

Volume 5 / Number 4

Spring 1986

\$3.50

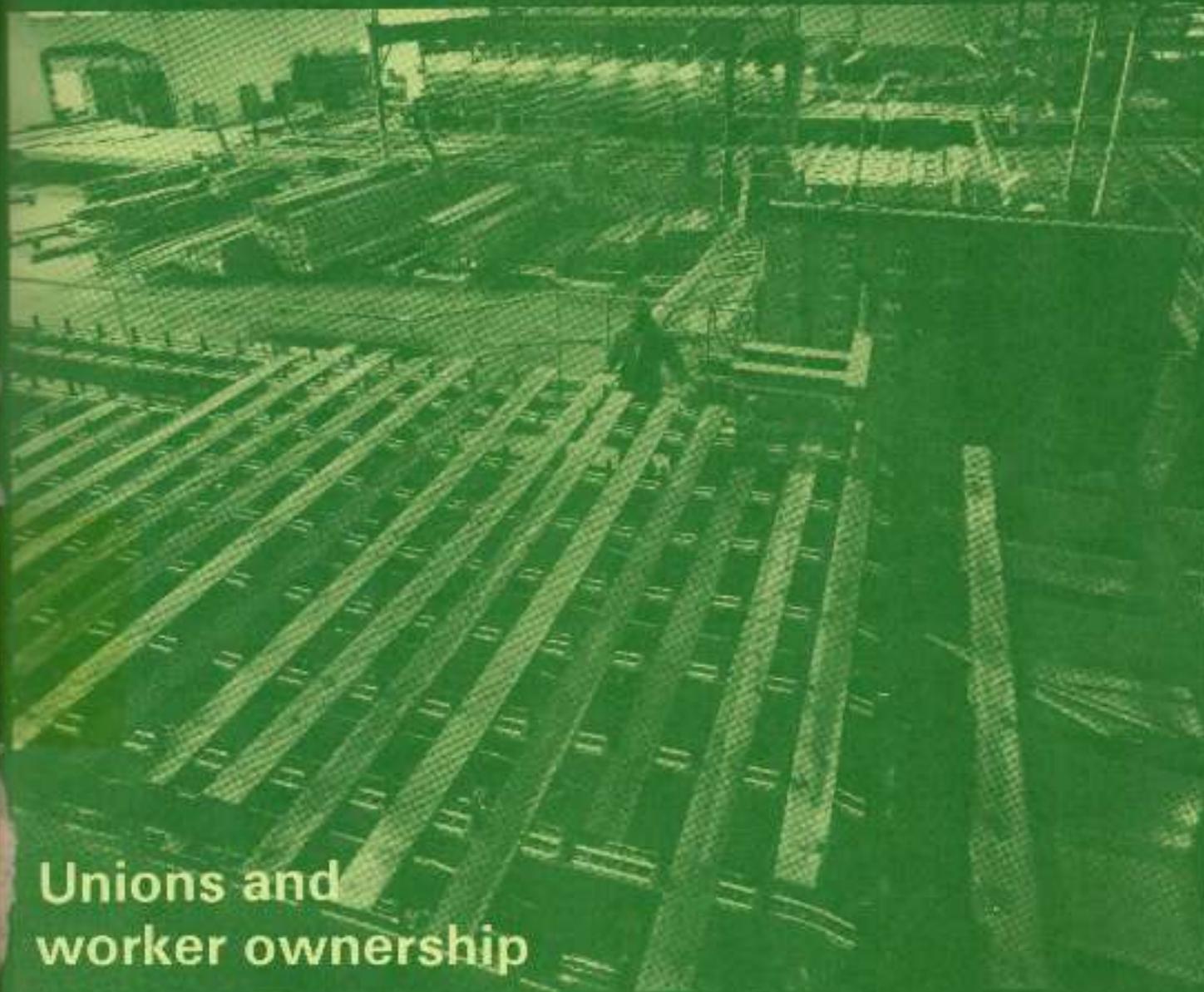
WORKER CO-OPS

MAY 19 1986

Worker co-operatives: part of the Arctic future

Mondragon fundamentally different than
capitalism and socialism

Employment co-operatives in Saskatchewan



Unions and
worker ownership

Jack Quarter
Editor

Judith J. Forrestal
Rosemary Oliver
Copy Editors

Joanne Lindsay
Reviews

Paul Jones
Book Notes



Jo-Anne Andre
Production Manager

Margret Asmuss
Production Assistant

Karen Knopf
Marketing Manager

Skip McCarthy
Treasurer

Produced at the Centre for the Study of Co-operatives, University of Saskatchewan, Saskatoon, Saskatchewan.

Printing: Federated Co-operatives Ltd., Saskatoon, Saskatchewan

Cover: *Lamford Forest Products mill at New Westminster, B.C.*

DONORS

UNICOLL
Co-op Atlantic
Co-operative Trust
World Council of Churches
Newfoundland and Labrador
Federation of Co-ops



Add your name to the *Worker Co-ops* donors box with a contribution of \$100 or more.

Margret Asmuss
Production Assistant

Worker Co-ops is an independent quarterly magazine, publishing in Sept., Dec., March and June.

Indexed in the Alternative Press Index.
ISSN 0829576X

Submissions--articles, reviews, or letters typed double-spaced on 8 1/2 x 11 paper--welcome; send to:
Worker Co-ops
253 Willow Ave.
Toronto, Ontario
Canada M4E 3K6

Next issue deadline: April 30/86.

Send subscriptions/backorders to:
Worker Co-ops
c/o Centre for the
Study of Co-operatives
Diefenbaker Centre, U. of S.
Saskatoon, Saskatchewan
Canada S7N 0W0

Individual subscriptions:
Canada \$12/yr; \$22/2 yrs
U.S. \$13/yr; \$24/2 yrs
Overseas \$15/yr; \$27/2 yrs
Institutions: \$15/yr; \$27/2 yrs

Editorial/Marketing Committee

Don Altman
Nancy Armstrong
Steve Schildroth
Bob Schutte

Contributing Editors

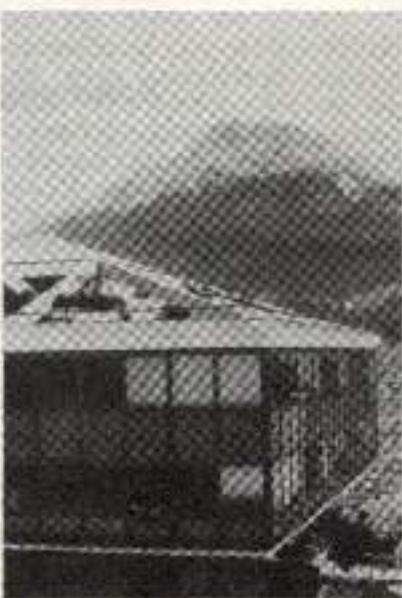
Nancy Armstrong	N.B.
Robert Briscoe	Int'l
Claude Carboneau	Quebec
Albert Chambers	Ottawa
Doug Davison	Manitoba
Andrew Goussaert	Arctic
Lynn Hanley	Alberta
Laird Hunter	National
Grant MacDonald	Maritimes
Skip McCarthy	Sask.
Gilles Michaud	P.E.I.
Ethan Phillips	Ontario
Robert Thompson	Nfld.
Dana Weber	B.C.

Advertising Rates

Ad Size	Cost per Issue /per 4 issues
3" x 5"	\$40/\$150
1/2 page	\$100/\$375
Full page	\$200/\$750

Inside

Across the nation.....	23
Around the world.....	29
Book notes	48
Book reviews.....	45
Cross-Canada directory: Manitoba.....	36
More B.C.....	21
Conferences.....	44
Features	
Unions and worker ownership: traditional and emerging roles/ <i>Kreiner</i>	7
A union viewpoint on forestry buyouts in B.C./ <i>Weber</i>	12
Unions and worker co-operatives in Newfoundland: starting a dialogue/ <i>Thompson</i>	15
Co-ops and labour in the Maritimes: a relationship on the mend/ <i>MacDonald</i>	17
Why the union opposed the worker-co-operative conversion of Quebec liquor stores/ <i>Cardinal</i>	19
Lessons from the past: the tension between worker and consumer co-ops in 19th-century Britain/ <i>Melnyk</i>	21
British villages find co-operative solutions to government cutbacks/ <i>Briscoe</i>	32
Worker Investment Fund considered by Manitoba labour/ <i>Russell</i>	33
Worker co-operatives: part of the Arctic future/ <i>Goussaert</i>	37
Employment co-operatives in Saskatchewan: a recognized and attractive option/ <i>Shearer</i>	39
Mondragon fundamentally different than capitalism and socialism/ <i>Mollner</i>	42
Three new employment co-operatives in Manitoba/ <i>Hull</i>	19
Films.....	47
Forum.....	4
Letters	2



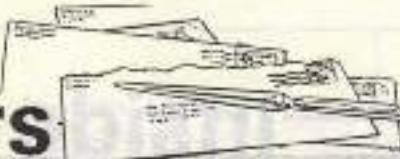
Mondragon revisited. (Forum, p. 4;
story p. 42)



UFCW negotiator Peter Marks
and Sherman Kreiner of PACE at
O&O store. (Story p. 7)

SUBSCRIPTION EXPIRED

Letters



Soho angers reader

I was both dismayed and angry after reading your report on "Soho Strippers" (*Worker Co-ops*, December, 1985). The tone of the report is both patronizing and belittling. Would, for example, the workers in any other co-op be so cutely described as "running their own show--more or less"? In addition, the snide innuendo on the contributor is inexcusable.

Worker Co-ops owes both the worker-owners of Peep-show and

Co-op seeks contacts

Dandelion is a small worker co-op in rural eastern Ontario, near Kingston. We have six adult members running our hammock-making business and our 50-acre farm. Established in 1975, Dandelion is a member of the Federation of Egalitarian Communities, whose other member communities, mostly in the United States, also function as worker co-ops. We hold our land, resources, labour and income in common, and try to live, work and play in accordance with the principles of co-operation, non-violence and equality.

We are interested in becoming more active in the co-op movement and are finding your

Canadian food products anyone?

Calling all readers! Co-operative Work (Toronto) Ltd. is now assisting in preliminary investigation of a potential foreign market for distinctively Canadian food products. Readers of *Worker Co-ops* can help by suggesting possible food products and suppliers, especially worker co-ops and collectives, in Canada. If a market can be substantiated, Co-op Work hopes to assist in setting up a new worker co-op to be the wholesaler-exporter of such products.

Products suitable for export should be of uniformly high quality and have a long shelflife with few or no additives. Entire-

the women who contribute to and read your magazine an apology for publishing this offensive, misogynist material.

Maggi Redmonds
88 Coady Avenue
Toronto, Ontario
M4M 2Y8

Editor apologizes and promises that there will be no more Sohos.

magazine highly informative and helpful in keeping us up to date on issues and events. We would be happy to hear from people in other worker co-ops who might be interested in any aspect of Dandelion--buying our hammocks (or selling them!), visiting the community or simply getting in touch.

Helen Forsey
Andy Busch
Dandelion Community
Co-op Inc.
R.R. 1
Enterprise, Ontario
KOK 1Z0
(613) 358-2304

ly natural products would be ideal. Transportation cost is also a consideration, so liquids or products which require refrigeration are a lower priority. Maple sugar is an obvious example of a suitable product, with maple syrup a somewhat less suitable candidate.

Any readers who have suggestions for this export development project should contact Co-op Work, 257 College St., Toronto, Ontario, M5T 1S5; (416) 928-9568.

Robert Schutte
Co-operative Work

Co-ops si, ESOPs no!

I'm very impressed with the content, information, and style of the December '85 *Worker Co-ops* magazine and want to pass along my/our encouragement. Perhaps you really don't need encouragement, as things seem much more open to co-operation in Canada than in the U.S.

Having noted your progress with pleasure, I want to make some critical comments.

In the Across the World section (reference U.S.A.), note that most of the "employee-owned" corporations are not actually co-ops but rather ESOPs with varying and usually limited employee-voting and ownership rights. I don't claim to have full information on these ESOPs since Twin Streams Educational Center chooses not to focus on such business schemes. The O&Os, Hyatt-Clark, and Denver Cab are notable exceptions to the primary ESOP format. Certainly there are others that are true co-ops and yet your readers should not get the impression that co-ops are thriving in the U.S.A.

Such relatively glib worker-ownership reflections as appeared in your last issue make it appear that Canada is in the same boat. . . . RATHER TYPICALLY COPYING THE U.S. . . . TELL ME THAT IT ISN'T SO!

On another matter, Twin Streams Educational Center and the members of the North Carolina worker-ownership network will hold our fifth conference the first weekend in June, 1986. We'll keep *Worker Co-ops* posted.

Wes Hare
President, Twin Streams
Educational Center
2431 Flemington Street
Chapel Hill, North Carolina
27514 U.S.A.
(919) 929-3316

Staples replies to Donkervoort

Marty Donkervoort's letter in the December issue is a real help. It serves to keep the discussion going and indicates that my letter to which he refers was not as clearly written as it should have been. I'll try again.

The one great strength in cooperatives is the possibility of developing a unique relationship between worker and employer. Herein is found the one trail open to us which private profit enterprise can never follow.

Even the successful Mondragon movement in Spain is being criticized in this regard, e.g., in your fall issue Chris Axworthy wrote, "The relationship between the worker-members and their co-operatives appears to be less than desirable." So let us beware and be wise.

In essence, my plan is very simple. The budget approved by the membership would provide for regular advances to worker-members, likely on a weekly basis. At the end of the fiscal period, when results are known, a final payment could be cal-

culated.

Since the advances are not in the same category as wages, there may be a number of technical/legal questions needing answers. I am not capable of discussing these. For example, they may be associated with deductions for workers' compensation, unemployment insurance, pensions, and income tax.

There seems little doubt that acceptance of this plan will come slowly. The present productive system involves an employer (individual, partnership, corporation, or co-op) and an employee-worker who does a day's work for a day's pay. It has developed through the aeons to the present, and the principle is rarely challenged. True, some associations of employees in the last couple of centuries have formed groups strong enough to make sorties across that demarcation line.

But the discouraging result has been that, through the centuries, a sharp distinction has arisen between making a living

and the lives we live. This separation is now widely accepted and even considered unchangeable. But humans are, or were, naturally gregarious—American Indians and Inuit lived by sharing until we white men came, destroyed their habitat and pushed them off.

The future is long—it is just as long as the past. Let us not be impatient. But let us use all the power we can muster to help evolve a new system, albeit building on what now exists, to give those who are interested the opportunity to achieve a new plateau on the long trail up.

Ralph Staples
245 Charlotte Street
Apartment 1201
Peterborough, Ontario
K9J 7K6

Staples was president of the Co-operative Union of Canada in 1940 and the originator of direct-charge consumer co-operatives.

Joint degree program

We would appreciate it very much if you would include the following information in your next issue, as it should be of special interest to your readers.

Boston College has established a joint degree program in Management and Sociology. Students earn an MBA and PhD (or MA) while concentrating studies in the area of social economy. They explore the interplay between theory and practice in several groundbreaking areas, including workplace democracy and self-management, corporate social responsibility, community economic development, employee stock option plans, social investment, and new labour relations. The joint degree arrangement means that there is a reduction in the number of courses taken in each program.

For more information contact Joint Degree Program, Department of Sociology, Boston College, Chestnut Hill, Mass. 02167, USA.

Paul Gray, Ph.D.
Assoc. Professor, Sociology

We've moved

Many thanks for the short note on the Community Initiatives Support Network (CISN) in the December '85 issue of your magazine. Please note that we have changed our address.

Contributions to *Community Options* should be sent to 5551 Atlantic St., Halifax, Nova Scotia B3H 1G6; send all other enquiries to 1357 Kingston Ave., Ottawa, Ontario K1Z 8L1.

Carl Duguay
Director

**Where
Interest
extends to
people.**



UNICOLL CREDIT UNION

245 College Street
(at Spadina)
Toronto M5T 1R5
978-5506



Forum

Two commentaries by David Ellerman

Axworthy's Mondragon

Chris Axworthy's article, "Some 'cons' about Mondragon", in the fall, 1985, issue of *Worker Co-ops* requires some comment. I fully support the general idea of bashing Mondragon as well as other co-operative models. There is much to be critical about in any real-world example. There is by now an almost standard litany of "problems" discovered by Mondragon bashers: the paternalism of the Caja; the non-role of the unions; the lack of women in leadership roles; the degree of shopfloor democracy; and the conservative business style.

There is some substance to all these criticisms. But I fail to see the point. Does a North American really travel to a country emerging from a half century of fascism and expect to find a model for the role of unions or the role of women? In any case, Axworthy is right: Mondragon is not such a model.

Mondragon is important for other reasons. For instance, I have written on three major social inventions of the Mondragon co-operatives: the system of internal capital accounts; the socialization of entrepreneurship embodied in the Empresarial Division of the Caja Laboral Popular; and the management planning system based on treating labour as a fixed quantity (see

ICA literature).

There is much else to be learned. William E. Whyte and other researchers emphasize other aspects of Mondragon. Research has only scratched the surface.

For example, what was the role of the regional federations within the CLP group in surviving the recent depression in Spain? In the last few years Spain has been in a serious depression. Unemployment has soared as capitalist firms have laid off workers by the thousands. With remarkable effort, the Mondragon co-operatives managed to survive the depression and maintain the jobs of most of their members.

Did Axworthy investigate the innovative methods used to survive when the competition was closing down? No, he criticizes the co-ops for not additionally soaking up the unemployed workers in the middle of a depression!

The matter of anti-union bias always comes up. My understanding is that unions in Spain function as industrial arms of political parties. There are eight sizable unions in the Basque country paired with the eight political parties. What would be the function of these unions in the Mondragon co-operatives? Different unions in different co-

ops would be pitted against each other in the political arena. That would jeopardize co-operation with the federation and would surely be worse than the present political neutrality of the Mondragon group.

Or, would the unions refrain from using their industrial base for political organizing and concentrate on traditional collective bargaining? Even in that unlikely event, what is the role of old-style bargaining in a 100 per cent employee-owned firm?

There is a need for something rather different, namely an organized body to play the general role of the legitimate opposition in a democratic firm. The Mondragon Social Councils need to be beefed up to play that role, and that is where sympathetic non-aligned unions might be of assistance.

Axworthy's points about the paternalism of the Caja Laboral Popular are probably well taken. In any case, my understanding is that the Mondragon group is being reorganized so that the CLP is no longer the apex of the group. This was in part a response to the domineering role of the CLP. But I am not up-to-date on the details. I urge *Worker Co-ops* to obtain and publish more recent research on this reorganization.

Comments on Quarter's review

In his comments on my paper "Workers' Co-operatives: the Question of Legal Structure" in the Jackall and Levin volume, Jack Quarter questions the distinction between the labour-based membership rights and the property rights in a co-operative with a membership fee and internal capital accounts. It is important that these questions be answered, since the alternative capital structure of common-ownership companies has long been an albatross around the neck of the worker co-operative

movement in the UK and elsewhere.

Quarter bases his argument on the empirical relationship or correlation between getting membership in the co-op and paying the membership fee. No one questions the relationship—that's the whole idea of a membership fee. It is an obligation of membership. It is the inference that the fee buys membership which does not follow.

I explicitly point out the analogy to union dues (or to state taxes). There is an undoubted

relationship between paying dues in a union and membership in the union. If you don't pay your dues, you're out. Does it then follow that one buys union membership with union dues; that union membership rights are, therefore, property rights instead of personal rights; that in order to "call a spade a spade" one should say the workers are the "owners" of the union as a piece of property? I think not, and the case of the worker co-op with a membership fee is analogous. Other grounds for the distinction

Forum

are covered in the paper which should be consulted for the full argument.

Quarter also makes some comments about the common-ownership structure, e.g. that the state provides the capital in Yugoslav firms. The state calls the capital "social property", but that is quite different from providing it. The net capital of the firm is typically provided by the retained past earnings of the workers of the firm. And that retention is usually required by the state since the common-ownership structure greatly reduces the incentives to voluntarily finance investments by retention of earnings. Since the workers have no recoupable claim on the net book value of the company, the incentive is to take out all earnings as wages and bonuses, and to finance all investment with debt.

When workers do retain earnings due to state requirements or the unavailability of credit, it is not recorded in their name in any internal capital accounts. The only way they can try to recoup their "implicit equity" is to take out higher wages, salaries, and bonuses while being with the firm. Workers near retirement are simply expropriated of their retained earnings.

For those remaining with the firm, the wages partly take on the character of return on their retained capital. The wages contain some implicit capital rents.

New workers would be getting the same pay per job category, yet the new workers did not contribute to that built-up capital. Thus, the common-ownership structure creates a bias against bringing in new workers since they would automatically share in the return from the fruits of the old workers. Yugoslav factories promote labour-saving devices while Yugoslav workers go to Germany to find jobs.

In the Mondragon-type capital structure promoted by the Industrial Co-operative Association (ICA), the retained fruits of the workers' labour are

recorded in the internal capital accounts which bear interest. New workers do not automatically share in or dilute those accounts, so the capital accounts remove the common-ownership bias against new members.

Another reason for the internal capital stakes is the increased ability to tap outside debt capital. Some co-operators set up the common-ownership capital structure which penalizes retention of earnings, and then they think their inability to raise outside capital is solely due to capitalist prejudices.

Conventional capital sources understandably do need to be educated about worker ownership. But in ICA's experience, capital sources make loan decisions on relatively objective grounds after some education and familiarity with the previous track record of worker-owned firms. Any loan source, no matter how sympathetic, realizes that without capital stakes, workers have a lot less to lose by defaulting on loans.

Thus, the smaller common-ownership co-operatives in the UK have been notoriously unable to move beyond the small amount of goodwill capital targeted for

such firms into the arena of conventional capital sources. It is always easier to blame "capitalist prejudice" than to examine one's own capital structure. In the meantime, the stereotype of worker co-ops as dwarfish, labour-intensive, and unbusinesslike is being prolonged in the UK.

These lessons are important for the North American worker co-op movement. In the United States, the Mondragon-type legal structure with internal capital accounts can be implemented by using a special set of corporate bylaws in any state in the union. Moreover, in five states (Massachusetts, New York, Connecticut, Vermont, and Maine), special statutes have been passed to specifically authorize this legal structure.

A British version of the Massachusetts worker co-op statute is now being drafted as a proposed amendment to the Companies Act in England.

David P. Ellerman
Staff Economist
Industrial Co-operation
Association
58 Day St., Suite 200
Somerville, MA 02144 USA

WORKER OWNED AND MANAGED



CRS FOODS (WHOLESALE)
1239 ODLUM DRIVE,
VANCOUVER, B.C.
V5L 3L8
TELEPHONE 251-1585

UPRISING BREADS BAKERY
1697 VENABLES STREET
VANCOUVER, B.C.
V5L 2H1
TELEPHONE 254-5635

Quarter again

Given the three-month interval between issues and the rare opportunities for interchanges of this sort, I'll take another turn. Should David want to, he can have the last word next time.

First, I want to make it clear that I was not criticizing the Mondragon model *per se*, which is both a practical and a just method of distributing surplus and financing a co-operative, but the interpretation that Ellerman gives to Mondragon--specifically that there is a separation between property rights and membership rights and the workers are not owners.

