

W O R K E R

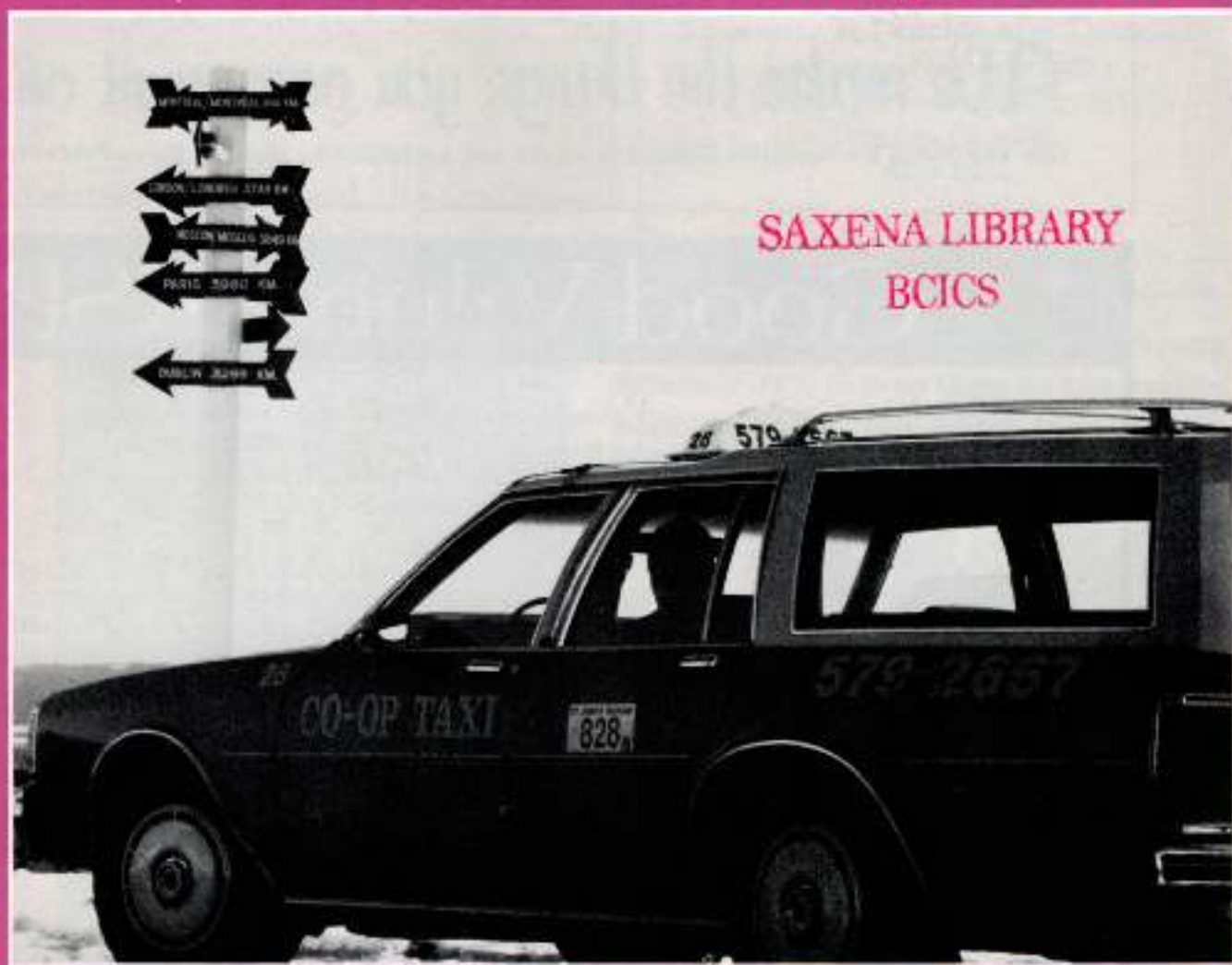
# CO-OP

The Voice  
of Economic Democracy  
in Canada

Vol. 10  
No. 3  
1991

\$4.50

## Forestry Buyouts



**Fighting City Hall in St. John's**

0140.11  
w/o(3)



From yogurt to sour cream to cottage cheese to butter to you. chip dip to

When it comes to freshness, taste and downright goodness, you can always count on Gay Lea dairy products!

*We make the things you can count on.*

Gay Lea Foods Co-operative Limited is owned and controlled by Ontario Dairy Producers.

## Good Value RRSPs



When it comes to RRSPs, good value means:

- a wide choice of flexible investment options
- special security features unique to a life insurance company
- competitive rates

Good value also means having your policies backed by a company you can trust — The Co-operators. We've built our reputation by providing sound financial investment advice for over 40 years. That's just one of the reasons why we're Canada's leading multi-line insurance company with more than 350 offices nationwide. Call The Co-operators for RRSPs.

Good Value From People You Can Trust



*the co-operators*  
Insurance/Financial Services

LIFE • RRSPs • HOME • AUTO • FARM • BUSINESS • GROUP

# CONTENTS



**7 CONFERENCES**  
Call for Papers • Founding Convention • Mondragon Study-Tour • International Institute for Self-Management • NCEO • China-bound

**8 ACROSS THE COUNTRY**  
GST Progress • Mulgrave Theatre Tackles AIDS • Airheart Grounded • Northern Greenhouse Co-op Grows • Daycare Buyout • Worker Co-op on Air • New Hope in Alberta • New Brunswick Fund Proves Worth • Worker Ownership Draws Fire • Year Round Originality • Founding Convention Up and Running • CBC Buyouts Investigated • Handyworkers' Woodwork • Just Work Recycles • Putting People First • Fishermen's Co-op a Survivor

## DEPARTMENTS

**4 EDITORIAL**  
Is the objective to promote worker co-ops or is it to build a broader movement for economic democracy?

**5 LETTERS**  
Funding Co-ops in Ireland • Fate of Pioneers • Egalitarian Communities • Help Needed

**15 AROUND THE WORLD**  
The ESOP Picture • The Philadelphia Story • Spanish Education Co-operatives • U.S.S.R. News • Wild Capitalism • Polish Privatization • Zimbabwe Jitters



**33 REVIEWS**  
Plant Closures and Community Recovery is an informative collection of essays from the U.S. edited by John Lynch.  
By Frank Lindenfeld

**28 FIGHTING CITY HALL**  
The St. John's Taxi Co-op fought city hall and won.  
By Jim Winter

**30 INNOVATIVE WORKPLACE**  
Employees are gradually taking over at Windsor Factory Supply, and the owners are encouraging the change.  
By Judith Brown

## FEATURES

**19 FRIENDS, FAMILIES AND CO-OPERATORS**  
The tiny village of St. Peter's, Nova Scotia now has six worker co-operatives.  
By Veronica Gillies

**20 TOUGH TIMES**  
Québec's forestry co-operatives are adapting to a difficult economy.  
By Jacques Gauvin

**23 THE BIG PICTURE**  
Everything you wanted to know and were afraid to ask about Canada's worker co-ops.  
By Alain Roy

**24 THE JURY IS OUT**  
Have worker buyouts of forestry companies been beneficial to employees?  
By Shane Simpson



## Defining the Movement

As Canada's worker co-operatives prepare for their founding convention April 4 to 7 in Antigonish, Nova Scotia, it is an appropriate time to reflect upon the nature of the movement. The decision to form a national organization is truly historic because it reflects a new strength. Earlier attempts to form organizations of worker co-operatives, particularly in the late 19th century and in the 1930s, lacked this strength.

While we applaud this new strength, the problems that have undone past attempts at developing worker co-operatives have not disappeared. It seems important to mention this because it may influence some critical choices about the nature of the movement.

One option is to view the worker co-operative as an ideal which is suitable in particular for some small, labor-intensive enterprises. Under this approach, the strategy would be to organize only worker co-operatives and to see other forms of employee ownership or related co-operatives (e.g., producer co-operatives) as serving different, albeit related goals. The difficulty with the ideal-type scenario is that many existing worker co-operatives already represent significant departures from the ideal. Many worker co-ops employ a greater proportion of hired labor than members, and as a rule employees are paid less than members (who also are not highly paid). This is one of the significant compromises worker co-ops have had to make in order to function and accomplish what they have in a competitive market.

Given that an ideal form seems very difficult to organize, it might be best to view the worker co-operative as only one mechanism through which workers can gain greater control over their workplace. This view would lead to a second option of creating a broader movement, which would include producer co-operatives and other organizations in which workers have only partial control. This option might lead to assisting employees to organize as a stakeholder within other co-operative models and reaching out to the nonprofit sector to promote the concept of employees as one stakeholder within a democratic board structure.

Where does one draw the boundary? That should be a topic of debate within the movement. As we see more and more public corporations toying with the idea of employees as important stakeholders, perhaps it's time to say that the objective is to promote democracy within the economy and other social institutions. Within that framework, the worker co-operative is one form — an important and inspiring experiment. However, it is important to advance the process of democracy in other organizations as well.

Jack Quarter  
Editor

WORKER

# CO-OP

*Worker Co-op* is published four times a year by Crabgrass Publishing. *Worker Co-op* is an independent magazine committed to economic democracy in Canada. Except for the editorial statement, opinions expressed herein are those of the authors and not necessarily those of the editor. Reproduction of any material appearing in this magazine must be approved by the publisher.

#### MAGAZINE STAFF

**Editor:** Jack Quarter; **Marketing/Business:** Bob Allan; **Reviews:** George Melnyk; **Computing:** Yvonne Greenwood; **Translation:** Julia Berry; **Rosemary Oliver;** **Copyediting/proofreading:** Frances Rooney; **Across the Country Editor:** Fiona Conolly.

#### CONTRIBUTORS

Frank Adams, Amand Arsenault, Myrna Barclay, Robert Brisbane, Judith Brown, Claude Carbonneau, Melanie Conn, Frank Driscoll, Maureen Edgett, Deb Glasbrook, Peter Hough, Jeremy Hull, George Melnyk, Pam Tranfield, Jim Weiser.

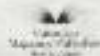
Indexed in the *Alternative Press Index*. ISSN 0829-576X.

Send subscriptions and back orders to: **Worker Co-op Magazine** P.O. Box 101, Station G, Toronto, Ontario M4M 3E8. Make cheques payable to: **Worker Co-op Magazine**.

Individual Subscriptions: Canada \$17/yr., \$32/2yrs.; U.S. \$19/yr., \$36/2yrs.; Overseas \$23/yr., \$44/2yrs.; Institutional Subscriptions: add \$2 to the individual rate in each category. Bulk Subs. (10-49) \$15/yr.; Bulk subs. (50+): \$14/yr.; Back issues: \$5.00 each.

Send letters and submissions to Jack Quarter, Ontario Institute for Studies in Education, 252 Bloor St. West, Toronto, Ontario M5S 1V6. Phone inquiries to Jack Quarter (416) 973-6641, ext. 2576.

Typesetting, artwork, design, and printing and binding by co-op and union labor at *Our Times*. ☺

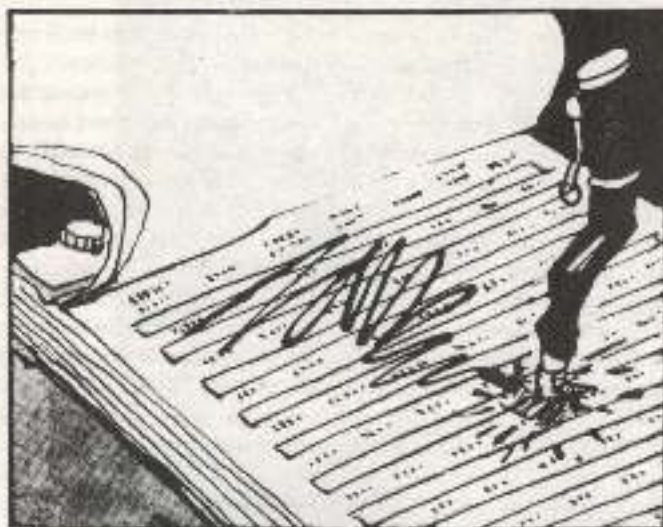


# LETTERS

## "Fate of Pioneers"

You are to be commended for the wonderful work you (and your colleagues) are doing. It must get wearisome at times, "but such is the fate of pioneers." (George Keen, Secretary-General, Co-operative Union of Canada, 1909-1945).

Ian MacPherson  
Professor of History  
University of Victoria  
P.O. Box 3046  
Victoria, B.C.  
V8W 3P4  
(804) 721-7382



## Funding Co-ops in Ireland

In his appeal to Canadians to participate in the twinning of Irish and Canadian co-operatives (Vol. 10, No. 1), Conal McFeely of the Northern Ireland Co-operative Development Agency (NICDA), neglects to provide some very pertinent information. The twinning project is funded through the International Fund for Ireland (IFI), a \$270 million fund to which the Canadian government has contributed \$10 million. The IFI is virtually inaccessible to many who need it most. Applications for public funding and grants are often denied to the most disadvantaged (predominantly Catholics), and established funding is often cut from organizations on the unsubstantiated grounds that monies will be channelled into the nationalist movement. Alternatively, projects in predominantly protestant and loyalist areas have received funding for items such as redecorating a bank and converting a distillery into a wine bar and luxury apartment dwellings.

The criteria upon which this internationally supported Fund for Ireland accepts applications are obscure. Mary Nellis, a resident of Derry City, has seen many local co-operatives and community devel-

opment groups denied funding on grounds which she considers biased and prejudiced. Active in the community for many years, Mary was instrumental in the creation and success of Templemór Co-operative, which now employs 10 women who design and manufacture traditional Irish dance costumes and accessories. Located in the "Bogside," an exclusively Catholic area of Derry City, Templemór's grant application to the IFI recently was rejected. No explanation was given except that the IFI considered Templemór's products unmarketable. This is despite the fact that Templemór already has Irish, European and American markets. Templemór is also one of the very few suppliers in the world of Irish dance costumes.

The rejection of funding applications to co-operatives like Templemór and others in exclusively Catholic areas like West Belfast and Strabane, has only prolonged economic instability in the six counties of Northern Ireland. Government funding was recently cut for the famous Irish language school *Glor na nGael* and the Irish language newspaper, *Lá*. Continued funding for the Falls Women Centre, located on the Falls Road, West Belfast, was denied late in 1989. The centre provided shelter and counselling for battered women and is one of the few of its kind in the area. An application to the IFI was

rejected and employment grants were rescinded for the Conway Mill Project, located in West Belfast, which provides job skills, retraining and support to the community, and for Dove House, an educational and community outreach centre located in Derry. In the case of the Conway Mill project, which at the time employed 50 people, the IFI explained that "it would be inconsistent with the policies and priorities of the Government of the United Kingdom," to grant their application.

Since there has never been an independent economic development agency in Northern Ireland, there is little confidence within the Irish community that British administration of such vast amounts of international monies will be fair or equitable. Instead of projects like Templemór Craft Co-operative, which serves one of the poorest communities in the North, the IFI recently granted monies to such deserving causes as the Allied Irish Bank, which received \$3,000 for redecoration, Bushmills Distillery in Coleraine which was given \$110,000 to convert part of its premises into luxury apartments and a bar; a luxury hotel in Enniskillen which received \$800,000 for refurbishing, and the British Government which used \$2 million to purchase an oceanographic survey ship. Vast amounts are earmarked for business refurbishment, university think

tanks, science and technology research and for the study of IFI itself.

