

# WORKER CO-OPS

Volume 2, Number 2

September 1982

## Worker Co-ops lives!

More than 60 people have sent in subscriptions in response to our sales campaign at the Future Directions Congress in Ottawa and to the notice mailed with the last issue of *Worker Co-ops*. This provides us with enough money to pay for the next few issues, and further analysis of the market clearly suggests that a little more emphasis on marketing will help us break even this fall. This is no mean accomplishment. Other Canadians have tried to set up workers co-op newsletters but failed.

We were surprised that such a wide range of people responded, and that many had not been on the worker co-op committee mailing list.

The distribution of subscribers is remarkably broad,

### Worker co-ops will have National Committee

A National Working Committee, open to all who wish to participate, was established by the more than 40 people who attended a meeting for those interested in worker co-ops at the Co-operative Future Directions Congress in June. The meeting was called because of the extraordinary interest in worker co-ops shown at the Monday information session at the conference.

considering that we are a new publication and that the committee has always been active mostly in Toronto. Among the subscribers are a half-dozen from the U.S., one each from Australia and India, as well as individuals from seven Canadian provinces.

There are also some significant names on the list: a partner in one of Toronto's most senior law firms, a Member of Parliament from Saskatchewan, that province's Department of Co-operation and Co-operative Development, the Chief Executive Officer of a major credit union central, as well as academics and those employed in worker co-operatives.

To meet the demand, we have recruited several new people to the "newsletter committee," which we hope to turn into a producing collective. We are also setting up a new administrative organization to put out the newsletter. We will miss the enthusiasm and help of the Co-operative Future Directions Project, and especially Rosemary Thompson, whose efforts made the newsletter possible.

#### New goals

Our main goals for the next year are to recruit more subscribers, set up our own organization and keep increasing the quality of news stories. The newsletter was established to build a network of interested people and share information and ideas among the members of the network.

CONTENTS.....

LETTERS

- ICA meets *Worker Co-ops*...12
- Nfld-Labrador Co-op Fedn joins *Worker Co-ops*.....12

NEWS

- Alternative co-op school...3
- Beef Terminal collective...5
- Biron's cogestion.....9
- Commons tables report.....5
- Federal Business Bank.....3
- Harpell and the union.....10
- National Committee.....1
- National Hardware.....12
- P.Q. and Saskatchewan laws.8
- Tricofil doesn't open.....10
- Worker Co-ops* lives!.....1

READING

- Antidote to light summer reading.....4
- Quebec catalogues worker co-ops.....4

REVIEWS

- Nightingale prefers worker democracy.....6
- Shareholders come before employees.....7

*Worker Co-ops* is now the independent newsletter of the network of people interested in worker co-ops in Canada.

Anyone interested in subscribing or contributing to the newsletter should write:

Worker Co-ops Newsletter  
Attn: John Jordan  
5th Floor Scott Library  
York University  
4700 Keele Street  
Downsview, Ontario  
M3J 2R2.

The opinions expressed in *Worker Co-ops* are those of the authors.

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NATIONAL COMMITTEE (CONT'D)

The group also decided to call for volunteers in the next newsletter. This is the call! If you want to volunteer, send your name to:

Paul Jones  
167 Carlton Street  
Toronto, Ontario  
M5A 2K3.

A number of issues were considered. Several people suggested that a national resource group be established but others expressed serious concerns about organizing at the national level. The governing legislation is provincial and there has been some successful co-op organizing at the local level. National-level activity is inspired at this time partly by success in the field of housing co-ops.

Housing co-ops

The Co-operative Housing Foundation was created by a joint committee of the Canadian Labour Congress and the Co-operative Union of Canada. The Foundation worked on issues such as legislation and financing, as well as pooling information. The Foundation's support, combined with local contacts, allowed regional development groups to spring up across the country.

This national concept for worker co-ops is endorsed by Jim MacDonald of the Canadian Labour Congress who says labour and the co-op movement must work together if we want to develop a worker co-op sector.

Those of us who attended the founding meeting hope this new National Committee will grow up to support regional development without dominating it.

Paul Jones

SURVIVAL (CONT'D)

We hope this network will serve as a base for further development of worker co-ops in Canada, and will support those already started. If we are going to build a co-operative sector, we will have to build it together.

Subscriptions to the newsletter cost only \$9. for four issues. Send a cheque or money order payable to *Worker Co-ops*. The address is:

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Attn: John Jordan  
5th Floor Scott Library  
York University  
4700 Keele Street  
Downsview, Ontario  
M3J 2R2.

## NEW ALTERNATIVE SCHOOL IN TORONTO TEACHES WORKER CO-OP LIFESTYLE-- ASKS HELP

SOLE needs co-operators to show how it's done

Are you a co-operator looking for new worlds to conquer? In that case, SOLE (the School of Life Experience) is looking for you.