In my view, the "membership fee" in the Mondragon co-operatives is not simply an "obligation of membership" "like a union due", but also property that forms the basis for ownership of the co-operative and at least, in part, determines the rights that members have within the co-operative. Ellerman, on the other hand, argues that in a Mondragon-type worker co-operative, even though membership and property rights are "correlated", the membership fee does not directly influence the membership rights. Rather these are "personal" and "inalienable", much like the rights of individuals in a democratic society.

If, as Ellerman claims, the Mondragon membership fee is simply a correlate of membership rights and does not directly influence those rights, then one might expect that a member's decision to withdraw the capital in his or her account would not affect his or her right to vote in the co-op. Yet, this is not the case. Each member's voting right within a Mondragon co-operative is not just correlated with property holdings, but is conditional upon maintaining those holdings. The direct influence of property on membership rights seems indisputable.

Let's take this point further by discussing Ellerman's analogy between Mondragon membership fees and union dues. In some respects the analogy stands--both union dues and membership fees are used to finance services to

members. But in other respects the Mondragon membership fee and union dues differ--unlike a union due, the membership fee is equivalent to equity for individual members. The co-operative pays interest to members on their contribution, and the interest on this property as well as patronage dividends accumulate in members' accounts and are paid to the members upon departure from the co-operative. By comparison, union dues cease to belong to individual union members.

Although the membership fee in the Mondragon co-ops is interpreted by Ellerman as being different than the capital in a conventional firm, it serves the same function of financing the business and, like capital in conventional firms, belongs to the individuals who contribute the capital.

There are also important differences between the property arrangements in a Mondragon worker co-operative and a conventional firm. The membership fee does not increase according to the market value of the business; the membership fee cannot be traded on the market according to its market value; and the members as a group cannot profit from the sale of the business.

Therefore, the property arrangement in a Mondragon co-op has some similarities to and some important differences from the property arrangements in a conventional business. But it seems too extreme to say that the property arrangements are independent of members' rights. If Ellerman stated that Mondragon co-ops make more of a separation between property rights and members' rights than conventional firms, then I could agree. Certainly the rights of members within a worker co-op are also influenced by co-operative tradition and the priority given to democracy within that tradition.

In my review of Ellerman's essay (*Worker Co-ops*, 5/3), I cite the common ownership models (Scott-Bader, kibbutz, Yugoslavia) as creating more of a separation between property and membership rights than the Mon-

dragon co-ops because individual members do not own property within the co-operative. I agree with Ellerman's criticism of the practical limitations of common-ownership models, but in spite of those practical limitations, an individual capital contribution is not a condition for joining and maintaining membership and does not influence membership rights.

On the other hand, the Mondragon model appears to be more useful in countries like Canada and the United States, and David Ellerman has made an invaluable contribution in his advocacy of this model. I recommend strongly Ellerman's essay in "Worker Co-operatives in America" and his earlier essay, "What is a co-operative", available from the Industrial Co-operative Association. Both essays are intellectually-provocative efforts at coming to grips with the meaning of what we are trying to do in the worker co-operative movement.

Jack Quarter
Worker Co-ops

OUR TIMES

IN ITS FOURTH YEAR OF publication Our Times, published by a unionized co-operative, is a monthly magazine that provides an interesting and informative view of the progressive trade union movement in Canada and abroad. Read what union and community activists think and do — feminism, democracy, labour, culture... just some of the issues found in Our Times. Make it your times...

SUBSCRIBE TODAY!

OUR TIMES
390 Dufferin St. Toronto
Ontario, Canada M6K 2A3
 \$15 individual (10 issues)
 \$25 institutions (10 issues)
please allow 4-6 weeks for first copy

Unions and worker ownership: traditional and emerging roles

Sherman L. Kreiner

Recent events have demonstrated that unions have an important role in the development and maintenance of worker-owned companies. Involvement in worker-owned companies has meant the continuation of some traditional roles and the emergence of new roles for unions. Both worker-owned companies and unions have benefitted from union participation, although there are still some central issues concerning the structuring of worker-owned corporations that unions need to address.

Union roles in creating worker-owned companies

In establishing worker-owned companies, unions have played a crucial role in assuring that there is a substantial amount of worker control. Research has indicated³ that ownership without control may lead to frustration and resentment rather than to expected increases in productivity. When workers have control, through participation in decision-making, they both care about their workplace and believe that their ideas will be listened to. This gives workers a feeling of ownership that seems to increase their motivation and their productivity.

The history of worker ownership shows that in conversions in which the union has not been involved or in which no union existed, there is seldom any significant worker control. In the United States, some employee stock-ownership plans (ESOPs) are examples of workers' ownership without control. They seem to be attempts to garner tax advantages and to increase productivity by creating false expectations of worker control resulting from legal ownership. In reality, decision-making powers are restricted to a few.⁴

This can result from a number of scenarios. For example, the stock may be owned by the employees, but voted by a trustee who is not elected by the em-



Roslyn O&O grand opening, October, 1982. Pictured is UFCW Local 1357 staff member Bob Wolper.

ployees. In another scenario, stock is distributed according to salary, giving disproportionate control to management employees.

Where these plans are primarily designed to improve productivity without offering control to workers, the union is an essential advocate for workers in their struggle for control. Unions can be instrumental in creating corporate structures that give workers control by assuring that workers are represented on the board of directors. This can be done by establishing seats on the board for individual members selected as representatives or for union leadership representing the rank and file. Which alternative is preferable is an issue that unions will need to address.

Unions protect benefits

Unions have also been responsible for protecting employee benefits in the process of developing worker-owned companies. Without union participation, ownership plans often have been

implemented at the expense of important employee benefits, particularly pensions. By contrast, where union involvement in a conversion has been substantial—for example, at Atlas Chain Company in West Pittston, Pennsylvania—employee benefits have not been sacrificed.

The O&O project in Philadelphia is illustrative of a myriad of other roles the union has played in the development of extremely democratic worker-owned enterprises. The development of O&O supermarkets is a multi-faceted worker-ownership project initiated by the leadership of the United Food and Commercial Workers (UFCW) Local 1357. It was developed in response to the anticipated shutdown of the Philadelphia division of the A&P chain (Great Atlantic and Pacific Tea Company). By the end of 1985, it has resulted in the creation of four worker-owned supermarkets (the O&Os) and the framework for a vast network of worker-owned businesses. The union was essential in the transi-

How Unions Help Worker Co-ops Succeed

tion to worker ownership. In addition to advocating for the co-operative-ownership form, the union:

1) located and hired consultants, on behalf of the workers, to determine the feasibility of the proposed employee-owned businesses;

2) located and hired consultants to educate prospective worker-owners on legal and business issues in creating a worker-owned enterprise, train worker-owners in democratic decision-making, and assist worker-owners in developing the corporate structure, governance system, staffing model, and business plan for the O&O companies;

3) used its influence with lending institutions and public agencies to help obtain financing for the venture;

4) utilized its influence with the corporation from whom the physical plants were being purchased;

5) provided loans, through the union credit union, to workers so that they could make the necessary financial contribution for membership in the co-operative; and

6) utilized its influence with the media to draw public attention to the effort.

Continuing traditional union roles

In established worker-owned corporations, traditional union roles continue to be important. Protecting the rights of individual workers, for example, is a role that unions still need to fulfill. The necessity of a union, in this regard, is demonstrated by actual events in co-operatives without a union. Within the extensive Mondragon network in Spain there has been only one strike in over 20 years. Although that strike led to beneficial changes in operations, the fact that each of the strike leaders was summarily fired and not reinstated, is often overlooked. A union could have assured a

better result for those individual workers.

Employee-owned firms are not immune to arbitrary actions against the individual. The union, through the grievance process, has an important advocacy and defense role when a worker falls victim to such discrimination. Chuck Mueller, from the UFCW Local 46 at Rath Packing Company, a democratic ESOP, notes:

My picture of the union in all of this is to watch out for the individual. Because there's always one guy that's got a grievance that everybody else couldn't care less about. So, he's gotta have some protection; and the union is the only thing I see will do it. . . A personnel director could do it, but I haven't seen many of 'em who will. They won't buck the corporation for one guy.⁵

Even when the workers are owners and the design of their company gives them significant control over its operation, it is

important to have some means of balancing the need to do what is best for the company's financial success and what is best for the individual worker. The union assures that individual rights are not lost or ignored in the effort to create a profitable business.

James Smith, assistant to the president of the United Steelworkers of America, has set forth some additional, fairly standard functions for unions in employee-owned enterprises, including the following: providing industry-wide wage and benefits information; negotiating contracts to protect work rights; keeping workers informed about relevant political and legislative processes; and, taking political action to pursue workers' interests.⁶ These functions are critical and not necessarily inherent in a worker-owned and -controlled enterprise.

Emerging union roles protecting workers industry-wide

An evolving role played by the union in ongoing worker-



UFCW Local 1357 staff at Roslyn O&O grand opening, October, 1982. (L-R: Bob Wolper; Wendell Young, UFCW president; Pat Scarelli; John Nicholson).

owned businesses is protecting the rights of other workers in the same industry, usually employed in a non-worker-owned companies. This function is exemplified in the somewhat unconventional collective bargaining process between the union and the O&O supermarket co-operatives in the Philadelphia area. In a company where workers and owners are the same people, the classic model of union/management negotiations, assuming a basic antagonism between the two groups, does not exist. The negotiation process in this situation is played out differently.

First, the union acknowledges that the workers (because of their status as owners) are in the position of knowing that distribution of wages and profits is in their interest and the company's interest. In a sense, the worker-owners--wearing simultaneously the hats of owner and employee--must fight the battles in their own respective minds and among each other, that typically relate to the bargaining process.

Second, the workers acknowledge that their resolution of these issues (which are a matter of public/industry record) has the potential to undermine the efforts of the union in its collective-bargaining process on behalf of supermarket workers in non-worker-owned companies. Inside the worker-owned firm, a decrease in wages in exchange for current investments and additional profits at the end of the year may make sense--the worker-owner wins either way.

However, when viewed from the outside, the owner of a non-worker-owned company may point to such an agreement as a precedent-establishing event, maintaining that the union moderate its wage demands so that its owners (albeit non-worker shareholders) might receive their equivalent due. In this case, however, the economic position of the firm's workers has been undermined. While supporting employee ownership, the local union (a majority of whose members work in non-

worker-owned firms) cannot allow worker-owned firms to vitiate hard-won industry labour standards.

An actual example of a union response to this problem occurred during collective bargaining at the O&O supermarkets. In this case the union rejected an initial proposal about wages, even though it could assume that the proposal put forth was in the best interests of the worker-owners and reflected available monies for wages.

The original proposal called for a relatively small wage differential reflecting the worker-owner philosophy of equality. The union feared that the wages at the higher end were low enough to seriously hamper negotiations with other chains. In order to protect other workers it represented in the supermarket industry, the union needed to argue for higher top wages. Fortunately, a wage and benefit package was developed which allowed all wages to be raised, thus protecting the rights of workers in all supermarket chains, while maintaining the concept of equality in the O&O.

During the collective-bargaining process, the union, on the one hand, is content to allow the worker-owned company wide latitude in its financial decisions; on the other hand, the union must seek to minimize the potentially-negative effects of such decisions elsewhere in the marketplace.

A broader developmental role

In the Philadelphia A&P/O&O project, the UFCW Local 1357 has taken several other initiatives that may be of use elsewhere. The collective-bargaining agreement with A&P, when store shutdowns were imminent, resulted in some novel provisions to facilitate those, and subsequent, worker buyouts. One of the key elements in the contract led to reopening many of the shutdown A&Ps under a new A&P subsidiary called Super Fresh. In addition, employees in each of the reopened A&P stores

have a right of first refusal on their store. This means that before A&P can sell, franchise, or otherwise dispose of a store, the workers as a group have the right to buy it.

Avoiding shutdowns is very important to successful buyouts. A shutdown usually results in the loss of customers--a factor that reduces the likelihood that a buyout will be successful. In attempting to reduce the risk of shutdowns, the UFCW has used the longer advance notice of shutdowns negotiated for the O&O conversions as a model for negotiations with other supermarket chains.

Unions can also garner financial resources that can provide worker equity in worker-owned enterprises. Severance-pay provisions in a collective bargaining agreement can provide funds for that purpose.

Alternatively, the collective-bargaining process can be used to negotiate company contributions to capital-loan funds that can help finance buyouts. For example, conventional companies could contribute money into a revolving-loan fund based on hours--a penny an hour, two cents an hour, or five cents an hour. The O&O Investment Fund is capitalized in this manner. This money can then be used as a funding source for financing buyouts.

Internally, unions can use their credit-union funds to provide loans to members for equity contributions to a worker-owned company. Dedicating some of a union's treasury funds to technical assistance is another way that unions can help with financing.

Unions can also play an instrumental role in financing worker-owned businesses by tapping into other resources. Unions could, for example, have initial discussions with banks where they have pension money, health and welfare money, and/or treasury money, to let them know that if they don't give loans for buyouts serious consideration, the possibility exists of withdrawing

that money and placing it elsewhere.

Local public monies are another potential source of funding. Unions can pursue these through discussions with public officials. For example, cities often have a number of quasi-governmental agencies that control funds that could be used for these types of projects. In Philadelphia, Wendell Young, the president of UFCW Local 1357, sits on the board of directors of one of these agencies.

Union lead in education

Unions can take an active role in the development of worker-owned enterprises by implementing ongoing staff education so that when a conversion is imminent, union business agents and shop stewards are familiar with worker ownership. Similarly, planning ahead by identifying appropriate technical assistance providers, including people to do feasibility studies, can avoid last-minute scrambling when time pressure is great.

Once the groundwork has been laid, unions can think about the kinds of businesses and industries they want to target for developing worker-owned enterprises. One particularly effective strategy is for unions to look at businesses that can be linked with other businesses. Such linking can lead to increased market shares or attaining better deals in buying or selling products that will bolster the financial stability of the linked enterprises.

A related strategy, once similar enterprises are linked, is to create linkages with related businesses in the production process. For example, in the food industry, retailers—in the form of worker-owned supermarkets—can first be linked and then enterprises such as food-processing plants, that will have a market in the retailing companies, can be developed.

It makes sense to begin the development process by focusing on the segment of the targeted industry that initially won't require a great deal of money.

For an initial step, it is better to borrow \$1 million rather than ten million. If that million-dollar business works, the ten-million dollar one will be considerably easier to finance. If unions are going to target industries, the industries to target are ones where both initial and subsequent ventures have the greatest likelihood of success.

These demonstrated and potential new roles for unions confirm that, rather than making unions obsolete, employee ownership provides unions with opportunities to be central actors in both the broad and specific development of new enterprises that save and create jobs for union members.

Benefits for unions

Switching perspectives, the relationship between unions and worker-owned businesses is beneficial to unions, as well as to the businesses. By pursuing worker ownership as an alternative to plant shutdowns, unions have been able to protect the jobs of many members who otherwise would have become unemployed. The creation of worker-owned companies has also meant increased union membership in cases where previously unemployed or non-union workers have become employed in worker-owned businesses.

Perhaps the most important advantage for unions in developing worker-owned businesses in the face of shutdowns is the protection of benefit programs. In multi-employer pension plans, permanent shutdowns by a major company could mean the loss of substantial financial support for pension plans, jeopardizing the benefits of retirees and workers in other unionized companies. By keeping workers employed and contributing to their pension plan, the benefits of other workers are protected.

Finally, through involvement with worker-owned companies, unions have been and will continue developing new and

expanding roles for themselves in the labour market.

Issues for unions involved in worker ownership

There are four major structural components that are requisites for worker-owned and-controlled enterprises: first, a one worker/one-vote system where voting rights vest with the workers immediately or as quickly as possible; second, worker control of the board of directors; third, profit distribution based on labour participation; and fourth, maintenance of the pension plan.

These basic structural elements can be maintained either in a worker co-operative or, in the United States, in an ESOP. The choice between a co-operative or an ESOP is often related to the financial and tax consequences in any particular deal. Regardless of which is chosen, unions must address the aforementioned structural components that define worker-owned enterprises in general. Let us examine each component in turn.

Within a one person/one vote system, the first issue is the extent to which the rank and file is going to vote as a unit. At Atlas Chain the decision was made to block vote; that is, all rank and file stock is voted according to the majority of the rank and file votes. This system assures that as long as the rank and file workers exceed management in numbers, the will of the rank and file will always control the direction of the corporation. It also prevents the breaking away of dissident subgroups or groups aligned with management for other reasons.

Who represents workers on the board of directors is a second issue that unions must confront. One alternative is to have individual rank and file members elected to the board; another is to have union leadership placed on the board of directors as rank and file representatives. There are arguments in favor of each of these options, and each has been

implemented in different worker-owned organizations. Unions, however, must decide which option they prefer.

A third issue for unions is formulating a method for distributing profit according to the labour contribution of workers (labour determines stock or profit distribution). The problem of how to measure labour must be resolved. Several options might be considered: profit distribution can be based on compensation, on seniority, or on hours worked. When profit distribution is based on hours worked, with every hour being equal to every other hour, irrespective of compensation, distribution is more equitable to rank and file workers as compared to management employees.

A final issue for unions to address is the extent to which there will be a worker-education program as part of the development of a worker-owned business. Education programs can cover information about how corporations work, how worker-owned businesses work, how to read and understand the implications of income statements and balance sheets, and how to be effectively involved in problem-solving and decision-making.

The extent of the worker-owner education program can de-

termine where control of the organization really lies, irrespective of structure. If the board of directors is uninformed, for example, control will rest with management. Similarly, if the rank and file is uninformed, control will rest with the board rather than the membership. The membership of a worker-owned business can have effective control only when they fully understand the business operations, the information they need, and how to use that information when they have it. Essentially, the extent of the education program will determine how democratic the worker-owned enterprise will be.

Conclusions

The creation and operation of worker-owned and -controlled businesses requires union participation. In some cases the union's role is traditional; in some cases it may be a modification of a traditional role; and as the worker-ownership movement expands, new roles will be developed. Union involvement can be beneficial not only to a worker-owned enterprise, but also to workers in non-worker-owned businesses in the same industry, to the development of future worker-owned companies, and to the unions themselves.

Notes

¹This paper is a synthesis of three other papers written by PACE staff members: Kreiner, S.L., *The union role in employee ownership*, 1984; Kreiner, S.L., *Key issues and strategies for unions in developing worker-owned and-controlled businesses*, presented at the National Center for Employee Ownership Conference on Employee Ownership and Unions, Washington, D.C., Fall, 1985; Lamas, A.T., *Narrative report to the Ford Foundation*, Grant No. 835-0422. It was jointly compiled and edited by Virginia J. Vanderslice, Coordinator of Education and Research, and Sherman L. Kreiner, Executive Director PACE of Philadelphia, and is copyright of PACE, 1986.

²The development of this paper was partially supported by Grant No. 835-0422 from the Ford Foundation.

³Coker, C., *Relationships between personality, work attitudes and educational implications*. PACE (mimeo); presented at the National Employee-Ownership and Participation Conference, Gilford College, Greensboro, North Carolina, October, 1984;

⁴Long, Richard J., *Relative Effect of Share Ownership vs. Control on Job Attitudes in an Employee-Owned Company*. *Journal of Human Relations*, Vol. 31, pp. 753-764.

⁵Sklar, Susan, *An experiment in worker ownership*, *Dissent*, 1982 (Winter), pp. 61-69.

⁶Smith, James, *The labor movement and worker ownership*, *The Social Report*, Vol. 2, No. 2, 1981.

Sherman Kreiner is the executive director of PACE of Philadelphia, 2100 Chestnut St., Philadelphia PA 19103; (215) 561-7079. Kreiner and other PACE staff have been instrumental in organizing the O&O supermarkets of Philadelphia. ■



Strawberry Mansion O&O grand opening, July, 1985. Speaking: Philadelphia Mayor W. Wilson Goode; seated in front: Sherman Kreiner, PACE; standing in rear: Wendell Young, UFCW Local 1357 president.

A union viewpoint on forestry buyouts in B.C.

by Terry Smith
with Shane Simpson and
Dana Weber

B.C.'s leading industry has gone through major technological changes in the past few years--changes that have left many forestry workers unemployed despite a return to pre-recession production levels. With the threat of plant closures, job loss, and wage and benefit erosion, there have also been increased opportunities for worker buyouts in the industry.

Victoria Plywood, for example, is a former Canadian Pacific Industries subsidiary now operated as a worker co-operative. The employee takeover was a source of some conflict between the coop and B.C.'s largest forest union--the International Woodworkers of America (IWA)--and led to the union's decertification at the plant. *Lamford Mills*, on the other hand, is now a 100 per cent employee-owned company with plants at New Westminster and Sooke on Vancouver Island. Established with IWA support, this buyout saved 250 jobs.

In our last issue of *Worker Co-ops*, at press time it was reported that the deal to buy Lamford was dead because it failed to get private-sector financing. But due partly to IWA pressure, the B.C. Development Corporation (B.C.D.C.) subsequently came through with the money and the workers are now in control.

In the following article--based on an interview by CODA's Shane Simpson--Terry Smith, the president of IWA Local 1-357, explains his union's seemingly contradictory position on the two buyouts.

Dana Weber

First to put things in context, Lamford Cedar Products--then called Sooke Forest Products--

went into bankruptcy in July of 1984. The bank posted a notice saying they were withdrawing their support as of midnight on the date of closure. The company issued paycheques after closing which the bank then refused to honour, and that became the first fight--to get the bank to cash those paycheques.

At the same time we met with the then-owner of the company who said he didn't know if he could re-establish the company, but he really wanted to save the jobs if he could. The union's position was that we had two modern mills, a bunch of inventory, a trained workforce, and we were going to do whatever we could to get the mill reopened under whatever ownership. That was our position for the next year, till July of '85 when it became clear that no serious buyer was going to come forward. Then we were faced with the choice of letting the assets go to auction or making an offer on behalf of our members to the trustee. We decided to make an offer, but really we were a player of last resort.

The proposal we put to the bank was basically to pay them a price similar to what they would get at an auction--\$1 million. We also agreed to buy \$2.5 million worth of the existing inventory. The bank involved, the Toronto Dominion, agreed to the offer provided the workers would put equity into the operation, also of about \$2.5 million. The workers had been unemployed for a year at this point and weren't in a position to put up the equity themselves; so they borrowed that amount and will pay it back through payroll deduction which amounts to 25 per cent of the wage rate.

Complete worker ownership

When the equity loan is paid off, the plant workers will be 100 per cent owners of the operation.

Only people who work there will be owners, and workers who leave must sell their shares back to the company. The buy-in for each worker amounts to \$12,500 and, unlike an operation like Richmond Plywood, that amount will never change, regardless of any increase in the value of the company's equity. We wanted to keep membership affordable.

Also, each owner has one vote, and that will never change either. The company is a limited company, but the voting rights are essentially on a co-operative basis. However, there are outside members on the company's board, as well as labour and management, and it's structured so that no one group dominates.

The IWA itself has no investment in Lamford, but we did make the deal happen, supported it, pushed it through, promoted it in the public press, and lobbied for it with BCDC. If the project hadn't had the backing of a strong trade union like our own, I doubt it would have happened. Sometimes I still suspect that the bank and the government only encouraged us because they thought we would never bring it off, and when we failed they could then sell it off without any political repercussions.

