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*From the old to the new:
The Big Carrot moves to
Carrot Common. See page 22.*

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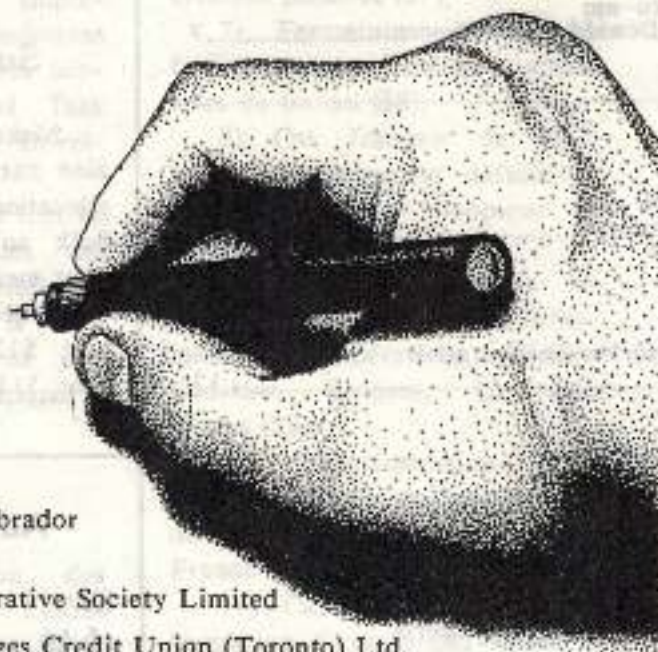
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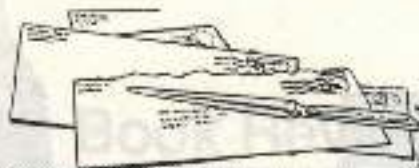
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Pressure government

I am responding to Sid Pobihushchy's article in the forum section of the *Worker Co-ops* magazine (Spring, 1987).

I have been involved in co-op development in this community for the past two years and am vice-president of the Caledonia Products Co-operative.

Others, as well as myself, have worked hard -- to the point of frustration but not defeat -- to educate the bureaucrats and politicians. The real hurt is to find that those who agree with us in principle really do not put forth much of an effort to assist co-op development. Unfortunately, it is they who are in a position to do the serious leading and to give us the serious support which could bring results.

In closing, I would like to talk and correspond with others who share the same ideas so a network can be created to organize effective pressure on governments to get positive results.

Allen Hicken

R.R. 1

Belle River, P.E.I.

COA 1B0

Incorporation fee higher for co-ops

The following letter was sent to Ontario's Minister of Consumer and Corporate Relations, Monte Kwinter. The letter's author, Richard Priestman of Ottawa, requests that Ontario readers of the Worker Co-ops magazine write to their MPPs about this matter.

Bespoke Co-operative Enterprises of Ottawa-Carleton, a worker co-op, would like to know why the incorporation fee for a co-operative is more than twice the fee for a company incorporating under the Corporations Act. Under the Co-operatives Corporations Act the fee is \$500, while the comparable fee under the Corporations Act is only \$220.

We have asked officials in both the Companies Branch and the Credit Unions and Caisses Populaire Branch for an explanation, but have not received a satisfactory answer. We do not believe that the Ontario government is deliberately trying to discourage groups from incorporating as co-operatives, but a

discriminatory fee does just that.

Bespoke is a worker co-operative and we would like to incorporate under the Co-operative Corporations Act, but we feel that it is unfair to have to pay more than the \$220 fee charged to companies that register under the Corporations Act. We also do not understand why a worker co-operative is administered by the Financial Institutions Division when it is not a financial institution.

We understand that amendments to the Co-operatives Corporations Act are now being prepared for consideration by the government. We respectfully recommend that these amendments include a change in the fee structure to bring the incorporation fee charged to co-operatives in line with that charged to other businesses.

Richard Priestman

Bespoke Co-operative Enterprises

157 McLeod St.

Ottawa, Ontario

K2P 0Z6

(613) 233-6689

Magazine appreciated

Our contribution in the amount of \$100 for the year ahead has been mailed.