This month the doors are opening on this new alternative secondary school in Toronto. As well as teaching academic subjects to enable students to obtain diplomas, SOLE will teach entrepreneurialship, a field largely untouched by regular secondary school curricula.

Most students are taught that they can become professionals or can work for someone else.

"We're looking for people interested in another option --working for themselves," says Murray Shukyn, one of the two founders and teachers of SOLE.

Murray and his coworker Achim Krull are also looking for people already involved in the co-op movement to

share their expertise and pass on their enthusiasm with the 50 to 100 students they expect to be enrolling this term. Volunteers should write the staff at SOLE, 24 Mountjoy Avenue, Toronto, Ontario M4J 1J6 or call (416) 463-1144.

The entrepreneurial theme will be pursued by students learning about and setting up co-ops, small businesses and cottage industries. As part of the experience they will also try to earn money from their work.

Murray and Achim believe that each of us is a "closet entrepreneur," but most of us lack the confidence to try something new. Therefore, they will work with students to help them gain the knowledge and confidence they need. They are encouraged by the large measure of success with similar programs in Israel and Spain.

One of the most important themes will be the role of co-ops in developing the economy of Ontario. Most people who live in large urban areas are unaware of the existence of co-ops, much less the power or this type of business management.

The school, which itself operates as a co-op, is hoping to expand to 175 students, the program's current capacity. Anyone in Toronto who is over 16 years of age is eligible. Traditionally, alternative schools have a low enrolment in September but pick up quickly soon after. Therefore, if you know any potential students be sure to take them with you when you visit Murray and Achim at SOLE.

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## FINANCIAL AND MANAGEMENT SERVICES NOW AVAILABLE TO CO-OPS THROUGH FEDERAL BUSINESS BANK

The Federal Business Development Bank (FBDB) is a crown corporation which promotes and helps develop small and medium sized businesses by providing financial and management services. FBDB representatives announced that it's services are available to co-operatives at a recent meeting with the Co-operative Union of Canada's (CUC's) Task Force on Co-operative Development.

The Bank has two main operations, and both can be useful to worker co-ops. The first, naturally, is financing, as the Bank has a broad range of loans and takes equity positions. In addition, the Bank's Management Services division provides information, training and consulting services at a very modest cost and offers numerous seminars across the country on various aspects of business management.

with cases, games and other techniques to enable participants to put the results to work quickly. CASE is a counselling service which uses retired business people to assist small firms with individualized advice on planning and problem solving. These programs are underwritten by the federal government, so the fees charged are very modest.

FBDB produces a large number of pamphlets, and a periodical, "Small Business News." With over a hundred local offices across the country, FBDB is accessible to most worker co-ops. They welcome inquiries and are happy to explain their services and how they might relate to a firm's needs. The CUC is working with the Bank on a program to ensure that their staff will be aware of the particular requirements of co-ops.

The seminars are designed

John Jordan

# CANADIAN WORKER CO-OPS? TRY QUEBEC'S CATALOGUE

Representatives of the worker co-operatives at the February 1980 *Conférence socio-economique sur la coopération* in Montreal expressed a desire for a catalogue of the products and services offered by each co-op. The Quebec Ministry of Consumers, Co-operatives and Financial Institutions (as it was then called) agreed to produce the list, and sent out requests for information to the 49 co-ops then listed in that category. They received 25 replies, which are published in a 16-page booklet, *Coopératives ouvrières de production et de travail: produits et services*.

Most of the co-ops listed in the booklet are new, small and have assets of less than \$100,000. An exception is Harpell Press, founded in 1945, which now has 200 members. Most of the co-ops concentrate on a variety of commercial services, such as the *Coopérative de travail (La fourmillière) de Sherbrooke*, which offers bookkeeping, typing and translation services.

More recent statistics show more than 60 worker co-ops active in Quebec, so this must be considered only a partial listing. But it is the only one there is, so if you wish to obtain a free copy, write to:

Gouvernement du Québec  
Ministère des Institutions  
financières et Coopératives  
Direction des communications  
800, place d'Youville, 10e  
étage  
Québec, P.Q.  
G1R 4Y5.

FED UP WITH LIGHT SUMMER READING? WHY NOT TRY SOME WORKER CO-OP MATERIALS. THEN WRITE UP A REVIEW AND SEE YOUR NAME IN PRINT

An encouraging sign of our growth is the amount of material we now have to put in the newsletter. About half the stories we discussed as possibilities actually made it into the publication this time.

But we still suffer from a shortage of writers, and this reduces the range of our items, including book reviews. Below are some of the titles waiting to be reviewed. Watch for them in upcoming issues.