But our support for the Sooke/Lamford buyout was a response to a unique set of circumstances. There are critics of our union who say that we blew an opportunity at Victoria Plywood and needed to make ourselves look good at Lamford, and there are those who say that the 25 per cent transfer from wages to shares is just a wage cut by another name, and so forth. I don't think that's the case. There are significant differences between the two buyouts.

Victoria Plywood not a good deal

First of all, no one at Lamford had to invest a penny in the operation before they went back.

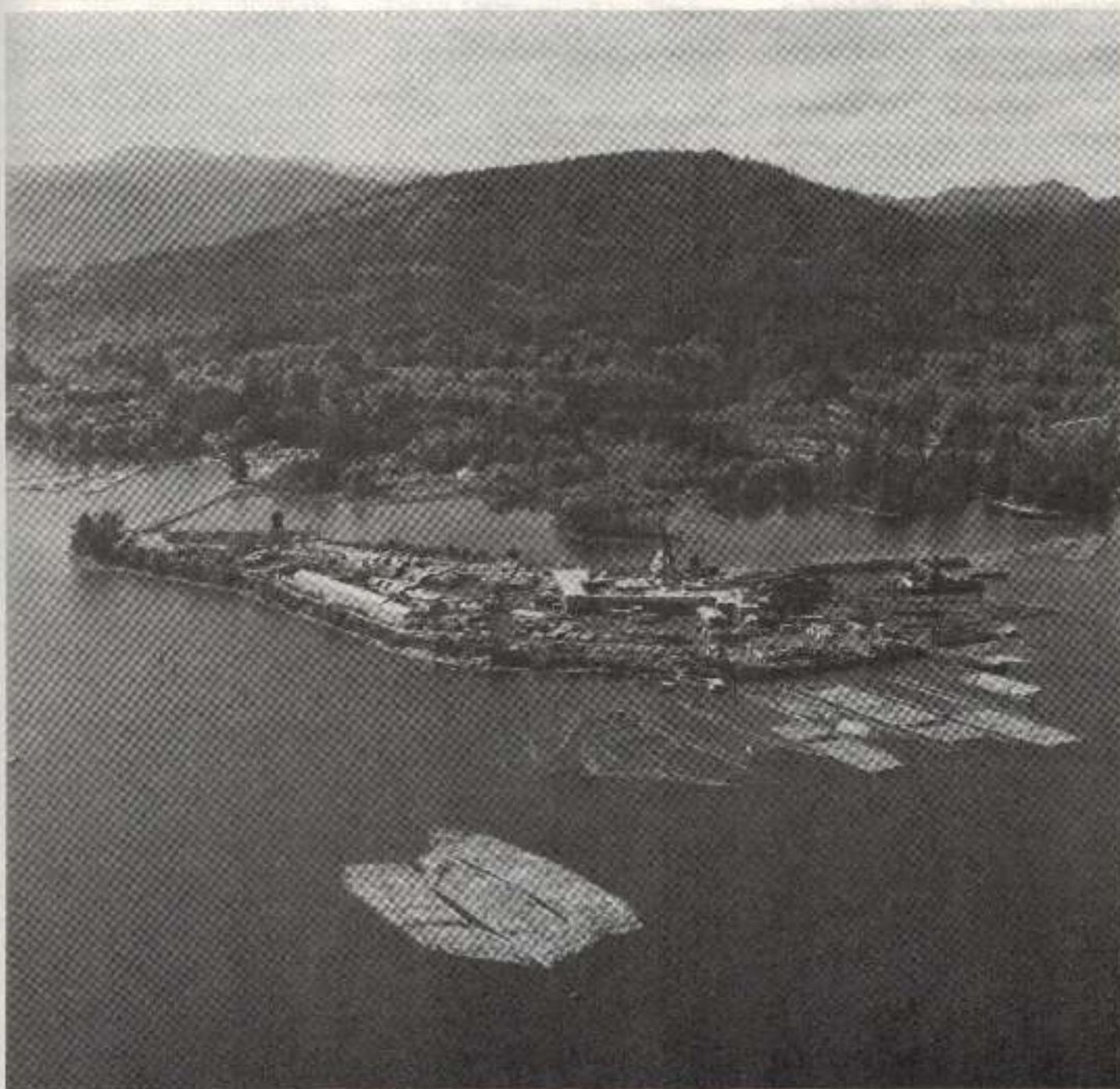
Unions and worker co-operatives in

to work. At Victoria Plywood they seemed to be saying you have to buy yourself a job, and I understand several of the people who bought those jobs were not among the original workers laid off by the plant closure. All the Lamford owners are part of the

former workforce.

Second, at Lamford the IWA collective agreement is totally in effect. Workers make 100 per cent of their former wages, but they do have to buy their shares through payroll deductions. When those are paid off, their wages

and all benefits will be exactly the same as our members' wages in other unionized plants in the province. We made some other minor, technical changes in the contract, but nothing that is going to have any long-term significant effect on the workers.



Lamford Forest Products mill at Sooke on Vancouver Island.

Workers at Victoria Plywood don't have a pension plan, and they've lost the other benefits and protections of a collective agreement.

Third, it was not a corporate decision to close the two Sooke Forest Products plants, as was the case of Victoria Plywood, but rather a financial institution's decision; so we were faced with a basically different proposition. Much of the debt incurred which led to the bankruptcy had in fact been spent on modernization, and that leads us to another point.

Victoria Plywood was a very outmoded plant, a difficult plant to operate, and one that was losing horrendous amounts of money. A group of people thought they could put it together under a co-operative structure, but only if they took very significant wage cuts that could affect unionized plywood plants elsewhere. If you work for \$8 an hour, as against \$15 an hour in a unionized plant, obviously you should be successful if you sell your plywood at the prices unionized mills are getting.

IWA sympathizes with Victoria Plywood

I want to emphasize that we have never been critical of the workers at Victoria Plywood for trying to save their jobs. And we didn't just walk away from them. There were studies done before the closure, that we were involved in, that showed that the plant was just not viable. The question for us then became, if the plant couldn't pay fair and decent wages, should people go to work for any amount of money? If we had agreed to that proposition at Victoria Plywood, no doubt other employers with whom we had collective agreements would have come to us asking for the same concessions.

The provincial government also demanded other concessions as a condition of their support for Victoria Plywood—for example, no wage increases for a period of three years—which

they didn't get from Lamford, largely because of our pressure.

Time will tell whether Victoria Plywood can be successful in the long-term, but certainly the assessment of the former owners was that its obsolete plant could not be made viable without massive capital expenditures. Lamford, by contrast, is a modern plant, and that's why it will be successful. It saved 250 jobs at a cost of about \$10,000 a job—well worth the price when you compare that to the \$1 million it has cost to create a job in northeast coal industries.

Despite our involvement in Lamford, I don't think you can say that the IWA has become an absolute supporter of worker ownership. We are not going to get involved in worker buyouts every time a plant closure comes along. Again, I emphasize that Lamford was a unique situation, and it was not one that required a direct financial commitment from the union.

Investing union pension funds directly in buyouts or other forms of economic development is more of a problem. Who decides, and how do they decide, which plants are going to be saved? Should we buy unviable operations just because our members' jobs are at stake, or do we buy only into good propositions in which we know our money will be safe?

IWA invests in forestry industry

Traditionally, our approach to saving jobs in the forest industry has been to encourage more reinvestment. In the past, the union itself has offered to contribute a portion of that investment through a provincial program which would be applied to developing the forest sector. We're still prepared to do that, as long as it doesn't become a political football.

As far as support for worker co-operatives and employee ownership, I think we would have to look at each case separately. There are really not many examples yet that one can point to as "typical" industrial co-

operatives, and it is difficult for the trade-union movement to know exactly what it's being asked to support.

The trade-union movement has, of course, been a strong supporter of the credit-union sector, and many of our members are involved in housing co-operatives. So it would not be fair to say that the union movement is "anti-co-op".

The level of support we would give to worker co-operatives would depend on the structure of the co-op, the working relationships inside it, and its attitude toward organized labour. We would not look favourably, for example, on a "two-class" co-op where there was one wage for shareholders and another for non-shareholders. Nor would we be very happy with a co-op that set itself in direct competition with unionized firms by undercutting union wages; that, of course, was our chief concern with Victoria Plywood.

However, if another opportunity like Lamford came along, and the firm was equally viable, we would support it to save jobs. In the final analysis, then, if a viable employee-owned firm or worker co-op can be established in a way that's consistent with trade-union principles, there's no reason why our union, at least, would not support it.

For additional information, write to Dana Weber, CODA, 206-33 East Broadway, Vancouver, B.C., V5T 1V4; (604) 251-3255 or to Terry Smith (photo below), Pres., IWA, Local 1-357, 1176 8th Ave., New Westminster, B.C. ■



Unions and worker co-operatives in Newfoundland: starting a dialogue

Robert Thompson

If the fledgling worker-co-operative system does not fashion a clear and comfortable position on unions and define a role for unions within its structures, then significant opportunities for growth may quickly disappear. This situation is evident in Newfoundland, as it is across Canada. Considerable effort is required to understand mutual goals and to develop joint strategies for improving the lot of workers.

The Newfoundland scene

At the provincial level there have been no formal discussions between the Newfoundland and Labrador Federation of Co-operatives (NLFC) and labour organizations over potential areas of collaboration. The NLFC represents all sectors of the co-operative system in the province, and with only two worker co-operatives in operation, the issue is not high on the co-operative agenda. Therefore, recognition of common goals has not happened, but neither has there been opportunity for serious conflict.

The only formal connection between the two sectors is the representation of the United Fish, Food and Allied Workers Union (UFFAW) on the Co-operative Research and Development Board, which is a sub-committee of the NLFC. The Board draws membership from a number of non-government and government agencies which are interested in worker- and producer-co-operative development. The purpose of the Board is to conduct research and formulate strategies for development; however, its activity to date has been minimal.

The UFFAW is a very important organization in relation to the co-operative system because of its scope and stature. The union has organized the majority of inshore fishermen in the province and the workers in most

of the major fish plants, as well as all workers on offshore trawlers. Therefore, any expansion of producer or worker co-operatives in the fishing industry must involve the UFFAW. As well, the union is a powerful political force which the co-operative system cannot afford to ignore.

Union/co-operative relationship

The attitude of the UFFAW towards co-operatives is quite amiable. In fact, two of the founders of the union--Richard Cashin and Father Desmond McGrath--were both educated at St. Francis Xavier University and were steeped in the Coady co-operative tradition. However, the development of the UFFAW since its start in the late 1960s has been quite separate from the co-operative system. On Fog Island, where there is a thriving multi-plant fishing co-operative, none of the fishermen or plant workers are unionized. There is said to be a "gentlemen's agreement" between the union and the co-op that the union will not organize the members.

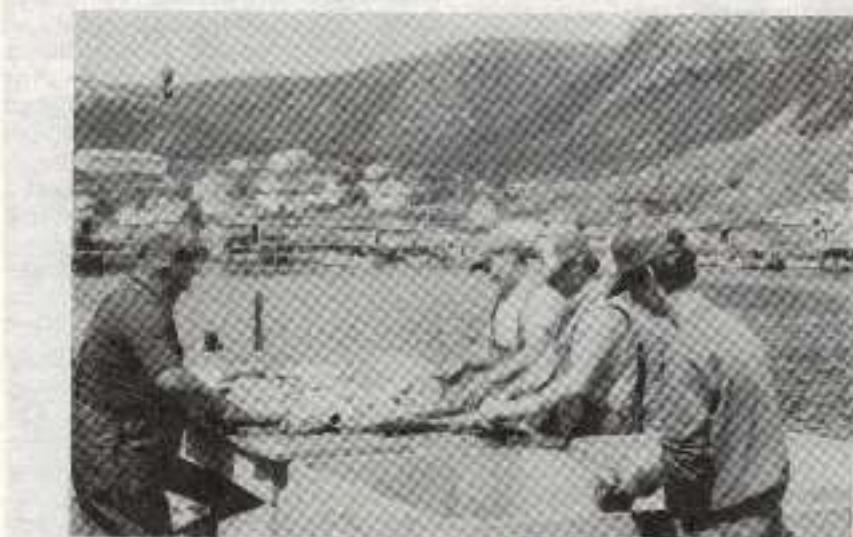
In northern Labrador, the Torngat Fish Producers Co-

operative also has no connection with the union, and has actually been in open conflict with the union over its intentions to organize fishermen and its support of foreign boats to buy surplus fish from inshore fishermen. The co-operative has claimed that this arrangement has provided substantial funds to the union coffers and taken away work from local plant workers.

In January, 1985, Earle McCurdy, secretary-treasurer of the UFFAW, addressed a seminar on fishing co-operatives and stated that the union feels it can work productively with co-operatives because both groups are trying to achieve the same goals. However, he was not specific about how unions and co-operatives would work together, saying that such details would have to be worked out in actual situations.

Petty Harbour

One actual opportunity for collaboration was the Petty Harbour Fishermen's Co-operative which was incorporated in 1984. Even though the Petty Harbour fishermen were, and are,



Members of the Petty Harbour fishermen's co-op processing their catch.

union members in good standing, they formed a non-unionized co-operative to operate a fish plant which would stabilize the primary market for their fish and provide more control over economic activity in their community. One of the directors of the co-operative was also a director of the union, so both parties were well aware of the activities of each other.

The co-operative pays less than union scale. This situation is justified by the co-operative on the basis of its recent start and its inability to absorb such high labour costs. The fishermen continue to pay union dues, and the co-operative buys fish at the union-negotiated price. This price is negotiated at the industry level, so the direct relationship between the union and the co-operative is minimal.

The co-operative does not expect the plant workers to be unionized soon, so it plans to set up a formal committee through which labour and management issues can be discussed. There is no formal structure now, so individual workers are encouraged to approach management with any problems. One disincentive for the co-operative to welcome the union is that a collective agreement would limit the ability of fishermen-members to contribute free labour to the co-operative. It is this type of special circumstance that unions and co-operatives must seriously discuss to achieve better integration than they have now.

Construction co-ops

The two worker co-operatives in the province are both in the construction trades. These co-operatives are not unionized and probably not of concern to the relevant unions because of their small size.

The Newfoundland and Labrador Federation of Labour has had virtually no contact with the two worker co-operatives nor the co-operative sector as a whole. However, it generally supports the idea of co-operativism and enhancing the



The co-op's fish processing plant in Petty Harbour.

control by workers over their workplace.

Frank Taylor, the treasurer of the Federation of Labour, says the Federation would support a worker-co-operative takeover of a firm, but there have been no specific instances in which this option has been placed on the table. Taylor feels that the co-operative and union sectors have a large public-education task ahead of them, and they have to overcome the significant obstacle of financing. He says that innovative financing mechanisms are possible, but none of them have been explored in the Newfoundland context.

The Federation of Labour also sees a meaningful role for unions within worker co-operatives. There are many issues, in addition to wages, for which a union can represent workers; for example, seniority, holidays, and health and safety. In general, the Federation of Labour is supportive of worker co-operatives and envisions a useful and productive role for unions within that sector.

However, there is at least one obstacle to overcome: unions in the Atlantic provinces have experienced difficult labour-management relations with many consumer co-operatives. The inability of both sides to achieve common understanding may dishearten unions regarding the co-operative system as a whole and worker co-operatives in particular. The Newfoundland and Labrador Federation of Co-operatives and national co-

operative bodies have an important role in repairing and building the foundation for joint action.

In conclusion, there has been no serious conflict between unions and worker co-operatives in Newfoundland, but neither has there been great effort to bring the two groups together. The UFFAW, which is probably the union of most importance for the co-operative system, has given indications that it would favour a closer understanding, but no productive relationship has evolved.

The development potential for worker co-operatives through unions has been virtually ignored. When Fishery Products International put 15 fish plants on the auction block in 1985, not one co-operative or union effort was directed at taking over any of the plants. Now, most of the plants have been sold to private operators.

So, in spite of some good intentions, there is still a wide gap between worker co-operatives and unions, and the number of lost opportunities is growing.

Robert Thompson is director of the planning and research division, Department of Career Development and Advanced Studies, P.O. Box 4750, St. John's, Newfoundland A1C 5T7; (709) 576-2357.

He hopes that this article will "contribute to a dialogue between organized labour and co-operatives". ■

Co-ops and labour in the Maritimes: a relationship on the mend

Grant Macdonald

The co-operative and trade-union movements have grown side-by-side in the Maritimes. They are both rooted in a desire to improve the economic plight of working people and to give them some real power over their lives. The earliest co-ops here were started by neither fishermen nor farmers but by miners and steelworkers. By the turn of this century every coal pit had a union and the surrounding town, a co-operative store. Advertising in the *Maritime Labour Herald* in 1922, the British Canadian Co-operative Society in Sydney Mines pointed out that it was "owned and controlled by the working class". Attending union meetings and shopping at the co-op were part of a way of life that the English and Scottish immigrants brought with them to Canada.

Unionized workers formed co-ops

The links between the trade union and co-operative movements here were similarly not ignored when Coady, Tompkins and their band of St. Francis Xavier extension workers began organizing co-ops in eastern Nova Scotia in the 1930s. Especially after 1933, unionized industrial workers formed many of the study clubs out of which emerged a number of urban credit unions and co-op stores. There were tensions, of course, between more radical trade unionists and co-op activists, but with the help of people such as Alex S. MacIntyre who had the respect of both groups, most workers understood that co-operation and trade unionism were kindred movements.

It was only after the second world war that the co-operative and labour movements began to go their own separate ways. In each case there was a shift of control from the local community and plant to provincial and regional organizations. It was not

long before these new institutions took on a life of their own.

For nearly two decades there has been little or no communication between trade unionists and co-operators in the Atlantic. In labour circles one hears reference to "anti-union practices" in co-ops, but almost always this is said with a sense of remorse rather than bitterness. It is conceded, by most everyone here, that the co-op movement in the Maritimes has forgotten its roots.

Worker co-ops bringing labour and co-ops together

There are signs today that the labour and co-operative movements are beginning to patch up their differences. They are doing it by beginning to talk about worker co-ops. Ed Murphy, of St. F.X. Extension Department in Sydney, has a long association

with both labour and co-op people. He says, "Worker co-ops will be the vehicle which will mend the wounds that exist between labour and co-ops in the Atlantic. A lot of misunderstanding has developed over the years, much of it because neither group understands the other's structure. Getting them to sit down together to talk about worker co-ops is helping to overcome much of this misunderstanding."

Labour people here are only beginning to be exposed to the idea of worker co-ops. Jim MacDonald, president of the P.E.I. Federation of Labour, says: "I do not know much about them yet, since we do not have much experience with them in this region or in Canada. At events such as the annual Topshee Conference (at St. F.X.) we are hearing more and more about them and their potential for



Annual meeting of Nova Scotia Co-operative Union Committee, circa 1950. Photo courtesy of St. Francis Xavier University Extension Archives.

creating good jobs in the region. I think we have to look at worker co-ops as an alternative. After all," he says, "co-ops and unions shouldn't be that far apart."

Gerald Yetman, president of the Nova Scotia Federation of Labour, has been representing the labour movement in the recent discussions to create a co-operative development co-op specifically geared to assist in the formation of new worker co-ops (see Across the Nation - Nova Scotia). "Labour's main concern," says Yetman, "is that worker co-ops do not exploit workers or undermine unions. From all that I have heard, co-op people do not want this either. The bottom line, and this is not just labour's concern, is to ensure that there are good jobs as well as enough jobs. It seems to me that worker co-ops may be one way to achieve this."

Noranda plant reopened

"Employee ownership in general is a concept worth looking at," says the president of the New Brunswick Federation of Labour, Tim McCarthy. "The Labour movement is taking a hard look at new forms of economic development and will be developing some policies in this area." The broader issue of employee ownership is on McCarthy's mind these days because of the experiment taking place in Chatham, N.B. at the Northwood Panelboard mill. A "joint-equity arrangement" involving employees, members of the Canadian Paperworkers Union, woodlot owners, and Noranda has enabled this plant to be reopened. Over 300 jobs are at stake in the economically-depressed Miramichi area.

Frank Clancy and John McLaughlin are trade unionists involved in a different kind of joint venture on the Miramichi. The Chatham and District Labour Council, St. Michael's Parish Council, and the local direct-charge co-op are behind the organization of a series of "social and economic-analysis workshops" for local residents. Their

concern is with the plight of the unemployed in the area, and they believe that workers co-ops are part of the solution to the problem. "It's hard to turn people on to worker co-ops here," says McLaughlin. "They do not understand what a worker co-op is and, what's more, are afraid to speak up or do anything different for fear that their economic situation will only get worse."

The rebirth of the co-op movement in northeastern New Brunswick, according to McLaughlin, will require a community-level response to a range of social and economic problems, not just jobs, but also housing and social services. The same could be said throughout the Maritimes.

A big boost to improved co-op/labour relations in the region is the recently announced five-year working agreement between the Maritime Fishermen's Union and the United Maritime Fishermen's Co-operative. Bitter enemies at times during the past decade, these two organizations--who together represent over 6000 inshore fishermen--have established four joint committees to look at marketing, resource management, international trade, and social programs for fishermen.

Labour's interest in worker-co-op development in the Maritimes is connected with the need to build a broad-based people's



movement aimed at self-help and political action. Government economic-development schemes here by and large have been a dismal failure, and now the social support which has kept food on the table and a roof over so many Maritime heads is under siege from conservative forces. Greater solidarity between labour and co-ops will be essential for an effective response. The labour/co-op relationship is on the mend at an institutional level. The next step is to see that this takes place at a community level. One implication for labour, as Gerald Yetman sees it, is "to get our people back on the boards of local co-ops and community organizations".

Grant MacDonald is an adult educator at Henson College of Public Affairs and Continuing Education, Dalhousie University, Halifax, Nova Scotia B3H 3J5; (902) 424-2526.■

What's in a name?

With 20 offices across Canada and \$5 billion insurance coverage in force, CUMIS has grown to mean dedicated people working with the Canadian Credit Union and Co-operative movement, meeting its corporate and membership insurance needs.

The CUMIS name can be seen on the membership rosters of both the Canadian Co-operative Credit Society and the Co-operative Union of Canada. And the CUMIS name is credited around the world for ardent and active support of the Coady International Institute of co-operative education.

What's in the name, CUMIS? People working, sharing, helping millions more.

Credit Union Members' Insurance Societies

CUMIS

Call your local CUMIS office for all your life and home insurance needs.