The Fund, to which the Canadian Government made a commitment of \$10 million tax dollars in 1987, was established in 1986 by a group of American businessmen and the British and Irish governments. Intended to underline approval of the contentious Anglo-Irish (Hillsborough Agreement) Treaty signed in 1985, the Fund's objectives include: "to promote economic and social advancement and to encourage contact, dialogue and reconciliation between nationalists and unionists throughout Ireland." The principal sponsor of the fund is the United States at \$170 million. The European Economic Community recently made a substantial commitment.

When the United States Government decided to be the primary contributor to the Fund, it made the agreement that "the money must contribute to reconciliation between the communities in Northern Ireland and must be distributed in a non-discriminatory fashion with special emphasis upon the socially and economically deprived areas." There has, however, been a veil of secrecy surrounding the projects in which the Fund has become involved. There exists no process of application to the Fund and no recourse as to how one may improve one's standing in future applications. Applicants receive a curt rejection or acceptance.

The lack of public awareness of the Fund's operation is one of its greatest weaknesses. Public pressure from the contributing countries, including Canada, could go far in redressing the unfair administration of these monies. As it stands, those governments and agents who control the Fund have complete control of its use and/or abuse.

Mary Nellis and the workers at Templemór Co-operative urge Canadian co-operators to lobby their government for a full public account of their \$10 million tax dollars com-

# LETTERS

mitted to the IFI. It was recently concluded by an American Subcommittee on Europe and the House of Representatives Foreign Affairs Committee, that "the International Fund for Ireland is in fact being used by the British Government for private investment and to replace funds previously provided under state programs."

As he stated in his letter to this publication, Conal McFeely and NICDA recently received a large grant from the IFI. As a British economic development agency, NICDA has, since 1986, been fostering co-operatives, predominantly in the Derry City area, and more recently in Belfast. Even NICDA is not optimistic concerning the funding of co-operatives in the six counties. In a paper outlining the role of Irish co-operatives and the single European market in 1992, NICDA stated that "the vast majority of initiatives which request our support come from the areas of greatest need, where unemployment levels are highest and where deprivation is at its most marked. The bulk of those initiatives are proposed by individuals or groups with little or no business experience and viewed by the official job creation agencies as 'high risk' projects. This perception affects their chances of being funded." NICDA is itself one of the above-mentioned "official" job creation agencies. NICDA is an agency of the British Department of Economic Development, and its support of co-operatives from the most devastated areas of Belfast and Derry is thwarted by what can only be considered the "hidden agenda" of the government policy in Northern Ireland.

As McFeely explained in his letter, the IFI recently placed the Derry City NICDA office in charge of coordinating an exchange program for co-operatives in the north and south of Ireland which will link up with similar co-operatives in Canada, Europe and the United States. With funding from the "Wider Horizons" program, young Irish women and men will travel worldwide to learn

about different co-operative structures and culture. For those Irish co-operatives which have had their funding requests denied, this new IFI project is viewed with much disdain. As one Irish co-operator put it, "The Irish are among the best educated in the world. We do not need more education, we do not need more culture. We have a culture. Visiting North America and Europe will not create a single job back home. We need jobs in Ireland now!"

If you wish to make your concerns known about the IFI, you can write the Fund's office at P.O. Box 2000, Belfast, Northern Ireland BT4 3SA or phone Belfast (232) 768832. You can also contact Canada's official observer, Mr. E. J. McConnell, P.O. Box 25, Suite 2600, Royal Bank North Tower, Toronto, Ontario, M5J 2J1.

Mary Nellis and Templemór Craft Co-operative are interested in setting up a training program for school leavers and would like to open a retail shop to sell designs and costumes. Due to difficulties in accessing funding in Ireland, Templemór is seeking alternative means for financing these projects. If you can help, please contact Templemór Craft Co-operative 25/27 William Street, Derry City, Northern Ireland; Telephone (0504) 261346.

**Karen Buchanan**  
**Worker Ownership Resource Centre**  
**#102, 713 Columbia Street**  
**New Westminster, B.C.**  
**V3M 1B2**  
**(604) 520-3341**

## Egalitarian communities

I want to call your attention to an important new reference work which may be of interest to your readership: the 1990/91 *Directory of International Communities*. This directory is the most comprehen-

sive and accurate [of its kind] ever produced in North America.

I am writing representing the Federation of Egalitarian Communities, a continental network[ing] organization that played a strong supporting role in creating the directory. It is the Federation's view that the communities movement is growing, and that there are more people today interested in starting or joining communities than at any time in the past 15 years. I invite you to help us spread the word about these co-operative alternatives.

**Helen Forsey**  
**Sandhill Farm**  
**Route 1**  
**Box 155**  
**Ruffedge, MO**  
**63563**

## Help needed

The Federacion de Cooperativas Cristianas is a group of Christian co-operatives located in the State of Mexico, Mexico. Its primary objective is to create work for the rural poor through co-operatives. After 6 years, there are now about 20 different co-operatives in existence. Some are credit unions, some are corn mill co-operatives, some are consumer co-operatives and some are production co-operatives. Because of the Christian dimension, there is a spiritual development for the members as well as economic development. Thus far there has been more of the spiritual than the material. We are now attempting to make up for this by working harder on the production and sale of better products here in Mexico, as well as in the United States and Canada. Our biggest problem has been the marketing of the products sent abroad. Unless we can market the products, we cannot create work for the poor.

We are therefore writing to you to seek your assistance in the marketing of the handwoven woolen blankets being produced by the artisan co-operative located in

Gualupita, State of Mexico. We now have a stock of these blankets in the United States and Canada. Please contact Mary Lovelace, 302 Holmwood Ave., Ottawa, Ontario K1S 2R3; (613) 233-8856. Mary is a volunteer working to distribute the blankets without charge, so that all of the returns go directly to the co-operatives. We fully realize that this is not the business way to do marketing, but for now we believe that the volunteer system is the best way to serve the poor.

Those of you interested in being regional representatives are kindly requested to do this on a volunteer basis likewise. A visit to us would be most useful if you can possibly work it into your lives. Then you can see for yourself the conditions in which we are working. Better yet, you can meet the members of the co-operative and share in their hopes and aspirations. Collectively, we cannot do anything better for the poor than to help them earn a living for themselves and their families.

We are a retired couple from Canada working as Catholic lay missionaries in this challenging and exciting mission.

**Estelle and Mario Carota**  
**Federacion de Cooperativas Cristianas**  
**Apdo. 1205**  
**Toluca, Mexico 50000**

### 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.

# CONFERENCES

## Conference Call for papers

The Canadian Association for Studies in Co-operation (CASC) will hold its annual conference from June 3-5, 1991, at Queen's University. The conference topic, "Globalization and its Impact on Co-operatives," should be of interest to researchers and activists throughout the entire co-operative and credit union sector. For registration and housing information (mention CASC), contact: Secretariat, 1991 Learned Societies Conference, Queen's University, Kingston, Ontario K7L 3N6. To become a member of CASC, write to: **Doug Holland**, Canadian Co-operative Association, 275 Bank St., Suite 400, Ottawa, Ontario, K2P 2L6.

## Workers' Self-Management

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

## Communal Studies

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

## Founding Convention

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

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

## Mondragon Study Tour

Greg MacLeod will lead his fifth study tour to Mondragon in Basque, Spain, from May 9 to May 17, 1991. The objective is to become familiar with the structure and strategies of this successful experiment in community economic development. There will be classes and discussions in the mornings with a number of site visitations in the afternoons. Prospective students will be provided with advance study materials. Attention will be paid to the

applicability of Mondragon principles to the North American situation. The total package, including transportation, room, meals and tuition, costs \$2,800. For an additional \$300, participants can purchase a special ticket to visit an unlimited number of Spanish cities.

*For more information, contact **Greg MacLeod** or **Beryl Davis**, Tompkins Institute, University College of Cape Breton, P.O. Box 5300, Sydney, Nova Scotia B1P 6L2; (902) 539-5300, Ext. 266; Fax (902) 562-0119.*

## International Institute for Self-Management

The International Institute for Self-Management (IISM) will hold a study tour of workplace democracy in Hungary, Yugoslavia, Italy and Spain from May 27 to June 16, 1991. The tour will focus on experiments in and around Budapest, Split (Yugoslavia), Emilia-Romagna (Italy) and Spain's Basque country. The roundtrip air fare on KLM is \$835 (U.S.) and additional expenses are \$1500.

*For more information, contact **Len Krimerman**, New Equity magazine, P.O. Box 5065, New Haven, CT 06525; (203) 486-4416; (203) 389-6194.*

## 10th Annual Conference on Employee Ownership and Participation

The National Center for Employee Ownership (NCEO) in the U.S. will hold its annual conference April 10-12, 1991, in Cambridge, Massachusetts. The conference provides much useful information on ESOPs (Employee Stock Ownership Plans).

*For more information contact the NCEO, 2201 Broadway, Suite 807, Oakland, CA 94612; (415) 272-9461; Fax: (415) 272-9510.*

## China-bound

A delegation from Canada is touring authentic co-ops and the Rewi Alley Museum in China. The tour, which leaves Vancouver April 5, 1991, and returns April 18, costs \$2575 (including travel, hotels and meals).

*For more information contact: **George LeBeau** at (604) 538-6449; **Colin Thomson** at (604) 222-1886; or **Gord Yearsley** at (705) 786-2045.*

## DONORS

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

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

# ACROSS THE COUNTRY

## FOUNDING CONVENTION UP AND RUNNING

**Antigonish** — Plans for the founding convention of what will probably be called the Canadian Worker Co-op Federation have taken a major step forward. Scheduled for April 5 to 7 at the Coody Institute in Antigonish, organizers are expecting 75 representatives from worker co-ops, 25 from the co-op movement and participants from government and the labor movement.

The main business of the meeting will be to establish an organizational structure, develop by-laws and define a work plan with priorities for the coming year. One of the proposals is that *Worker Co-op Magazine* be taken over by the federation, and funded through dues.

As well, five workshops are planned on key issues such as conflict resolution, compensation, democratic management and gender relations. Keynote speakers include Alexandra Wilson, Executive Director of the Co-op Housing Federation, on the Friday morning, and Ian MacPherson, President of the Canadian Co-operative Association, at the Saturday night banquet.

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

## GST PROGRESS

**Ottawa** — It looks as if share capital in worker co-ops will escape the dreaded federal goods and services tax (GST) after all, although we are still awaiting written confirmation from Revenue Canada on this issue.

The GST remains a major concern for certain consumer co-ops, particularly direct charge food co-ops, whose members may now have to pay the seven per cent tax on their weekly fee. The tax, in some cases, will eat up whatever savings were made possible through membership in the co-op. Revenue Canada is currently considering adjustments to address these issues.



The fledgling Canadian Worker Co-op Federation is planning a major study next year on taxation issues, particularly as they affect capitalization.

## CCA'S WORKER BUYOUT PROJECT COMPLETED

By Myrna Barclay

**Ottawa** — The Canadian Co-operative Association's (CCA) worker buyout project is now complete, including an 80-page report on the project's findings, *Worker Buyouts and the Industrial Restructuring Challenge*. Project manager Ethin Phillips says the report should be of value to federal and provincial decision-makers in the fields of economic development and economic restructuring, as well as officials and members of the labor and co-operative communities.

"The importance of the project was to apply the worker co-op model and worker co-op buyout processes to medium-sized manufacturing firms," says Ted Jackson of E.T. Jackson and Associates, hired by CCA to evaluate the project. "This is a gain to the worker co-op sector which has traditionally been either resource-based or small-scale enterprises." He says a major breakthrough of the project was the "genuine dialogue" between the worker co-op sector and the labor movement on various approaches to worker buyouts. For example, the Manitoba Federation of Labour has established a committee to study worker buyout financing.

The study investigates worker buyouts and economic policy; relevant industry and plant-level characteristics; technical assistance requirements; legislated advance notice requirements and financing. Financing, the report confirms, remains the primary obstacle to worker buyouts. One of the highlights of the report is a summary of the latest developments in deferred profit-sharing plans, which assist workers with leveraged buyouts.

The CCA received nearly \$250,000 from the Canada Employment and Immigration Innovations program for the two-year project. Management of the project was contracted to the Worker Ownership Development Foundation.

*Worker Buyouts and the Industrial Restructuring Challenge* is available for \$15 plus \$1.05 GST, from **Myrna Barclay**, Director of Education and Development, Canadian Co-operative Association,

275 Bank Street, Suite 400, Ottawa, Ontario K2P 2L6; (613) 238-6711. Appended to the report are an extensive bibliography and abstracts of 15 research papers and reports written during the project.

**CLC BROCHURE**

**Ottawa** — The Canadian Labour Congress (CLC) recently published a pamphlet promoting unionized worker co-ops. Based on a 1990 study by the CLC, the brochure is distributed in labor schools and outlines ways, such as identifying sources of financial support, that the CLC can assist potential co-ops. The pamphlet is intended for workers who are considering buying out a former workplace, in response to the increasing number of plant closures across the country.

For more information contact **Noel Stoodley**, Director of Field Services, CLC, 2841 Riverside Drive, Ottawa, Ontario K1V 8X7; (613) 521-3400.

**CO-OP**

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

QUALITY PRODUCTS FOR YOUR  
HOME AND FARM

UNITED CO-OPERATIVES OF ONTARIO



## The Ontario Beat

### By Judith Brown A BOOST FOR WORKER CO-OPS

Toronto — Members of the Riverdale Economic Ministry (REM) have created a corporation to help develop worker co-ops. The corporation will provide technical assistance, business consulting services and, through the creation of a venture capital fund, will offer loans to co-ops. The community board has recruited volunteers from the business and development sectors to act as mentors for those involved in new projects.

A retired United Nations development worker was instrumental in getting the Handyworkers furniture project off the ground, for which REM was able to secure gifts of machinery from associated churches. Anyone interested in volunteering expertise to REM should contact Allan Reeve at (416) 694-2971.

### HANDYWORKERS' NEW WOODWORK

Toronto — Handyworkers Co-operative, a maintenance and repair service for Toronto housing co-ops, has launched a new lawn furniture project, with substantial assistance from the Riverdale Economic Ministry (REM). REM helps displaced workers learn new skills and eventually become worker-owners of new co-operative businesses. Handyworkers has operated successfully for two years with five co-owners, but hopes the lawn furniture venture will provide new workers with stable employment over the slower winter months.

Allan Reeve, REM's Executive Director, approached woodworker David Eadie, a retired United Nations development worker, for advice on handcrafting portable garden furniture. Eadie started training new workers in his basement wood-working studio in Kleinburg, north of Toronto, and developed a portable chair design adapted from ones he first saw in Bhopal, India. The Handyworkers have named their



Handyworkers Co-op does its thing building beautiful lawn furniture.

new chair "The Kleinburg" after the home of their new business.

Eadie trained four workers to produce lumber for the chairs on a portable band sawmill donated by Frontiers Foundation of Canada. The red oak was selectively cut from a United Church property. As the first pieces of the "Kleinburg Collection" roll off the production line, Eadie continues to provide technical leadership. He and other REM "mentors" with business and marketing experience developed a solid business plan for the venture. "This project is an excellent example of how communities can organize their resources to assist disadvantaged workers in gaining skills and confidence in a co-operative workplace," says Eadie.

The workers are purchasing shares in the co-op through payroll deductions, and will become full owners by the time their training is complete. The new woodshop opens this spring, and the portable garden/patio furniture will be available by summer. Handyworkers' maintenance business is still going strong, doubling its workforce during peak periods.