Abrahamsen, MA (1976) *Cooperative Business Enterprise* New York, McGraw-Hill, 491 pp., index, illus. \$28.10

Stern, RN, Wood KH and Hammer, TH (1979) *Employee Ownership in Plant Shutdowns: Prospects for Employment Stability* Kalamazoo, Mich., WE Upjohn Institute for Employment Research, 219 pp. \$7.77

Desforges, J-G et Vienney, C (1980) *Stratégie et Organisation de l'entreprise coopérative* Montréal, Les Editions du Jour, 424 pp. \$8.00

Eccles, T (1981) *Under New Management: The Story of Britain's Largest Worker Cooperative-Its Successes and Failures* London, Pan Books, 416 pp. \$6.95

Clayre, A (ed.) (1980) *The Political Economy of Co-operation and Participation: A Third Sector* Oxford, Oxford University Press, 212 pp., index \$18.75

Wright, DH (1979) *Co-operatives and Community: The Theory and Practice of Producer Co-operatives* London, Bedford Square Press. 118 pp., appendices, bibliography \$10.50

Jones, DC and Svejnar, J (ed.) (1982) *Participatory and Self-Managed Firms: Evaluating Economic Performance* Lexington, Mass., Lexington Books. 358 pp., index, bibliography \$42.95

Noël, F (1980) *Le Droit coopératif québécois* Sherbrooke IRECUS, 482 pp. \$20.00

Hill, PM, McGrath, M and Reyes, E (1981) *Cooperative Bibliography: An Annotated Guide to Works in English on Cooperatives and Co-operation* Madison, Wisc., University of Wisconsin, University Center for Cooperatives, 202 pp., index \$15.00 US

Thomas, H and Logan, C (1982) *Mondragon: An Economic Analysis* London, George Allen and Unwin \$30.00

If you are interested in reviewing any of these works, please get in touch with:

John Jordan  
5th Floor Scott Library  
York University  
4700 Keele Street  
Downsview, Ontario  
M3J 2R2

or  
Paul Jones  
167 Carlton Street  
Toronto, Ontario  
M5A 2K3.

## BEEF TERMINAL COLLECTIVE SAVED MEAT-PACKING JOBS, NOW FREELANCE OPERATION PLANS TO BUY ITS PLANT

Since it opened in 1979, Toronto's Beef Terminal Ltd. has operated as a collective. Each of the 52 owner/operators owns one equal share in the company.

Beef Terminal came into being when four of the workers at Toronto's Junction Holdings Ltd. learned that the plant was to be closed and formed a collective to take over the operation. After being part of a meat packing and processing chain, the group decided to become a freelance operation, slaughtering and dressing for small meat packers.

### Consistent success

It is a company that has been consistently successful. In the first full year of operation, 1980, profits were \$43,000 and last year they reached \$220,000. One reason for their success is the speed with which they process the animals--at 1.87 cattle per man-hour they are twice as fast as Canada Packers' workers.

### Seeking guarantees

The collective's approaches to the provincial and federal governments and development banks for loan guarantees and a startup grant fell on deaf ears. Instead the group made an arrangement with Junction Holdings to rent the plant for two years with an option to purchase. The rental price was fixed as the collective's profits and 10 per cent of the members' personal earnings, which could be applied to the down payment.

### Finding supplies

The business immediately found suppliers and customers.

Many small packers as well as farmers who wanted to wholesale their own dressed cattle quickly found them. Beef Terminal also began to process parts of the animals previously believed to be waste (i.e., lips, forelegs, rennets).

### Union decertification

When the co-op first took over the plant the United Food and Commercial Workers officials suggested that the labour agreement signed by Junction Holdings be maintained. Beef Terminal would have had to rehire laid off employees regardless of the volume of work. Instead it decertified the union.

### Down payment

Despite the early success of the business and the fact that one-third of the original 158 jobs have been saved, the provincial government still refuses to guarantee a loan for Beef Terminal. Last November, after less than one year of operation, the collective had a down payment of \$500,000 and an agreement with Junction Holdings to take back a mortgage of \$2.5 million. To complete the purchase of the plant another \$1.5 million loan was needed but Queen's Park would not offer a guarantee. As a result, the collective and the former owners are working out another arrangement to allow the plant to be purchased.

*from a story by*

*Boyd Neil  
Canadian  
Business  
Feb. 1982*

## COMMONS TABLES REPORT ON PROFIT-SHARING-- 'MUCH TO BE GAINED' BUT MORE DATA NEEDED'

The House of Commons tabled the final report of the Subcommittee to Promote Profit-Sharing by Employees in Business on July 8. The report said Canada could gain a great deal from employee participation in profits, equity and decision-making in business, but that more information is needed before the government takes specific action (*Globe and Mail, Friday July 19, 1982*).