Why the union opposed the worker-co-operative conversion of Quebec's liquor stores

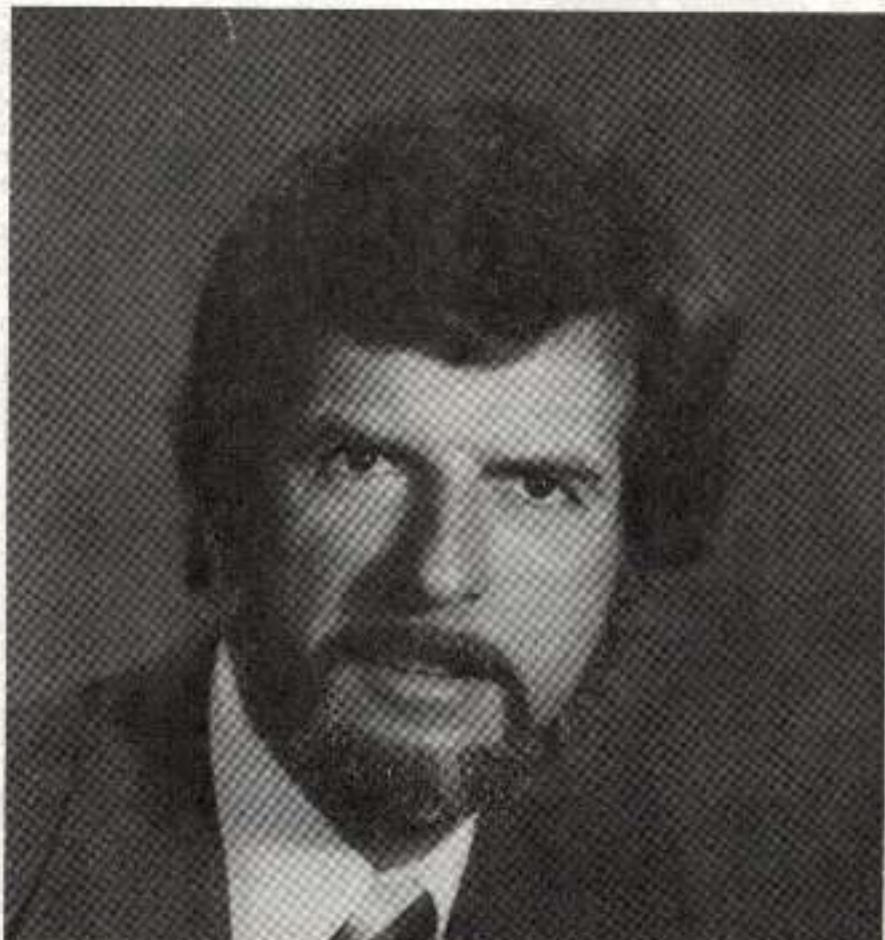
André Cardinal

In December, 1985, Quebec's Minister of Industry and Commerce, Daniel Johnson, announced that the newly-elected Liberal government was ending the former government's project to convert the 360 stores of the Quebec Liquor Board (QLB) or La Société des Alcools du Québec to worker co-operatives. The announcement was applauded by the 3,000 workers at the QLB, as they did not want anything to do with the worker-co-operative conversion. To understand why, it is necessary to describe the background to this P.Q. government initiative.

Labour relations bad

Since the QLB's creation in 1921, under the name "La Commission des Liqueurs", the labour relations between the QLB and its workers have been bad. During the Taschereau (Quebec premier between 1921-1936) and the Duplessis eras, the workers at the Commission des Liqueurs were badly paid and had no job security. Each change of government meant the loss of jobs for workers; the real bosses at the Commission were the political organizers of both major parties, the Liberals and the Union Nationale. Workers got and lost jobs at the Commission because of patronage and political influence.

In 1964, the QLB workers decided to form a union, Le Syndicat des Employés de Magazins et de Bureaux de la Société des Alcools du Québec (SEMB). The union was affiliated to the CSN, a Catholic group of unions that were very militant in the 1960s. Although it was a time of unionization for civil servants, neither government nor its administrators at the QLB accepted the union. As a result, the rights of workers at the QLB were gained by strikes--1964, 1968, 1972, 1976, 1979, 1985 (a total of two years on the picket line)--and thousands of griev-



Rodrigue Biron, former Quebec Minister of Industry and Commerce.

ances to defend collective agreements.

The QLB tried to break the union in many instances, by actions such as hiring scabs during the 1979 strike and sympathizing with a raid on the SEMB by an international union in 1981. In 1982, the Parti Québécois government imposed a decree on the workers that ended the SEMB's right to free negotiation.

Workers feared losing jobs

In December, 1983, the new president of the QLB, Jean Guy Lord, commented in an interview given to *Le Devoir*, the Montreal newspaper, that the QLB intended to sell all of its 360 stores to private interests. According to Lord, the stores would be offered

first to QLB workers who could become owners by creating 360 distinct worker co-operatives.

This surprise announcement by the president had the effect of an explosion in the 360 stores. Nobody at the QLB knew of Lord's intention to sell the stores before the *Le Devoir* interview. It was a complete surprise not only to the workers, but also to many of the senior executives. SEMB was flooded by phone calls from its members and their families because they were fearful of losing their jobs. A few days after the announcement, the different unions of the QLB decided to form a common front to fight "privatization".

In essence, the PQ government and the QLB proceeded unilaterally with the program of

privatization. Again, there is evidence to suggest that privatization was also a form of union busting. By forming co-ops, worker-owners would have to resign from the union. Workers who did not join a co-operative, but who remained as employees in the stores could organize on the condition that each store had a separate union with a different collective agreement. This arrangement would have greatly weakened the bargaining power of the workers. The union thought the program was a bad deal for its workers.

From December, 1983, when the privatization announcement was first made, to March, 1985, there was no formal proposal on the table. But the SEMB did not waste any time. In the spring of 1984, the union voted a special levy to finance a publicity campaign to fight privatization and eventually took out many injunctions to step up the process.

Against fundamental co-operative principles

From the beginning, managers showed interest in owning a liquor store. Their attitude is easy to understand because store managers are not unionized, and if they had not chosen to support the project, their jobs would have been in jeopardy. A minority of the 2,300 part-time workers also showed interest in the project—the part-time workers did not have job security. But most of the part-time workers joined the 700 full-time workers and fought privatization. At no time did more than five per cent of the workforce at the QLB show any interest in the government scheme.

In this context, it is important to understand that a fundamental co-operative principle is voluntary membership. You do not force people by announcing, "Either form a co-operative or lose your jobs." It is not just a matter of principle, it is also a matter of common sense. If people are coerced, they will never have the motivation to

make the co-operative work.

A bad economic deal

The union warned its members that nobody would become a millionaire through co-operative ownership of a liquor store. The working conditions of the future co-op "owner" would look rather like those of a franchise owner—long hours, little pay, and little independence. Even though the QLB wanted to get out of retailing wine and liquor, it did not want to lose its monopoly of wholesaling to its franchised co-operatives. All the 360 stores would have had to buy from only one source—the QLB.

Similarly, when Rodrigue Biron, the former Minister of Industry and Commerce, announced the conditions for purchasing a store, it was a cold shower for any prospective buyer. A QLB worker could get a loan guarantee of up to \$100,000 from the Société de développement des coopératives. For a store worth \$300,000, another \$200,000 of financing would have to be arranged privately—a forbidding thought for most workers. Another cold shower for prospective buyers was that half of the 126 stores in the Montreal region were losing money. Thus, at the end of the bidding period, these stores were without any prospective buyers.

Finally, future owners of liquor stores would have to negotiate the store lease themselves, pay for new goods from the QLB within eight days, and would not be permitted to sell any product at a price lower than the one fixed by the QLB. In a word, the QLB wanted to get the best of both worlds: it did not want the responsibility of liquor-store management but wanted to keep its revenue.

When Biron and Lord first presented their privatization plan, they put a lot of emphasis on workers' control. However, in actual practice, the co-op members would have very little to say in the organization of the business. The QLB would even have the right to choose the

colour of the stores! In effect, the workers would have had less power than they already had through their union representation.

Why keep the QLB as is?

The union wants to keep the liquor stores under the control of the government. The union might support the sale of shares to workers and to the general public, but it wants the Quebec government to keep control of the crown corporation. The QLB is one of the biggest crown corporations in Quebec and, as such, it is an important source of revenues.

For the last few years, the success of the QLB has made certain groups in the population envious. For example, grocery store owners would like to see the QLB out of retail sale of liquor and wines; the liquor industry would like the QLB out of bottling. If the QLB gave way to the demands of grocery-store owners, the government could easily play into the hands of corporations, such as Steinberg or Provigo, that could set up a chain of liquor or wine stores across Quebec and thus replace a public monopoly with a private one.

As for the distribution of wines and liquor in grocery stores, it has been a disaster. Unlike the products sold in QLB outlets, it is seldom kept in good condition: often wine in grocery stores has the taste of fish or soap. As well, grocery stores will never be able to offer as much variety as QLB outlets. And, finally, increased sales of wine and liquor through private outlets could lead to more underaged drinking.

Prospects for the future

Under the Liberals, the plan to form co-operatives out of the 360 QLB outlets has been scrapped. Nevertheless, by letting grocery stores sell more and more wine—not only Canadian table wine but also more expensive European wine—a

quiet form of privatization could take place. The elimination of the 360 stores could mean the eventual disappearance of 3,000 well-paying jobs. Everybody would lose; the consumers would get an inferior product, and the members of the SEMB would lose recently-won collective-agreement provisions regarding job security and improved arbitration procedures.

From the events in Quebec, one must conclude that co-operatives should not replace crown corporations that provide the government with good revenue. Instead, the government should help workers to form worker co-operatives from private enterprise, especially in high-technology industries which have a bright future. As for crown corporations, their boards of directors should be composed of people who are more responsive to the public interest, and the general public should be able to raise issues for the agenda of crown-corporation meetings.

Andre Cardinal editor of *Le Pionnier*, SEMB's newspaper, is also a city councillor of Montreal and a member of the Montreal Citizens' Movement. He can be reached at SEMB's office, 1065 rue St-Denis, Montreal, Quebec H2X 3J3; (514) 849-7754. ■

More B.C.

Some additions to last issue's "Directory" from Dana Weber, our B.C. contributing editor.

Roof Raisers is a resource group which assists in the development of new housing co-operatives. It is incorporated as a non-profit society, not a co-op; but the only members of the society are its employees, who operate the business on a co-operative basis. No equity investment is required. Roof Raisers presently has five worker-members. Contact: Carl Evers, Roof Raisers Housing Society, #1-1496 W. 72nd St., Vancouver, B.C. V6P 3C8; (604) 266-1713. ■

Columbia College is a non-profit society composed of the college's academic and non-academic staff. Its 45 employees elect a cross-section of their number to a seven-member board on a one-member/one-vote basis. Its academic program offers the final two years of high school as well as two years of college-level courses. Contact: Mrs. Marion Richards, Columbia College, 6037 Marlborough, Burnaby, B.C. V5H 3L6. ■

Westcoast Information Co-op is a consulting firm incorporated as a worker co-operative. Westcoast has worked extensively with Indian bands and community-development projects both provincially and nationally. More recently it has also become involved in international-development consulting. Contact: Mike Lewis, 10-4965 Argyle St., Port Alberni, B.C.; (604) 248-9544. ■

Lessons from the past: the tension between worker and consumer co-operatives in 19th-century Britain

George Melnyk

In April of 1879 the British co-operative movement met in congress at Gloucester and authorized the preparation of a *Manual for Co-operators*. The published work, by Thomas Hughes Q.C. and Edward V. Neale, general-secretary of the Co-operative Union, appeared in 1881 and was revised in 1888. Chapter 8 of the book deals with "Co-operation in its Application to Production", i.e., worker co-ops.

This chapter strongly advocates worker co-ops. It starts off by invoking the sacred name of "the justly celebrated founders of the Equitable Pioneers Society of Rochdale" and the objective of that Society "to commence the manufacture of such articles as

the society may determine upon, for the employment of such members as may be without employment, or who may be suffering in consequence of repeated reductions in their wages".

Consumer co-ops impotent

Hughes and Neale then go on to state that if co-operatives were meant to improve social conditions, then they could not remain solely within the control of consumers. They claim that consumer co-operation alone is "impotent as an instrument of social progress". They quote from an 1873 paper prepared by Mr. Ludlow, Registrar of Industrial and Provident Societies, titled "Some Hints on the Problems of Co-operative Production":

And if the great social and democratic movement of our

age has any meaning and value at all, it is just so far as it tends . . . to raise the producer to his true dignity, to subordinate mere consumption altogether to production; for say what you will of the two elements in man, consumption and production, the latter is the higher. Consumption is primarily the animal element; production the divine. He shares the former with the meanest of creatures; the latter with his Maker.

Even at this early date Ludlow held a minority viewpoint. The dominant ideology is represented in Dr. Watts's essay in an 1879 issue of *Co-operative News*. Watts stated that consumer co-operation was primary and that the consumer-co-op movement ought to own factories for

the benefit of consumers and not workers. Hughes and Neale strongly attack Watts's argument:

An organization of industry which should simply substitute collective bodies of consumers in place of individuals, firms, or companies, as the active agents in production, which they carried on without giving the worker any special interest in the profits on his work, or applying them in any way directly to improve his position, therefore, without doing anything to remove that antagonism between labourer and capitalist which forms the chronic disease of modern industry, would in my judgement, do harm rather than good.

Link worker and consumer co-ops

In place of this system, Hughes and Neale suggest that consumer co-ops turn to worker co-ops to supply their goods:

"... all bodies of workers who might be disposed to start any productive enterprise come to the Wholesale for support, and accepting its control, enlist under its banner in the great co-operative union."

Hughes and Neale also appeal to the trade unions to join in the formation of worker co-ops or what they call "the union for self-employment". They consider trade-union spirit, financial resources, and established influence as vital to the spread of co-operative production.

This vision of a co-op/labour alliance to further worker ownership and control did not succeed in Great Britain. And that failure must be acknowledged when assessing the ideas of these worker-co-op visionaries. The consumer co-operative system developed

successfully with its own interests and goals. Likewise the trade-union movement developed its own interests and ways of acting on behalf of its members.

In spite of these developments, the visionaries of a century ago cannot be denied the power of their vision. They dreamed of a co-operative commonwealth with a co-operatively-

the ever-expanding trade-union movement. Britain has one of the largest consumer-co-op systems in the world and one of the most unionized work forces in Europe. But the glue of worker co-ops that was to bind the two did not come about. (What ended up binding the two was the Labour Party, but that is another story.)

Pragmatism today

The strategy of present-day Canadian advocates of worker co-ops is different from the rather grandiose visions of 19th-century British activists. Canadian activists have opted for a step-by-step, piecemeal approach supported by government funding. They have received the blessing of the leadership of both consumer and farm-producer co-ops because they have not tried to challenge their approach as their British predecessors had tried. They have opted for moderation, and they have accepted the realistic possibility that worker co-ops will most likely be only a very small segment of the economy.

It is this pragmatism and low-profile strategy that avoids the mistakes of a century ago. With hindsight and remorse, the visionaries of the 1880s would probably say that this evolutionary approach is more likely to succeed than their own dream of revolutionizing the co-operative system.

MANUAL FOR CO-OPERATORS.

PREPARED AT THE REQUEST OF THE
CO-OPERATIVE CONGRESS,

HELD AT

GLOUCESTER,

IN APRIL, 1875;

AND REVISED 1882.

EDITED BY

THOMAS HUGHES, Q.C.,

and

EDWARD VANSITTART NEALE,

GENERAL SECRETARY OF THE CO-OPERATIVE UNION.

MACMILLAN & CO., BEDFORD STREET, W.C., LONDON.

PUBLISHED FOR
THE CENTRAL CO-OPERATIVE BOARD,
CITY BUILDING, CORPORATION STREET, MANCHESTER.

owned and -managed economy that affected the lives of millions. To them, worker co-ops were the essential ingredient in organizing production, just as consumer co-ops were the essential ingredient in organizing distribution of products. They wanted to see these developments occur on a mass scale by linking the ever-expanding consumer co-ops with

George Melnyk, author of *The Search for Community*, recently published by Black Rose Books of Montreal, discovered the *Manual for Co-operators* while rummaging through a second-hand bookstore. It would appear that the publisher of this work has passed from this earth; however, if you want to borrow his copy, George can be reached at P.O. Box 3683, Station B, Calgary, Alberta T2M 4M4; (403) 270-7210. ■

Across the Nation



NATIONAL

Federal/Provincial conference

The second meeting of provincial and federal ministers of co-operatives is set for April 10/11, after an earlier postponement. This meeting was agreed to at the first meeting last October in Regina (see *Worker Co-ops* (5/3), p. 3).

Most provinces are expected to be represented, and the co-operative sector, through the CUC and the Conseil canadien de la coopération, will once again be a full participant in the general sessions.

As agreed in Regina, worker co-operatives have a prominent place on the agenda. The meeting will also focus on international trade and government responses to the report of the National Task Force on Co-operative Development.

The meeting is to be structured around discussion papers which will be circulated in advance. The paper on worker co-operatives is being drafted by a committee, primarily of deputy ministers, which is chaired by Dick Chenier (Manitoba) and which includes Benoit Tremblay (Quebec), Richard Fuchs (Newfoundland), Alain Roy (Canada), Walter Safinuk (Saskatchewan), and Laird Hunter (CUC).■

CUC and worker co-ops

The CUC's board of directors gave further consideration to the report on its year-long worker-co-operative project and to the CUC's future role in worker co-operatives. No decisions were taken at the January meeting, but it was agreed that a detailed proposal should be developed and circulated to the board prior to a special conference-call meeting. One of the alternatives under consideration is an application by CUC for funding under the Canada Job Strategy Innovations Program.■

Task Force response

Al Wager and Louis-Philippe Pariseault have been busy preparing their report to Charlie Mayer, the federal Minister of Co-operatives, on the report of the National Task Force on Co-operative Development. The two advisors have been meeting with national co-operative-sector organizations, including the CUC's board, CCCS, and CHF, and some individual co-operatives. These consultations are expected to be completed by the end of March. The advisors have also made the rounds of the federal departments touched by the Task Force's recommendations to solicit their views and ideas. Their preliminary findings will be discussed at the April conference on co-operatives. It is possible that the federal government's response to the Task Force might be through cabinet by the end of June.■

Albert Chambers is director of government affairs for the Co-operative Union of Canada, 237 Metcalfe Street, Ottawa, Canada K2P 1R2; (613) 238-6711.

Air Canada rumours flying

Canada's Finance Minister, Michael Wilson, told a large gathering of business and community leaders in Toronto on March 1 that "the sale of some shares" of Air Canada "is a possibility in the future".

The Air Canada Employee Ownership Committee's request that employees be permitted to purchase 40 per cent of the airline was put on hold last year when Prime Minister Mulroney announced that the company was not for sale.

In response to Michael Wilson's most current statement on the matter, Ed Godin--chairman of the Employee Ownership Committee--was quoted in the *Globe and Mail* as saying: "From our standpoint the hints aren't

really that positive. We'd like them [the government] to give a concrete date."

It would appear that the government is testing the political waters on the issue prior to announcing its policy.■

BRITISH COLUMBIA

Dana Weber

CODA ponders next move

B.C.'s Common Ownership Development Association has continued to maintain a profile in the province and recently contracted to help the members of Pacific Armoured Car to develop their co-operative. But for the past year, without funding or paid staff, CODA has been unable to do much more than that. CODA is still looking for a way it can play a more effective, proactive role in worker-co-op development.

At this point it seems likely CODA will either merge completely with another, more established organization with similar interests but more resources or enter into an informal "community-development coalition" with other groups. Such a coalition could then apply to federal programs (Innovations, for example) and would have a broader base of support and a larger mandate than CODA alone.

CODA's board was considering both options at press time and will make a recommendation to the society's annual general meeting in April.

For information, contact CODA, 206-33 East Broadway, Vancouver, B.C. V5T 1V4; (604) 251-3255.■

Across the Nation

ALBERTA

Debbie Ferdinand

Communitas is presently working on the development of an owner-operated co-operative that will integrate new construction and renovation with the manufacture and installation of energy-efficient, high-quality, cost-effective prefabricated components. ■

For more information, contact Debbie Ferdinand or Leo Tourigny, Communitas, Inc., 10551-123 Street, Edmonton, Alberta, T5N 1N9; (403) 482-5467.

SASKATCHEWAN

Skip McCarthy

Pestalozzi College library finds new home

The extensive collection of literature which had originally been used by student-residents of Pestalozzi College in Ottawa has been donated to the expanding library of the Centre for the Study of Co-operatives in Saskatoon. The Pestalozzi experiment in co-operative living was terminated a few years ago, and its library was entrusted to the care of Communityworks, an Ottawa-based community-support group, which has assisted with research and development of worker and housing co-operatives. Vicki Davis, the former librarian at Pestalozzi, catalogued and shipped those materials to the Centre where they will now be available through interlibrary loans. ■

Skip McCarthy can be contacted in care of the Centre for the Study of Co-operatives, Diefenbaker Centre, University of Saskatchewan, Saskatoon, Saskatchewan S7N 0W0; (306) 966-8503.

MANITOBA

Doug Davison

New worker co-ops

Four new worker co-operatives have formed during the past few months as a result of the province's Employment Co-operative Program. (For a description of the provincial program see the previous issue of *Worker Co-ops*.) This brings to a total of seven the number of worker co-operatives formally established since the program has been in place.

Another 12 projects are in the active stage of development. These enterprises have emerged from a cross-section of the Manitoba economy including the primary resource-producing sector, services, and manufacturing. Final planning on these projects is now taking place—we will be reporting on specifics as soon as they are available and formal incorporations are registered.

The four recently-formed firms illustrate the effect of the province's new program even though program publicity and active project solicitation has not been widespread. The four projects have been in existence for some time as ideas, as informal organizations, or as just a gleam in someone's eye. The existence of the Employment Co-operative Program has opened up a real alternative for employees seeking a secure or satisfactory employment situation.

During the past five months 68 general enquiries have been made to Co-op development staff regarding worker co-ops and the department's program. Almost all of these contacts have resulted from word-of-mouth information

sparked by a small announcement of the province's new initiative last October. With many of the wrinkles now being ironed out of the program, the department has decided to open the information channel more broadly to encourage other projects. In early February, the department organized a direct mailing to over 2,500 potentially-interested sources.

Information about the Employment Co-operative Program can be obtained from Ron Bailey, Co-ordinator of Co-operative Relations, Room 800-215 Garry Street, Winnipeg, Manitoba R3C 3P3; (204) 945-5796. ■

Doug Davison, the Manitoba contributing editor, can be contacted at Rm. 607, 259 Portage Ave., Winnipeg, Manitoba R3B 2A9; (204) 944-9450 or (204) 755-2964. ■

ONTARIO

Ethan Phillips

Worker Ownership Development Foundation

On January 8, the Worker Ownership Development Foundation of Toronto held its first annual general meeting. Linda Moffat was elected president, and four standing committees were established (education, research, government relations, and fund-raising). A membership fee of \$25.00 for individuals and \$100 for institutions was also set at the meeting.

Sales continue to be good for WODF's two recent publications on organizing worker co-ops. For those who haven't yet obtained a copy, the 300-page handbook sells for \$50 while the shorter introductory booklet sells for \$7.50.

WODF is now offering courses and workshops on worker co-operatives. A contract has

Across the Nation

recently been signed with the Learning Enrichment Foundation of Toronto for introductory and intermediate courses for its students.

On another front, the Foundation is also expanding its government-relations activities with particular emphasis on amendments to the Ontario Co-operative Corporations Act and the establishment of a financial assistance program for worker co-operatives.

Finally, WODF is, as always, soliciting donations. All contributions are tax deductible.

For more information, contact Ethan Phillips, Director, Worker Ownership Development Foundation, 357 College St., Toronto, Ontario MST 1S5; (416) 928-9568.■

New garment co-operative

A new worker co-operative has been started in Toronto. The co-op, located in the heart of the garment district, was begun by a group of women--primarily new Canadians--who were previously doing piecework. The name of the new co-op is Amigas, which means friends in Spanish.