For more information about Handyworkers, or the Riverdale Economic Ministry, write to Handyworkers Co-operative Inc. at 1117 Gervard St. East, Toronto, Ontario M4M 1Z9; (416) 461-8893.

### ALGOMA BUYOUT POSSIBLE

Sault Ste. Marie — Employees at Algoma Steel Corp. are working with their union, United Steelworkers, and provincial government representatives on the possibility of a worker buyout. The Steelworkers confirm that a provincially sponsored task force has been created and that a feasibility study is under way. Sources were reluctant at this time to name the firm carrying out the study. The Steelworkers are drawing on their experience with worker buyouts of large steel companies in the United States.

### JUST WORK RECYCLES

Toronto — Just Work's latest ven-

ture is a recycling facility which will convert food waste into livestock feed. Not only will the project address the significant waste problem in the Toronto area, but it will add economic value to garbage — something simple composting doesn't do.

The business will process 70 tons of garbage per day and, according to developer John Brower, could be replicated across the country. In addition to providing a positive environmental service, the project will create 22 new jobs during this recession. Anyone interested in investing in the business can contact John Brower at Just Work, 947 Queen St. East, Toronto, Ontario M4M 1J9; (416) 466-9964.

Helping You Achieve Your Goals  
Is One of Ours

We believe in people working  
together to achieve their  
potential, to enhance their social  
and economic well-being, and to  
produce and consume what they need.

ct. CO-OPERATIVE TRUST  
COMPANY OF CANADA

Saskatoon  
Halifax • Ottawa • London  
Calgary • Edmonton • Toronto  
Regina • Vancouver • Winnipeg

# ACROSS THE COUNTRY

## CDSL AND CUMIS RENEW AGREEMENT

Mississauga — Co-operators Data Services Ltd. (CDSL), a multi-stakeholder co-operative which includes its employees, has signed a three-year contract for data processing services with the CUMIS Group. This signing continues a working relationship between the two organizations to provide quality data processing services to their common marketplace.

CDSL markets data processing services to insurance, financial and healthcare organizations across Canada, with a major focus on the co-operative sector. CUMIS markets life, accident and sickness, property, casualty and auto insurance to Canadian credit unions.

CDSL employs approximately 750 in data centres and offices in Regina, Mississauga, Burnaby (B.C.) and Winnipeg. It is one of the subsidiaries within the Co-operators Group, a holding company which is controlled by 34 co-operative federations across Canada. As Canada's first multi-stakeholder co-op, CDSL's board of directors represents those with a vested interest in the organization: employees, clients and the Co-operators Group (the original owners). This corporate structure gives the stakeholders the opportunity to influence CDSL's direction and share in its success.

For more information contact **Keith McMullen**, Account Manager, CDSL, 6820 Century Ave., Mississauga, Ontario L5N 2V8; (416) 821-2252.

## JOURNALISTS INVESTIGATE BUYOUT

Windsor — Former employees of Windsor's CBC television station are exploring the possibility of a worker buyout. Employees lost their jobs in the recent massive CBC cut-backs, caused by declining federal government support for the national broadcaster. Community support for the project is gaining momentum.



## TIDBITS

Co-op Work and the Worker Ownership Development Foundation have moved out of offices at Carrot Common in Toronto. The organizations will continue to operate, but their new location is still to be announced.

Some well-established figures in the Ontario co-op movement are lobbying the rookie Ontario NDP government for new worker co-op legislation. **Bob Allan** and **Mary Lou Morgan** of SUMAC Consulting, **John Brower** of Just Work, **Allan Reeve** of the Rivendale Economic Ministry, and **Walter Shenkl** of Lantana Housing have been busy preparing briefs for Peter Kormos, Minister of Consumer and Commercial Relations, and MPPs Marilyn Churley and Tony Martin. Organizers would like to see more

pilot projects in existing programs and are seeking funds for the Ontario Association of Worker Co-ops.

London — Mary Lou Morgan of SUMAC Consulting has been instrumental in developing a London co-operative food store based on Toronto's successful Big Carrot. SUMAC is looking at the possibility of replicating this model in two other Ontario locations.

Diva Kryzhanuskas, long-time member of The Big Carrot, has assumed responsibility for managing the grocery/health food store. Members of the co-op are planning a trip to California to explore various models of organic production.

*Judith Brown is a doctoral student in Community Psychology at the*

In December 1990, Co-operators Data Services Limited (CDSL) and the CUMIS Group signed a three-year contract for data processing services. The contract signing represents a long-term commitment to co-operation within the Canadian co-operative sector. Shown here from left to right are: Ralph Ulmer, president, CDSL, and Larry Purdy, president and CEO, the CUMIS Group.

*Ontario Institute for Studies in Education, 252 Bloor St. West, Toronto, Ontario M5S 1V6; (416) 923-6641 ext. 2576.*

## On the Prairies

### NEW HOPE FOR WORKER CO-OPS By George Melnyk

Calgary — Esperanza Co-operative Ltd. is Alberta's first registered worker co-op. Esperanza means hope in Spanish. The worker co-op was established in Calgary after two years of planning and organizational work by Canadians and recent newcomers. Esperanza is the first ever worker co-op incorporated in Alberta says David Thompson, provincial director of co-ops, and its specialty is residential and commercial cleaning.

But Esperanza is not Alberta's only new worker co-op. "I've just incorporated another one in Edmonton called the Alberta Janitorial Co-operative (Edmonton) Ltd.," Thompson reports. As with Esperanza, members of that co-operative are also Spanish-speaking. This promising beginning in worker co-op registration is tied to the recent arrival of Central American refugees and immigrants to Alberta. The new Canadians bring with them a knowledge of and commitment to co-operatives.

Esperanza got on its feet with the assistance of the Mennonite

**HORIZON DISTRIBUTORS**  
3450 Vanness Avenue  
Vancouver, B. C.  
V5R 5A9  
Telephone (604)439-7977

**UPRISING BREADS BAKERY**  
1697 Venables Street  
Vancouver, B. C.  
V5L 2H1  
Telephone (604)254-5635

# ACROSS THE COUNTRY

Centre for Newcomers in Calgary, which helps refugees and immigrants get established in Canada. The Centre discovered that a co-operative structure would be useful in combating the low pay and feeling of being undervalued that many newcomers feel in the cleaning business. In addition to other assistance, the Centre provides office space for Esperanza.

The co-op received two start-up grants from an ecumenical church organization (PLURA), and is now actively soliciting work for its 10 members. Jesus Marquez, a Salvadorean who has been in Canada for three years, has been hired as the paid manager. Fellow Salvadorean Jose Rosa spearheaded the drive for a co-op.

The Alberta government supports the idea of "co-operative entrepreneurship" and therefore worker co-ops. "We hope to have more worker co-ops in the coming years," says David Thompson. Although Alberta law normally requires 10 members before a co-op can be incorporated, Thompson has discretionary power to allow co-ops with as few as 6 members.

*For more information on Esperanza Co-operative Ltd., contact Ted Walter, Mennonite Centre for Newcomers, 1233-28 St. SE, Calgary, Alberta, T2A 7G4; (403) 569-0409.*

## NORTHERN GREENHOUSE CO-OP GROWS

By Jeremy Hull

**Berens River, Manitoba** — The Ikwewak Greenhouse Co-op had its origins in a one-year training program at Brandon's Assiniboine Community College in 1989. The original eight women members of the co-op wanted to start a market garden and commercial greenhouse to grow seedlings, bedding plants and vegetables for their northern community of 800 people. Due to high transportation costs, fresh produce was usually twice as expensive in Berens River as in more southerly communities.



Community support for the project was strong. The Berens River Indian Band provided an acre of reserve land to the co-op for their market garden, and the Berens River community donated a greenhouse. Sales of houseplants and flowers were strong in the spring and summer of 1990, and a youth project planting flowers in the community's business area was also helpful. Members have surveyed the community's food preferences, and last September held an open house where new or unusual vegetables could be sampled.

Despite this activity, the co-op has not yet generated enough revenue to pay members a regular wage or to finance needed improvements, such as the construction of a chain-link fence to keep wildlife from the garden. The five remaining members are nevertheless busy taking stock and planting for this season.

**Winnipeg** — With the departure of James Ritchie from the Souris Valley Echo, plans for a second-tier co-op in Manitoba have been put on hold. "We're hoping to organize another, broader worker co-op conference this spring," says Jeremy Hull, "similar to the one-day workshop last year, with as many co-ops attending as possible." Ritchie is now working for the *Citizen* newspaper in the northern Manitoba community of Thompson.

## Esperanza

*For more information, contact Jeremy Hull of Working Margins Consultants, 200-651 Croydon Ave., Winnipeg, Manitoba R3M 0W3; (204) 453-6137.*

## CREATIVE RESPONSE TO CBC CUTS

**Saskatoon** — Forty former Saskatoon CBC employees are looking into forming a co-operative production company. Their original intention had been to become an affiliate of the CBC, but with the Corporation refusing to sell the licence, a production company seems like the next best option. The company would produce local news and fill the local programming gaps caused by the layoffs.

According to Janet Leader, who until the December 5 layoffs was a producer for the local teen show *Minus 20*, membership is open to anyone who is now or was recently an employee of Saskatoon CBC. Forty of Saskatoon CBC's 90 positions were eliminated in the cuts.

The suggestion of a worker buy-out initially came from the Saskatchewan provincial government. The group is now exploring the production company idea with the assistance of the Saskatoon Community Bond Corporation, which provides low-interest capital for projects such as this one. Peter McCann of Great Western Brewing Company (a worker buyout featured

in our Spring 1990 issue) sits on the board. "The support of the community has been quite heartening," says Leader. "Everyone rallies to a cause like this."

So far, employees have paid for incorporation costs and an initial feasibility study completed in December, 1990. However, the group needs more information from the CBC's board of directors to get an idea of how much investment money will be required by the potential worker owners. The group's current priority is getting the CBC to enter into negotiations. Says Leader, "The CBC has to want this, too, or they could make it difficult for us."

*For more information contact Janet Leader, c/o Fifth Floor, CN Tower, Saskatoon, SK S7K 1J5; (306) 956-7889.*

## The B.C. Desk

### AIRHEART GROUNDED

By Melanie Conn

**Vancouver** — After one and a half years of struggle, Airheart Travel Co-op of Vancouver was recently sold to private interests. The proceeds from the sale of the business allowed co-op members to pay off their creditors, but members were not able to recoup their own investment. Two of the members are now working at other travel agencies.

Airheart Travel Co-op got off the ground four years ago when travel agent Ellen Frank saw it as an ideal way to combine her commitment to co-operative work and her love of travel. Planned as a service for the feminist, co-operative and activist communities of Vancouver, Airheart worker-members achieved some notable firsts. They were the first unionized travel agency and operated the first travel book store in Vancouver.

Unfortunately, Airheart was never able to achieve the volume of bulk or charter traffic needed to compete with other agencies. Those agencies could buy tickets in bulk

# ACROSS THE COUNTRY

and therefore provide cheaper flights. Airheart was also hampered financially by the cost of travel agent insurance, in the neighborhood of \$50,000. This requirement had led to Frank's strong support for a B.C. venture capital fund for worker co-ops.

*Melanie Conn is involved with Womenfutures, and can be reached at 2204 West 13th Ave., Vancouver, B.C. V6K 2S3; (604) 736-0925.*

## La Belle Province

**By Claude Carbonneau  
(Translated by  
Rosemary Oliver)  
WORKERS INVEST  
IN PRESCHOOL**

**Sherbrooke** — Employees of Le Bilboquet, Jardin d'enfants Inc., recently formed a co-operative to purchase the popular Sherbrooke preschool. Since opening its doors in September, 1982, the business has grown steadily and now provides services to more than 150 families per year. In 1989, Le Bilboquet launched "Centre Préscolaire," a preschool pilot project offering half-day services to children six years and younger. The success of this project encouraged the workers to form the co-operative to invest in the enterprise and share equally in its profits.

### **WORKERS AT THE CUTTING EDGE**

**Sherbrooke** — Workers at Les Industries Godbout Inc., a manufacturer of metal parts and machin-



**Québec Federation of  
Worker Co-operatives:  
(Left to Right): Marc Plourde,  
Dominique Ouellet, Huguette  
Giard, Claude Morissette,  
Richard Messier, Claudine  
Papin. Absent: Louise  
Lalancette.**

ery, have formed the Coopération d'usage Usigod, and purchased 15 per cent of the company's voting shares. With this investment the company can purchase new technology to stay at the cutting edge of their industry and the workers can participate more fully in the growth of their employer. The workers will have one seat on the company's board of directors.

### **WORKER CO-OP ON AIR**

**Drummondville** — Twenty-one former employees of local radio station CHRD formed a co-operative to relaunch the station, which had been off the air for several months. Workers' interest in forming a co-op had been strong since the station closed, but it took several months to obtain financing. With the help of the provincial Société de développement des coopératives, they were able to acquire a 41.4 per cent interest in the ownership company, and went back on air in December 1990.

### **QUEBEC WORKER CO-OPS FIFTH ANNUAL ASSEMBLY**

**Montréal (Au Travail Ensemble)** — The fifth annual general assembly of the Federation of Québec Worker Co-ops (FQCT) last December marked the end of a year that had been both "energizing and difficult" according to Federation president Richard Messier. While membership doubled in the last few months of 1990, it remains difficult to convince members to stay in the federation. Equally difficult is convincing the Québec co-operative movement that worker co-ops have special financing needs.

Nonetheless, the directors remain optimistic. In their view, worker co-ops are becoming increasingly aware of the need for unity. Furthermore, the federation is working more closely with the confederation of forestry co-ops and other worker co-op associations. There has also been a remarkable development of interaction among worker co-ops in Québec. Messier was re-elected for a second two-year term as president of the federation.

### **Four Priorities**

Delegates to the meeting approved four priorities for the coming year: membership, internal management, co-ordination among members and services to members. In focusing on these priorities, the federation puts its commitment to solidifying its position with worker co-ops

before external demands.

To achieve the membership objective of 60 per cent of Québec worker co-ops, the federation must increase the number of member co-ops from the current 38 to 55 during the next year. Improved services will include a collective plan for income insurance, which could be in place as early as this spring.

In addition, the assembly approved a new method of calculating annual dues, which will now be based on the equity of each co-op rather than on the number of workers. A special general assembly was planned for Trois-Rivières this March to restructure the federation's administration.

### **Disappointing Results**

Since January 1990, the directors of the FQCT have tried, without success, to convince the Conseil de la coopération du Québec (CCQ) of the need for changes in the financial requirements of worker co-ops. Delegates to the general assembly directed the board to continue their efforts in this area, and to find appropriate partners in the pursuit of these goals.

### **Membership Up**

At the time of the assembly, the federation had 38 members, nearly 50 per cent of all Québec worker co-ops (not including forestry co-ops and the five ambulance co-ops which have their own associations).

**SAVE WITH US**



## Bread & Roses Credit Union

*Support the cooperative movement and help  
build alternatives by "banking for social change"*

Carrot Common, 348 Danforth Ave., Suite 211; Toronto, 461-7882

The 38 co-op members of the FQCT employ more than 70 per cent of all members of worker co-ops in the province, excepting foresters and ambulance attendants.