A key recommendation is for a parliamentary task force to be set up to make a comprehensive examination of the subject, and report to Parliament within a year.

Most of the witnesses the committee heard rejected legislated employee representation on boards, and instead suggested that the government merely offer incentives to implement the programs. There was general agreement that profit sharing or ownership alone would not be as successful as combined ownership and participation in management. Both sides must be willing to work together, the report suggests, and employees must try to "merge their interests as owners with those of employers, and bear the risks associated with owning capital." Interesting?!

This is the first that we have heard of Parliament's interest in the subject, and we do not yet have a copy of the full report. In the next issue we'll be able to give a more complete story and perhaps discuss what our response should be.

## NIGHTINGALE ANALYZES EMPLOYEE PARTICIPATION IN SEVERAL CANADIAN BUSINESSES--

Donald V. Nightingale. *Workplace Democracy: An Enquiry into Employee Participation in Canadian Work Organizations*. Toronto, University of Toronto Press, 1982. 312 pp., biblio., index, appendices (paper \$14.95).

Donald Nightingale, a Queen's University Professor at the School of Business, has written a theoretical analysis of employee participation based on case studies of 20 Canadian firms. In his view, "Research and theory on workplace democracy have been inspired by a vision of the workplace which allows self-determining development of skills and abilities and personal fulfillment in the broadest sense of the term" (p. 78). Until now, there has never been a systematic attempt to compare democratic and hierarchical organizations to measure the degree of truth in the vision.

### Democratic firms

To undertake this study Nightingale chose 10 "democratically" run firms of a variety of types: Harvey Transport, *Industries du Saguenay* (worker-owned co-ops); Tembec (board-level worker representation); Hayes-Dana (Scanlon Plan); Supreme Aluminum, Lincoln Electric, Canadian Tire, Club House Foods (works councils); Laidlaw Lumber (self-regulating work groups), and The Group at Cox, "a firm which cannot, because of its unique characteristics, be subsumed under a general construct" (p. 197).

Nightingale matched each firm with a similarly sized, similarly located hierarchical organization with the same or similar products and then collected data

from 1,000 respondents (about 23 per cent of all of the employees) using interviews, questionnaires and direct field observations. He gives a brief description of each "democratic" firm and the research methods in the appendices.

### Data compared

The data collected from the two groups of firms were then compared according to four concepts: values, structures, process and outcomes--part of Nightingale's proposed "Congruence Theory of Organizations." According to Nightingale, these concepts are interdependent. "This reciprocal linking of the concepts creates... the volatile organization in which everything triggers everything else" (p. 70).

In this neofunctionalist approach to the sociology of human behaviour, democratic and hierarchical ideals are seen as end-points on a continuum, and movement to or away from those points is a result of the organization's leadership and the "unique environmental pressures on the organization" (p. 75).

### Environmental pressure

Examples of such environmental pressures are changes in economic conditions, political pressures, labour markets and the public's perception of the organization. I find the theory's perception of causation in

organizational development so vague as to be innocuous.

### Demographic changes

Elsewhere, Nightingale has a more interesting discussion of the demographic changes that have taken place in the North American workforce since the turn of the century and the advent of Taylorism, or scientific management. The Canadian workforce is the youngest and fastest growing in the western world, and is becoming less and less tolerant of hypocritical management and government that claim democracy to be an ideal form of organization in every area but the workplace.

### Workers' perceptions

In the comparisons of respondents' perceptions of their firms, "Democratic workplaces have been shown to differ significantly from their hierarchically managed counterparts..." (p. 173). This supports the theory that workplace democratization allows greater development of skills and personal fulfillment. Unfortunately, Nightingale has not found a way to test for more concrete differences, such as productivity and earnings, except through anecdotes. This remains the challenge for future studies.

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## CONCLUDES WORKER CO-OPS ARE LESS EFFECTIVE THAN DEMOCRATIC DECISION-MAKING

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### Democratic decision-making

For the most effective democratic workplace, Nightingale recommends a combination of profit-sharing or employee-ownership and democratic decision-making. His own beliefs appear to have had more influence in this section than in the research study. He clearly feels that government intervention is both unlikely and undesirable and that workplace democracy will not emerge as a political issue in the foreseeable future. He seems to be as biased towards management's adoption of profit-sharing plans as I might be towards worker co-operatives.

### Worker co-ops

Two democratic worker co-ops in this analysis, Saguenay and Harvey (p. 87), are considered to give employees less power than Supreme Aluminum, where the Lush family and Alcan own 80 per cent of the shares (Mansell, *An Inventory of Innovative Work Arrangements in Ontario*, 1978, p. 99). At Harvey Transport in Chicoutimi, the family founders sold the firm to the then 100 employees in 1972 and the voting shares are well distributed among the employees (Laflamme, *Expériences de démocratie industrielle: Vers un nouveau contrat social*, 1980, p. 236).