For information, contact Lisbeth Castaneda, Amigas, 57 Spadina Ave., Toronto, Ontario; (416) 596-6371.

Ethan Phillips is now Worker Co-ops contributing editor for Ontario.■

QUEBEC

Claude Carboneau

New government: what will happen to co-op programs?

The Liberal government plans to reduce the Quebec deficit as rapidly as possible by slashing public spending.

There is concern about the future of the co-operative programs, especially those that have encouraged the creation of resource groups (groupes-conseils). Some cuts are expected, and there will be belt tightening for programs that survive.

It is still too early to evaluate the importance of the cuts and their effect on the development of co-ops in Quebec. However, the movement has had a strong start, and we hope that it can withstand the strain.■

Greenhouse seedling production: forestry co-ops are interested

The Quebec government has decided to regenerate the province's forests by planting 100 million trees during the coming years. Traditionally active in chopping down trees, the Quebec forestry co-ops are on the road to developing strong expertise in the growth of conifer seedlings in greenhouses.

The Guyenne Greenhouse Co-ops (Les serres coopératives de Guyenne) is already the most important private producer in this field. It recently obtained two contracts for the production of 50 million conifer plants over the next five years. This means that, beginning in 1987, the company must deliver 11 million plants per year.

In order to meet these contracts, the co-op has invested \$1.2 million to increase its production capacity and to improve its facilities. It was able to add another 15 greenhouses to the 12 greenhouses it already owned. The co-op currently employs ten full-time workers and 75 others at peak times. The new investment will create 25 new temporary jobs.

Apart from the Guyenne Greenhouse Co-ops, more and more forestry co-ops are getting into the production of conifer plants in greenhouses. For most, this activity complements their other work.

The forestry co-ops are developing a solid expertise based

on their strengths and through the sharing of knowledge between co-ops.■

Specialized resource groups

The Quebec government has helped establish co-operative resource groups (groupes-conseils) in most economic regions of the province. Recently, we witnessed the emergence of resource groups specialized in a particular economic field.

The forestry industry is now benefitting from such a service. Associated with the Conférence des coopératives forestières du Québec, the forestry resource group advises forestry co-ops on many aspects of their work and is particularly useful for those wanting to get into seedling production in greenhouses.

Another of the specialized resource groups assists with design, advertising, and public relations. Linked with the Quebec Federation of worker co-ops, this resource group furnishes co-ops with the human resources and information to enable them to develop new markets.■

Célibec: finalist in "Mercuriades 1986"

Every year, the Quebec Chamber of Commerce gives out "Mercury" awards to Quebec companies that have distinguished themselves in certain fields. This year, under the category of Quality of Life in Business, Célibec, a co-op which produces electronic and computer systems, is among the list of nominees.

Located in Trois-Rivières, Célibec is in the field of small computer systems, those in between the micro-personals and the big systems. Célibec's goal is to make these systems available to small- and medium-sized businesses at a cost similar to computer-management systems.

Célibec currently has about 20 members. It's a dynamic co-operative that is succeeding in a fiercely competitive market.

Across the Nation

Liquor store saga continues

The new Québec government, led by Robert Bourassa, has decided not to continue the process of "privatization" (including the formation of co-operatives) of the Société des Alcools du Québec stores in the Montreal region. In the government's view, the process of privatization has been handled very badly and had to be stopped, at least in its current form. The idea of privatization is not dead, however. The government intends to tackle the issue again in order to find a way to make it more acceptable to all parties involved.

In the meantime, the 60 or so applicants who had their projects accepted and who believe they have been wronged by the government's decision, have started legal action in order to obtain justice. So, even if the file is considered closed, this may not be the end of it. ■

(French translation by Rosemary Oliver)

For more information Claude Carboneau can be contacted at the S.D.C., 430 Chemin Ste. Foy, Québec City, Québec G1S 2J5; (418) 687-9221.

NEW BRUNSWICK

Nancy Lee Armstrong

Native worker co-op

The Mic-Mac and Maliseet peoples throughout the province have enthusiastically embraced the Ek'pahak project organized by the New Brunswick Native Indian Women's Council. The project represents a journey toward native self-determination, through the formation of a worker co-operative.

The co-op believes that the extensive training required for a cottage enterprise would be most effective if delivered within local communities rather than in Fredericton. Thus, Ek'pahak has begun organizing "work groups", or co-operative units, at the local level.

Trainers act as social catalysts, and, at the same time, reinforce traditional community values. For those involved in the development of the co-operative, the process has already assumed a life of its own which has generated an even wider response than was anticipated.

More information can be obtained from: George Tomer, General Manager, Ek'pahak Enterprise, N.B. Native Indian Women's Council Inc., 65 Brunswick Street, Room 258, Fredericton, N.B. E3B 1G5. ■

Women's resource group

In December, 1985, an *ad hoc* group of women met to discuss the need for a multi-purpose women's resource centre in Fredericton. The group identified the need for a women's bookstore and for a "place" where women could meet to share information and support. Invitations are being extended throughout the city to persons who could support the venture. A meeting is planned with the members of the Red Herring Co-operative Bookstore in Halifax to explore both the regional implications and the desired co-operative structure of the resource centre.

For further information contact Marilyn McKay (506) 457-1352 or Lynn McDonald (506) 455-4150. ■

Nancy Lee Armstrong is a resident of Black's Harbour, New Brunswick E0G 1H0. She is currently living at 157 Lascelles Blvd., Toronto, Ontario M5P 2E7.

NOVA SCOTIA

Grant MacDonald

Development co-op

Another step has been taken towards the creation of a worker co-operative development body for the Maritimes. Following an earlier meeting last August (see *Worker Co-ops*, 5/3), a second planning meeting was held, in mid-January, at St. Francis Xavier University, in Antigonish.

Almost all of the organizations represented at the first meeting were present: the co-operative sector, labour, government, university extension departments, and worker-co-operatives.

Proposed was the establishment of three provincial community-development co-operatives (CDC), each of which would have a venture-capital corporation attached to it and each of which would oversee the work of technical and managerial resource groups. These resource groups would be regionally-organized and -funded.

After long discussions, this structure and the initial terms of reference for a Nova Scotia CDC were agreed upon. A steering committee is organizing incorporation and share financing. A formal incorporation meeting, which will include the election of the co-operative's first board of directors, is to be held sometime before May.

A detailed financial plan has yet to be finalized. Monies will likely have to be found for one or two staff positions, and existing federal employment programs are seen as a primary source of initial funding. Since there is considerable commitment to worker-co-op development being initiated at the community level, the new CDC will have to utilize the existing university-extension and co-op networks to mobilize local interest and identify local opportunities. ■

Across the Nation

Grant MacDonald is involved in adult education and community outreach at Henson College of Public Affairs and Continuing Education, Dalhousie University, Halifax, Nova Scotia B3H 3J5; (902) 424-2526. ■

PRINCE EDWARD ISLAND

Gilles Michaud

Crafts co-op mounts training program

Culture Crafts Co-op of P.E.I. has been busy recently preparing a training program which would provide necessary wood-carving skills for its members.

In November, 1985, a funding application for this training program was submitted through the Summerside branch of Job Development. Several interviews followed which were very time-consuming because the government lacked an understanding of worker co-operatives. Finally, in January, Culture Crafts was told that the government would cover only 60 per cent of the cost of the training program because the co-op had share capital and, therefore, was considered a profit-making enterprise. Even though the cost of this program was a burden to the co-op, it decided to proceed because of the importance of the program for future growth. ■

Co-op council

An important event took place January 9th in Montague. David Carrington organized a meeting to develop liaisons among area co-ops and to establish a support system for co-op development, including worker co-ops. The meeting's resource person, Duncan MacIntyre, talked

about the growth and development of co-ops. Following a group discussion, it was decided to strike a committee with the objective of forming a community co-op council responsible for developing new co-ops in the eastern region of P.E.I. ■

From P.E.I. to Mexico

We are continuing our liaison with worker co-ops in Mexico. Last September, I was invited by Mario and Estelle Carota, who have been working with a Christian community to develop worker co-ops in rural Mexico. After six weeks of travelling the rough terrain, I came to realize the tremendous dedication of Mario and Estelle to their work. The response to the worker co-op concept by *campesinos* is fantastic. But the growth of so many worker co-ops in a short time has brought many structural problems. The members are attempting to overcome these by learning from established models and exchange programs. Mario and Estelle have completed a series of video tapes of several worker co-ops in that region of Mexico. These video tapes are available by writing to Mario Carota, Villa del Carbon, Estado de Mexico, 54300 Mexico. ■

Gilles Michaud can be contacted at Culture Craft Co-op Ltd., P.O. Box 1647, Summerside, P.E.I. C1N 2V5; (902) 436-2727. ■

NEWFOUNDLAND

Jack Quarter

Newfoundland sealers start co-operative

The widely-publicized decline of the east-coast sealing industry was a devastating blow to hun-

dreds of Newfoundland fishermen who relied on the seal harvest for a significant proportion of their annual income. Newfoundlanders had "gone to the ice" for hundreds of years to kill harp seals both for the value of their pelts and for seal meat. In the 1960s and 1970s, the industry had one large seal-pelt purchaser who shipped semi-processed pelts to the European market. When the efforts of Greenpeace and the International Fund for Animal Welfare dealt the final blow to these markets, the single purchaser closed shop and left the sealers without an outlet for pelts.

In 1983, the Canadian Sealers Association (CSA) was formed to promote the cause of the sealers and to rebuild the industry. The CSA incorporated a co-operative, but left it inactive while they were formulating plans to reconstruct industry linkages for their seal pelts. By the end of 1985, the CSA had completed feasibility studies and optimistically predicted the sale of 15-20,000 pelts per year. On the basis of these projections and a comprehensive operating plan, completed with funding from the LEAD program, the CSA started a membership drive for the co-operative.

Meetings have been held in the communities of Baie Verte, Twillingate, and Fogo, and already 150-200 sealers have agreed to join. Each member will pay \$300 in share capital, to be paid in three instalments. This contribution should be more than adequate to achieve the equity requirements of the financing plan.

The sealers' co-operative, to be renamed the Northeast Coast Sealers Co-operative, will purchase skins and carcasses from members, mechanically deblubber the skins, and sell them to tanneries and furriers in other parts of Canada. Long-term plans also call for the construction of a tannery in Newfoundland. The processing operation will employ eight to ten people, but it is uncertain at this time whether

Across the Nation

they will be members of the co-operative.

The success of the co-operative will depend, to some degree, on the attitudes of consumers to sealskin products. The co-operative's market studies show that the seal harvest is not harmful from a conservation or cruelty point of view.■

Strategy study underway

In the last issue of *Worker Co-ops*, it was reported that the government of Newfoundland and Labrador was undertaking a study of its relationship with the co-operative sector. The purpose of the study is to define an effective strategy for co-operative development and the role of the government in this strategy.

The Department of Rural, Agricultural and Northern Development has hired Canada Consultants Ltd. to carry out the relevant research and to formulate alternative development strategies. This firm provided support services for the National Task Force on Co-operative Development.

Glen Fitzpatrick, the Managing Director of the Newfoundland and Labrador Federation of Co-operatives, participates on the steering committee, and he says the Federation hopes the study will provide a clarification of the appropriate development responsibilities of the Federation and government. In particular, he hopes the study will address the irony that the Federation is heralded as the lead development agency, while government retains a much larger co-operative field staff than the Federation can afford.

The study will examine all types of co-operatives, including credit unions, but special emphasis will be placed on worker co-operatives due to their potential contribution to employment creation. Sam Kean, the Director of Co-operatives with the provincial government, expects the study will identify opportunities for new worker co-

operatives and serve as a catalyst for government and public support behind the worker-co-operative option.■

Development fund taking shape

The development fund, which is being created out of the liquidation of a fur-farmers' co-operative, is finally nearing operational status. The estimated \$500,000 fund is currently under the control of the provincial government, but the Co-operative Societies Act specifies that money remaining after a liquidation must be used for co-operative development purposes. The Newfoundland and Labrador Federation of Co-operatives is negotiating a transfer of the money to a subsidiary of the Federation, for administration as a revolving loan/equity participation fund.

Glen Fitzpatrick, Managing Director of the Federation, says the fund will primarily be used to assist new worker and producer co-operatives. The remaining hurdles include an analysis of the tax implications of transferring the money to the Federation's subsidiary and a financial analysis which will be used to formulate an operating plan. Fitzpatrick expects the fund to be up and running by early summer.

The fund should prove a substantial adjunct to existing co-operative development resources in Newfoundland.■

Changes at the Federation

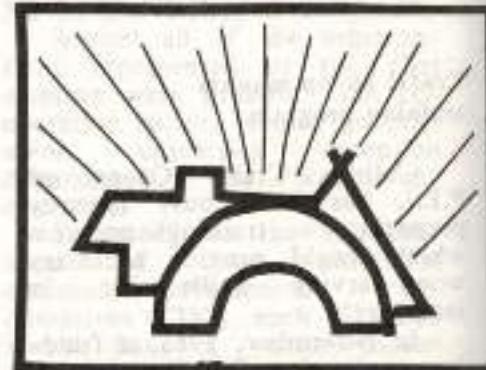
The Newfoundland and Labrador Federation of Co-operatives is losing the services of its worker/producer co-operatives field worker, Lawrence Canning. Canning has been with the Federation for one year, and has been instrumental in organizing a daycare co-operative and a sealers' co-operative. He spent a great deal of his time providing information and spreading the

worker co-operative message throughout rural Newfoundland.

The Federation hopes to fill Canning's position in short order so that it can keep an active presence in worker-co-operative development.■

Robert Thompson is director of the planning and research division, Department of Career Development and Advanced Studies, P.O. Box 4750, St. John's, Newfoundland A1C 5T7; (709) 576-2357.■

...



ARCTIC

Andrew Goussaert

The government of the Northwest Territories has provided financing to Arctic Co-operatives Ltd. to undertake a feasibility study of the Inuvik Parka Enterprise. A worker co-operative is one option that is being considered by the consultants from the Winnipeg firm of Abrams, Stec and Associates.

For information contact Andrew Goussaert, Chief Executive Officer, Arctic Co-operatives Ltd., 1741 Wellington Ave., Winnipeg, Manitoba R3H 0G1; (204) 786-4481.■

Missed by-line

In *Worker Co-ops* (5/3), Joanne Lindsay should have had a by-line for "The astonishing growth of worker co-operatives in Zimbabwe". Our apologies to Joanne for this oversight.



Around the World

BELIZE

Wes Hare, president of the Twin Streams Educational Center in North Carolina, is off to Belize where he is assisting in worker-co-operative development. Wes reports that in 1985 the Twin Stream Educational Center assisted the Belize Agency for Rural Development (BARD) in a worker-ownership conference for representatives of 13 agricultural co-operatives, most of the members of which are slash-and-burn farmers, with minimal literacy skills.

These farmers, many of whom are refugees from Guatemala and El Salvador, formed BARD in an attempt to acquire lands, to locate better markets, and to increase productivity.

Among other things, last year's conference looked at the organization of worker co-operatives in Mondragon and in North Carolina, and the possible relevance that these experiences would have to the Belize co-operatives. Conference participants were very supportive of the idea that "the first duty of members is to finance the co-op themselves, before looking outside for money." And "there was particular interest in the participatory-management style of worker-owned co-operatives." One concrete result of the conference was a decision to rationalize production so that co-operatives would not be in competition and would provide markets for each other.

For more information write to Belize Agency for Rural Development, P.O. Box 143, Belmopan, Belize, Central America. ■

BRITAIN

Shorts

Robert Briscoe, our international editor, sends lots of news about worker co-ops in Great Britain. According to the

Co-op News, there are now more than 1,200 worker co-operatives in the United Kingdom offering a wide range of products and services such as computer software, food processing, architecture, clothing, footwear, engineering, printing, and publishing. ■

Greater London Enterprise Board

Much of the growth of worker co-operatives in Britain is due to development agencies, often municipally-sponsored. Since 1983, the Greater London Enterprise Board (GLEB) has invested almost £5 million in London's burgeoning worker-co-operative movement. GLEB has recently announced several new initiatives: a new round of assistance to local Co-op Development Agencies to help new co-ops get started; an export training scheme for co-ops; a training program for black people wanting to set up co-op enterprises (run in conjunction with the Greater London Training Board); and plans for a community co-op that would reopen a village store. ■

All party support for worker co-ops

The closing months of 1985 saw the publication of two political pamphlets urging support for the concept of worker co-ops. The Labour Party launched a policy document, entitled *A Future That Works*, advocating co-operative development and municipal enterprise as key strategies for fighting unemployment.

More surprising, perhaps, was the publication of a pamphlet, called *A Share in Britain*, by the Bow Group, which is an influential ginger group in the Conservative Party.

A long section of the pamphlet is devoted to co-ops, community businesses, and self-help initiatives, and it argues that "by recognising the co-operative as a valid form of private enterprise, the

Conservative Party can hamper the idea that there is anything necessarily leftist about this growing form of economic activity."

A Future That Works is published by the Labour Party, 150 Walworth Road, London SE 17 (Price: 60p).

A Share in Britain is available from Bow Publications Ltd., 250 High Holborn, London WC1 V7DT (Price: £3.00 including post and packing). ■

Educators, too

With the increasing interest in worker co-operatives, more educators are getting into the act. For example, Barnsley Technical College has set up a how-to course for "those seeking to create their own jobs in co-operatives". Details are available from Ron Cohen, the Director of Studies, or from Peter Milford of the Barnsley Enterprise Centre. ■

More Instant Muscle

The fall, 1985, issue of *Worker Co-ops* featured a story on Instant Muscle, a network of small businesses run and owned by young people. In December, 1985, TM's director, Peter Raynes, provided this update.

"At the end of November, we had 108 small businesses in operation, 65 independent and trading, the remainder doing their market research. We have set ourselves the target of 150 businesses trading by the end of 1986, and . . . between 300 and 350 young people off benefit by the end of the year." ■

Posters

"Labour and Co-operative History in the Making" is a poster produced by Mills and Moors Tours. Send £1.50 plus 30p for postage to Mills and Moors, Knott Hall, Charlestown, Hebden Bridge, West Yorkshire HX6P3; (0422) 845390. ■

Around the World

each contributed \$2,500 and other financing has come from the Philadelphia National Bank.

The first two O&O supermarkets were an instant success, but this third--a more ambitious undertaking--has had a rocky start. Sales projections have not been met; there have been layoffs--including some worker-owners--and tensions between workers and management. Nevertheless, both sales and work relations are improving, and there is optimism about the Strawberry Mansion O&O's future.

The O&O supermarkets have been developed primarily through the work of PACE, the Philadelphia Association for Cooperative Enterprise, in conjunction with the United Food and Commercial Workers' Union of Philadelphia and with local community groups. Sherman Kreiner, PACE's director, expects that there will be ten O&O supermarkets within five years. Worker Co-ops' sources indicate that two more O&O supermarkets will be opened by the summer of this year.

At a fall symposium at the Co-operative College of Canada, Kreiner indicated that PACE would make "internships" available to co-op developers from Canada. Learning from PACE may be instructive because in parts of Canada many jobs are being lost in the retail food business, particularly in the A&P and Dominion chains.

For information about Strawberry Mansion and PACE, contact Sherman Kreiner, PACE, 2100 Chestnut Street, Philadelphia, Pa., 19103; (215) 561-7079.■

ESOPs on the rise

With the use of the financial advantages of employee Stock Ownership Plans (ESOPs), an increasing number of large American corporations are becoming majority-owned by their employees. According to the National Centre for Employee Ownership in Arlington, Virginia, the largest employee-owned corporation is Publix Super-

markets, the tenth largest corporation in the United States. Other employee-owned firms in the top 400 private corporations are: Avondale Industries (#45), Weirton Steel (65), Raymond International (74), Parsons (75), Dan River (122), Pamida (198), Science Applications (214), The Journal Company (261), ACIPCO (281), OTASCO (302), and W.L. Gore (350).

The growth of employee ownership through ESOPs (Employee Stock Ownership Plans) in American companies has come about largely for financial reasons. Quite often companies with cash-flow problems "request" that their employees accept a salary reduction in exchange for a share of ownership. As an example, Smith Trucking is asking its 6,800 employees to accept a 15 per cent cut for the next five years in exchange for 49 per cent of that firm and representation on the board. The plan, backed by the Teamsters Union, would make Smith the fourth of the ten largest U.S. trucking firms to become at least 40 per cent employee owned.

Recently, McLean and System 99, two large U.S. trucking firms with substantial employee ownership through ESOPs, declared bankruptcy. This trend toward ESOP-financing by large trucking companies is because deregulation of prices has caused severe financial hardship in this industry.

Wage reductions in exchange for ownership through ESOPs also have become a pattern in the steel industry. In Vol. 5, No. 2 of *Worker Co-ops*, Lynn Williams, President of the United Steelworkers of America, presented the union's rationale for negotiating this type of settlement.

Although most employee-owned companies through ESOPs are not organized differently than conventionally-owned companies, there are some experiments in workplace democracy occurring in a small number of ESOP-owned companies.■

Michigan enacts employee-ownership program

Worker co-operatives or companies with other forms of substantial worker ownership are the beneficiaries of new legislation passed in Michigan. Under the Michigan program, the state Department of Labor is able to promote employee ownership, and it can provide employee-owned companies with financial assistance for feasibility studies and other forms of technical assistance, such as business-plan development and worker education. Loans are also being made available to qualifying companies at less than market rates.

The Michigan program is considered to be more comprehensive than those passed by other American states because it applies not only to financially-troubled firms but also to successful companies.

For information about the Michigan program, which was introduced by Perry Bullard (Democrat-Ann Arbor), write to Jim Houck, Michigan Department of Labor, P.O. Box 30015, Lansing, Michigan 48909.■

Hyatt-Clark afloat

Rumours of its demise were premature. Hyatt-Clark, an employee-owned manufacturer of tapered automobile roller bearings, reopened in February, after declaring bankruptcy in January.

Hyatt-Clark originally became employee-owned in 1981, when it was bought from General Motors to prevent its closing. Under the new contract signed with the union, employees took a 13 per cent pay cut and made other concessions. Ninety per cent of the 1100 laid-off workers have been called back to work.■

A primary source for "United States shorts" is the News Bulletin of the National Center for Employee Ownership, 927 South Walter Reed Drive, Arlington, Virginia 22204; (\$30 U.S. per sub.).

Around the World

Northern Ireland too

Normally, it would be perilous to suggest that Northern Ireland would follow the lead of London, but in the case of worker co-operatives, this appears to be so. According to *Co-op News*, Northern Ireland is establishing a Co-operative Development Agency that will concentrate on developing "enterprises which are owned and controlled by the people who work in them".

The CDA is promoting the worker co-operative idea to trade unionists, community groups, and other potential co-operators in villages and cities throughout Northern Ireland. The agency will also assist with product identification, appropriate organizational structures, feasibility studies, business plans, and arranging for financial backing from a number of other agencies identified by peculiar-looking acronyms.

Northern Ireland has had a very successful record in other areas of co-operative development including agriculture, retailing, housing, and credit unions. A reflection of the strength of the co-operative sector is the certificate in co-operative studies offered by the University of Ulster.

