government; most new co-ops have been established in areas where co-op development agencies are active, often as part of job creation and economic regeneration strategies. In a few cases co-ops resulted from owners handing over the company to the workforce, such as Scott Bader, the UK's largest co-op.

By 1985 there were over 1,000 co-ops, compared to only 20 in the early 1970s. They remain small, however, with a limited impact on unemployment, creating or saving a total of only 10,000 jobs. Around 75% are in services, partly reflecting difficulties faced raising finance for capital intensive investment in other sectors. Some 10% are in construction; most of the remainder are in engineering or in clothing manufacture, reflecting both the long-term decline of these

sectors and the generally small size of factories even under capitalist ownership.

Diverse origins and activities mean that co-operatives encompass a range of objectives, which can lead to conflicts regarding their role and function. Tory opinion views them as just another kind of small business, where people are 'realistic' and responsive to the market, taking wage cuts where necessary and not going on strike, a useful tool for undermining union hostility to privatisation. This view recognises no conflicts in society provided markets are allowed to function effectively. In contrast, the social democratic approach sees co-ops as a 'harmonious' form of industrial organisation, effective in resolving conflicts with less disruption than in capitalist firms, and with an element of redistributive justice thrown in.

Workers' co-operatives have provoked a mixed reaction of the Left. Supporters view them as a form of social ownership, offering more effective worker control than nationalised industries, and potentially an important part of restructuring

for labour. Opponents argue that co-ops in a capitalist economy are constrained by the need to operate in the market and will remain small, marginal and inefficient, undermining gains made by trade unions while capital is relieved of the problems of direct exploitation. They argue that co-ops can benefit from abolishing the contradiction between capital and labour at the workplace if it is maintained on the social scale.

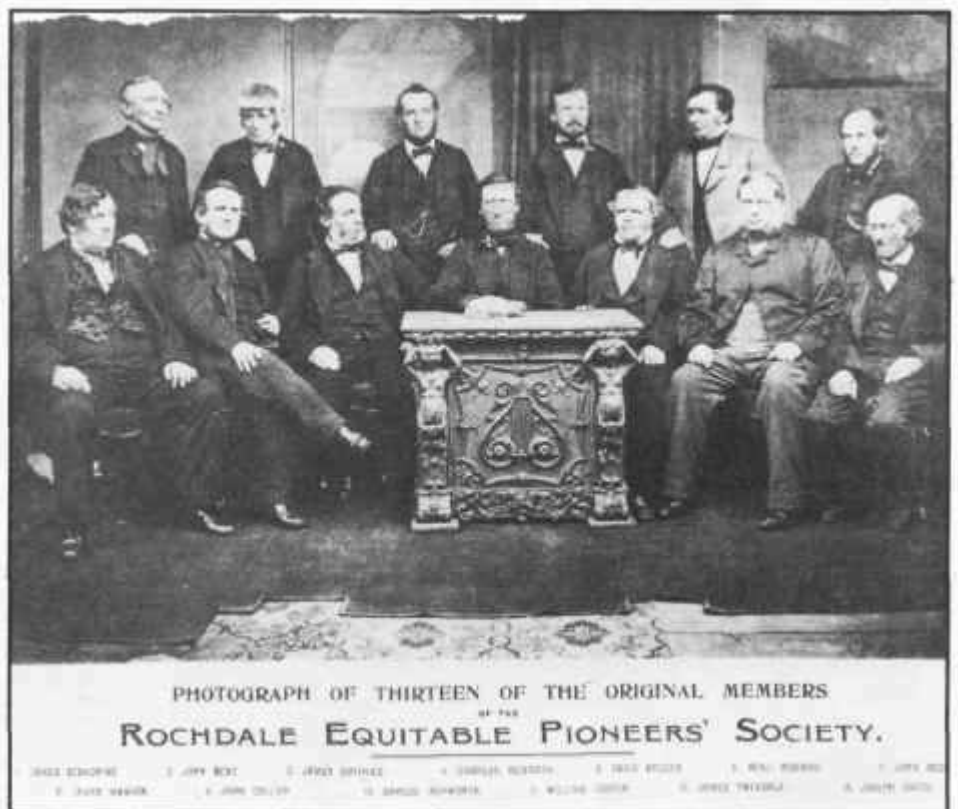
Co-ops share many of the problems faced by small firms in an economy dominated by large-scale capital, often struggling to survive, with low wages and poor conditions. However, the crucial distinguishing characteristics of co-ops are by their nature unquantifiable - increased control over work, greater responsibility, sharing in decision-making, gaining new skills, serving a community, and the enhancement of human qualities, which do not enter into traditional calculations of costs and benefits. Hence their unique character, and the debates that have emerged about the role they can play in economic strategy.