### Control of finances

Just as a turning point in the development of English

parliamentary democracy was gaining control over the purse strings by controlling the method of raising taxes, so in the development of democracy in the workplace is it critical to gain control over the issuing of shares and the votes that go with them. At Supreme Aluminum, apparently, the participatory work structure will exist only as long as the major shareholders want it to. Similarly, in the United States, some proponents of Quality of Work Life have found such programs may lack security (e.g., the Rath meat packing case discussed at last summer's American Sociological Association conference in Toronto).

### Common law

According to the traditions of common law, the directors must first and foremost consider the interests of the shareholders, not their employees (see boxed story). I suggest that the employees of Harvey Transport, as shareholders, have greater ultimate control ("final say in decision-making," Nightingale, p. 85), than those of Supreme Aluminum. If their decision-making style is less participatory than that of Supreme, it is because they have chosen that style after going through an initially more open process (Laflamme, p. 234).

### Criticism of co-ops

I agree with Nightingale's criticism that Canadian worker co-ops have not made full use of participatory decision-making techniques and are more interested in ownership than

### SHAREHOLDERS COME BEFORE EMPLOYEES

Common law principles and cases that protect the interests of the shareholders first rather than the employees are shown in the following:

Gower, *Principles of Modern Company Law*, 1979, at p. 578

*Walker v. Wimborne* (1976), 50 A.L.J.R. 446 (Aust. H.C.)

*Parke v. Daily News*, [1962] 2 All E.R. 929

*Hutton v. West Cork Ry* (1883), 23 Ch.D. 654 (C.A.).

management. But ultimately the co-ops have the final say in the choice of directors, and in the running of the organization, while all the other examples of employee participation in management offered by Nightingale survive at the mercy of the non-employee shareholders.

Accordingly, Nightingale's dismissal of worker co-ops as a method of introducing workplace democracy may not stand up to close scrutiny. While this book has some disappointments it is, on the whole, an interesting and thought-provoking sociological study of organizational behaviour in Canadian industry. I hope it will lead to further work and a better development of generative models for economic democracy in Canada.

Paul Jones

## QUEBEC AND SASKATCHEWAN ADOPTING NEW CO-OPERATIVE LEGISLATION

The Quebec National Assembly has recently adopted new co-op legislation, the "Co-operatives Act," which updates two pre-existing laws, The Co-operative Association Act (L.R.Q. 1977, c. A-24) and The Agricultural Co-operative Societies Act (L.R.Q. 1977, c. S-24). Saskatchewan is also planning to update its co-op legislation.

The Quebec bill lays out general rules for the constitution of a co-op, and adopts new rules of proceedings inspired by the six principles of the International Co-operative Alliance. It also updates numerous technical sections to bring them more in line with current Quebec company law, and has special sections for general types of co-ops, including, for the first time, worker co-ops.

Saskatchewan, which is still in the process of drafting revisions, is circulating a discussion paper as a preliminary step, which outlines some of the proposed changes. The government was planning to hold public meetings around the province in July. They list six objectives of the update, similar to those used in Quebec:

1. To retain a commitment to the guiding principles of the co-op movement as approved by the International Co-operative Alliance.
2. To consolidate three separate acts in one.
3. To introduce into co-op legislation some of the changes that have occurred in companion statutes, such as the Business Corporations Act and the Non-Profit Corporations Act.

4. To broaden the scope of the act to provide for the needs of new emerging co-ops.

5. To incorporate into the Co-op Act those sections of the Companies Act that apply to co-ops.

6. To draft the Act in such a manner that it can be understood by the majority of co-op members.

Saskatchewan introduced its first co-op legislation in 1913 when it passed the Agricultural Co-operative Associations Act, which has evolved into the current Co-operative Associations Act (R.S.S. 1978, c. C-34). The last major review of this act was in 1950.

In 1926, the second act, the forerunner of the present Co-operative Marketing Associations Act (R.S.S. 1978, c. C-36) was passed to meet the specific needs of marketing co-ops for contract pools.

Then, the third act, the Co-operative Production Associations Act (R.S.S. 1978, c. C-37) was introduced in Saskatchewan in 1967 to deal specifically with small native groups and farmers organizing to produce forest, fish, agricultural and other primary products.

In addition, there are also co-ops incorporated by special acts, and separate acts for credit unions and co-op health clinics. This plethora of legislation often had different rules for the same proceedings, such as incorporation, and was quite confusing.