Information about the details of this program can be obtained from Paul Kelly, Northern Ireland Small Business Institute, University of Ulster, Shore Road, Newtownabbey, County Antrim BT370QB; (0231) 65131, Ext. 22560.■

For more information about worker co-operatives in Britain contact Robert Briscoe, Little Clifton Cottage, 27a South Town, Dartmouth, Devon TQ69BX.

For persons who are interested in heavier doses of news about co-operatives in Britain, Briscoe recommends the following periodicals:

Co-operative News, published by Co-operative Press Ltd., Progress House, Chester Road, Manchester M169HP;

The New Co-operator, published by the Industrial

Common Ownership Movement, 7/8 The Corn Exchange, Leeds LS17BP, Yorkshire (£5 a year);

Initiatives, a bimonthly journal, from the Centre for Employment Initiatives Ltd., 140A Gloucester Mansions, Cambridge Circus, London WCH8PA: (01) 240-8901.■

* * *

NEW ZEALAND

Worker Co-ops correspondent in New Zealand, Peter McKinlay, sends the following report of the co-operative scene down under:

"...there is very little of genuine co-operative activity in New Zealand at the moment. Our credit-union movement is extremely small with total deposits equivalent to \$26 million Canadian. We have no housing co-operative movement and few, if any, genuine worker co-operatives. Although our rural co-operative sector is quite substantial (an annual turnover of approximately \$3 billion), it is rather set in its ways and extremely inward looking.

"Despite this apparently gloomy picture, there is a real interest in New Zealand in the potential for co-operatives. Part of this comes from groups which have been involved with employment issues, part of it comes from a growing realization that there are some pretty exciting things happening overseas and that these could be of benefit to workers, potential home owners, and so on."

In his capacity as Director for the Centre of Community Initiatives, Peter McKinlay has developed a proposal, "Finance for Local Economic Development or Community Banking". For copies of this proposal and more detailed information about worker co-operatives in New Zealand, McKinlay can be contacted at P.O. Box 11766, 9 Simla Crescent, Wellington, New Zealand; (724-584).■

UNITED STATES

Shorts

More O&Os

Details are now available about the third O&O supermarket (worker-owned and -operated) in Philadelphia. Unlike the previous two, which were conversions of existing supermarkets from the A&P conglomerate, this 29,000 sq.ft. supermarket has been built from the ground up and is the first of the O&O stores to be located in a depressed part of the city. About half of the members of the Strawberry Mansion supermarket live in the local community, an under-serviced and densely-populated area.

Part of a \$2.7 million shopping centre in Strawberry Mansion, the third O&O store is owned by its 58 workers, each of whom have made a \$5,000 capital contribution. Part-time members



Worker-owner deli manager Judy Raymond at Parkwood Manor O&O grand opening, November, 1982.

British villages find co-operative solutions to government cutbacks

Robert Briscoe

The closure of the village school, the loss of bus and train services, the demise of the local shop—crises like these are such a common feature of rural life today that they hardly warrant headlines any more. We expect rural communities to be the first to suffer in an age of government cutbacks and privatization of public services.

If governments seem to show little concern for the heart and soul of rural communities, is there anything ordinary people can do to protect the quality of life in their villages and towns? A catalogue of the things people can do for themselves has just been published in London. *Village Ventures* describes how groups of people throughout the United Kingdom are co-operating to protect and improve services in their home communities.

Many of these new schemes and enterprises will sound very familiar to co-operators in Atlantic Canada—community-owned medical centres, self-build housing co-ops, village co-op stores. But there are also plenty of new ideas and some novel variations on the old themes.

Good Neighbours Club

One of the simplest ideas in the book is the informal Good Neighbours Club, like the one in the Somerset village of Halse. Started as a mutual-aid scheme to do minor repairs and odd jobs for villagers, the Good Neighbours Club helps the elderly and the infirm with household chores that might otherwise be beyond them. It also ensures that everyone has access to medical services in nearby towns. Villagers with phones make the appointments; those with cars provide the transportation.

The club has also become the focal point for much of the social life of the village, organizing outings, and staging special events like the annual Christmas festivities.

The village of Great Missenden in the county of Buck-

inghamshire has set up a more formal approach to exchanging skills and resources. The Great Missenden "resources group" has a storefront office and a printed catalogue of volunteers prepared to help people in need with simple chores, transportation, and minor repairs.

Community transport

More and more villages in the U.K. are finding themselves without bus or train services of any kind. Such stranded communities have little choice but to organize their own stop-gap system, if villagers are to be able to enjoy access to the services and facilities of larger centres. Self-help transportation systems range from informal car-sharing to more elaborate "social car schemes" to community-owned buses providing services on a regular timetable.

Sometimes, the organization of community-bus services provides an excuse for different villages to work together. It often takes a joint venture between two or more neighbouring communities to make a single bus service viable.

Village shops

While the mainstream consumer co-op movement in Britain seems to be suffering from a massive identity crisis, there is a new grassroots movement which has a clear and urgent sense of purpose.

The new co-ops typically have little contact with their long-established counterparts in the big cities. New, community-run shops are springing up in villages after the closure of conventional retail stores. The varieties of community shops range from buying clubs operated out of someone's garage or basement, to well-stocked retail stores with regular business hours.

One of the most successful of these community shops is found in the village of Debden in the country of Essex. It operates out of a purpose-built extension to

the village hall and offers a wide range of foods, including fresh meat and produce, at very attractive prices.

Initial capital was raised by selling grocery vouchers door to door. Volunteers promised that these vouchers could be redeemed for groceries once the shop was open.

At first, the store was staffed entirely by volunteers. But as soon as the business was a little more secure, volunteers were paid for all work over and above six hours per month. The store has continued to prosper, and now volunteers are paid for all the work they do over two hours per month. This remaining element of donated work ensures the viability of the Debden shop and provides local inhabitants with plenty of opportunities to get involved in their own village store.

Among the other schemes described in *Village Ventures* are group enterprises involved in the provision of low-cost rental housing, community newsletters, job-creation, pre-school classes for infants, and the protection of rural heritage and environment.

For co-operators looking for new ways of invigorating their local community and their co-op, *Village Ventures* offers stimulating ideas. At times the descriptions are rather sketchy (the book is only 44 pages long), but the lists of resource materials and sources of further information help to compensate for the lack of detail in the text.

Village Ventures is written by Rodney Willett and published by Rural Voice (1985). Contact Harper & Row Distributors Ltd., Estover Road, Plymouth, Devon, England PL6 7PZ. The price is £3.25 not including postage.

Robert Briscoe teaches organizational behavior in the Department of Management and Administration, University College of Cape Breton, N.S. He is currently on study leave in the U.K., where he can be reached at Little Clifton Cottage, 27a South Town, Dartmouth, Devon, England TQ6 9BX.■

Worker Investment Fund considered by Manitoba labour

Gary Russell

"When we see so many thousands of people without jobs, when we see a plant close when all it needed was a little push, that's where you will see the Fund."

- Louis Laberge
Quebec Federation of Labour

"I've seen so many of these so-called profit-sharing schemes involving workers. They never got anything out of it. Management simply cooked the books."

- Leo Roback
Industrial-Relations Analyst

The attitude of the labour movement in Manitoba toward a Worker Investment Fund might be described as an on-and-off flirtation. A resolution at the 1983 convention of the Manitoba Federation of Labour (M.F.L.) called for an investigation of the "possibility of implementing a Solidarity Fund in Manitoba that is similar to the Quebec Federation of Labour program." The executive council of the M.F.L. researched the proposal, but never felt satisfied that any practical options were available for Manitoba. They were not prepared to ask members to risk their pay cheques on a scheme which yields uncertain benefits. Hence, it has remained on the back burner, perhaps to be re-examined at a later date.

Objectives

The goals of a Workers' Investment Fund require clarification. The proposal at the 1983 M.F.L. convention was couched in terms of making capital available to protect jobs. This is indeed consistent with the Quebec Federation of Labour's Solidarity Fund, since it was originally intended to use that fund to rescue jobs.

Yet when the Quebec Fund reached the legislative stage, its purposes had expanded well beyond the original concept. The preamble to Quebec's Bill 192, which established the Fund, states:

...the Fédération des travailleurs du Québec has proposed the establishment of an investment fund for the objectives, mainly, of promoting job maintenance and job creation, stimulating the economy and training workers in economic matters.

Others view a Workers' Investment Fund in a still wider context. A study done by the Research Department of the Canadian Union of Public Employees states:

It is desirable to create a countervailing force to the power of modern institutional investors in order to promote an 'alternative' investment strategy under the direction of organized labour.

The Q.F.L. itself, in some of its educational documents, expresses a similarly broad perspective on the Fund. The Fund is viewed as a "trade-union instrument" to promote "participation" and "economic democracy". Workers' savings should, in the Q.F.L.'s view, be channelled towards the development of a "Deposit and Investment Credit Union... of which we are collective owners". In its initial stage, the Fund has been treated as an educational tool, to develop worker consciousness of the need for such measures.

An additional objective, which could be tied in with the above criteria, is to promote alternative ways of organizing production, such as worker co-operatives.

A suitable set of objectives for a Workers' Investment Fund in Manitoba might be the following:

1. Making capital available for job maintenance and job

creation;

2. Moving toward an economy based on workers' priorities, by promoting and participating in an industrial strategy for the province of Manitoba;

3. Providing opportunities for working people to develop the skills to participate in a rapidly-advancing society;

4. Promoting alternative ways of organizing production, such as worker co-operatives; and

5. Moving toward concentrating the savings of working people into worker-controlled funds.

Practical requirements

Questions immediately arise: what does it take to achieve these goals? What size of fund is sufficient to have significant impact on the investment patterns of the province? The C.U.P.E. study points out that the Saskatchewan Development Fund, while not a workers' fund, controls less than two per cent of all investment funds in the province of Saskatchewan. As a simple proportion, two per cent appears to be a rather insignificant amount. In dollar amounts, the Quebec Solidarity Fund targeted \$33 million for its first year. Using population ratios, that would translate into a fund of \$5 million for Manitoba. More relevant than population ratio, however, is a minimum effective size. While that is probably impossible to predict, a fund of \$10 million might be considered the minimum realistic size.

Economist Cy Gonick, in a submission to the M.F.L. on the subject, estimated that \$10 million would create no more than 400 jobs, though the Manitoba (government) Jobs Fund anticipates creating more jobs per \$10 million than that. However, the Jobs Fund is attempting to create a lot of leverage by combining its money with other sources of capital to initiate joint projects. Perhaps that method of operation may be available to a potential

British village life in the 1980s

Workers' Investment Fund.

If 70,000 members of M.F.L. affiliates contributed \$2.75 per week to the Fund, the \$10 million could be raised in one year. It is not realistic, however, to expect full participation by affiliate members. A 50 per cent participation rate would require a weekly checkoff of \$5.49, and a 20 per cent participation rate would require a weekly checkoff of \$13.74.

The immediate conclusion is that there is little practical prospect of internal financing, without government participation.

Policy and priorities

Would \$10 million, if achievable, have a significant impact on the Manitoba economy? Short of the more ambitious objective of becoming a "countervailing power" in the economic arena, \$10 million is not an inconsequential sum for a starting point, especially if some financial leverage can be attained through innovative management.

Innovative management involves more than just identifying industries which need "a little push", although that would be an important function of any Workers' Investment Fund. Innovative management means identifying those key injection points in the province's economy, where a small infusion of funds could be expected to open up a serious bottleneck or to set in motion a chain reaction of industrial growth. Innovative management means monitoring world production patterns, and identifying where Manitoba enterprise can establish itself as a supplier to world-class industry or tap into world markets as a seller of advanced products. Innovative management means keeping in touch with the leading edge of technological progress and identifying opportunities for Manitoba industry.

This is a tall order for a little Manitoba Workers' Investment Fund, but it is essential as a long-term objective if the Fund is ever to play a serious role in the province's development.

It is vital, at the same time, to steer clear of the bail-out mentality, implied in the term "Solidarity Fund" and common to many government development corporations. It is dangerous to concentrate resources on "rescuing all the losers in the province" ("lemon socialism"). The mandate of the Fund should be to pick the winners, potential winners, and generally viable operations--in winning combinations--and resist pressures to bail out every sinking ship that calls for help.

But the meaning of a "viable operation" needs to be understood very carefully. In the business community, it means an operation which yields a financial return in the long run which is at least equal to the return that could be obtained elsewhere. Manitoba industry has suffered from the fact that certain world profit-centers draw the major investment flows in their directions--leaving other regions in a relatively underdeveloped state. In other words, by economic criteria, there has been relatively little rationale to invest in Manitoba industry. If we were to manage a Workers' Investment Fund by those same criteria, we would end up investing our members' money in South African industry or in other equally undesirable areas.

Social criteria important

Clearly, economic criteria must be balanced by social criteria, which a private-market economy defiantly refuses to do. Though we cannot completely ignore economic profitability, since it is tied to economic efficiency, we cannot consider economic return alone. We must also consider: (1) social returns, such as the quality of social services available to the public, environmental factors, etc.; and (2) long-term development factors.

This is all very idealistic, of course. The Fund could well end up a continual drain on workers' finances, unless economic criteria are a priority. In fact, standing alone, the Fund could scarcely be expected to embark on any adventurous investment projects, on the very sound rationale that workers' money should not be put in jeopardy. This practical consideration has often been the basis for the opinion that a Workers' Investment Fund will inevitably turn into just another mutual fund, forced by economic circumstances to be very conservative in its investments. This is indeed a serious risk, and should be given careful consideration, since it ultimately defeats the purpose of the Fund.

But the Fund need not, and should not, stand alone. The

"The Banking Alternative – For Co-ops and For You!"

Full Service Financial Packages

475-8477



SECUL Savings & Credit Union Limited

1175 Brimley Road, Scarborough, Ontario M1P 3G5

Member of Ontario Share and Deposit Insurance Corporation

fund should take an active role as a mobilizer of capital from a wide variety of sources, in both the public and private sectors. Government matching funds, guarantees, etc., are often available from the public sector. Pension funds constitute a large pool of capital which should be made available for the benefit of working people, and which, at least, could be tapped in some circumstances to back up the Fund. The credit-union movement, in some instances, may be willing to rediscover their original goal and co-operate with a Workers' Investment Fund.

The basic principle expressed by the Quebec Federation of Labour, among others, has been that money drained out of workers' pay cheques should be transferred out of private pools of capital into a socially-controlled fund, operating for the benefit of working people. If pension funds are any example, there are tremendous legal impediments to be overcome, but a Workers' Investment Fund could take some small initial steps in that direction.

The Fund should also not stand alone in a planning sense. Many of the functions and strategies outlined above have been recommended in M.F.L. briefs as a general approach to economic planning. The Fund should be considered a small step towards more comprehensive planning--a contribution and a stimulus from labour toward an activity that must ultimately be the responsibility of government.

An additional note: the Quebec model

The Quebec Solidarity Fund is governed by a board of directors chosen directly by the Q.F.L. Membership is based on the purchase of "Class A Shares" by individual members of Q.F.L. affiliates. Workers may opt for payroll deductions, and union locals may vote to make it compulsory for all members. This is consistent with Quebec tradition, since a compulsory savings vehicle, the Caisse de Dépot, already exists in that province.

The intent of the Quebec Fund is to concentrate on investments which bring some degree of ownership and control. To ensure diversification, regulations stipulate that no more than five per cent of funds be invested in any single enterprise. Evaluation of investments is based on the dual criterion of profit-earning capacity (economic return) and job-creating capacity (social return).

Assistance comes in the form of a \$10-million loan from the Quebec government, for cash-flow and initial investment, to be repaid (when the Fund sees fit) at low interest rates initially and increasing to prime over five years. The government is also paying for the lost time of 2500 union activists, who promote the Fund (i.e., sell shares, not carry on educational work).

Another form of government assistance, quite crucial for the success of the Fund, is the tax-credit system. Owners of category "A" shares receive a tax credit of 35 per cent for the first

\$3,500 spent in the year.

It should be noted that these terms were the result of a negotiation process, which also resulted in some strings attached. The Q.F.L. had to agree to abandon any demands for co-determination in Quebec workplaces. This condition was necessary to ensure employer acquiescence to the Fund.

A number of writers have pointed out the problems associated with this type of fund. The primary problem is, if in practice, the Fund becomes limited in scope to providing equity financing for small- and medium-sized firms which are having difficulty finding funds from private or government sources, it will become a bail-out operation, which will accomplish little more than shifting the burden of risk onto the backs of workers.

Gary Russell is a researcher for the Manitoba Federation of Labour, 104 Union Centre, 570 Portage Ave., Winnipeg, Manitoba R3C 0G4; (204) 775-4575. ■



Wilf Hudson, President, Manitoba Federation of Labour.

Cross-Canada Directory: Manitoba

Jeremy Hull

As part of an ongoing effort at profiling the worker co-operatives (broadly defined) of Canada, in this issue we focus on Manitoba. Previous issues of Worker Co-ops have focused on British Columbia, the Maritimes, and Newfoundland. Quebec is next.

Riding Mountain Resources is one of several co-operatives which has been incorporated in Manitoba since the last issue of *Worker Co-ops*. Based in Brandon, this co-operative specializes in the construction of handcrafted log buildings. The worker-owners have been doing this type of work for some time on a seasonal, part-time basis. One problem is obtaining milled logs for their buildings. They are currently considering the feasibility of purchasing their own portable sawmill to "vertically integrate" their operation. The co-operative has four worker-owners and hires one additional employee periodically. For further information, contact Al Hall, Riding Mountain Resources Co-operative, Box 762, Brandon, Manitoba R7A 5Z8; (204) 728-3589.■

Femmedia Productions is a newly-incorporated co-operative which specializes in audio-visual productions from a feminist point of view. It is composed of nine women who work together on a part-time, project by project basis. Located in Brandon, Femmedia maintains "friendly competition" with Crocus Information, sometimes working together on specific projects (see Crocus update, below). The formation of Femmedia is the outcome of about a year's planning and preparation.

Some of the projects with which the company has been involved so far include:

"Women Alive", a nine-episode documentary series dealing with feminist issues;

Assisting the board of the Association for Community Living in developing a documentary concerning integrating the mentally handicapped into the community;

A videotape production of the Women's Music Festival held in Winnipeg last year.

One of the few audio-visual production companies in Manitoba outside of Winnipeg, the group plans to continue preparing programs by and about women. Contacts for the group are Nancy McLennan and

Barb Flemington, 335 - 23rd St., Brandon, Manitoba R7B 1V6; (204) 726-8168.■

Bear River Resources is a newly-incorporated co-operative located at Pine Falls, Manitoba. This company is a sawmill operation, producing dimensional hardwood lumber. Further information will be provided in future issues.■

Vent Air Co-operative is a Winnipeg company which manufactures and installs commercial venting systems. The former owner had gone into bankruptcy, and the employees bought the business from the receiver. Vent Air represents the first case which has received assistance from the Manitoba Employment Co-operatives Program. It is also somewhat larger than other worker co-operatives which formed in Manitoba, with 11 full-time worker-members and up to 40 employees hired on a temporary basis. Vent Air employees are members of Local 511 of the Sheetmetal Workers International Union, and hiring of temporary employees is done exclusively through the union hall.

The Vent Air Co-operative is still in the early stages of development, and a more complete description of the business will be provided in a future issue. Contact Ralph Kubic or Don Roy, 1301A Ellice Ave., Winnipeg, Manitoba R3G 0G1; (204) 774-5491.■

In the last issue of *Worker Co-ops* it was reported that Crocus Information had been incorporated as a worker co-op with eight part-time workers. Since that time this Brandon-based co-operative has been working on several projects involving print and audio-visual media. One of these, initiated by the Advisory Council to the Manitoba Minister of Co-operatives, involves the production of

THE BIG CARROT

NATURAL FOOD MARKET

SEARCHING FOR NATURE'S FINEST

Toronto's premier natural food market continues to grow dynamically because of its friendly and knowledgeable staff, fresh weekly organic produce, vegetarian deli, macrobiotic foods, organic grains, one stop shopping conveniently open seven days a week.

Mon.-Thur. 9:30am-7:00pm, Fri. 9:30am-8:00pm,
Sat. 9:30am-6:00pm, Sun. 11:00am-5:00pm.

The Big Carrot Natural Food Market
Searching for Nature's Finest

355 Danforth Avenue, Tel. 466-2129

Just east of the Don Valley at Chester subway

Worker owned co-operative

a monthly newsletter. The newsletter is intended for province-wide circulation and will concern all types of co-operatives. The initial issue was entirely funded by the provincial government, but this subsidy will be gradually reduced so that within a year the newsletter is expected to be self-supporting.

A long-standing interest of the members of Crocus, the co-operative newsletter will be a vehicle for informing people, teaching them about how co-operatives are organized, and warning them of possible pitfalls.

Other work that Crocus is now involved with includes: the production of four 45-minute videotapes for use in a Native educational program; acting as consultants to IMI Records Ltd., a Native business which may establish their own recording studio; and the preparation of graphics

and a logo for a local rock band. In short, business is growing; in January, Crocus paid its members more in wages than they had in all of 1985. Contact Jim Richie, Crocus Information Management Co-operative, 204 - 1020 26th St., Brandon, Manitoba R7B 2C1; (204) 727-6578. ■

As reported in previous issues of *Worker Co-ops*, PRT Manufacturing is a newly-formed co-operative producing electrical and electric sub-assemblies for other Manitoba manufacturers. PRT has recently hired two new full-time staff, bringing the total number of worker-owners to five. In addition to work for Bristol Aerospace and Lund Boats, PRT now has a contract with VICON, a farm-implements manufacturer (formerly Co-op Implements). Contact Ted Powell,

PRT Manufacturing, 1 - 1329 Niakwa Road, Winnipeg, Manitoba R2J 3T4; (204) 256-5162. ■

Accu Graphics Co-ops is described in *Worker Co-ops* (Vol. 5, No. 3, p. 21). Contact Jim Livingstone, Accu Graphics, 18-10 Shelmerdine Drive, Winnipeg, Manitoba R3R 2Y1; (204) 943-0601. ■

In addition to these currently-registered worker co-operatives in Manitoba, there are 12 more in the active stage of development (see Doug Davison's Manitoba report in the "Across the Nation" section of this issue of *Worker Co-ops*).

Jeremy Hull, a member of WMC research consultants, can be reached at Rm. 607, 259 Portage Ave., Winnipeg, Manitoba R3B 2A9; (204) 944-9450. ■

Worker co-operatives: part of the Arctic future

Andrew Goussaert

The co-operative movement has had its ups and downs in the Northwest Territories. Beginning in 1959 the government of Canada encouraged the establishment of co-operatives in the north as a "valuable instrument of social policy in economic development".

Since then co-operatives have been created in most settlements. They offer their members work in a variety of services such as arts and crafts, construction, retail stores, hotels, and fisheries.

At present, there are 34 co-operatives spread over the vast northern land, from Grise Fjord on the Arctic Islands to the Belcher Islands at the bottom of Hudson Bay, from Fort MacPherson on the Dempster Highway to Broughton Island on the east side of Baffin Island. The

membership of these co-operatives represents approximately 85 per cent of the Inuit and 25 per cent of the Dene population.