*Claude Carbonneau is the communications director of the Société de développement des coopératives, 430 Chemin Ste. Foy, Québec City, Québec G1S 2J5; (418) 687-9221.*

## In the Atlantic

### MULGRAVE THEATRE'S NEW PLAY ON AIDS

**Guysborough, Nova Scotia** (*The Atlantic Co-operator*) — Mulgrave Road Co-op Theatre is developing a new play about AIDS, written by Antigonish native Mary Colin Chisholm. The production focuses on how acquired immune deficiency syndrome (AIDS) affects the lives of those in the small rural towns and villages of the Maritimes. *Safe Haven* is intended to be a humorous yet compassionate look at how one woman's diagnosis as HIV-positive affects the lives of four very different people in a small community, forcing them to reflect on their lives and friendships. Mulgrave Road Co-op Theatre plans to tour with *Safe Haven* in the spring of 1992.

### FISHERMEN'S CO-OP A SURVIVOR

**By Elizabeth Cran**  
**Tignish, P.E.I.** (*The Atlantic Co-operator*) — As of Christmas, 1990, it seemed certain that the North Lake Fishermen's Co-op in eastern Prince Edward Island would sell all its inventory. Considering that last year's catches were high and prices were low, this is a notable achievement.

While it was uncertain whether members would get their annual rebate, the chief concern of manager Chuck Scully was to ensure that the co-op break even and survive to serve its members this coming season. North Lake fishermen are all too familiar with fisheries



**North Lake Fishermen's Co-op was born from the ashes of the United Maritime Fishermen. So far, so good!**

that don't survive. Their buildings and the original organization were set up by United Maritime Fishermen, which collapsed in 1988, leaving the fishermen in danger of losing not only their investment, but also their livelihood.

In response, they organized the current co-op which was able to purchase the buildings at the eleventh hour in the spring of 1988, and salvaged that fishing season. Since then, the co-op has built a good reputation in the industry, and employs about 100 people in addition to its members. And that, its manager and directors believe, is exactly what a fishermen's co-op should do.

### VENTURE CAPITAL FUND PROVES WORTH

**By Maureen Edgett**

**Carraquet, N.B.** — Three provincial co-operative organizations recently banded together to purchase a small Carraquet printing company, Imprim-A, managing to establish a worker co-op and save 20 jobs in this community of 5,000. Carraquet is the home of the Fédération de caisses populaires acadiennes, which represents 87 New Brunswick financial institutions. For the past two years the federation has been a leader in supporting provincial co-operative development through the Société d'investissement, a venture capital fund established with the assistance of the co-operative and credit union organizations and the New Brunswick government.

"With this fund in place, it was

much easier for us to move quickly when the opportunity arose," says Gilles Menard, manager of the venture capital fund. When Imprim-A announced bankruptcy, a committee quickly met to look at the possibility of a worker co-op. The committee felt it could overcome the printing company's problems, which included a large line of credit, poor control of accounts receivable, and an overambitious real estate purchase in nearby Bathurst.

At the time, 40 per cent of Imprim-A's work was for the Fédération. It was quality work done by local people, says Menard, "and we felt it was important for the jobs to stay in Carraquet." The committee prepared projections, a business plan and a proposal, and within 10 days three boards met and approved the plans. "It was a big advantage to have the investment fund in place with people who understand quickly and work professionally and cooperatively," Menard points out.

Menard chairs the provisional board, and will work with the new general manager, one of the former employees, as the co-op evolves. The 20 worker-members anticipate annual sales of one million dollars and a first year return on equity of 28 per cent. The board and workers are taking steps through employee investment to become a multi-stakeholder worker-owned business. "This is the first of its kind to be supported by the fund," notes Menard, "and I am excited to be part of such innovative co-operative development."

*Maureen Edgett can be contacted at 76 Woodleigh Ave., Moncton, New Brunswick E1C 8Z8; (506) 384-8563.*

### WORKER-OWNERS DRAW FIRE

**By Sharon Fraser**

**Halifax, N.S.** (*The Atlantic Co-operator*) — Employee ownership has proven to be the most controversial aspect of Co-op Atlantic's Proposal for Renewal. The proposal contains five strategies which grew out of the organization's desire to play a key role in creating interlocking networks of co-operatives to "counter the erosion of our democratic society."

Acting out of concern for the Atlantic region's economic dependency and a conviction that governments are abandoning their traditional role of sheltering people from economic fallout, Co-op Atlantic passed a resolution in March 1990 proposing a dramatically different co-operative system active in all areas of the economy. Co-op Atlantic would assume a key role in capitalizing and fulfilling this vision.

Of the five suggested strategies in Proposal for Renewal, the most controversial was that of including workers as owners in first and second tier co-operatives. "We don't know if we agree that people who are members and also employees should be included as owners in the corporate structure," said one regional meeting participant. Another group said the strategy seemed to

# ACROSS THE COUNTRY

give worker-members an advantage over members who are not workers.

Tom Webb, Co-op Atlantic's public relations manager, explained the background to the strategy. "Workers in co-ops are major stakeholders," he said. "We felt this strategy was important because it recognizes the uniqueness of workers in this situation. Not only do they depend on the co-op in all the same ways that other members do, but they also depend on it for their very livelihood. We think that should be recognized."

## YEAR-ROUND ORIGINALITY

By Wendy Elliott

Annapolis Royal, N.S. (*The Atlantic Co-operator*) — A summer theme park has spawned one of the region's most innovative theatre companies. The Original Cast Theatre Co-operative was formed by a group of theme park players who wanted to continue "the fun" of working together after the summer season ended. "Our aim was to do more theatre," recalls founding member Scott Campbell. "We had all the talent right there."

When the co-op was formed in the spring of 1990, Original Cast's members looked to the Mulgrave Road Theatre Co-op in northern Nova Scotia as a role model, but they decided to concentrate on entertainment rather than social issues. As a not-for-profit co-op, Original Cast has two corporate sponsors, and received a provincial tourism grant for one production.

Members must pay \$100 per year to prove their seriousness and provide the company with an infusion of working capital each April. Most Original Cast members are professional actors. Campbell, whose summer job is supervise of entertainers at the theme park, says audience members have expressed surprise at the quality of the co-op's productions given its rather remote location.

But, according to Campbell, the theatrical resources in the Annapolis Royal area are "incredible." In last



The Gang of Four, Nova Scotia-style, otherwise known as the Original Cast Theatre Co-operative.

December's production of *The Christmas Carol*, 12 actors played a total of 28 characters. "That's a lot of memorizing," Campbell admits, especially since most co-op members have day jobs to finance their theatrical evenings.

In addition to their Christmas show, the co-op mounted a successful two-week summer production last year. Co-op members are currently focusing on school tours, where they examine issues such as peer pressure, parent-child relationships and bullying, and are experimenting with drama as a teaching tool for Red Cross seminars.

Campbell says the talent in Annapolis Royal should come as no surprise. He stresses that the company has always prided itself on living up to its name — original. And they want to continue being just that.

## PUTTING PEOPLE FIRST

Corner Brook, Nfld. (*Co-op Update*) — At its annual general meeting in October, the Newfoundland-Labrador Federation of Co-operatives (NLFC) unveiled its "people-oriented" response to the fisheries crisis by adopting a comprehensive fisheries policy that puts communities first. "The general thrust," said outgoing NLFC president Ken Kavanagh, "is to promote and foster the management of fishery resources in a manner which provides for the sustainable development of the fishery and the long-term viability of rural communities. Coastal fishing communities must have first call on quotas and allocations in adjacent waters in order to maintain their livelihoods."

A full day was devoted to a discussion of the fishery crisis, both to educate co-op representatives and encourage their involvement in the

issue. The situation in coastal Labrador is of particular concern. Bill Flowers, Manager of the Torngat Fisheries Co-op described how boats from outside the region catch fish in the area and take them elsewhere for processing, leaving local fish plants idle. "There is little work for plant workers," he said, "and problems with unemployment insurance have caused further difficulties and contributed to a disastrous situation."

The NLFC will approach both the provincial and federal governments with their recommendations.

For more information contact Jim Winter, Newfoundland and Labrador Federation of Co-ops, The Co-operators Building, Crosbie Place, P.O. Box 13360, Station A, St. John's, Newfoundland A1B 4B7, (709) 726-9431.



Bringing in the catch at Petty Harbour, St. John's Newfoundland.

# AROUND THE WORLD

## UNITED STATES

### The Philadelphia story

**Philadelphia** — There is a new development group for employee-owned companies in Philadelphia. Praxis has taken over and expanded upon the work of PACE, which during the 1980s was involved with organizing buyouts of closing A&P supermarkets (O&O stores). Praxis was set up with the assistance of PACE; its staff, including its director, Virginia Vanderslice, and its attorney, James Steiker, are from PACE.

PACE remains under the directorship of Andrew Lamos and is concentrating its work on community economic development projects and assistance to non-profit service organizations.

*For more information on these new developments, contact Andrew Lamos, PACE, 2100 Chestnut St., Philadelphia 19103; (215) 561-5169. Praxis operates from the same location.*

### The ESOP picture emerges

**Lansing (National Center for Employee Ownership)** — The Michigan Center for Employee Ownership and Gainssharing has just completed a study of 169 employee-owned firms in that state. Over half the firms used ESOPs (tax-exempt trust funds for employee shares) to buy out retiring owners.

Thirty per cent of these firms are now majority employee owned, and 46 per cent expect that employees will have majority ownership at some time in the future. Employees can vote for the board of directors in 27 per cent of the firms.

The study also suggests that the introduction of ESOPs is related to an increase in employee-participation programs through quality circles, task forces and ad hoc work



groups. Following the introduction of ESOPs, business education programs for employees increased from 37 per cent of the companies to 61 per cent; participative management schemes increased from 19 per cent to 36 per cent of the companies. The Michigan study also suggests that of the companies with ESOPs, 86 per cent provide opportunities for employee input on productivity, 67 per cent have employee input on customer service, 59 per cent on new products and 28 per cent on strategic issues.

A recent Ohio study by Michael Sherran and Michael Kline of the University of Toledo suggests that lenders may be a deterrent to employee control and participation. Lenders in the Ohio study indicated that they preferred ESOPs in which employees held a minority of the shares and in which management had full control. Only 10 per cent of the Ohio lenders preferred ESOPs in which employees could elect the board of their company.

The Ohio study, which involved 145 employee-owned firms between 1983 and 1988, also points out that no ESOPs have defaulted on their loans, as compared to a norm of about two per cent for commercial loans. A third recent study of U.S. ESOPs by Michael Conte and Steve Isberg of the University of Baltimore focuses on the share performance in public corporations

between 1978 and 1987. Those researchers found that share prices in public corporations with ESOPs increased by 31 per cent in the year the ESOP was introduced, but subsequently share value increases returned to a similar rate as in the pre-adoption period.

*For more information on this research contact the National Center for Employee Ownership, 2201 Broadway, Suite 807, Oakland, CA 94612.*

### POLAND Privatization and employee ownership

**Warsaw** — During the 1950s, most of Poland's economy became state owned. A system of economic planning was established that put companies under strict production rules, leaving local managers with very little control. Although this system was eased somewhat over the years, it remained largely in place until 1989. Various reforms in the 1980s, including providing workers' councils with an ostensibly greater role in management, were usually more form than substance. Some opportunities were created for

**United Food and Commercial Workers' staff at Roslyn O&O's grand opening in October, 1982. (L. to R.) Bob Wolper, Wendell Young (president), Pat Scarcelli and John Nicholson. Roslyn O&O closed in 1989.**  
**Photo: PACE of Philadelphia**

entrepreneurship and worker cooperatives in small businesses, especially in crafts and services, although these companies remained under tight bureaucratic control.

By the late 1980s, everyday goods such as meat, cheese and eggs were difficult to buy, while durable goods were outrageously expensive. A color television cost most people three to four months' pay, a car four to five years' pay. With the political upheaval in 1989 came real reform. Prices were allowed to move more with the market, enterprises were allowed to close, and plans were set to privatize state-owned companies.

**Privatization Legislation**  
A commission on privatization was established in 1990 to oversee ownership-change proposals. Employee ownership proponents in Poland were well organized. Krzysztof Ludwinski, the Polish director of the American consulting firm ESOP Services, started a Polish ESOP

# AROUND THE WORLD



**Lech Walesa and Poland's Solidarity government are promoting minority employee ownership as part of a privatization strategy.**

association with 96 members. With the help of academics, they drafted an alternative to the government's proposal to privatize companies. While the ESOP effort had considerable support, the government proposal passed.

Opposition to the employee ownership proposal came from both left and right. On the left, people feared that employee owners would become capitalists and lose class consciousness; on the right, opponents saw the idea as too close to what they already had. The head of the ownership transfer agency also opposed employee ownership, arguing that ESOPs were merely an experiment in the U.S., that employees were not ready to become owners and that the companies being sold would not make a profit anyway.

## The Privatization Process

Companies can be privatized either by petition from the company's director and an employee council (an elected body of employees), or through decree by the prime minister. Privatization can occur either through the selling of shares or by liquidating the company and selling its assets through a negotiated process. In liquidation cases, the new company can then create shares to sell as well.

Polish citizens were allotted coupons to acquire shares of the privatized firms at no cost. Foreigners can buy up to 10 per cent of the shares without any special permission, and more with the agreement of the privatization commission. Employees can buy up to 30 per cent of the shares at a 50 per cent discount, and more at the regular price. Collectively, however, employees cannot use the discount program to buy more than an amount equal to one year's median national wage times the total number of employees in the firm. (The current median wage is \$1,260 a year.) When a firm is liquidated, however, employees can form an acquisition organization to buy the entire company.

In the liquidation sale, half the employees must start an acquisition organization, although they may include non-employees in the process. They must put up at least 20 per cent of the value of the liquidated enterprise. This approach may be used in smaller companies and some larger labor-intensive firms, such as warehouses and department stores. A process similar to this had already been successfully used at two branches of a department store chain privatized before the new law went into effect.

## Prospects and Lessons

Very few Poles have any savings to buy stock; buying necessities is difficult enough, especially in the face of the much higher prices that have followed the introduction of market reforms. Moreover, employees have no experience with stock ownership and are likely to be skeptical about buying shares at any price. Thus, while some small and medium-sized companies may be sold to employees under the liquidation process, employees will probably not be significant owners in larger companies, and even when they are, many will sell their shares at the first opportunity.

Employee ownership seems to fit well with Poland's needs, but its political support was too limited.

Although Lech Walesa officially endorsed the idea, Solidarity was silent on the subject during the legislative debate. To many people, employee ownership is simply too much of an experiment to try in the country's desperate economic situation. Unless and until employee ownership companies prove their success in the market, the growth of the idea is likely to be slow in Poland.

*Piotr Kosciński is a journalist who writes for The Polish Courier, a major Warsaw newspaper. This article is based on a lengthier paper available for \$5 to members of the National Center for Employee Ownership, 2201 Broadway, Suite 801, Oakland, California 94612. Reprinted courtesy the NCEO.*

## SWITZERLAND

### "Wild capitalism"

*Geneva (International Co-operative Alliance) — Yves Régis, Chairperson of CICOPA (the international organization of worker co-operatives affiliated with the ICA), has lashed out at the new worker co-operatives in Eastern Europe, stating that the "ICA cannot remain silent where the co-operative image is being so crudely distorted."*

Monsieur Régis goes on to say: "The new law (1988) on co-operatives in the USSR resulted in an explosion of co-operatives, though many of these were private or family businesses in disguise. These co-operatives operate in the more lucrative sectors of consumer services and through channels of the black market. Practising a kind of wild capitalism, they appear to be the newly privileged rather than the solution for the future of Soviet workers. Co-operation is the opposite of wild capitalism, which is pure and harsh unchecked and lawless liberalism, and which is now being represented to ignorant people as the only alternative to the collapsing social and economic systems. Co-operation is not the speculative and

totally individual business that is sometimes created under this name. Guizot's *get rich* from the last century was not more successful than Stalin's central planning. The results—extreme poverty, no social protection, an intolerable cleft between rich and poor and finally a decline in productivity—led to the people's revolt, to a large part of Marxist doctrine, and to the communist regimes with their authoritative derivatives. Even in our present times, the poor in the countries of Latin America and elsewhere are revolting against this type of capitalism."