Keith Jeffries

SOCIETY'S FADING VISION?

It is important for the Co-op to rediscover its ambition. Forget the sneers and the snobbery: 'Utopian', 'reformist', 'shop keepers'... From the 1830s until at least the 1930s, the co-operative movement in Britain consisted of thousands of working people trying to replace capitalist competition with associationist co-operation. It was the nearest thing we

Thirteen of the original 28 members of the Rochdale Equitable Pioneers' Society, which was founded in 1844. There had been co-operative societies before that time but it is generally accepted that Rochdale gave birth to the first model co-operative society, the one which laid down the rules which govern the operations of co-operative societies today very much as they did then.



have had in this country to working-class socialism, but on the ground and not in the head. Forget rural community-building, even forget Robert Owen (who didn't much like working-class initiative). The idea was for people to form societies where they lived in order to turn their own needs (to make and to use) into instruments of emancipation rather than causes of subordination.

By the mid-1930s there were over 7.5m members in 1,000 such societies. They practised a critique of the state. Rights to participate were not based on property, the quarter rather than the parliamentary five years was the characteristic unit of time, and face-to-face relations were the aim. But it had to be practical: there was a 'dividend', so the more you spent the more you gained. From the mid-19th century a whole culture grew up around the societies, with reading rooms, schools, halls, newspapers, song-books, choirs, building societies, penny banks, theatre and so on. The Womens' Co-operative Guild (with 87,000 members in 1,800 branches in 1939) has been by far the most successful working-class, womens' organisation on the Left in Britain. No left party can afford to ignore

the Co-op's youth organisation - the Woodcraft Folk, 60 years old last year. Through their local society the Co-op member could obtain groceries, but also federal links (through the Co-operative Union) with a national movement calling itself 'a state within the State'.

Gigantic ambition attached to the Co-operative Wholesale Society from 1863 onwards. Still a very large organisation today, around 1900 it was called 'the most varied if not the largest business enterprise in the world'. In 1935 the CWS employed 39,815 people in 149 factories or depots. The idea was that this federal organisation would, in the end, supply *everything* its members needed. They would take over shipping lines, railways, even the national debt. They would 'bring consumer and producer face to face' so that 'the working class became its own employer'.

Of course it hasn't worked out that way. The first CWS factory, the Crumpsall Biscuit Works of 1873, will close in 1986. The Co-operative Commonwealth has not, as yet, come into being. The day-to-day practices of societies always fell short of the activists' ideals. Ever since the mid-1950s there has been a desperate

attempt, in and against the movement itself, to mimic the dominant forms of private capital. In 1951 the Co-op's share of retail trade was 12%, almost the same as in 1939. By 1981 it was 6%. Between 1966 and 1981 retail societies closed shops at the rate of four every weekday.

Failure has been ascribed to many things, including too much internal promotion of personnel, too wide a range of products and services, too many small units, adapting too little and too late to modern shopping trends, loss of a distinctive image (except that of an unfashionable working-class past), exclusion from growth areas needing huge investment (eg, cars, oil, television).

Some of these reasons are contradictory. So, where do they leave all that vision?

Four immediate points can be made. Defeat is not the same as failure. It

The premises in Toad Lane, Rochdale, where the Pioneers first set up shop in 1844. Now a museum, the shop is part of a conservation area and attracts many visitors from home and abroad.



Co-operative Union Ltd

should not always be moralised into 'mistakes' made by the defeated. Active antagonism to the Co-op from chains like Sainsbury's and Tesco's, and active control imposed through the state, was a response to the success of the movement rather than its failure. Historians have scarcely begun to chart this.

New, independent co-ops have much to learn from the old Co-op. Many new co-ops are early forms of capitalist enterprise writ small: partnerships with no attempt at consumer, and producer and 'owner' control. Remember too that in theory at least, the old Co-op still has its

own bank, the secret of success in any large-scale challenge to private capital as the Basque Mondragon co-operatives show today.