Saskatchewan and Quebec appear to be ready for what

co-op scholar Lucien Coutant identified as the third phase of co-operative legislation--the renewed attempt to draft a law that covers all co-ops and reconciles the differences between producer and consumer co-ops. (*Evolution du droit coopératif de ses origines à 1950*, as cited in Noël, *Le Droit coopératif québécois* [Sherbrooke, IRECUS, 1980, p.2]).

Quebec's new category in the act, entitled *Coopératives ouvrières de production ou coopératives de travail* (worker co-ops) contains five articles. They permit such co-ops to purchase shares in a company to protect their jobs and to adapt their own specific regulations to organize their administrative structure (*ensemble! le 23 avril, 1982*). But the co-ops must still apply co-operative principles to the distribution of surplus and base distribution on the volume of work performed by the co-op member (*Le Devoir, le 14 avril, 1982*). A further advantage to small co-ops is a provision that allows the general assembly of members to exercise all the powers of the board of directors in co-ops with fewer than 25 members.

Quebec will also compel co-ops to do at least 51 per cent of their business with their members, a provision the Minister has specific power to enforce. This appears to be similar to section 144 of Ontario's Co-operatives Corporations Act 1973, S.O. 1973, c. 101, in which the Minister may convert to a

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"Perhaps non-member employees should be compelled to become members after a time limit..."

BIRON'S COGESTION  
MEETING RESISTANCE--  
SHELVED FOR TIME BEING

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business corporation any co-op that has for three years done less than 50 per cent of its business with non-members. This was introduced because of concerns about agricultural marketing co-ops, expressed in such papers as the 1971 Report on Co-operatives by the Select Committee on Company Law (at pp. 31-33). The report said "in a bona fide co-operative there is and should be a substantial identity between the members and the patrons."

Saskatchewan proposes to deal with this issue in a separate section for worker co-operatives that would require at least 75 per cent of the employees to be co-op members. However, there is still the danger, as has happened in the Pacific Northwest plywood co-ops (When employees run the company, *Harvard Business Review*, Jan.-Feb., 1979, p. 88) that some unpleasant jobs will be permanently filled by low-skilled workers who never become members. Perhaps non-member employees should be compelled to become members after a time limit, or forfeit the job.

The new Saskatchewan act also proposes to allow worker co-op shares to appreciate in value, with the surplus distributed to the members on liquidation. One less optimistic provision is the proposed restriction of worker co-ops from established co-op fields such as retail stores and day-care. Saskatchewan is also proposing that

co-ops be required to have a prospectus approved each time a new block of shares is issued. If not carefully drafted, this section could be a serious obstacle to small worker co-ops trying to recruit members and capital.

Both Saskatchewan and Quebec have sections requiring mandatory levels of general reserves (Quebec's is 20 per cent, Saskatchewan has yet to decide on the level). This is similar to France's Article 33(1) de la loi du 19 juillet 1978 of the *Code des Sociétés, VII Coopératives ouvrières de production et credit* which stipulates that 15 per cent of the surplus must be placed in a general reserve. Ontario's act only requires that the balance sheet show reserves in general (section 133(1)(24), no matter what their purpose.

Paul Jones

For further information on the Quebec or Saskatchewan legislation, write to:

Ministère des Communications  
Editeur Officiel du Quebec  
1283 boul. Charest ouest  
Quebec, P.Q.  
G1N 2C9.

(Copies of bill 56 *Loi sur les coopératives* cost \$2.85. Make cheques payable to *Ministère des Finances du Quebec.*)

or

Saskatchewan Co-operation  
and Co-operative Development  
2055 Albert Street  
Regina, Saskatchewan  
S4P 3V7.

Proposals by Quebec Minister of Industry, Commerce and Tourism, Rodrigue Biron, to promote small and medium sized enterprises through worker participation and stock-exchange financing (see *Worker Co-ops*, Feb. 1982, p. 3) are still meeting considerable resistance. The climate for experimentation and change has cooled for both labour and management due in part to increasing economic pressures and, for labour particularly, because of pay cuts for civil servants.

Participants at the provincial economic summit in April thought it a marvellous idea to make Montreal an international banking centre (*Globe and Mail*, April 8, 1982), but the consensus began to come apart when the government suggested changing the labour code to facilitate unionization. Consensus deteriorated further with the "Biron" proposals to give workers a greater say in management.

Surprisingly, the proposals appear to have united labour and management against the government. As has often happened, employers fear the loss of control and the intrusion into "management rights." Labour, as reported by *The Globe*, has balked because it suspects "co-management" to be a carrot to lure workers away from unionizing. Apparently it will be some time before the Quebec government will be prepared to take definitive initiatives to encourage employee ownership.