Régis elaborates: "In fact, the

**Yves Régis, chairperson of CICOPA, refers to Soviet worker co-ops' "wild capitalism".**







Postfactum, an independent news agency in the Soviet Union, goes on the offensive. Photo: A. Kurbatov/Novosti

only alternative to a planned economy is that which has helped to overcome the pure capitalist jungle: the mixed economy. A mixed economy combines economic freedom with public solidarity, individual responsibility with collective security. Co-operation in all its forms is an important element of mixed economies.

"The American ESOPs (Employee Stock Ownership Plans) and the Societies of Associated Workers in Spain are two forms. Many types of concrete adaptation to national and historic situations are possible. But let us keep a clear mind:

**"Co-operation is equal to economic democracy and to free enterprise in solidarity.** Those who use the word co-operative to cover attempts at anything contrary to the above definition are either misguided or trying to mislead us. Co-operation is equal to economic efficiency and social solidarity, and this has been proved. That is why we feel justified to recommend co-operation to those who are looking for a reliable future and want to avoid losing time in trying to adopt obsolete solutions."

*For more information, contact Yves Régis, ICA, 15 route des Mirillons, 1218 Grand-Saconnex, Geneva, Switzerland.*

## U.S.S.R. Getting out the news

By Dimitri Soshin

Moscow (*Novosti Press*) — The liberalization of the Soviet press has brought a competitive element into the work of this country's journalists, with unofficial newspapers and news agencies hot on the heels of the state-run press. The Postfactum press agency, a worker co-operative set up in March, 1989, is playing an important part in national and international information exchanges. Postfactum rose to prominence in the Soviet Union thanks to its rather original three-times-daily news reports. These consist of regional press reviews and reports by correspondents who are scattered all across the nation. Philip Ilyin, Postfactum's Deputy Director, is proud of the agency's growth: "The Soviet public at large, as well as the national press, began to display great interest in our agency in June, 1990, when we started mailing our news reports to central newspapers and to radio. Previously, we managed to exist mostly thanks to hard currency revenues coming in from Western customers, and now we're trying to make the national

news exchange more profitable. A 12-month subscription to our news reports costs about 3,000 roubles." Of interest is that Postfactum maintains cordial relations with news media of the Baltic republics.

As distinct from many co-operative businesses working in the information field, Postfactum pays rather modest salaries to its employees — some 400 to 500 roubles per month, on the average.

"We spend most of our money

on purchasing new equipment. All the people in our agency work on Japanese-made personal computers. Our employees support the administration's efforts, because they know that we care about the future," Ilyin said.

**Philip Ilyin, deputy director of Postfactum.**

Photo: A. Kurbatov, Novosti



# AROUND THE WORLD



Childcare Centre at the Simukal Collective Farming Co-op, Seke, Zimbabwe. Photo: B. Paton/OCCZIM

## ZIMBABWE

### Free-trade jitters

**Harare (The Vanguard)** — Trade liberalization measures of the Zimbabwe government are creating anxieties among the country's strong collective co-op movement. Chairperson Albert Vingwe says that the government's policies "will force many 7-year-old co-ops to compete with 50-year-old private companies, which are well established and dominate the economy."

Vingwe indicates that the collective co-ops are lobbying the government to maintain some protections for the collective co-ops.

## SPAIN

### Education co-operatives

**By Jose Manchado Lozano**  
**Madrid (ICA)** — There are about 500 education co-operatives in Spain employing approximately 5,000 teachers. There are two types of enterprises: those with teaching members only, and those which also include non-teaching members (parents' groups). In either case, these are enterprises with democratic decision-making, based on the ideal of

one person, one vote.

The objectives of education co-operatives are the maintenance of the jobs of its members and the maintenance of quality education to our youth. We think that we provide an ideal environment for children to learn, through living in an authentic, pluralistic and tolerant democratic atmosphere, where decision-making and management responsibilities are shared by all.

In May, 1988, education co-operatives (some of which were already associated at a regional level) founded the Spanish Union of Education Co-operatives (UECOE). UECOE functions like any other co-operative.

Education co-operatives help communities unfavored by their social and economic circumstances, which means we complement the state school network. In addition, our centres are used for educational projects of the Ministry of Education and Sciences in locations where there are no state centres. We also offer a stable teaching staff.

Education co-operatives are maintained by public funds. Management of the budget is supervised not only by the government but also by co-operative statutes.

*Professor Manchado Lozano is president of the Spanish Union of Teaching Co-operatives in Madrid.*

## New ground

**Madrid** — The Working Party on Co-op Research, Planning, and Development met as part of the meeting of the International Co-operative Alliance in Madrid this past September. Among the issues it discussed was a proposal to consider co-operatives with "mixed membership," as in the multi-stakeholder co-operative being tested by the Co-operators Group in Canada.

The Co-operators Group is the holding company for Co-operators Insurance and eight subsidiaries. In three of the subsidiaries to date, The Co-operators has created a multi-stakeholder model with three types of members: employees, consumers

of the service and the Co-operators Group.

This approach represents a fundamental departure from the tradition among co-operatives affiliated with the ICA, which are based on one type of member.

*Persons wanting more information on the Working Party should contact Sven Ake Bock, Society for Co-operative Studies, Box 15027, 10465 Stockholm Sweden; (08) 743 2505.*

**The Ibaside Institute for training management of the Mondragon Co-operatives.**



# Friends, families and co-operators

By Veronica Gillies

## The St. Peter's phenomenon

In the fall of 1986, Clair Rankin and Peter Hough travelled together to Sydney to a workshop about co-operatives. It didn't take long for the two men to put some of their new-found knowledge to good use back home near the "tiny village" of St. Peter's, also in Nova Scotia. Today, both they and their wives are members of worker co-operatives. With 6 of the province's 35 worker co-ops clustered here, St. Peter's is an anomaly for Nova Scotia — if not for most of Canada.

Hough and two friends formed the first worker co-op in St. Peter's, Constructors Co-op, in 1987. Starting the carpentry co-op was a mutually convenient arrangement. Pat Doucet was an experienced carpenter who disliked paperwork. Hough was a less experienced carpenter, but had good business sense. And Francis LeRoux was a good all-round handyman.

Hough's involvement in his co-op led to another important development. In the spring of 1988, he was asked to sit on the board of the Community Development Co-operative (CDC), Nova Scotia's worker co-operative development group. And in January, 1989, he became part-time manager.

"Being in a worker co-op gives me a certain amount of credibility, in terms of speaking to people from experience and empathizing with their situation," says Hough. "It gives an incentive to do my job because I know the benefits first-hand. I also know first-hand the headaches! That makes me a useful advisor."

In the meantime, Lori Hough (Peter's wife) saw the worker co-op as a solution of the dilemma she was facing with her greenhouse business. If the business were to continue growing, she needed help. Another concern was that the extra bookwork required would take time away from the greenhouse. She teamed up with two friends: Connie Stewart (whose husband is Clair Rankin) and Kathleen MacNearney. The three incorporated as The Greenhouse Co-op in February, 1988, and haven't looked back. Besides buying the business in the first year, the co-op built two new greenhouses. Last year, a fourth member, Carol Dixon-Nightingale, joined. And because they are increasing production this



year by another 25 per cent, the co-op is building a fourth greenhouse. That will require two part-time and two full-time people, two of whom are interested in becoming members.

### Fish farmers

Another co-op incorporated a couple of months after the Greenhouse Co-op — Salmonid Propagation Associates (SPA). The co-op took over the St. Peter's fish hatchery, which had previously been owned by the provincial government. David MacNearney (husband of Kathleen MacNearney) is one of SPA's members.

Clair Rankin, Charlie Williamson and Paul Pâté were the next St. Peter's residents to take the plunge. They incorporated as The Green Butler landscaping co-op in the spring of 1988.

The two other worker co-ops in the area are just getting off the ground. Village Productions, a video production co-op, should be operational soon. The other, the Village Grocery Workers Co-operative, with 15 members, is the largest in the area.

Village Grocery was formerly a Foodland store, owned by TRA Foods Ltd. (a subsidiary of Bobeys). When the store was put up for lease during a 10-month strike by its employees, Clair Rankin and Peter Hough encouraged the employees to operate the store as a worker co-op. Hough conducted workshops about worker co-ops, and the employees decided to go ahead. After successful negotiations with the company, approval of financing from the local bank and their incorporation in October,

Village Grocery, a worker buyout in St. Peter's. Left: Kelly Burke (produce manager); right: Jeff Richards (meat manager).

1990, the workers were in charge.

According to Village Grocery's manager, Alfred Sampson, workers now have better incomes, better working conditions, and better morale. "We've had phone calls from away asking how we got into it," he says. "Most people are interested in the concept, I guess. They're also happy we're back in business — not only that it's open, but that we're working for ourselves."

"Probably the reason there's a cluster of worker co-ops in St. Peter's is that people knew about it as an option," says SPA's David MacNearney. "I think a lot of people in Nova Scotia would do the same, but there are no local worker co-ops to serve as an example."

Whatever the reasons — examples, friendship or leadership — the ties among the St. Peter's worker co-ops are very strong. They are at different stages of growth, and they continue to learn the ropes. But considering that none of the members knew anything about worker co-ops five years ago, they have certainly come a long way. That should give much-needed encouragement to Canada's worker co-op movement.■

Veronica Gillies is a writer and private consultant in Antigonish, Nova Scotia.

## Québec's forestry co-operatives are adapting



Tree planting has become a major activity for Québec's 47 forestry co-operatives.

There are 47 forestry co-operatives in Québec doing harvesting, forest management, processing and plant production. The forestry co-operatives have approximately 3,500 members and employ a total of 4,300 workers (members and nonmembers) on an annual or seasonal basis. The labor force includes forestry workers, skilled and experienced silvicultural workers and qualified technical staff, such as forestry engineers and technicians, biologists and so on.

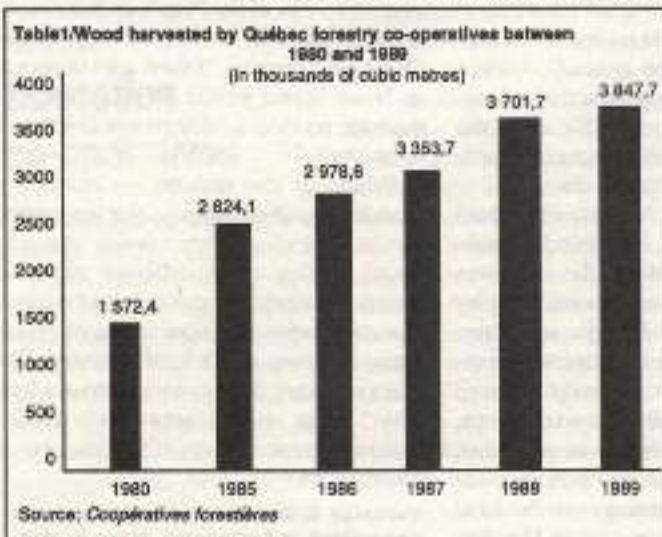
### Harvesting activities

In terms of revenue, forestry harvesting has been and continues to be the leading activity of Québec's forestry co-operatives. As

the data in Table 1 show, the volume of wood harvested by co-operatives has been rising constantly since 1980. Forestry co-operatives currently harvest approximately 15 per cent of all trees cut in Québec. However, this trend will not necessarily continue. When the 1990 data become available, they are likely to show a slight decline in harvested volume.

There are several explanations for the decline. The first, and undoubtedly the most important, is that the current forestry system in Québec has reduced the volume of trees available for cutting in almost all regions in order to adjust harvesting to the planting of trees, in keeping with the principle of sustained yield. Moreover, the current recessionary conditions came on top of a cyclical decline in sales of processed forest products. Sawed lumber was especially affected by the decline at the beginning, but most pulp and paper products followed the same trend shortly afterwards. Finally, increasing international competition did not improve matters. The eight per cent U.S. surtax (which will fall to six per cent and later to three per cent) on Canadian sawed lumber clearly did not help our industry.

The volume cut by forestry co-operatives will fall, just as it will in the industry as a whole. However, the market share cut by forestry co-operatives should not change significantly, since several other factors may have a determining influence on the market share of forestry co-ops: the mechanization of operations, labor relations and agree-





ments with partners in the industry who operate in a common territory.

#### An emerging sector

Table 2 shows the fast-growing involvement of forestry co-operatives in the forest management sector. This sector includes reforestation work but also all other types of silviculture such as precommercial thinning, scarifying and cleaning of plantations.

In fact, in the 10 years from 1980 to 1990, forestry co-operatives acquired expertise, established training programs and developed techniques, so that they are now the foremost specialists of silvicultural work in Québec. This change was essential to the very survival of forestry co-operatives. As the market for harvesting has declined, forestry co-operatives concluded that they would have to invest time and money in forest management in order to employ their members and to ensure their development.

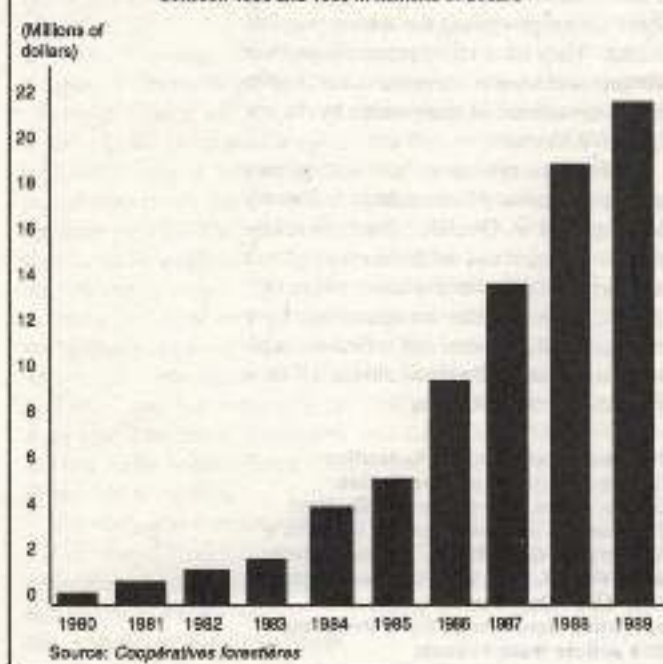
**Forestry co-operatives harvest about 15 per cent of all trees cut in Québec.**

Today several forestry co-operatives are viewed as pioneers in forestry management. They have brought about change by keeping abreast of technological developments and the needs of current and potential customers.

Table 3 shows that forestry management demand is not expected to decline. It also indicates the dramatic increase in the industry's forestry management work. Hydro-Québec and other government agencies received only a small share of this work; forestry co-operatives are therefore an important partner of the industry in its move to forest management. The industry is increasingly doing business with forestry co-operatives since it can count on their technical competence, the quality of their labor, and the emphasis co-operatives put on the safety and living conditions of forestry workers.