In modern capitalism, consumption and production are inextricably linked. Any socialism now which privileges production, or understands it in a narrow 'factory floor' way is doomed. The old Co-op was on the right track in trying to organise 'consumers', and to find practical ways of expressing the fact that they are also producers.

Activity independent and suspicious of the state, as old co-operators were, is

essential to adequate working-class politics. Creativity of associational life away from the state has been a special feature of British capitalism, and an opportunity for labour as well as for capital. To the extent that we get any further with this struggle during the next decade, we shall find ourselves in places the co-op movement was in a long time ago. It is surely time to rescue the Co-op from the enormous condescension of posterity. Their ambition, they used to say, was to bring co-operation into politics, not politics into co-operation.

Stephen Yeo

CO-OP MOVEMENT AT A GLANCE

Founded 1844 on the
ROCHDALE PRINCIPLES

- * Membership open to anyone
- * Democratic Control: one man (sic), one vote
- * Payment of fixed interest on capital
- * Society's profit distributed to members in proportion to their trade in the Society (the 'dividend')
- * Education facilities for members and workers

Co-op Independent Societies are the basic unit of the movement. There are 90 or so, with a combined membership of 8.5m, employing over 100,000 workers in 5,500 shops. The largest retail society is Co-op Retail Services (CRS).

The **Co-op Wholesale Society (CWS)** is the manufacturing and suppliers' wing of the movement. It has two major subsidiaries: the *Co-op Bank* and the *Co-op Insurance Society*.

The commercial activities of the movement produce a combined turnover of £4,500m, although Sainsbury's has now overtaken the Co-op as Britain's largest food retailer.

The Co-op Union co-ordinates the whole movement nationally, bringing together its trading, educational and political elements. It organises the annual Co-op Congress and provides information, training and advice services.

The Co-op Party, founded in 1917, is an associate of the Labour party, and sponsors MPs in parliament.

The Co-op College has run since 1919, providing a range of short and advanced long courses from its Midlands base at Stanford Hall.

The **Co-op Women's Guild** has operated for 101 years, to organise a voice for women's interests and views on the Co-op and major social and political issues.

The Woodcraft Folk is an independent progressive organisation for children and young people, 60 years old last year, and enjoys some financial and political support from the Co-op. It provides a pacifist and democratic alternative to the scouts and guides.

For some basic introductory reading on the Co-op, contact the Co-op Union, Holyoake House, Hanover St, Manchester 4.

Co-op Statistics 1984 is a facts & figures bible on the state of the current trading activities.

British Co-operation by **Arnold Bonner** is a standard introduction to the movement's history, organisation and principles.

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co-operation begins at home



Virtually unknown in Britain until the 1970s, co-operative housing has posed a radical challenge to the paternalistic traditions of public sector housing.

Housing co-ops evolved from policy changes in the late 1960s. The mass scale postwar slum clearance and redevelopment programmes (which displaced and destroyed many working-class inner-city communities) were replaced with an

emphasis on preserving and renovating older houses. And an all-party consensus that local authorities were failing to meet certain kinds of housing need led to the development of a 'third arm': the voluntary housing association movement. These trends were consolidated in the 1974 Housing Act which introduced housing action areas and a comprehensive financial framework for housing associations, including a progressive

CO-OPERATING AT HOME: Residents of a London housing co-op.

capital subsidy direct from central government.

While the mainstream associations which were subsequently formed took on the same paternalistic structures of council housing which exclude tenants from direct involvement in decision mak-

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initiative."

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Setting up a
Workers' Co-operative

A GMBATU Guide

ing, initiatives were taken in most cities to develop housing associations under community and tenant control.

Housing co-ops, then, are housing associations owned and democratically controlled not by professional middle-class committees but by tenants themselves, who are shareholders (usually of a nominal, £1 share) of a non-profit making, limited liability company, registered with, and subject to detailed scrutiny and regular monitoring by the housing corporation. Although some co-ops are self-managing, more usually administration, accounting and estate management services are purchased from 'secondary' co-ops, themselves registered associations but owned and controlled by the primaries they serve.