The northern co-operative system is a unique story—aboriginal people from different ethnic backgrounds spread over a vast continent have developed many successful community-based businesses. Next to government, co-operatives in the north employ more native people than any other type of business.

Producer co-ops

Most of the early co-ops started as arts and crafts producer co-ops. Thus, from the start there was a need for a central marketing body. With the help of the Co-operative Union of Canada, Canadian Arctic Producers was set up. Subsequently, the Canadian government provid-

ed the company with working capital through the purchase of preferred shares, which were bought back by the co-operatives over a number of years. When the member co-operatives gained controlling interest in Canadian Arctic Producers they restructured the company as a co-operative.

In 1972, the co-operatives also incorporated a federation (currently called Arctic Co-operatives Ltd.) with a mandate to provide support services for member co-operatives, which were becoming increasingly varied in size and in operations. Some co-operatives, such as the ones in the small settlements of Colville Lake and Jean Marie River, have only one employee and a volume of less than \$200,000. Others, like those of Cape Dorset or Cambridge Bay and Pond Inlet, are multi-purpose



(Left) The Inuvik Parka Enterprise, to become a worker co-operative. (Right) The directors of Arctic Co-operatives Ltd. at the official opening of the Federation's new premises in Winnipeg on Nov. 28, 1985.

co-operatives with large revenues of \$2-3 million.

Amalgamation

Owned and controlled by 34 member co-operatives, Arctic Co-operatives Ltd. was formed in November, 1982 by the amalgamation of Canadian Arctic Co-operative Federation Ltd. and Canadian Arctic Producers.

Northern co-operatives face two types of problems: business and environment. The co-ops have to deal with all the demands of running an efficient and successful business in an environment which, to say the least, is not inviting for business.

A glance at the map of the N.W.T. shows how difficult it is to overcome vast distances and to get in and out of remote settlements, especially with the harsh climate. Lack of proper airfields and once-a-year sealift deliveries do not enhance the smooth running of a merchandising business. Consider some of the recurring problems: overstocking or running out of merchandise in the middle of the year; warehousing; and no ability to back-order (automatic in the south) because of once-a-year delivery of goods.

A gradual improvement of communication and transportation facilities has produced more business. Television has increased expectations and has stimulated consumption. Improved runways and scheduled flights in the settlements have assured the availability of goods, though at a high price.

Co-ops essential

The average income in the north is ten per cent below the

national average, and there are great disparities in wealth. There are very few native-owned and -operated businesses, and in some communities the co-operative provides the only commercial service. Less than five per cent of the native population have full-time employment. An ever-increasing dependence has been created on goods from the south. The demand for more disposable income results in pressure on the co-op to buy the northern products, such as arts and crafts, at a higher price and to sell imported goods from the south at a lower price and on credit.

Despite all these difficulties, the co-operative movement in the N.W.T. has made some great leaps and has achieved much in a short period of time.

A five-year federal government financing program, with a combination of additional working capital at the local level and bank loan guarantees, has assisted the system. The net result over the five years (1977-82) has been dramatic—a 65 per cent increase in sales. (Total revenue has risen from \$13.21 million.) In addition, an extensive education program for managers and boards of directors was introduced in 1978 with government funding.

More help needed

Though the northern co-operative system has been, and can continue to be, both a viable business entity and an important social institution, there still is a need for member training and education, as well as financing for support systems.

The economic climate of the past years did not spare northern co-operatives. The fur trade has decreased greatly. The marketing

of arts and crafts has become very difficult, and sales have decreased to the same degree as art sales throughout the country. Revenues needed to cover operating costs have been substantially reduced, resulting in losses at the local and at the central. Co-operatives have suffered substantial losses due to the high interest rates on borrowed money.

It has taken some time to adjust to these new conditions, but the northern people and their co-operatives are getting over the difficulties of the last three years.

Recent consolidation of the main service functions of Arctic Co-operatives Ltd. in Winnipeg with a showroom in Toronto and proposed financing through the Native Economic Development Program will make it easier for the co-operatives to provide services to their members and enhance the standard of living in their communities.

In addition, Arctic Co-operatives Ltd. is taking a serious look at worker co-operatives as a means of employment and community development for native people. Although worker co-operatives are relatively unfamiliar to the north, the values upon which they are based are quite compatible with native ways. Currently, Arctic Co-operatives Ltd. is studying the feasibility of converting the Inuvik Parka company to a worker co-operative (see *Worker Co-ops*, 5/3), and there may be other prospects in the future.

Andrew Goussaert is chief executive officer of Arctic Co-operatives Ltd., 1741 Wellington Ave., Winnipeg, Manitoba R3H 0G1; (204) 786-4481. ■

Employment co-operatives in Saskatchewan: a recognized and attractive option

Carol Ann Shearer

Tree planters living in the Raven's Hill and Big River area of Saskatchewan have organized employment co-operatives in the forestry industry to attract larger contracts and to increase their prospects and income.

The Raven's Hill Reforestation Co-operative and the Divide Silviculture Co-operative operate in a broad area where prairie meets forest, near the west side of Prince Albert National Park. The land is swampy, with rolling hills, forests, and sandy soils.

People living in the area have found ways to generate or supplement their income through selling garden produce and honey, or through seasonal work in the forestry or logging industry.

Tree-planting contracts

The provincial government provides economic stimulation to the region by offering tree-planting contracts to local contractors to replace logged or burned-out forests. These tree-planting jobs attract workers from surrounding areas during the spring and fall. After several years of working as individuals, these workers organized to bid for contracts as co-operatives.

The Raven's Hill Reforestation Co-operative incorporated in the spring of 1984 with 12 members. In their first year, they planted more than a million trees and developed an excellent reputation.

The Divide Silviculture Co-operative was established to specialize in silviculture, or total forest management, from the thinning and spacing of trees to the intensive culture of strong, fast-growing, and disease-free stands of timber.

Long-term prospects for both groups look good. They provide not only employment for their members, but a valuable service to the community as well.

Employment co-operatives are relatively new in the province despite a long history of co-operative activity that dates back to the late 1900s. The provincial government's Department of Co-operation and Co-operative Development assists people who want to organize employment co-operatives. A handbook is now available from the department to guide people through the process of establishing an employment co-operative.

Job creation

"Job creation is a priority of the government," says Saskatchewan Co-operatives Minister Neal Hardy, "but no government has adequate resources to be the sole provider of jobs. One of the big benefits of employment co-operatives is that people can pool their talent and resources in operating a small business. These co-operatives enable members to use their initiative to work for themselves and to do something positive to improve their own situation."

Field staff in the department's 11 regional offices have attended seminars and discussions on employment co-operative development and have information

available for the public. Several of these staff members have talked about employment co-operatives with high school students and have been involved in discussions with interested community groups, town councils, and other co-operatives.

"Employment co-operatives are an attractive option and have a good chance of success," says Hardy. "They are democratic organizations where members have equal say, and everyone shares in the decision process. Members make commitments and show dedication to succeed because they are in business for themselves, and their livelihood is at stake. As a group, they can combine their skills and abilities and focus their energy to accomplish their goals. They help themselves by helping each other," he adds. "Employment co-operatives provide many positive spinoffs for their communities. They produce knowledgeable and experienced leaders and managers, and provide direct stimulation to the local economy."

Native co-ops

Bill Young, field staff member in the La Ronge office of Saskatchewan Co-operation and



Workers in a Saskatchewan carpentry workers' co-op.

Co-operative Development, has spent the last few months helping a network of income- and employment-generating co-operatives become established across the northern part of the province.

"These co-operatives won't be incorporated as co-operatives under the Act, but they are employment-generating co-operatives," explains Young. They are, in fact, a cottage industry, organized co-operatively.

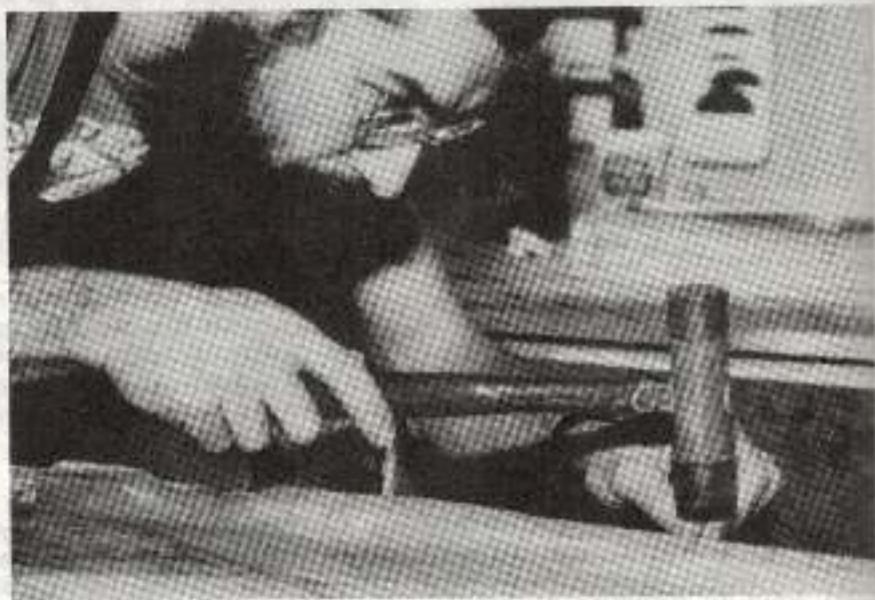
Many women in the north have made handicrafts at home in their spare time, such as moccasins, mukluks, gauntlets, and other traditional articles. They sell them to visitors or to government staff or police officers stationed in the north. "Now that market is going to be substantially expanded because the women will have increased their selling power by joining together in co-operatives," says Young.

The Indian Arts and Crafts Corporation, a national wholesaling organization for Indian arts and crafts, has indicated it would purchase anything the co-operatives can produce. Co-operatives will be able to sell to this marketing agency or wherever they get the best price for their products. Groups will be autonomous, and members will still be able to work in their own homes, at their own pace--a concept very important to the northern lifestyle, according to Young.



**Gay Lea Foods Co-operative Limited,
an Ontario based Dairy Producer
Co-operative incorporated in 1958
processing and marketing dairy
and edible oil products for its
members provincially and nationally.**

We make the things you can count on.



Woodworking in a Saskatchewan worker co-operative.

Women earn money

Mary Ann Kkailt, president of the first co-operative in the network, the Thal Tway Co-operative at Wollaston Lake, is excited about the prospects. Women have virtually no other means to earn an income in the north. The venture will substantially increase family income and will also put money into the hands of women. Native women in the Wollaston area do some of the finest traditional handiwork in the country--work that deserves to be seen and appreciated by more people.

Young is optimistic about the impact on communities in the north. "Not only will these co-operatives help preserve traditional Indian and native cultural skills, but the business skills these women learn will benefit the community. Members will gain experience in running a business and dealing with outsiders, as well as in conducting meetings, book-keeping, and accounting. Members will go on to contribute to other organizations in the community, local government, and so on," Young said.

Employment co-operatives are also being established in urban centres. When a group of Chilean immigrants in Saskatoon found themselves hampered by language difficulties and making ends meet, they decided they had to do something for themselves. They formed Able Co-operative Services Limited in 1983 and offered cleaning and janitorial services to the public. By their second year, the members of the co-operative had doubled their previous income and considerably improved their standard of living. According to co-op secretary Nilma Pizarro, members of the co-operative like being their own bosses. They have enough business to keep three of their four members working full-time and

to hire part-time help in the summer. "We've also wanted to get into other services such as contracting or drafting, but we've been so busy with the janitorial work we haven't had time to go after more contracts. We've just hired someone to do this for us, so it should help," says Nilma.

Crackerjack Janitorial Co-operative in Regina has a unique feature. Although one of the principal goals of the co-operative is to generate employment for persons with mental handicaps, it is run by a volunteer board and is incorporated as a community-service co-operative rather than an employment co-operative. The co-operative employs five full-time disabled persons and part-time employees in the summer months. All training and management services are provided voluntarily.

Student co-op

Last year a group of Saskatoon high school students found a solution to their own employment problem. Bernadine Rudichuk, former program manager of the Saskatchewan Co-operative Youth Program, visited high schools to talk to students about forming a pilot student-run co-operative modelled after Instant Muscle--a similar project in England. She found lots of interest at her meetings and formed Youth Action Co-operative with nine students. To meet a requirement that a person has to be 18 years of age to be a director, the student co-operative appointed a board comprised of people associated with co-operatives, and the board passed a bylaw giving most of the decision-making powers to the students' committee.

The adult board seldom had to meet, but the students met at least twice a week and ran the entire show. They each earned an average of \$600 to \$1,200 during the summer doing a variety of odd jobs ranging from delivering flyers to yard work and cleaning, and they gained first-hand experience in running their own business.

"We weren't just working at a job," says Patricia Marianovits, president of the Youth Action Co-operative, the first of its kind in Canada, "we were running our own company. We made all our own decisions. No one told us what to do. It was terrific!"

Builders' co-operatives

Workers Building Co-operative Ltd. was originally incorporated in Saskatoon in the fall of 1975 by ten unemployed people. Since then, it has relocated to Davis, just outside Prince Albert, and has been pared down to four members. Mark Mrazek is vice-president of the co-op.

"A couple of the members who came from the area got some work, and one job led to another, so the co-operative decided to make the move where there seemed to be work," says Mrazek.

The group started out constructing steel quonsets, machine sheds, and barns, but now also does concrete work and millwork construction. A line of oak bath accessories manufactured by the co-operative is distributed by a major dealer throughout Saskatchewan and Alberta. Business is good enough to keep all members at work full-time and to allow for the hiring of as many as 15 employees during the summer months when work is busiest.

Mrazek attributes the long-

vity and success of the co-operative to the fact that members work well together and that the co-op is run like any other business. "And it takes a lot of work," he says. "You can't expect anything to be an overnight success whether it's a co-op or a private business. You have to work hard, and you have to do good work," he adds.

Co-operatives Minister Neal Hardy is pleased to see interest in employee-run co-operatives. "We see great potential for employment co-operatives as a means of providing long-term jobs for people in all areas of the marketplace, not just as a stop-gap measure. The principle could be applied to small manufacturing, garment production, the automotive trades, food production, and processing. I feel confident that co-operatives operating in these fields would be highly successful," says Hardy.

Employment co-operatives are on their way to becoming a recognized and attractive option in Saskatchewan. With their potential to create viable businesses, stable jobs, and local ownership and control, they are sure to be a success.

Carol Ann Shearer is manager of the Co-operative Relations Branch, Dept. of Co-operation and Co-operative Development, 2055 Albert Street, Regina, Saskatchewan S4P 3V7; (306) 787-5258.

The logo consists of the word "CO-OP" in a bold, sans-serif font, enclosed within a diamond-shaped border.

MID ISLAND CONSUMER SERVICES CO-OPERATIVE

"BEST WISHES TO CANADA'S WORKER CO-OPS FROM THE MID-ISLAND CONSUMER SERVICES CO-OP, A SERVICE FEE CO-OPERATIVE THAT HAS PROVIDED OVER 235 MILLION DOLLARS WORTH OF MERCHANDISE TO ITS 11,000 MEMBERS SINCE INCORPORATION"

2517 BOWEN ROAD, NANAIMO, B.C. V9T 3L2

Mondragon fundamentally different

Terry Mollner

Chris Axworthy's critique of Mondragon (*Worker Co-ops*, 5/3) provides an excellent opportunity to discuss the fundamental issue in the capitalist-socialist-co-operative debate.

The most basic reason why there has not been a flowering of co-operatives in the capitalist and socialist sectors of the world is that nearly all co-operative movements have accepted the fundamental assumption upon which both capitalism and socialism are based.

This assumption is "Materialism". Capitalist and socialist thinkers both assume that what is most important to you and me is the "thing" before us rather than the "relationship" among those of us who are interested in the "thing".

Let me give an example. If you and I have an apple to share, it is certainly more important to the two of us that we get along than that I get a little more than half the apple.

Human beings are friendship-seeking creatures, not enemy-seeking creatures. Who of a healthy mind would choose to have a neighbor be an enemy when he or she could be a friend?

Both capitalism and socialism, as we know them, assume we are enemy-seeking creatures. They are both methods of dividing up the apple. One uses the free-for-all method, the other uses the father-knows-best method. However, both assume the apple is all there is! Not only is the apple not all there is, but it is of secondary importance to us.

Mondragon non-material

Mondragon is based on the non-material (call it "mind" or "spirit" or "relationship"). Whereas materialism must always lead to choices between polar opposites on a material continuum (e.g. right/left; owners/workers; how much of the apple for each of us), the non-material social order of Mondragon leads

to consideration of the whole continuum (both sides 100 per cent). It does this by giving priority to the relationships among the people.

For instance, in Chris Axworthy's article, the "very centralized managerial style" at Mondragon is criticized. Because his assumptions about reality are based in materialism, he is compelled to choose between hierarchy and democracy. Of course, being a supporter of co-operatives, he chooses democracy. This means hierarchy must be bad and democracy must be good because it is self-evident that there is a reason to choose one thing over another. Thus, when he went to Mondragon and saw a strict hierarchical structure, he needed to look no further. Mondragon was clearly not a true co-operative.

In my view, his unconscious materialist assumptions caused him to make two critical errors. First, he failed to notice that in life there is always the existence of both hierarchy and democracy whether you notice it or not. If the universe is one integrated whole, then all things are at all times in co-operation (or state of democracy) with one another even though some might believe otherwise. Thus the question is not, "Which do we choose?", but "To which do we give priority?" Mondragon is both democratic and hierarchical; however, it gives priority to democracy.

Hierarchy is efficient

The second error was to assume that hierarchy is a power system. The essence of hierarchy is "efficiency", not power. The most efficient way to get something done by a large group is to organize them into a hierarchical system where at least one person focuses on the whole project and the others on some parts or a particular part. An orchestra is an example. If it were organized democratically without hierarchy, there would be noise but no music. In the same way, the people in the Mondragon co-operatives enthusiastically em-

brace hierarchy for its efficiency value only.

Mondragon is not without faults and problems. The second generation, for instance did not experience the civil war and Franco's guns to the same extent as their parents. The younger generation is more individualistically oriented. Also, whereas nationalism was once an asset, now that the Basque people have achieved home rule, it is a burden. Father Arizmendi, I am quite sure, would have dealt with the evaporation of a co-operative spirit by reaching out and helping others beyond the Basque country to create Mondragon systems. However, the leadership since his death in 1976 has become introspective. Their approach is to retrench and build a conference centre in the woods for weekend workshops on co-operative principles. These are experienced by many as a forced obligation. Arizmendi would surely have given priority to action over talk and would have resisted the self-definition of being only a part (Basque) rather than the whole (the human race).

Axworthy notices the lack of expansionistic fever and co-operative enthusiasm; however, the rest of his criticisms are all from the point of view of a co-operative socialist.

He is critical of the fact that the Caja Laboral Popular (the "Caja"), the bank owned and controlled by the association of worker-owned co-operatives, is the only organization within the system which can start a co-operative and that it has certain criteria upon which it is insistent. Why would a group have two divisions doing the same thing? Also, there is nothing preventing anyone from leaving the system and starting a co-operative on his or her own.

Not anti-union

Axworthy is critical of Mondragon management's anti-union bias without mentioning that they are equally critical of conventional management. Thus he fails to see that they reject the adver-

than capitalism and socialism

rial relationship in favor of a co-operative one. He also fails to point out that they have been very supportive of unions in conventional firms.

He is critical of the fact that only 35 per cent of the annual resources are used for co-operative investment while 65 per cent are invested in the private sector. First of all, the co-operatives have grown at an incredible rate until the recent recession in Spain and quite well through it. Also, the first priority of Mondragon capital is co-operative development, so no project fails to get off the ground for lack of funds. Is Axworthy suggesting that they create co-operatives without regard to how responsibly they do so? I would agree that many opportunities are available to them in the creation of more co-operatives, especially beyond the Basque borders; however, I have no problem with an average of four new industrial co-operatives being created per year as well as much activity to expand the international markets of the existing ones. The latter has been a priority in recent years because of Spain's entry into the European Common Market on January 1, 1986. Axworthy also fails to mention that the top priority of the Mondragon co-operatives is to create more worker-owned jobs that, of course, will be there for a long time.

He is critical of the Caja receiving a low return on its investments from the co-ops while making a good return on its investments in the private sector. Does Axworthy attempt to make more money off a loan to his brother than he does to IBM? Mondragon is consciously creating a third sector in the economy where everyone is considered a family member and where the making of money on money is not only reduced but also the valuing of money above relationships is eliminated. In the process the Caja is quite comfortable making a maximum return on its investments in the conventional sector, as long as it is a socially-responsible invest-

ment, with which it might increase the size of the third sector.

Father Arizmendi

Finally, the most embarrassing criticism was of the Catholic priest, Father Arizmendi, who is given the credit for the creation of the Mondragon co-operatives. Axworthy finds the centralized hierarchy of Mondragon not surprising given "the paternal" style of Father Arizmendi.

I visited Mondragon a year ago exclusively to discover what I could about Father Arizmendi. The Mondragon co-operatives were not primarily the result of a reaction against an outside evil, as nearly every co-operative movement to date has been, but mainly as the result of the spiritual wisdom of this man. Father Arizmendi never held an official position in the industrial co-operatives. His power was in his understanding of the patterns of friendship versus the patterns of enemies. He remained his entire life on the lowest rung of the hierarchy of the Catholic Church and he lived like a saint, eating simply, refusing material possessions and avoiding attention. He was so good at having groups define themselves collectively first and as individuals second that no one realized that he deserved so much of the credit until he died. He was not charismatic or powerful. He was

genuinely spiritual, something not easily understood by those who are materialistic. If Axworthy had a chance to experience Father Arizmendi in person, I suspect he would have reached a different conclusion.

We must remember that an organization is nothing more than a set of agreements among people. Everything else is a result of this. Many spiritually-enlightened people have told us how we should live; we are indebted to Father Arizmendi for showing us how to set up a social order based upon the spiritual wisdom of the ages. He has shown us the way out of the Material Age which has led us only to death (the death of family, community, and potentially the planet) and to the Relationship Age which is life as first-class brothers and sisters who can create a world of our own together.

Terry Mollner is founder (1973) and chairperson of Trusteeship Institute, Inc. (TI) with offices in the USA and Canada. It is best known for its consultation to firms converting to the Mondragon co-operative model. The ideas in this article are developed in greater detail in *Mondragon: Beyond Capitalism and Socialism* to be published in the fall of 1986 by New Society Publishers, (Write TI, Baker Road, Shutesbury, MA 01072 U.S.A. or 14 Rockfield Crescent, Nepean, Ontario K2E 5L7). ■



Eroski: part of the Mondragon group. The Eroski consumer co-operative is the largest distributor of consumer goods in the Basque region of Spain.



Conferences

CASC wants you

The Canadian Association for Studies in Co-operation is holding its annual conference on June 5-6 in Winnipeg during the meetings of the Learned Societies. Papers are invited from educators and researchers on topics related to co-operatives, including worker co-ops.