The potential here, as in wood cutting, lies in signing long-term agreements with the industry. We anticipate that forestry management will experience a boom and

**Table 2/Forestry management projects by Québec forestry co-operatives between 1980 and 1989 in millions of dollars**



# Tough times Cont'd

the people who make their livelihood from this work will be the first to benefit.

## Plant production

The production of forest seedlings was also affected by changes brought about by the new Québec forestry legislation. There are many indications that fewer trees will be planted than before. This means that production will also fall.

The six forestry co-operatives active in this area must now consider the possibility that this market will contract. They are therefore making significant efforts to analyze possible alternatives and identify opportunities. Greenhouse tomato production at the Serres coopératives de Guyenne in the Abitibi (northwestern Québec) region is a good example of a possible alternative. Other co-operatives are studying possible markets elsewhere, such as in the United States.

## Processing

As noted, the processing sector is currently experiencing difficult times. As of 1990, forestry co-operatives had total or majority ownership of 10 saw mills and other processing plants. Three sawmills have been recently acquired. Forestry co-operatives are determined to provide work for their members by entering into long-term forest supply and management contracts. In so doing, the co-operatives are less exposed to the uncertainties of annual agreements with the industry.

In addition, a major mill project is planned for the North Shore. Construction could begin as early as the spring of 1991.

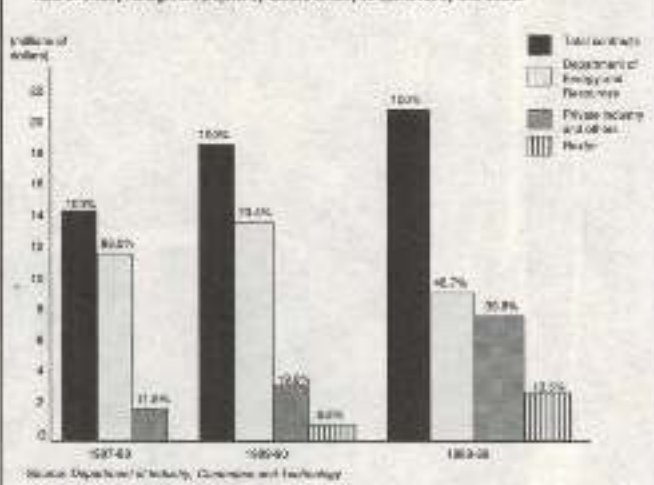
Finally, several co-operatives are minority shareholders of a waferboard plant in the Saguenay-Lac St-Jean region. The fact that the waferboard market is depressed will not make the task easier. However, the future prospects are certainly interesting.

Some forestry co-operatives are converting their greenhouses from tree plants to tomatoes.



22 Worker Co-op

Table 2: Forestry management projects by Québec forestry co-operatives by task source



Greater involvement in processing will depend on the particular situation of each co-operative, the opportunities that may arise and the general economic context.

## Conclusion

The fact that forestry co-operatives have registered steady growth provides evidence of their expertise. In several regions, our forestry co-operatives are at the leading edge in terms of technological development, quality of manpower, working conditions and operating methods. Reference is often made to the quality of their work and human resources.

Because forestry co-operatives have the ability to undertake and complete the most demanding projects, they have often been called upon to perform work that others were unable or unwilling to take on. The experience of co-operatives is a real asset.

Forestry co-operatives have taken an active role in the development of their regions, thus producing the widest possible impact. They have relied primarily on their workers and have achieved success despite being constrained in many cases by the co-operative formula.

Forestry co-operatives are here to stay and are determined to contribute to forestry development in Québec. Such development is essential to continued employment and survival of the communities where they operate. The forestry co-operatives have expertise in their sector and reflect the aspirations of those who draw almost all their livelihood from forestry. ■

Jacques Gauvin is the Executive Director of the Conférence des coopératives forestières du Québec (the central organization for Québec's forestry co-operatives), located at rue Jean-Perrin, bur. 211, Québec, Québec G2C 1X1. Our thanks to the Co-operative Secretariat for translating this article from French.

## The Big Picture

### A Statistical Profile of Canada's Worker Co-operatives

By Alain Roy

Preliminary estimates of the 1989 business volume for Canada's non-financial co-operatives indicate a growth of about 4 per cent to \$15.25 billion. These estimates were based on returns from about 800 of Canada's approximately 5,000 active non-financial co-operatives. That limited group represents, however, 74 per cent of 1988 volume of business.

Total assets rose about 6 per cent to \$7.64 billion, which represents a gain of \$330 million compared to 1988 results. Membership is estimated to have risen about 2 per cent, to 3.23 million people.

The growth in sales was greatest in consumer and supply goods and in service revenues, both at five per cent. The increase in sales of consumer and supply goods to \$5.76 billion was led by agricultural supplies and petroleum, which both gained 7 per cent. Co-operative food retailing gained three per cent, which corresponded to the food component of the consumer price index. Farm machinery sales remained low, while building material sales rose four per cent.

Sales of farm products increased 3 per cent to \$8.1 billion. Grains, oilseeds, poultry and forest products were strong performers, while cattle, dairy, fish and maple products declined.

On the service side, grain handling revenues were lower as a result of the drought-reduced tonnages of the 1988-89 crop year. But service co-ops, led by daycare/nursery, medical, natural gas, housing and communications more than made up the difference.

#### Worker Co-operatives

There were 375 incorporated worker co-operatives at the end of 1989. Québec remains the main province where they are found even with a 21 per cent reduction from 1987. By year-end 1989, Québec had 217 worker co-operatives. During the same period, Nova Scotia doubled its worker co-operatives from 30 to 62, taking the second position away from Manitoba, which maintained its numbers at 31.



At the Passe - Montagne's offices, Dominique Forget discusses a tour with a client.

Also to be noted is the development of worker co-operatives in the Maritime provinces other than Nova Scotia. The number in New Brunswick increased from 4 worker co-operatives to 18, and Prince Edward Island doubled its number to 10. When added to Nova Scotia's results, the large increase reflects a growing interest throughout the Maritimes. Among the factors that might have influenced this growth are the St. Francis Xavier University project and the federal/provincial committee on worker co-operatives (which proposed the national strategy).

Among the other provinces, the number of worker co-operatives remains small. British Columbia has 23, Alberta only 1, Saskatchewan has 8, Ontario has 3, and there are 2 in Newfoundland.

Of the 375 worker co-operatives registered in Canada, 147 co-operatives provided us with their annual reports for 1988. Compared to 1987, their volume of business increased to \$226.5 million from \$154.4 million, a growth of 47 per cent. The average sales are now at \$1.5 million per co-operative as compared to \$1 million the previous year. Forestry co-operatives still represent the largest group at 62 per cent of the volume of business (see the article in this issue by Jacques Gauvin for more analysis of the Québec situation). In addition, there were service revenues of \$45.6 million (20.1

per cent), other goods had sales of \$40.9 million (18.1 per cent), and other income of \$2.6 million.

At \$102.9 million, assets increased by 65 per cent compared to 1985. Forestry co-operatives represented the largest share of that total with 65.7 per cent. The equity-debt ratio decreased from 47 per cent in 1986 to 40.8 per cent in 1988, which indicates that worker co-ops had to finance a larger portion of their growth from external sources.

At 8,030, the number of members diminished slightly compared to 1987. In terms of employment, worker co-operatives provided full-time work to 4,414 and part-time jobs to 382 persons. Salaries and wages represented 57.8 per cent of the volume of business at \$131 million. ■

Alain Roy is the manager of Francophone Co-op services at the Co-operative Secretariat, Sir John Carling Building, Ottawa, Ontario K1A 0C5; (613) 995-4787. He is author of an annual report, *Canadian Co-operatives*, which provides up-to-date data on all co-operatives.

# The jury is out



Since 1984, there have been three worker buyouts of forestry companies in British Columbia. Two of these are still in business.

By Shane Simpson

## British Columbia's forestry buyouts

Tough times have again hit the forests in British Columbia. With the industry's largest union, the IWA (International Woodworkers Association), facing unemployment at 29.7 per cent in the plywood sector and 26.2 per cent among sawmills as of November 1990, the future looks bleak for woodworkers. The impact of this downturn has led to serious uncertainty for both the employees and the many B.C. communities that rely on mills for their prosperity.

Numerous factors have contributed to this situation including high interest rates, an inflated dollar, a slumping housing market in the United States, the development of such cheaper alternate products as particle board, and the cost of timber supply.

Often called the lifeline of the British Columbia economy, the forest sector now faces a future of change. Ownership is also changing. In the past six years, three mills became worker owned. While the circumstances of each of these examples — Victoria Plywood, Lamford Cedar Mill, and West Coast Plywood — differed, they were all owned and controlled by their employees under structures based on the democratic principle of one worker, one vote. This differentiates them from B.C.'s other worker-owned mill, Richmond Plywood, which links votes to investment levels. Today, only two of the three mills continue to operate (Lamford closed in 1990), but all offer

important information for the future of buyouts in the wood industry.

### Victoria Plywood

The first of these buyouts was Victoria Plywood on Vancouver island in 1985. In July, 1984, VicPly owner, CIP Forest Products, announced the closure of the mill, putting 165 people out of work. The mill, then 36 years old, was considered antiquated and uncompetitive, requiring costly upgrading. This was reflected in the \$3.5 million which CIP lost during the three years prior to the closure.

Unwilling to accept the closure, the workers formed a co-operative and initiated negotiations to reopen the mill as a worker-owned enterprise. Following nine months of discussions, an agreement was reached which put VicPly back in operation.

The agreement included the sale of equipment and inventory, a 10-year property lease of CIP lands by the co-operative at a cost of \$27,000 per month, an option to renew for a further 5 years, and an option to purchase the property for \$2.5 million. CIP agreed to waive the initial three months' lease payments as part of the package.

To finance this deal, the co-operative took a number of steps. These included an initial share offering of 200 units at \$2,500 each, which raised \$500,000, and an agreement with the B.C. Development Corporation for a \$400,000 loan and a

\$400,000 guarantee for part of an operating line of credit. To meet the requirements of the B.C. Development Corporation (BCDC) loans, workers at VicPly had to accept dramatic cuts in wages and benefits; this led to a major conflict with the union and its eventual decertification.

BCDC required that wages be cut by over 30 per cent from the existing IWA rate. This reduced the base wage from \$13.48 to \$8.70 per hour. Similar cuts were made in all job categories. Also, the extensive benefits package of the union was pared back. BCDC required that the VicPly not increase these wage rates for a five year period.

The IWA would not accept those terms. The union, who had initially questioned the viability of the buyout because of the age and condition of the mill, saw this agreement as undermining industry standards and creating unfair competition for other unionized mills in the area.

The conflict, and subsequent decertification of the union, created animosity between the labor movement and Victoria Plywood which continues today. The Victoria Plywood situation is often cited by trade unionists as a reason organized labor should exercise extreme caution concerning worker buyouts.

How has VicPly fared since the buyout? The company has never had a money-losing year under worker ownership. It has a



workforce of 200, of which 165 are members. VicPly has fulfilled its wage obligations to BCDC, but it has not yet increased the wage rate. Rather, it instituted a profit-sharing plan which began paying dividends in 1986. This plan has proved successful in supplementing what are low wages by industry standards. Since 1986, the plan, paid out in monthly cheques, has added an average of \$4.00 per hour, and as much as \$6.00 per hour, to the income of the worker owners. Yet, the coming year will prove a challenge to VicPly. With the depressed plywood market there has been limited work. Consequently, while the company will still show a small profit, there will be little or no profit sharing. VicPly President, Godfrey Waryk, has acknowledged that VicPly's financial position is a challenge as it struggles with the need to increase remuneration, particularly for tradespeople, while maintaining the financial health of the co-operative.

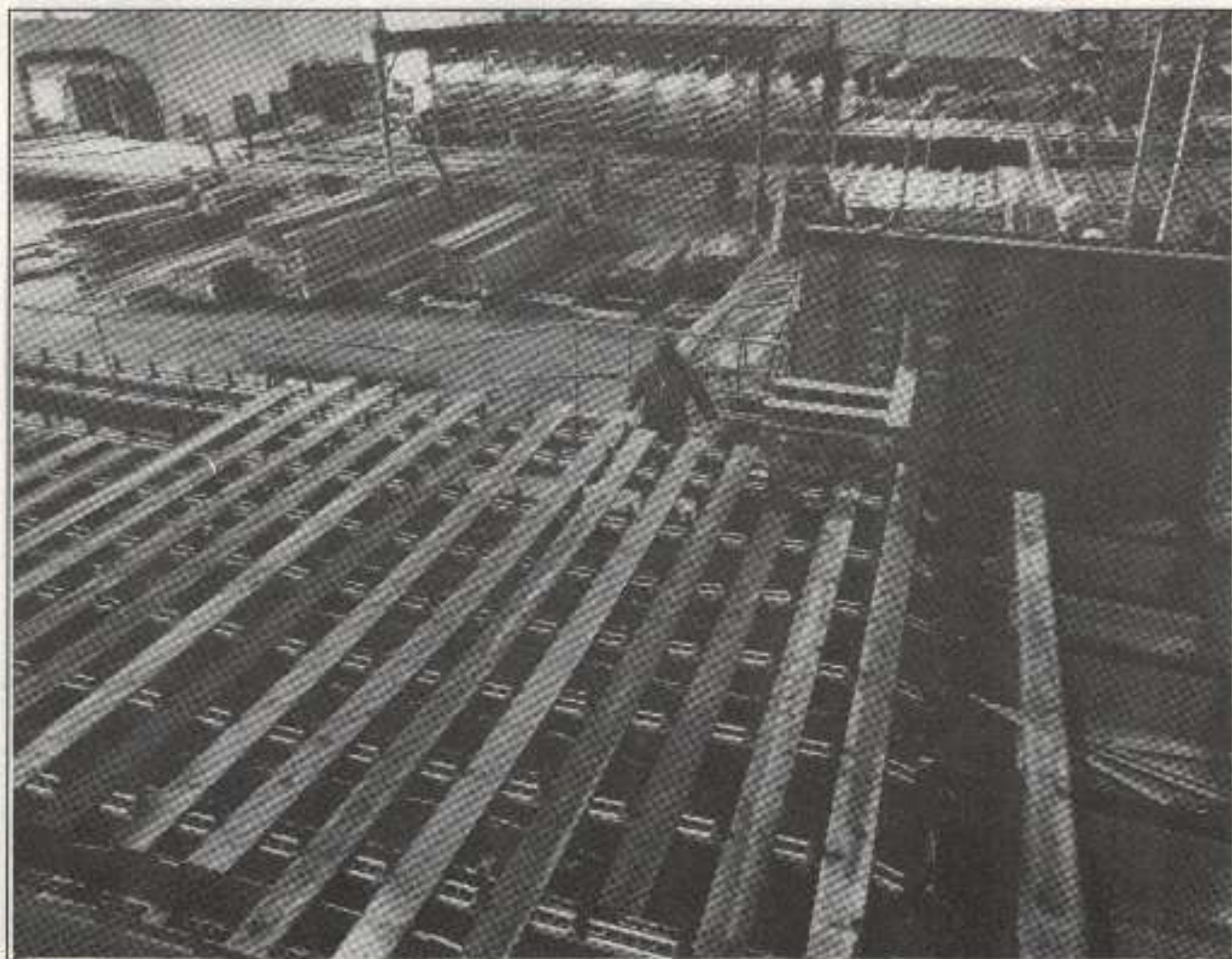
To survive the current downturn in the plywood market, VicPly has taken advantage of a federal government job-sharing program, under which employees work two

days per week and collect unemployment insurance the remaining three days. This program has proved very valuable to VicPly in the current market slump. As for the co-op's future, Waryk's prognosis is positive. With tough times facing the industry, many of VicPly's competitors are closing down, increasing the co-operative's potential market. If it can overcome a key challenge of acquiring a secure wood supply, Victoria Plywood should operate for a long while to come.