Early housing co-op activities focused on rehabilitating dilapidated housing bought from private landlords in improvement areas, giving tenants a high degree of control over the renovation of their neighbourhood and collectively-owned homes. But the desire for direct rights and control over rented housing also spread to council stock. Tenant management co-ops do not enjoy collective ownership but instead control housing management and repairs through an agreement with their council. This arrangement has often resulted - as in the case of the Clover Hall co-op in Rochdale - in a previously deteriorating estate with unacceptably high levels of hard-to-let dwellings, disrepair and vandalism, being transformed from a housing disaster into a well-run, highly sought-after estate.

Housing co-ops have also broken new ground with tenant control over the design of new housing, most notably in



Site meeting of the Hesketh Street co-operative design sub-committee.

Liverpool. Here in the late 1970s a working-class rebellion spontaneously erupted against the breaking-up of communities by slum clearance and council tenement demolition. Some 15 co-ops set about rehusing themselves in new estates meticulously designed by themselves.

Co-operative housing in its various forms is now recognised by some councils as an extension of the decentralisation policies of the last decade and is actively promoted as one alternative for stopping the rot on declining estates. Labour-controlled Glasgow, for example, has worked jointly with enthusiastic tenants to hand over several estates to tenant control.

Now generally acknowledged as a progressive and democratic form of social ownership, housing co-ops nevertheless face hostility from sections of the

hard Left. Among the first actions of Liverpool's Labour party on gaining control of the council in 1983 was to stop the housing co-op movement in the interests of its own monolithic municipal master-plan. But those sections of the Left committed to the democratisation of public services and attuned to the political capital made by Thatcherism from the over-centralised and bureaucratic nature of much public provision are now firmly wedded to the co-op tenure. And the more pragmatic have at least recognised its popularity with tenants and its potential as an alternative to the enforced privatisation that the Tories are now pursuing.

Anna Jay



WEST MIDLANDS CO-OPS IN ACTION

All Fools Day 1986 will see the disappearance of the body responsible for the creation of the most comprehensive system of support to worker co-operatives outside London, and arguably in the whole of the UK. Abolition of the West Midlands county council will not, however, mean the end of co-operative development in the West Midlands, as the district councils are expected to take over funding of the three co-operative development agencies (CDA), and the West Midlands Co-operative Finance Ltd (the co-operative finance company set up by the county council) will continue to operate as a subsidiary of the West Midlands Enterprise Board.

The experiment will therefore continue, and over time the co-operatives themselves will show whether this form of enterprise provides a gloss of political acceptability to small firms with poor working conditions paying low wages, or whether it does offer a real alternative.

In 1981 there were only a handful of worker co-operatives in the West Midlands, and proposals for the new Labour administration of the West Midlands county council to promote and support the development of co-operative enterprises were regarded as idealistic. Now, less than five years later, there are over 60 co-operatives trading in the area, employing more than 400 people. This dramatic growth gives an indication of

the potential of co-operatives to create secure jobs in viable enterprises owned and controlled by their workforce, usually people who would otherwise stand little chance of employment.

There are successful co-operatives in the West Midlands varying in size from three to 10 employees, in sectors as diverse as food retailing, leisure, computer software and steel fabrication.

Those at most disadvantage in the market, particularly women, the young, and members of ethnic minorities can establish commercially viable enter-

prises, given the right type and level of support. A group of people wanting to establish a co-operative in the West Midlands can expect the following support:

- *In-depth assistance from the local CDA.* This covers the preparation of a business plan, assistance with the examination of objectives, membership and roles, handholding once the co-operative is trading, and the provision of premises.
- *Training.* Where skill deficiencies are identified, particularly business skills, the county council has funded



BODY HEAT: Therma Flow, a worker's co-op in Aston, Birmingham, produces heating pads which can be placed on a chair or built into furniture by the manufacturer. The effect, demonstrated, appears dramatic.

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appropriate training. This policy is supported by the European Social Fund.

- **Product Development.** The county council co-funds the unit for the development of alternative products at Coventry Polytechnic which has helped a number of co-operatives develop their products, particularly those deemed to be 'socially useful'.
- **Finance.** In addition to establishing the £0.5m revolving loan fund through Industrial Common Ownership Finance Ltd to administer grants and loans to co-operatives. WMCOF lends money over a longer term and at lower rates than normal financial institutions and is a subsidiary of the West Midlands Enterprise Board.