If you are interested in presenting a paper or if you would like more information, contact Chris Axworthy, Centre for the Study of Co-operatives, Diefenbaker Centre, University of Saskatchewan, Saskatoon, Saskatchewan S7N 0W0; (306) 966-8503.■

Contemporary Issues Seminar

The Contemporary Issues Seminar sponsored by the Co-operative College of Canada, the B.C. Co-operative Council, and the Co-operative Union of Canada will be held in Victoria, B.C. from May 21 to 23, 1986. The theme of this year's event is "Co-operative Democracy '86--Maintaining the Difference".

As in past years, the program will feature prominent co-operators from all parts of the country and will provide ample opportunity for discussion.

A number of guest speakers have been confirmed to date including: Norm Bromberger, Chief Executive Officer of Credit Union Central, Saskatchewan; Sidney Pobihushchy, Professor of Political Science at the University of New Brunswick and a director of Co-op Atlantic; Baldur Johnson, Acting Chief Executive Officer of the Co-operative Union of Canada; Christopher Axworthy, Director of the Centre for the Study of Co-operatives, University of Saskatchewan; and Doug Holland, Manager of Democratic Studies at the Co-operative College of Canada.

Contemporary Issues is tentatively scheduled to be held on the

University of Victoria campus. The fee for the program is \$210 per person. A limited number of partial bursaries will be made available. People wishing to combine the seminar with a visit to Expo '86 are encouraged to make their travel and lodging arrangements immediately.

For more information contact Skip Kutz, Director of Programs, Co-operative College of Canada, 510 - 119 Fourth Avenue South, Saskatoon, Saskatchewan S7K 5X2; (306) 244-3600.■

Grindstone conference

For the seventh consecutive year, the co-op movement strategy conference is to be held on beautiful Grindstone Island in eastern Ontario, this year from August 10-15. The topics include: worker co-ops; health issues and co-ops; improving co-ops; teaching co-op principles to children; co-ops and community development; credit unions and communication networks; and the politics of food.

And if all that isn't enough, there is also swimming, volleyball, and other sportlike events.

A detailed schedule and registration information will be available soon from Grindstone Co-operative Ltd., P.O. Box 564, Station P, Toronto, Ontario M5S 2T1; (416) 923-4215.■

CIRIEC

Brussels is the place and June 9-11 are the dates of the annual congress of CIRIEC--the International Centre of Research and Information on Public and Co-operative Economy. The topic for this year is: "The Financing of Public and Co-operative Economy". CIRIEC's 1984 congress, in Florence, drew 1,000 participants from 40 countries.

For more information, contact Guy Quaden, CIRIEC, Université de Liège, Sart Tilman, Bat. B31, 4000 Liège, Belgium.■

New Hampshire College

The Community Economic Development Program of New Hampshire College is co-sponsoring (with Tufts University) a summer workshops series, June 2-8 in Boston. The series will include both introductory and advanced courses in community-economic development.

For details write to Patricia Martin, New Hampshire College Community Economic Development Program, 2500 River Road, Manchester, New Hampshire 03104, U.S.A.■

Twin Streams

Twin Streams Educational Center and the members of the North Carolina worker-ownership network will hold their fifth annual conference in June. When this issue went to press, the date for the conference had not been finalized, but the rumour mill indicates that the first weekend in June is most likely.

At last count, the worker-ownership network of North Carolina consists of 14 enterprises, including several textile co-ops, a restaurant, a bakery, builders, insurers, a newspaper, computer consultants, and a funeral-casket manufacturer. Support services are provided by the Twin Streams Education Center, the Centre for Self-Help, the Democratic Management Program at Guilford College, the Self-Help Credit Union, and Legal Services. In addition, links have been established to co-operators in Nicaragua, Belize, Dominica, and Canada.

Details for the North Carolina worker-ownership conference can be obtained by writing Wes Hare, Twin Streams, 243 Flemington Street, Chapel Hill, North Carolina 27514; (919) 929-3316.■

* * *

Book Reviews

PROBLEMS OF RAISING START-UP CAPITAL

By
Bunny Barrett

The problems of raising start-up capital for workers' co-operatives Co-operative Research Unit, The Open University, Milton Keynes, Bucks., U.K. MK76AA; 1983, 32 pp.

Reviewed by Paul Jones

"Co-operatives themselves are not always aware of their contradictory position in the capital market: they regard adequate funding as clearly essential but tinged with immorality and the profit motive."

- Jenny Thornley in *Workers' Co-operatives: Jobs and Dreams*, 1981, p. 80.

In Britain, much of the recent dramatic growth in worker co-operatives has been realized by groups using the Industrial Common Ownership Movement's (ICOM's) model rules. These rules limit member shareholdings to £1 each and require the distribution of all assets on dissolution to an ICOM fund or to charity. They are roughly equivalent to Canadian non-share capital, non-profit co-operatives. Jenny Thornley was thinking of such groups when she wrote the passage cited above.

Bunny Barrett is an organizer in London's West Indian community who tried to set up two worker co-operatives using the ICOM model rules, and this all-too-brief paper is an account of his experiences and his reflections on the suitability of the ICOM model for raising capital for worker co-operatives. It is the first paper published by C.R.U. that was written by a

community activist rather than one of its own researchers, and accordingly, its conclusions are based more on practical experience than academic research.

The paper is divided almost equally into two parts: the rise and demise of the two West-Indian-style bakeries that Barrett tried to organize as worker co-operatives; and conclusions about appropriate financial structures.

First venture fails

The first bakery, Ah-Fi-We, was originally incorporated as a standard business corporation, because it was not possible to locate the seven founding members required to register under the Industrial and Provident Societies Act (the British equivalent of our Co-operative Corporations Act). This venture failed for a variety of reasons: it lacked working capital; new members could not afford to buy membership shares (at £250 each); there were disputes over whether there should be variable wage rates for skilled workers; and there was a general lack of business and management skills.

Despite the fact that it never quite came together as a true co-operative, the group fought so hard to prevent the failure of the co-operative that Bunny Barrett was inspired to try again.

He spent the next two years trying to raise capital to get the second co-operative, the Caribbean Bakery Company, off the ground. After a very unsuccessful search, it was finally granted a two-year loan of £3,000, at 15 per cent, from the Industrial Common Ownership Fund (ICOOF), conditional on the group adopting ICOM-styled rules. The loan was to be secured by a floating charge debenture on all the assets of the bakery and was to be matched by member loans.

Discouraged by the problems of raising capital, the group had dwindled below the size needed for registration as an Industrial and Provident Society. Thus, it organized as a company limited by guarantee (a non-share capital, non-profit corporation).

Second co-op wracked with problems

Without capital of its own, the group had to rely totally on loan capital, but it had difficulty negotiating loans at reasonable rates because of its high debt-to-equity ratio (that is, it was capitalized almost entirely by loans rather than shares). This resulted in undercapitalization. As well, Barrett suggests that the absence of a capital contribution by members was one of the causes of a lack of commitment among the new members. There was confusion about the legal status of the company and the status of members or employees. Finally, the shortage of working capital led to inefficient operations, and not surprisingly, to their collapse in March, 1978.

Using these two experiences, Barrett reflects on possible solutions to the problems of raising capital and what he sees as needed changes to the ICOM-style rules. He observes that ICOM co-operatives are "frequently formed by educated young people from the middle class, often with deep motivation to involve themselves in a co-operative way of life". This is in sharp contrast to the poorly-educated working-class West Indians in the bakeries, who primarily wanted a job and an income. It is unfortunate that Barrett did not explore this point further, as I think that it is the key to his critique of the ICOM or non-profit model.

Failures result in valuable experience

Barrett discusses six issues in relations to the financial structure of co-operatives: whether restrictions on total shareholdings of any individual member are effective (this is a British concept not often seen in Canada); who should have a right to the residual assets on dissolution; should members be able to benefit from increased value of the assets; how should share capital be repaid; and what is the role of indivisible

reserves. His discussion and conclusions are, unfortunately, brief relative to the complexities of these matters, but the significance of Barrett's paper lies not so much in the degree of analysis as in the experience which gave rise to it.

Of particular interest to Canadian co-operators is Barrett's conclusion that worker-members should participate in the growth of assets as a way of inducing increased member participation and commitment and also to increase the proportion of their earnings reinvested in the enterprise. At present, British co-operative members may only participate in the growth of assets by the issuance of a bonus on shares. But even this is not very effective because of the restrictions on shareholdings under ICOM rules. ICOM prefers this model—it believes that all savings should be on behalf of the working group and not on behalf of individuals. Barrett considers this unrealistic. He argues that worker co-operatives must be-

come attractive investment propositions for their worker-members, on whom the success of the enterprise rests. The members must have not only a social commitment to the enterprise, but also sufficient economic commitment to finance it initially and to reinvest the earnings produced from their labour in the co-operative.

This, Barrett argues, can be accomplished by real participation in the growth of assets. With this, he warns:

Worker co-operatives, while they are so unattractive for investment by members, can be regarded as a form of self-exploitation. With a co-operative unable to offer the best return in the market with the risk of losing money involved, self-investment definitely does represent a sacrifice by members. (p. 30)

Though Barrett questions whether the ICOM rules give a viable return to labour, he regrettably does not discuss what

is to be a fair return to labour vis-à-vis a fair return to the community. He has pointed out a weakness in the ICOM rules, but he does not discuss or analyze ICOM's reasons for taking that position.

Overall, this is not an easy paper to read: the financial and legal terms differ from those used in Canada and the U.S.; the ideas often need elaboration and further analysis; and the problems of these bakeries appear to be more complex than suggested by Barrett. However, a careful reading of the paper raises many interesting ideas on the capital structure of co-operatives. And, for a change, the ideas come less from theory than from practice.

Paul Jones will be called to the Bar in April, 1986. He is currently involved in drafting amendments to Ontario's Co-operative Corporations Act—amendments that will facilitate capital formation for worker and other kinds of co-operatives. ■

THE SEARCH FOR COMMUNITY

By
George Melnyk

Black Rose, Montreal, 1985, 170 pp, \$14.95 paperback and \$28.95 hardcover

Reviewed by Ethan Phillips

The tradition of radical utopian thinking is a long and honourable one. Such notable writers as Charles Fourier and Robert Owen are just two of the thinkers whose blueprints for radically different societies have had a profound influence on the modern co-operative movement. George Melnyk's new book,

The Search for Community: From Utopia to a Co-operative Society, is solidly within this tradition, and, like the tradition itself, proves to be both rewarding and frustrating.

Rewarding, because as a book primarily concerned with the guiding principles and political ideology of a new Canadian co-operative institution, it asks questions that co-operators are generally loathe to ask. Frustrating, because it only superficially deals with the existing institutional and ideological context within which any new Canadian co-operative institution must necessarily evolve.

Liberal or social democracy?

Part I of the book identifies four distinct international co-operative traditions which Melnyk labels liberal democratic, marxist, socialist, and communitarian.

According to Melnyk, the liberal-democratic tradition in-

cludes most North American and Western European co-operatives. The defining qualities of this tradition are: 1) an emphasis on private property; 2) a basic tolerance of capitalism; and 3) a pragmatic unifunctionalism (by which he means a tendency to engage in only one sphere of economic activity).

It is interesting to note that Melnyk sees little difference between the social democratic and liberal democratic traditions. He claims that in some Western European countries the co-operative movement would probably be more comfortable with the term "social democratic", but given that the terms are more or less interchangeable and that the book focuses on Canada, he prefers to use the term "liberal democratic". While not distinguishing between the two traditions is common among thinkers with a radical bent, it is not a particularly productive approach in the Canadian context, where a

labour-based social democratic tradition is, in fact, the main opposition to a market-oriented liberalism.

The second co-operative tradition that Melnyk examines is marxist. Representative of this tradition are the *kolkhoz* of the Soviet Union, the communes of China, and the self-managed firms of Yugoslavia. According to Melnyk, these models "are integrated into a centrally-planned and -managed economy which is state-run". Agreed, although I think that the profoundly undemocratic context in which these "co-operatives" operate should have been examined a little more critically.

Socialist model reflects varied experiences

The third tradition that Melnyk examines is socialist—the *kehilot* of Israel, the *ujamua* villages of Tanzania, and the worker co-ops of Mondragon, Britain, the U.S., and Canada. The defining qualities of these co-operatives are that they are multifunctional, generally suspicious of private property, and they are community oriented. There is much of interest in this section, although Melnyk tends to be on more solid ground when he is merely describing these disparate institutions rather than when he is trying to explain why they all should be considered socialist.

The labour Zionism of Israel, the social Catholicism and Basque nationalism of Mondragon, the village communitarianism of Tanzania, and the labour-based social-democratic culture of the English-speaking industrial world are so radically different that the term socialism becomes virtually meaningless when applied to all of them.

The final tradition that Melnyk examines is the communitarian tradition which covers everything from Catholic monasticism and Protestant utopianism on the one hand, to the counter-culture communes of the '60s on the other hand. These co-operatives emphasize egalitarianism and collective ownership, but unlike the "marxist" co-operatives, they tend to be small and located at the margins of capitalist societies. Fair enough.

New, comprehensive model

The last three chapters describe a new co-operative model that Melnyk feels is an answer to the chronic unemployment and regional disparities that currently afflict Canada. The new co-operative is not, strictly speaking, a worker co-operative, but rather a **community of co-operatives**, centering on a worker co-operative and also including housing, consumer, and service co-operatives.

This core proposal for a com-

munity of co-operatives, lacks an institutional context and is ideologically vague. In fairness, Melnyk is specific about the guiding principles of the new co-operative.

For the record, the 15 guiding principles are the six Rochdale principles plus egalitarianism, nationalism, class-consciousness, voluntary development, decentralization, multifunctionalism, solidarity, self-reliance, and the "open principle". However, he fails to adequately relate these principles to the main political traditions and social institutions which determine the shape of Canadian society.

For example, will any of the primary political parties support the new co-operative? How is the labour movement going to feel about the new co-operative, and how can they be brought on side? Will the churches be supportive?

Perhaps these are the questions of the worker co-op activist and not of the utopian thinker. Still, I can't help but wish that George Melnyk had asked himself what union leaders like Bob White would think of his new Canadian co-operative community.

Ethan Phillips is director of the Worker Ownership Development Foundation (357 College St., Toronto M5T 1S5; (416) 928-9568) and the Ontario contributing editor of *Worker Co-ops*. ■

Films



My Own Boss

If you have read *Future Bread* then you will already know the story of the conversion of A & P supermarkets in Philadelphia to worker co-operatives (O & O stores). If you haven't read *Future Bread*, then the film *My Own Boss* is a 28-minute shortcut to the story. Originally a tele-

vision program, the film attains a good balance between information about the buyouts and the human experience of workers.

As an icebreaker, *My Own Boss* doesn't quite meet the standard of the BBC production, *The Mondragon Experiment*. But because it is set in the US rather than in the Basque mountains, it may have a greater impact on the

uninitiated in Canada than *The Mondragon Experiment*.

The film can be obtained by writing PACE (the Philadelphia Association for Co-operative Enterprises), the dynamic resource group that organized these buyouts, PACE, 1321 Arch St., 8th Floor, Philadelphia, Pennsylvania 19107. ■



Book Notes

Employment Co-operatives: An Investment in Innovation, edited by *Skip McCarthy*. Occasional papers series; available from the Centre for the Study of Co-operatives, Diefenbaker Centre, University of Saskatchewan, Saskatoon, Saskatchewan, S7N 0W0, 1985, 277 pp., \$15.

This interesting collection is based on the proceedings of a conference held at the University of Saskatchewan in February, 1985. The strength of the collection is its variety--conceptual, research, political, and international. ■

Swedish Labour-Owned Industrial Firms: Some Empirical Observations, by *Sone Jansson*, available free while supplies last, from Eva Persson, University of Örebro, Box 923, 70130 Örebro, Sweden, 1985, 22 pp.

A description in English of recent developments, size, and economic performance in Swedish labour-owned firms and co-operatives. This is a paper presented to the 4th International Conference on the Economics of Self-Management in Liège, Belgium, in July 1985. ■

Journal articles

"In search of a theory of formation for U.S. producer co-operatives: tests of alternative hypotheses," *Derek Jones and Michael A. Conte*, *IRRA 37th Annual Proceedings*.

"The effects of workers' participation on enterprise performances: empirical evidence from French cooperatives," *Derek Jones, Jacques Defourney, and Saul Estrin*, *International Journal of Industrial Organization*, Vol. 3, 1985, pp. 197-217.

"The economic performance of producer co-operatives within command economies: evidence for the case of Poland," *Cambridge Journal of Economics*, Vol. 9, 1985, pp. 111-216. ■

Revolution from Within: Co-operatives and Co-operation in British Industry, by *Michael Young and Marianne Riggs*, published by Weidenfeld and Nicolson Limited, 91 Clapham High Street, London S.W.4, U.K., 1983, 188 pp., £6.95.

Britain's Social Democratic Party sponsored this book, which is a presentation of the arguments in favour of worker co-operatives and a guide on how to set up a co-operative. It was highly recommended by Rita Rhodes in the *Review of International Co-operation*. ■

Cooperation at Work: The Mondragon Experience, by *Keith Bradley and Alan Gelb*, published by Heinemann Educational Books, 22 Bedford Square, London WC1B 3HH, U.K., 1983, 102 pp., £6.90.

This is a study of the internal structure and labour relations in Mondragon by the authors of *Worker Capitalism: the New Industrial Relations* (reviewed in Vol. 3, No. 4). The theme of the study is how worker co-operatives increase workplace consensus. It is also available from the Plunkett Foundation. ■

Worker Participation and Ownership: Cooperative Strategies for Strengthening Local Economies, by *William Foote Whyte et al.*, published by ILR Press, New York State School of Industrial and Labor Relations, Cornell University, Ithaca, New York 14853, U.S.A., 1983, 152 pp., \$10.00 US.

This is a compilation of six articles on the role of employee ownership in community development. Two of the articles focus on the urban renewal in Jamestown, New York, two are on general policies and strategies, and the last two examine employee buyouts and the role of the union. A well-written, easy to read, book. ■

Running Your Own Co-operative: A Guide to the Setting Up of Worker and Community Owned Enterprises, by *John Pearce*, Kogan Page Ltd., 120 Pentonville Road, London N1 9JN, U.K., 1984, 174 pp., £4.95.

In the British debate on the comparative advantages of worker vs. community co-operatives (sort of like our community development corporations) Pearce is a moderator who sees advantages in both types, each in their own special context. The book is also a thorough guide on how to run whichever of the two types of co-operatives that you might choose. ■

ILR Report, Vol. XXII, Number 2, Spring, 1985, published by the New York State School of Industrial and Labor Relations, Cornell University, P.O. Box 1000, Ithaca, New York, 14853, U.S.A., 36 pp.

This issue, a special report on Employee Ownership, features articles by *William Foote Whyte* and *Corey Rosen*, and topics such as employee buyouts, growth vs. equity, and the emerging role of the state (of Michigan) in employee ownership. ■

Workers as Owners, *Labor Research Review*, Vol. 1, No. 6, Spring, 1985, published by the Midwest Center for Labor Research, 3411 W. Diversey, Chicago, Illinois 60647, U.S.A., 114 pp., \$4.00 US.

This edition of the journal contains a series of articles on U.S. case studies such as Rath Packing, Hyatt-Clark, and Weirton Steel, and a debate on the case for and against worker ownership. The Midwest Center for Labor Research serves as a consultant on worker ownership issues in the Chicago area. The articles contain several critiques of the ESOP related worker ownership models in the U.S. ■

The Centre for the Study of Co-operatives

The Centre for the Study of Co-operatives is a post-secondary education and research centre at the University of Saskatchewan, officially opened on June 7, 1984. The Centre is jointly managed and funded by:

- The Co-operative Sector, represented by the Saskatchewan Wheat Pool, Credit Union Central of Saskatchewan, Federated Co-operatives Limited, and the Co-operative College of Canada;
- The Government of Saskatchewan through the Department of Co-operation and Co-operative Development;
- The University of Saskatchewan.

Aims and Objectives of the Centre

1. To establish a program of studies at undergraduate and graduate levels with a specific focus on co-operatives and credit unions, with courses of study available in the Colleges of Agriculture, Arts and Science, Commerce, Education, and Law;
2. To undertake off-campus programs in collaboration with the Co-operative College of Canada;
3. To undertake research of particular interest and relevance to co-operatives and credit unions, and to make available the results of such research through publication, including textbooks and curriculum for colleges and universities; and
4. To undertake research concerning the legislation governing co-operatives and credit unions.

Academic Staff

The contract establishing the Centre provides for five academic staff, including the director and one research associate. The Centre's research staff are also appointed to specific colleges and departments at the university. Currently, the Centre has academics specialized in the fields of Law, Political Science, Agricultural Economics, and Commerce.

Research Activities and Agenda

The Centre is engaged in a wide variety of research activities relevant to co-operation and co-operative development. Completed research currently is, or eventually will be, available in published form. The academic staff of the Centre is also available in an advisory capacity for graduate students pursuing research topics of concern to co-operatives.

In addition, the Centre maintains a close relationship with leading co-operators, co-operative associations, and government officials, both in Saskatchewan and elsewhere. Input from these sectors, as well as liaison with other colleges and departments on campus, is essential in determining research priorities of the Centre.

Conferences, Symposia, and Seminars

From time to time, the Centre organizes conferences and symposia on issues relevant to co-operative activity. For example, the Centre, in conjunction with the Saskatchewan Department of Co-operation and Co-operative Development, organized a conference on worker/employment co-operatives in February of 1985.

The Centre also sponsors a speakers series and has arranged a number of seminars in which academics and practising co-operators have spoken about their research, their recent publications, or their experiences in working within the co-operative sector.

Address inquiries to:

The Centre for the Study of Co-operatives
Diefenbaker Centre, University of Saskatchewan
Saskatoon, Saskatchewan S7N 0W0

WORKER CO-OPS

Become a part of the co-op network
in Canada. Read and exchange views on:

- WORKER CO-OP PROFILES
- COMMUNITY ECONOMIC DEVELOPMENT
- WORKPLACE DEMOCRACY ISSUES
- WORKER SELF-MANAGEMENT
- UNIONS & EMPLOYEE OWNERSHIP
- JOB CREATION STRATEGIES

RECENT ISSUES HAVE INCLUDED:

Robert Oakeshott analyses the utility of the Mondragon model for North America

Multi-agency approach to providing assistance for worker co-op development.

Worker co-op profiles, ranging from restaurants to fish processing plants; from publishers to taxi co-ops.

U.S. ESOP Legislation increases "worker ownership".

Book reviews and recent publication notices monitor current worker co-op literature.

News from across the nation and around the world: from Atlantic Canada to Zimbabwe.

Back issues: \$4.00 each or \$9.00/complete volume (4 issues)

**CANADA'S QUARTERLY ABOUT WORKER CO-OPS
JOIN THE NETWORK — SUBSCRIBE TODAY!**

RENEWAL

Please enter my subscription for WORKER CO-OPS: NEW SUBSCRIPTION

Name _____

Address _____

Postal Code _____

____ INDIVIDUAL (Canada): \$12/YEAR; \$18/2 YEARS

____ INDIVIDUAL (U.S.): \$13/YEAR; \$24/2 YEARS

____ INSTITUTIONAL or OVERSEAS: \$15/YEAR; \$27/2 YEARS

Make cheques payable to: WORKER CO-OPS

c/o Centre for the Study of Co-operatives

Diefenbaker Centre, University of Saskatchewan, Saskatoon, Saskatchewan S7N 0W0