#### R.I.P.

In 1985, Lamford Cedar Mills was established, taking over the operations of Sooke Forest Products Limited. With two mills (one in New Westminster and the second on Vancouver Island at Sooke), this buyout involved 275 workers. Sooke Forest Products was forced into bankruptcy when the Toronto-Dominion Bank called in a \$56 million loan in 1984. The workers, with the support of the IWA, put together a buyout package worth \$14.9 million, including the purchase of properties from the provincial government and the city of New

Lamford Cedar closed last year, after a sharp downturn in the market for cedar products.



# The jury is out

Cont'd

Westminster for the value of the \$2.3 million taxes owed.

Financing for the deal involved a series of loans, \$6 million from the Bank of British Columbia, \$3 million from the Toronto-Dominion Bank, \$500,000 from the IWA Credit Union, and \$3 million from the B.C. Development Corporation. For most of these loans, interest was waived for the initial 18 months. The workers' share equity was \$12,000 per member, purchased through a 20 per cent payroll deduction.

In the Larnford buyout, the union collective agreement stayed in place, and all the workers remained IWA members. The only significant variation from the standard IWA agreement was the letter of understanding that deducted 20 per cent of wages to purchase shares.

Larnford operated very successfully for four years, receiving an award for business excellence in 1987. Unfortunately, a number of factors, largely beyond the control of the mill, forced the company to close its New Westminster plant in December, 1989, and the Sooke operation in June, 1990.

Reasons for the closure included a dismal cedar market, high costs for fibre supplies, and the overvalued Canadian dollar, which seriously hurt exports throughout the forest industry. A further problem for the company was the transportation costs involved in having operations in two locations.

The closure of Larnford is not yet finalized, and the amount of equity, if any, that worker owners will get back from the sale

of assets is unknown. However, the union's role in this process has been valuable. It has played a critical role in ensuring that, as employees, the worker-owners were protected through their collective agreement, including receiving severance pay when the company closed.

## West Coast Plywood

The most recent worker buyout is West Coast Plywood in Vancouver. Originally owned by Weldwood Canada, the plant was slated to close in the summer of 1988 after 44 years of operation. At the time of the announcement, Weldwood indicated its willingness to consider an employee buyout. The workers, also IWA members, formed West Coast Plywood and began to investigate the buyout option.

A key issue, as with any buyout, was arranging the financial package. The mill had a price tag of \$7.2 million. The initial step was to ensure worker support for the buyout effort. This occurred at a membership vote in the fall of 1988. Next was to keep the mill operating while the offer was put together. An agreement was reached under which management and union workers accepted a 25 per cent pay cut, and Weldwood guaranteed the mill would remain open for a further 6 months. A profit-sharing plan was also instituted to allow the workers to recoup lost wages if the mill did better than expected.

Financing the buyout continued to be difficult. West Coast had problems securing a financial institution which would make the

**All the B.C. forestry buyouts involved locals of the International Woodworkers Association. The union did not support the buyout at Victoria Plywood, and the co-operative decertified it.**



necessary commitments to move the deal forward. The provincial government finally intervened through the Ministry of Regional and Economic Development, agreeing to lend the worker-owners \$4 million and to provide a \$2.5 million loan guarantee for an operating line. With this in place, the purchase option was extended and further financing was sought. The worker-owners had to supply an additional \$3.5 million. In the fall of 1989, 220 workers purchased shares valued from \$10,000 to \$22,000, depending on the time of purchase. West Coast was the first B.C. company to take advantage of the provincial government Employee Stock Ownership Plan, which provides up to a \$2,000 tax credit for employee share purchases. As with Lamford, the collective agreement with the IWA has remained in place at West Coast with the only variation involving payroll deductions for share purchases.

Fundamental to the future of West Coast is a wood supply. Currently, the company has a five-year agreement with Weldwood to purchase logs at current market prices. For the future, the company has applied for a timber licence on Vancouver Island which, if successful, will solve the wood supply question.

In a difficult and depressed market, with an \$8 million payroll and a debt load of about \$10 million, West Coast has a big challenge ahead of it. But with some market improvement and worker determination, there is reason to be optimistic about the future.

### The jury is out

Opinions are mixed concerning worker buyouts in the wood industry. With the cyclical nature of the industry, it is argued that small independent companies, such as worker-owned enterprises, don't have "deep enough pockets" to ride out the tough times. Others argue that plywood production is a dying industry and workers shouldn't invest in such operations.

Supporters of these buyouts see many positives for mill purchases. They argue that the efficiency of worker ownership improves competitiveness in the market, and that there is a growing market for specialty plywoods which could be pursued successfully by worker-owned mills.

What constitutes success? David Korbin, Managing Partner with Deloitte and Touche, one of B.C.'s largest accounting firms, has been a key player behind the deals at both Lamford and West Coast. Korbin supports worker buyouts, if they are viable from a business perspective. Regarding the Lamford closure, Korbin believes the definition of success has to be considered:

Vol. 10, No. 3, 1991



"Employee ownership kept Lamford working for five years, producing approximately \$50 million in wages. This would not have happened without worker ownership. The question has to be: Would those employees who purchased shares have been better off over those five years without the Lamford deal?" Korbin argues, "The fact that Lamford didn't have the resources to survive, and had to cease operations, doesn't necessarily constitute failure on its own."

Korbin's perspective is convincing. The objectives of five years of employment, pension contributions, and the economic benefits to the communities where Lamford was located cannot be discounted.

Regarding any future mill buyouts, there are clear lessons to be learned from these examples. First, the technology of the mills is important; modern operations help to ensure competitiveness. Second, a secure wood supply is essential. In all three cases cited here, the availability of raw materials at reasonable prices has been an issue. It can be argued that it was critical in the demise of Lamford. At VicPly, the lack of a secure timber supply is the one factor that could threaten the future of the mill. West Coast, as part of its strategy for ongoing success, is focusing on acquiring its own timber licence to resolve this problem. Throughout British Columbia, wood supply is controlled by the government or the large corporations. Small enterprises, both worker owned and conventional, need greater access to timber supply to remain viable. Finally, the value of the Canadian dollar is making B.C. wood products less competitive in the world market. High interest rates have artificially inflated the dollar's value, negatively affecting the competitiveness of all export based industries, including value-added products from mills.

Making the multi-million dollar invest-

**The high Canadian dollar has hurt forestry exports to the U.S., an important market.**

ment necessary to purchase a mill is a huge commitment for working people. Before any group of workers takes that plunge, necessary supports need to be in place to ensure that their investment has a chance for success. This includes financial analysis and resources, organizational and management expertise, and training and orientation for the shareholders concerning their new role as worker-owners.

Since the majority of the forest industry is unionized, it is important to consider the attitude of the labor movement regarding buyouts. The IWA has had more experience with the buyout option than any other union in British Columbia. It has provided a supportive role for members considering a purchase. Neither Lamford nor West Coast would have proceeded without the support of the IWA.

What about future involvement? John Vernon, President of IWA 1-357, the local which was involved in the Lamford buyout, recognizes both the potential and the difficulties with buyouts. Yet he has stated that his union would still consider them in the future if the deal were right.

West Coast Plywood and Victoria Plywood will be watched with great interest by proponents of the buyout option. The fate of these enterprises will greatly influence public opinion about worker buyouts in B.C. ■

**Shane Simpson is the Director of the Worker Ownership Resource Centre (WORC), 102-713 Columbia St., New Westminster, British Columbia V3M 1B2; (604) 520-3341; Fax 520-3161.**



# Fighting City Hall

## St. John's Taxi Co-op



By Jim Winter

**Dave Downey of the St. John's Taxi Co-op takes a break on Signal Hill.**

After a titanic struggle lasting more than a year, Newfoundland's first co-operative taxi stand is operating in St. John's. The co-op started on November 15th, 1990 after receiving final approval of its business location from city hall. The bright red and yellow cars, with their phone number (579-2667), can be seen all over the city and are an effective reminder of what the co-operative option can do for individuals.

The development process started in October, 1989, when a representative of a group of frustrated city taxi drivers came to the offices of the Newfoundland and Labrador Federation of Co-operatives wanting to know how to set up a co-op. From that point on, there was no stopping this group, though some did try.

### A familiar refrain

The story they told that evening is a common one in the taxi industry. Drivers who own their cars and operating licences must work from an approved stand. These are owned, traditionally, by some businessperson who, for a weekly fee, provides dispatch services. Many drivers have become dissatisfied with this arrangement as they feel that stand owners do not have the drivers' interests at heart and are providing minimum service. When drivers complain or make suggestions for improvement, they are typically told that if they don't like it,

they can find another stand. Easier said than done.

This group decided to start their own stand as a co-op and this proved to be no easy task either. The next 12 months were to tax their stamina and commitment to the limit. Not only would they encounter the direct opposition of several stand owners, but they also found that city regulations were very restrictive. No new stands were permitted, and the existing owners were guaranteed a specific number of cars in their operation. For the co-op to start, an important policy change would have to occur at city hall.

The Co-op Taxi Steering Committee began secret meetings in November, 1989, and met every Thursday night until the next

**The grand opening (L. to R.): Jim Lundrigan (president), Shannie Duff (mayor) and Dave Downey (vice-president).**



April. In order to protect the drivers involved (who were still driving for existing stands), the existence of the Committee and its activities were kept as quiet as possible. The group decided that all efforts must be focused on winning the day at city hall in March. Every detail of the operation had to be planned, and every potential opposing argument had to be prepared for. The co-op would not get a second chance, and nothing would substitute for good homework.

### Consultants needed

It soon became clear that specialized skills would be required. Evidence was needed that the business could provide the economic benefits to its members and that the impact upon the St. John's market would be positive. Andy Rowe, a consulting economist, was contracted for this purpose.

Threading their way through the regulations and protocol of city hall became the group's next major concern. Jack Lavers, of White Ottenheimer and Greene, agreed to take on the task. Lavers, while newly admitted to the bar, had been a career officer with the RCMP and lacked no experience for the situation.

As events transpired, this combination of professional skills would prove crucial to the ultimate success of the venture. Throughout the winter and into the spring, the committee held its Thursday night meetings, pulling together information, revising plans and discussing the fine details of the strategy for city hall.

Finally, the time came, and representatives of the group were invited to a private meeting of city council. The hope was that city council would approve a small by-law change that would quietly permit the co-op to get into operation. If it could be slipped through, then a major public debate could be avoided. However, some stand owners heard of the move and pressed members of council to delay the decision so that they could prepare counterarguments and block the entry of the co-op. Finally, Deputy



**Dispatcher Dean Downey deals with the public and keeps the cars moving.**

Mayor Shannie Duff proposed a deferral of the decision pending further study. A commission of inquiry was appointed to study the city's regulations and provide recommendations to help council with its decision.

### Retaliation feared

By this time, of course, the plans of the co-op were open knowledge and the public was witness to a weekly onslaught of claims, accusations and counter-accusations, as the battle was waged between the upstart taxi drivers and the larger stand owners. The stand owners claimed that removing the protections provided by the current city regulations would put their investment at risk, and any co-op group that wanted to enter the industry should have to buy out some existing business.

The appointment of a commission of inquiry caused major concern to the Steering Committee. The delay put off the start-up. Options of leasing an existing stand and other more drastic measures were hotly debated around the committee table. Finally, it was decided that in the interests of public relations and integrity it was best to wait until the commissioner made his report.

This happened in mid-October, 1990, and, as was hoped, he agreed almost entirely with the co-op's initial proposal. But a late victory is certainly better than none at

all, especially when one has to persuade city hall to do something it doesn't want to do.

### Lessons

From the point of view of co-operative development, this project has been a unique one. Seldom is there so demanding a collection of factors. The necessity of following a full development process, without ever knowing for sure that the city would provide approval, added a considerable degree of pressure to all concerned. Organizational and business planning had to be done without the "outside world" knowing what was happening. This presented a unique challenge for the market analysis. Surveys with taxi users had to be conducted by members of the Steering Committee with taxi users without disclosing their purpose. Business costs had to be estimated in a similar climate. Yet, when all was said and done, it was necessary to present city council with a highly professional document that would stand up to considerable scrutiny.

Throughout this process, the livelihood and welfare of the taxi drivers themselves was the paramount consideration. The drivers involved in developing the co-op needed protection from potential retaliation by existing stand owners. More important, there was the need to insure that the business would properly serve the needs of its future members. All realized that it would be irresponsible to do less.

It is a lasting credit to the members of the steering committee that they maintained the foresight and commitment to see this project through to its successful conclusion. All co-operators in this province should be proud to welcome this newest member of the co-operative family. ■

**Jim Winter is a development specialist with the Newfoundland and Labrador Federation of Co-operatives, P.O. Box 13369, St. John's, Newfoundland A1B 4B7; (709) 726-9431. He assisted the steering committee in forming the St. John's Taxi Co-op.**



**St. John's Taxi Co-op has broken the monopoly control of a small group of owners.**

# PROFILE

## Employees taking over at Windsor Factory Supply



By Judith Brown

People who apply to work at Windsor Factory Supply (WFS) usually have heard it's a good place to work. The business began in 1955 with two employees and \$50,000 in sales. Since then the company has grown to over 100 full-time and 30 part-time employ-



ees, with annual sales of \$22 million. WFS is a distributor of pipes, fittings, tools, irrigation and agricultural equipment and mill supplies from five depots in southwestern Ontario and one in Detroit.

All employees at WFS start at the bottom and work their way up. The company has a very selective recruitment process and a two-year probationary term, but once you're in, "you're in." The company promotes only from within. Every worker's opinions and suggestions are valued. None of the positions at WFS carries an official title. There's an emphasis on co-operation and consideration that runs throughout company policy. Co-operation works two ways: employees are expected to pull together on whatever project is underway, and at the same time their efforts are recognized and rewarded.

Original company owners, Jerry Slavik and Joe Sobocan, have long subscribed to a progressive theory of labor relations. They believe that employees will perform well if they are happy and given leeway to manage their day-to-day activities. Given this philosophy, the two began a long-term experiment in business organization that has resulted in the unique environment at WFS. There are no time-clocks or supervisors on

the shop floor. There is just an implicit understanding that employees take their responsibilities seriously and do what it takes to "get the job done." Employees in turn are rewarded by receiving shares in the company, payouts from an innovative profit-sharing arrangement and an unusual range of company benefits.

### The conversion process

The business is currently in the process of converting to 100 per cent employee ownership. In 1995, Jerry Slavik and Joe Sobocan will sell their remaining shares to the workforce of WFS under a plan that was created by the employees with some assistance from the company lawyer. According to this plan, each year employees are awarded a financial bonus plus a number of company shares. The exact amount of each is based on company profits. Employees are required to contribute only 10 per cent from their salary toward the pur-

The company sponsors many recreational events. Above, card games at Christmas and below, original owner Vince Sobocan at the annual horse race day.

chase of shares. Employees have also been permitted to acquire additional stock by a contribution above the required 10 per cent. All eligible employees are participating in the plan. The distribution of shares, however, varies among employees. In 1995, 500,000 shares of WFS stock will exist. Each person will be limited to a maximum of six per cent of company stock, and individuals must relinquish their shares to the company upon termination of employment.