Gary Tittley

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NEW WAVE CO-OPERATION THE EUROPEAN EXPERIENCE

Rising unemployment and a newly awakened enthusiasm for collective working have combined to stimulate rapid development of the workers' co-operative movement in Western Europe during the last 10 years. Significant progress in establishing these co-operatives has been made in Italy, France and Spain and to a lesser degree in Belgium, Britain, Denmark, Greece, Holland, Portugal and West Germany.

Co-operatives are established in some sectors of manufacturing industry, for example, in consumer durables (Spain), building industry components (Italy), telecommunications equipment (France), and engineering products and printing (Britain). But there is also a thriving group, the so-called 'new wave co-operatives', largely springing from the middle-class, which, although sometimes involved in manufacturing, is more concentrated in service industry, cultural activity and craftwork.

In France and Italy the co-operative movements, which date back to the last century, have benefited from their close links with other labour movement organisations. In Italy, where there are more than 16,000 co-operatives in production and services, the largest federation of workers' co-operatives - the Lega (Lega Nazionale delle Cooperative e Mutue) - developed alongside the socialist movement in the 1890s and built close ties with trade unions after the second world war.

The state has not directly influenced co-operative development in these countries. Municipalities and state bodies have made their greatest contribution in France and Italy by providing access to public sector markets. In France the state has used building co-operatives since 1888. By 1978 they accounted for 40% of all French co-operatives, including small ventures and those exceeding 1,000 workers.

In Italy state contracts, awarded since 1945, have helped to create the most powerful group of building co-operatives in Europe. Some of them operate at an international level. Contracts for services such as hospital and school cleaning or railway maintenance are also commonplace. In both France and Italy contracts have been given because co-operatives could compete on price and quality and not because of ideological preference.

The Italian workers' co-operative movement is the largest in Europe. It has developed consortia, or secondary co-operatives which provide marketing, planning, purchasing and other services to groups of co-operatives. A strong network of trading links between co-operatives in production, housing and agriculture gives them a form of self-protection within the capitalist market.

Italian and French co-operatives, faced by the deepening economic crisis and a fall in business activity have responded by attempts to improve the quality of management and commitment of workers. Skilled management is increasingly sought from the private sector. These new managers have had to be trained in co-operative democracy. The Lega is also now running training programmes in co-operative democracy for new shop-floor recruits who have been unaware of co-operative ideals.

Co-operatives in France, Italy and Mondragon in Spain have access to special sources of capital. Since 1938 the main external source of finance for French co-operatives has been the Caisse Centrale de Credit Cooperatif, a co-operative bank backed by the government which offers favourable terms to businesses. In 1969 the Lega in Italy launched Fincooper, a national finance consortium of co-operatives which played a vital role in a subsequent programme of mergers, expansion and rescue operations.

The most comprehensive banking service in Europe offered to co-operatives is by the Caja Laboral Popular in Mondragon. The Mondragon co-operatives began to emerge in the 1950s as a Catholic inspired response to Franco's repressive policies in the Basque region of Spain. The movement covers a wide field being concerned with education, housing and social benefits as well as retailing, agriculture, services and industrial products. Its success in developing medium to large scale manufacturing co-operatives has been the focus of much attention in other countries. Products include machine tools, washing machines, refrigerators, electrical components, domestic appliances and furniture.

The Mondragon system has been well documented as a community of co-operatives centred around its savings bank, the Caja Laboral Popular. The bank lends to co-operatives but also takes a direct hand in their management and in the inception of new ventures. The co-operatives demand commitment from their members in the shape of a cash investment and also provide a cash payment to them when they leave. Arguments about the purity or otherwise of the Mondragon co-operatives are legion. The point to note is that the Mondragon system is rooted in Basque Catholic culture and as such is different in kind from other West European co-operative movements.

Ways of meeting the challenge posed by the economic crisis, especially methods of raising more capital, are now the main concern of the European-wide workers' co-operative organisation, CECOP (the European Committee of Workers' Co-operative Productive Societies), set up in 1979. CECOP plans to set up a Warranty Fund at the European level based on national co-operative funding.

Several of the smaller national movements now have their individual funding institutions providing limited start-up and expansion capital. Loans and shares from co-operative members have proved vital for the larger European co-operatives but this has been unpopular in Britain's newer movement where collectivist principles are adhered to more strongly. *Jenny Thornley*

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