Paul Jones

## HARPELL CO-OPERATORS ARE ALL DECLARED PART OF THE UNION'S BARGAINING UNIT

La coopérative d'imprimerie Harpell has decided not to appeal further a Quebec Labour Board decision that all wage-earning employees of the press are part of the appropriate bargaining unit for a union (see *Worker Co-ops*, Feb. 1982, p. 10). Judge Claude Saint-Arnaud affirmed the decision March 2, 1982. At a general meeting on April 26, the co-op mem-

bers voted 48-42 against an appeal after co-op law specialist Fernando Noël explained there was very little likelihood that an appeal would succeed (*ensemble!* le 7 mai 1982).

In a decision that raises the question of separation of roles for an employee who is a member of a worker co-operative, the Board appears

to have touched on a major legal issue for worker co-ops. This decision also raises the question, now being debated in Ontario and elsewhere, of whether the roles of landlord (i.e., member of the co-op) and tenant can be divided in a housing co-op.

One must work at Harpell Press at least five years to become a member of the co-op. More than 100 employees are not members, even though they do the same work as others in the co-op. The board of directors is composed of 12 members, elected for three years each. The co-op hired a general manager in 1976, when it began to distinguish between the policy-making and operational functions of the co-op. The press also has about 20 superintendents, foremen and assistant foremen.

The Quebec Labour Board decision established that a member has the powers of an owner without having the rights of management, stating that, "He is, like his non-member co-workers, an employee or not according to the type of job he does. He is no more in a conflict of interest situation than a shareholder. He has only one vote among many, no matter what his investment, his financial commitment in the company."

The Board also rejected Harpell's claim that the certification request should be denied because a member of its board of directors led the certification drive. The Board said it rejected the argument that Harpell

## TRICOFIL'S NEW OWNERS DECIDE NOT TO OPEN FACTORY

La Coopérative des tisserands des Laurentides, the new owner of la Société populaire Tricofil Inc. (see *Worker Co-ops*, Feb. 1982, p. 20), has decided not to restart operations in the proposed new factory in Ste. Thérèse, north of Montreal, as was previously planned (*ensemble!* le 5 mars 1982; *Le Devoir* le 19 février, 1982 and *Globe and Mail*, Feb. 20, 1982).

After two profitable years (\$218,000 in 1979, \$26,000 in 1980), the co-op chose to halt operations temporarily in 1981 because of poor economic conditions in the textile sector (specifically lower prices, higher energy costs and rising bad debts from customers).

"Our principle clients, on whom we counted to restart our operations, are experiencing grave economic difficulties and are themselves facing bankruptcy," said Jean-Guy Frenette, a union economist who served as president of the co-op (*Le Devoir*).

Tricofil began in 1974 when 450 workers purchased the plant in a dramatic struggle after the former owner, Regent Knitting Mills, decided to shut the aging

mill.

With \$2.4 million in Quebec government assistance and eight years of worker sacrifice, the employees rebuilt the organization and even managed to buy another failing textile mill, Pinatel, in nearby Joliette (see *Worker Co-ops*, June 1981, p. 3). Unfortunately, Pinatel is also in difficulty.

"In the Pinatel operations, at least \$1 million is necessary to survive the economic crisis, and we don't have the million," said Frenette.

At the time of the "temporary" shutdown, Tricofil's balance sheet showed short-term assets of \$1.6 million and short-term liabilities of \$1.1 million, for a total working capital of \$500,000.

Despite errors in the beginning of the experiment, the co-op profited from its experience and had been progressively reorganizing its operations. But this has been swept away by the recession, particularly severe in the textile sector. Some of the co-op's members are studying other co-op possibilities and other sectors, but Tricofil is finished.

Paul Jones

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The size of the co-op prevents... decisions by each and all on every matter.

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should not gain from its own wrongdoing. In similar cases the Ontario Labour Relations Board has considered whether the employee/director was trying to form a company controlled union, which is prohibited, or was really representing the wishes of the workers.

At the Labour Board the co-op had argued that a member is not governed by an individual employment contract, but by a "*contrat de société*," a contract of association with the other members. The French word "*société*" can mean a social body such as a community as well as a commercial one, such as a company). According to the Board, each member had the power to manage the firm at all times.

The co-op felt the Board downplayed the role of the general meeting, which, they argued, retains all the powers except those they wish to delegate to the board of directors.

The union, in reply, distinguished the co-op from its members and made the most of the real absence of individual power among the members. They said one must not look for the real power among the members, but among the administrative machinery, and that a "techno-structure," which can injure the worker, should be counterbalanced by a union.

On the strength of these arguments, the Board attempted to define the real

participation of the members of the co-op in the management of the firm. The judgement pointed out that article 23 of the co-op's by-laws stipulates that the board of directors has all the rights during a fiscal year not specially reserved to the general meeting. Those reserved for the general meeting are limited to the expulsion of members, the determination of the dividend and the election of members to the board and the audit committee.