Unlike many employee stock-ownership plans, which distinguish employee ownership from employee control, in the WFS conversion the two go hand in hand. The board of directors is elected by shareholders on the basis of one vote per share. (All employee stock carries voting rights.) While the board currently consists of major shareholders and managers, there is an effort underway to train employees for board roles in preparation for the conversion. The company's board of managers, which runs the day-to-day affairs, has created an employee education program.

Each person on the board is accompanied by one or two employees at all meetings. The managers are encouraged to have their "assistants" give the reports and express their opinions. The

purpose is not only to encourage interest and participation, but also to prepare newer employees to increase their sphere of responsibility within the company.

Minutes of all meetings are posted in all WFS branches. In addition, all employees with five years' service are eligible to participate in the committee that evaluates and sets salaries and distributes profits among them. Under this arrangement, newer man-

ual employees can be evaluating long-term managers who are earning more. Wes Delnea, in charge of general sales and marketing, insists that salaries aren't categorized by job function: "What's important is a person's contribution to the company."

#### Performance rewards

Rewards for performance are also distributed through year-end profit-sharing. Again,

**Pottluck dinners pull the company together; sports sponsorships root them in the community.**



# PROFILE

specific amounts are determined by the elected evaluation committee. The board reserves a veto over this committee's decisions but has never yet implemented it. In recent years, between \$500,000 and \$1 million has been distributed annually in "salary" profit-sharing. Another \$1 million in total shares has also been distributed.

There are other rewards for employees at WFS. The company has a comprehensive health and dental plan. It also treats employees to a day-off on their anniversary and birthday in addition to a five-week vacation for long-term employees. Employees and their families have use of company vacation properties in Florida and northern

Ontario, and may borrow company equipment after hours for personal use. WFS also covers the cost of tuition and books for employees enrolled in educational programs. The list goes on.

**WFS' Wallaceburg branch just celebrated their 25th anniversary. Other branches are in Leamington, Sarnia, and London.**

In addition to rewarding the efforts of employees, the company is committed to returning a portion of its profits to the community



through participation in organizations such as the Windsor Family Y, the Junior Achievement and the United Way. WFS also sponsors various youth sports teams and donates use of its equipment to community projects. WFS sponsors three high school bursaries and participates in the cooperative work experience program with local students.

Both Vince Sobocan and Wes Delnea, who have been instrumental in developing the conversion, emphasize the evolving nature of the organization at WFS. "We've had to spend a lot of time talking to people about what ownership meant and how the plan works," Sobocan said. The conver-

sion plan took two years to ratify and many participants are already thinking beyond 1995 when the conversion is projected for completion.

Delnea cautions that the structure that has been so useful for WFS may not work in other companies. There has been a long period of evolution behind the current structure at WFS, and part of the success there is the philosophy and personalities committed to seeing the project work.

So far there is no doubt that Slavik and Sobocan's experiment has proved fruitful. The employees at WFS seem very satisfied. New recruits are screened for skill, performance and especially attitude. The turnover after the two-year probationary period is extremely low. On average, employees have worked at WFS for over 10 years. They have worked their way up from entry-level positions, know the business thoroughly and have a financial stake in the company's performance. In an industry that is plagued by business cycles, WFS has developed a solid reputation in sales and service and has, as a result, gained a committed clientele that's sure to see it through the current recession and well beyond 1995. ■

**Judith Brown is doctoral student at The Ontario Institute for Studies in Education (252 Bloor St. W., Toronto, Ontario M5S 1V6), where she is doing a dissertation on employee ownership.**





## Plant Closures

### Coping with Plant Closures: Plant Closures and Community Recovery

By John E. Lynch, ed., National Council for Urban Economic Development, 1730 K St. NW, Suite 915, Washington, D.C. 20006, 1989, 208 pp., \$42 U.S. (including postage and handling).

### Review by Frank Lindenfeld

This anthology examines how U.S. communities have responded to plant closures and their attendant job losses. The discussions of diverse strategies and mechanisms used to cope with plant closings in 28 different communities are of particular interest.

The bad news highlighted by this volume is that the transition from an industrial to a service society has resulted in joblessness for millions of U.S. workers. Paul Flaim's article cites two Department of Labor surveys, which indicate that from 1979 to 1986 approximately seven million U.S. workers lost jobs in which they had invested three or more years. Half were victims of plant closings; the other half became unemployed through reduced demand for their companies' products/services, replacement of their labor by automated machines, etc.

Blue collar jobs have been especially affected, sending these workers, many of them in their 40s and 50s, to find new jobs. The 1984 study showed that only 60 per cent of the displaced workers had found other jobs working full- or part-time. The 1986 survey of displaced workers found that 53 per cent subsequently found full-time jobs, and 15 per cent, part-time jobs. Half of the re-employed workers had been forced to accept pay cuts; many also lost their health insurance coverage. A large number took retraining and shifted out of the stagnant manufacturing sector into the service sector. This book recognizes that the human costs of unbridled, laissez-faire capitalism are excessive and that they can and should be reduced.

### Good news

The good news is that with community planning and co-operation between the private and public sectors, the impact of plant closings can often be successfully mitigated.



Lynn Williams, president of the United Steelworkers of America, on the picket line.

Lynch's book discusses not only what does help create jobs and local economic development, but also what does not. For example, the Fortune 500 firms have not been creating new jobs. Between 1980 and 1987, while small- and medium- size firms created 17 million jobs, and state and local governments another million, the giant corporations cut their workforce by 3 million.

In her analysis of plant shutdowns in the metalworking machinery, electronic components and motor vehicle industries, Marie Howland points out that local economic conditions do not significantly affect the probability that a factory will close. The most important predictor is rather its status as a subsidiary, headquarters, or independent single-plant operation. She emphasizes the largely untapped potential for saving jobs through local takeovers of closing branch plants and subsidiaries, particularly through employee stock ownership plans (ESOPs).

### Weirton

One of the success stories, Weirton Steel, is described in detail by Dotson Rader. After being purchased by its 7,000 workers through an ESOP at the end of 1983, Weirton expanded its employment, production, and profits consistently every year. In a related study of 45 ESOPs during the 5 years before and after Weirton converted to worker ownership, Corey Rosen reminds us that employee ownership combined with high worker participation in decision-making over job-related issues has led to increases in both the number of jobs and overall productivity.

Fawn McLaughlin and Charlene Speck describe the local response to the 1987 closing of a small plant in Stanislaus County, California. Corporate owners of the FMC-Van Pelt Fire Truck plant transferred their manufacturing operations to Florida; 50 workers lost their jobs. When the fire truck plant closed, a local organization — SCEDCO — helped provide job training and placement services to the employees and assisted four of the former managers to start a new business servicing emergency vehicles. As a private, non-profit development corporation, SCEDCO had been established in 1984 through the co-operative efforts of nine cities and their chambers of commerce to help attract, create and retain jobs in the county.

### Worker-entrepreneurs

One promising response to plant closings is that of helping displaced workers to become entrepreneurs. This strategy is applicable to the small percentage who have the energy, ability, enthusiasm and perseverance to build a new business. Alan Gregeman reports on a pilot project in four states that uses Federal unemployment insurance benefits as seed capital for dislocated workers who want to start new enterprises. The states provide training and business support services. This program is based on the British Enterprise Allowance Scheme which has demonstrated its success by helping a third of a million dislocated workers to begin their own businesses.

In his conclusion, John Lynch stresses the need for a combination of programs to deal with the dislocations caused by plant closures. Local community leadership is the common element in the book's examples of successful community recovery. Communities with carefully planned economic development strategies are more likely to be successful in replacing lost jobs. Diversification, that is avoiding overdependence on one industry, is important. Moreover, while some communities may benefit from trying to attract a new major outside employer, Lynch reminds us that

# REVIEW

80 to 85 per cent of the new jobs in most communities are created by already existing small- and medium-sized businesses. Providing technical advice through university extension centers may help to keep local companies healthy and to prevent some plant closures. Early notification of plans to close and early and co-ordinated state intervention are also desirable. Instead of a purely laissez-faire approach, local communities can and should formulate community recovery strategies with the help of state, regional, local or nonprofit agencies. Such strategies should encourage diversification of the economy, as well as linkages between businesses and local suppliers, and assist businesses to find capital for new ventures or for expansion. Several states have launched venture capital funds using part of their pension fund assets. Numerous communities have created revolving loan funds, financed initially through local funds, state monies, or limited federal grants, to assist business expansion.

## Limitations

*Plant Closures and Community Recovery* has some serious limitations. One is the omission of references to the community development corporations that have been helping to revitalize many U.S. communities by promoting businesses that employ low income persons. Furthermore, although the anthology mentions worker ownership, there is no discussion of the potential contribution of democratically organized worker co-ops

**McLouth Steel is one of 10 worker buyouts organized by the United Steelworkers in the U.S.**

(as opposed to ESOPs) in providing jobs. Moreover, the book seems to accept uncritically the right of corporations to close down factories and thereby unilaterally abandon both their employees and communities. Surely we can invent social mechanisms to give groups of employees a chance to devise and implement proposals to manufacture and market new products under an alternative, worker- or community-owned and democratically managed structure, before allowing a corporation to shut down a branch plant.

Finally, nowhere in this volume is there a recognition of the need to go beyond business development and job training programs to a policy of income maintenance for those who cannot find new jobs or those who do find work yet suffer significant reductions in income and benefits. Society has a moral obligation to these workers and their families. This book illustrates why it is crucial that the U.S. massively reduce its military spending, currently at the level of hundreds of billions of dollars, and redirect these public funds to health, education and welfare programs. ■

**Frank Lindenfeld is a professor of sociology at Bloomsburg University, Bloomsburg PA 17316; (717) 389-4221. He is co-editor with Len Krimmerman of the forthcoming book, *When Workers Decide: Workplace Democracy Takes Root in America* (Philadelphia: New Society Publishers). For a companion volume to *Plant Closures and Community Recovery*, see Stewart Perry, *Communities on the Way: Rebuilding Local Economies in the United States and Canada* (SUNY Press, 1987), reviewed in *Worker Co-op*, Volume 10, number 1.**



## Recent Publications

George Melnyk's *The Search for Community: From Utopia to Co-operative Society* (1982), was published in Japan in 1990. The English edition was also reprinted in 1990 by Black Rose Books of Montréal.

Jacob Keremetsky and John Logue, *Perestroika, Privatization and Worker Ownership in the U.S.S.R.* (Kent, OH: Kent Popular Press, 1990).

Robert Smiley and Ronald Gilbert (eds.), *Employee Stock Ownership Plans, 1990 Yearbook* (Maxwell McMillan/Rosenfeld/Laudner, 1990).

*A Study of Employee Ownership in Michigan* (Michigan Center for Employee Ownership and Gain-sharing, P.O. Box 30039, Lansing, MI 48909).

Menachem Rosner, *Ownership, Participation and Work Restructuring in the Kibbutz: A Comparative Perspective* (The Institute for Research of the Kibbutz and the Co-operative Idea, University of Haifa, Mt. Carmel, Haifa, Israel 31999).

Jack Quarter and Paul Wilkinson, "Recent Trends in Worker Ownership in Canada," *Economic and Industrial Democracy*, Vol. 11, No. 4 (November, 1990), pp. 529-552.

*Economic and Industrial Democracy*, Vol. 11, No. 4 (November, 1990) is a special issue on co-operative development, with several features on worker co-operatives.

Murray Fulton (ed.), *Co-operative Organizations and Canadian Society* (Toronto: University of Toronto Press, 1990).

Jon Wiseman (ed.), *Worker Empowerment: The Struggle for Workplace Democracy* (New York: Bootstrap Press, 1991), 166 pp.

Canadian Co-operative Association and Worker Ownership Development Foundation, *Worker Buyouts and the Industrial Restructuring Challenge* (Ottawa: Author, 1991), 68 pp.

"The voice of the co-operative movement in Atlantic Canada"

## The Atlantic Co-operator



For more than 57 years *The Atlantic Co-operator* has chronicled the debates, changes and innovations of Canada's co-operative heartland. Get with the program - subscribe today. Contact:

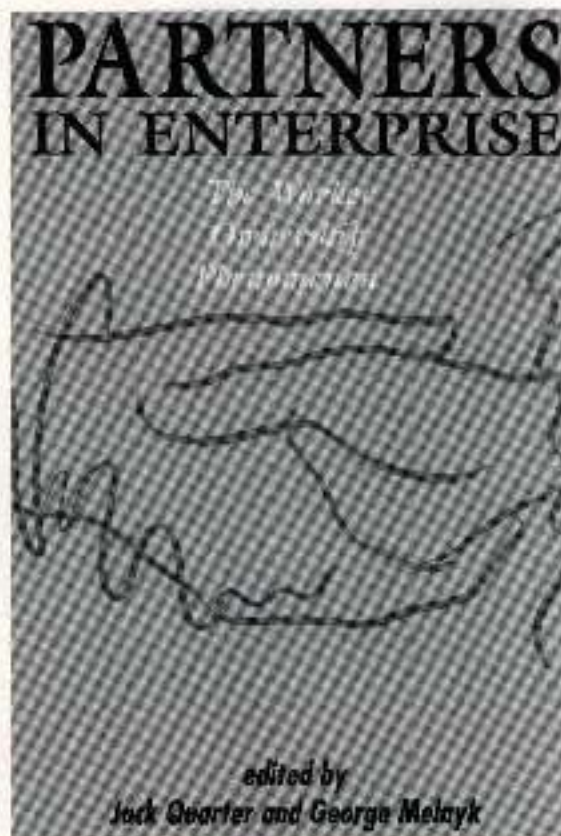
Circulation Co-ordinator  
The Atlantic Co-operator  
P.O. Box 1386  
Antigonish, NS  
B2G 2L7

Twelve issues for \$10 in Canada, \$14 U.S. and overseas

## WORKER BUYOUTS AND THE INDUSTRIAL RESTRUCTURING CHALLENGE

A SUMMARY PAPER OF THE  
CANADIAN CO-OPERATIVE  
ASSOCIATION'S WORKER  
BUYOUT PROJECT

Available for \$15 from:  
Education & Development Canadian  
Co-operative Association  
275 Bank Street, Suite 400  
Ottawa, Ontario  
K2P 2L6



*The vast majority of workers in the Western democracies lack even the most elementary voice in decisions that affect the business that employs them.*

## PARTNERS IN ENTERPRISE

*The Worker Ownership Phenomenon*

edited by Jack Quarter and George Melnyk

The current interest in new forms of ownership of the economy stems from a number of sources from worker buyout to prevent plant shutdown to workers' demands for self-expression and democratic control. The inability of established economic organisations to meet even traditional needs has led to the belief that worker ownership is an idea whose time has come.

This book is about a form of business — the worker co-operative — in which workers are owners. The essays in this book provide a record of the worker co-operative movement both as it stands at present and historically from the first experiments in the 1860s.

ISBN:0-921689-44-6 \$16.95

**BLACK ROSE BOOKS**

**W O R K E R**

**CO-OP**

**Subscribe  
to the Worker CO-OP  
quarterly magazine**

## **Recent features included:**

- **Empowering Women: home healthcare**
- **Worker Buyouts**
- **In Canada: a worker co-op federation is born**
- **CSN Ambulance Co-ops to the rescue**
- **The Gorby Effect**
- **Women Worker-Owners**
- **New Ground for Labour**
- **Zimbabwe's Economic Zest**

Worker CO-OP  
P.O. Box 101  
Station G  
Toronto, Ontario  
M4M 3E8