The Commissioner of the Labour Board then contested the co-op's argument, saying the general meeting is not involved in personnel matters since it does not intervene in hiring, promotions or layoffs or in matters decided by the general manager, superintendents or foremen. The Commissioner therefore concluded that, in reality, the co-operative management makes the decisions which are ratified by the board. The board's power to intervene in working conditions has remained timid and limited. The size of the co-op prevents direct democracy, or decisions by each and all on every matter, and the management personnel act as an employer in matters of hiring, firing, control of working conditions and the exercise of disciplinary power without consulting the board of directors. In this respect it is the same as a boss in a capitalist enterprise

On appeal, the judge noted the members' role also matches all the criteria

that define an individual contract of employment. There is service for remuneration and subordination to the person who has control when working. Thus the labour code is applicable to a co-operative, which is legally distinct from its members and exercises its duties through management personnel. "It is not sufficient to have legal ownership of the means of production in order to have control in fact over the exercise of power, when reality shows that the power over the men is exercised by the administration" (*ensemble! le 7 mai 1982*).

To the employer's counsel who pretends that there is no individual employment contract, rather a "social contract among members," the Board replied that nothing stops members from co-existing with the union. They are first employees, by virtue of an employment contract that does not cease to exist when they become co-op members.

The judge did not agree that the co-operative method establishes a system of collective relationships irreconcilable with the conflict inherent in the labour code, and that members cannot negotiate with themselves. He said the workers have decided to control their own economic destiny so they should be able to find a new way to set up their collective work relationship with the management on their co-op within the system set out in the code.

## NATIONAL HARDWARE WORKERS BUY COMPANY FROM COMINCO

To save their jobs, about 75 workers at National Hardware Specialties Ltd. of Dresden, Ont., have bought the company from Cominco Ltd. of Vancouver.

"It was either buy the company or not get a pay cheque," said Carl Hasson, an employee and president of Local 580 of the United Auto Workers, and now part owner of National Hardware.

"We're pretty confident we can make a go of it," he said, noting the purchase was approved by top union executives.

Cominco announced in December that it intended to sell the company, which had lost money in the past two years. In the past five months prospective buyers "were not exactly lining up," said Rod Douglas, Cominco senior vice-president. "It couldn't have continued (in operation) much longer."

The Ontario government, through the Ontario Development Corp., made special loans totalling \$650,000 to help the workers purchase the company, which manufactures pulleys and bathroom accessories.

Bill Gispen, former general manager of the 37-year-old company, now owns 55 per cent of the shares, and is president. The company, with assets of about \$4-million, had sales of \$7 million last year.

The remaining shares are held by the other employees, most of whom are members of UAW Local 580.

Ann Silversides  
Globe and Mail  
May 20, 1982

# Letters..... Letters

Newfoundland-Labrador Co-op Federation joins *Worker Co-ops*

Dear Sir:

Many thanks for sending the Newfoundland-Labrador Federation of Co-operatives a copy of your publication 'Worker Co-ops'. Enclosed is our cheque for a one-year subscription.

The Newfoundland-Labrador Federation of Co-operatives is currently concentrating its efforts in several areas of activity aimed at tackling the most pressing problems facing Newfoundland at this time. Working closely with the Newfoundland-Labrador Rural Development Council, the Federation is hoping to investigate the potential the worker co-operative concept has to improve the economic situation of rural Newfoundland and Labrador.

With this in mind, I will

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Industrial Cooperatives Assn  
contacts Canadian worker  
co-ops through our newsletter

Dear Sir:

Recently a copy of your newsletter *Worker Co-ops* arrived here. We are very glad to see the work you are doing. I met John Jordan this last summer, but otherwise we have had no contact with worker co-op groups in Canada.

In Co-operation,  
David Ellerman  
Industrial Cooperative Association Inc.  
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Somerville, MA 02144  
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be participating in the Co-operative Housing Foundation-sponsored Worker's Co-operative Study Tour this fall; if all goes as planned, I hope to do extensive filming while on tour and produce a slide tape documenting the trip after we return. The provincial government will also be sending two or more representatives from the Department of Rural, Agricultural and Northern Development on the trip, which is indicative of the sort of interest that exists here in worker co-ops.

At present, there is one full-fledged worker co-op in the province (Skilled Trades Co-op, a building and renovations co-op), but several producer co-ops involved in the fishery industry also have a number of plant workers among their members, and hence have a strong worker presence in their organization.

Yours truly  
Rick Hayes  
Managing Director  
Newfoundland-Labrador Federation of Co-operatives,  
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Those who contribute to *Worker Co-ops* are happy to receive your letters --about our stories, other worker co-op news or anything else that seems appropriate. Please write us. See the address on page 2.