Your magazine is providing a service of great value to those of us who are trying to bring about a more democratic way of life in the workplace. However, you may be surprised to hear that we have re-structured our organi-

zation. Skilled Trades Co-operative has been replaced by Skilled Trades Limited.

The reason for this change is that our Co-operative Society Act does not provide sufficient scope for the type of experimentation which our group has been following for the past four or five years. Besides this our Provincial

Government bought in new legislation in January this year which was just what the doctor ordered as far as we are concerned.

W.M. Chisholm, Manager

Skilled Trades Ltd.

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Keep it up

The Federation's Board of Directors has agreed to provide a \$150 donation to the *Worker Co-ops Magazine* again this year.

They have also asked me to convey our congratulations for being able to continue producing such a quality product under severe financial restraint.

Glen Fitzpatrick
Managing Director

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Conferences

Inter-Faith Conference

On November 6-7, the Inter-Faith Centre for Social and Community Action is holding a conference, *Communities of Faith and Communities of Action*.

The conference, to be held at St. Paul University, 223 Main St., Ottawa, will address the question: what can faith communities do to promote community economic development?

For more information contact **Gordon DiGiacomo, 31 Desjardins Ave., Apt. 6, Ottawa, Ontario K1N 5N8; (613) 230-3080.**

CIRIEC

CIRIEC will hold an international conference on the Economics of Self-Management in Vienna, next July.

Proposals for conference papers should be sent to **Erwin Weissal c/o Institute for Societal Policy, Ploesslgasse 2, A-1040, Vienna, Austria.**

Utopian Thought and Communal Experience

A call for papers has gone out for an international conference in New Lanark, Scotland, July, 1988.

It was in this Scottish industrial village, nearly two hundred years ago, that Robert Owen formulated his conception of a utopian community.

Appropriately titled "Utopian Thought and Communal Experience", this three-day conference is sponsored by the International Communal Studies Association, the National Historic Communal Societies Association and New Lanark Conservation.

Proposals, in the form of abstracts of not more than 300 words should be sent to **Dennis Hardy, Head of the School of Geography and Planning, Middlesex Polytechnic, Queensway, Enfield, Middlesex, EN3 4SF, England.**



Financing worker co-ops: membership vs. ownership

E. Grant MacDonald

It has long been my understanding that co-operative philosophy has stressed the importance of membership rather than ownership. With respect to the development of worker co-operatives, this principle has been more difficult to apply than in other co-operative sectors. With fewer people to share the load and often with greater capital requirements, worker co-ops may rely heavily on member equity to finance the business. Worker co-op advocates in this country must see this reliance on member equity as unproblematic, for there has been little debate about what sort of financing might be possible which would compromise neither co-op ideals nor the ability to survive in an unsympathetic, if not hostile, economic system.

Member equity is capitalism

I would not want to underestimate the difficulty of financing worker co-op development in Canada. However, silence about the issues does not eliminate them. The current stress in worker co-op circles on using member equity to finance development favours the maintenance of capitalist society, not the creation of a co-operative one!

This is certainly an ideological position, but no less so than the frequently-stated view that substantial member equity in worker co-ops increases the level of commitment. Why, one might ask, do we not apply this reasoning to consumer and housing co-ops and credit unions?

ownership or membership equity in co-operative enterprise should be minimized are not only philosophical ones. There are practical issues at stake. A high level of member investment reduces access to a co-operative by people seeking employment. Many of the people attracted to worker co-ops have little capital to invest

The current stress in worker co-op circles on using member equity to finance development favours the maintenance of capitalist society not the creation of a co-operative one!

Infectious entrepreneurialism

Why is the notion of member equity relatively unimportant in other co-operative sectors? One reason, I would contend, is that the other sectors have been more immune to the current entrepreneurial epidemic, a virus with private, individualistic and competitive tendencies which we have been reluctant to isolate. It is too bad we do not have another, but equally popular, word for innovative but progressive ways of putting existing resources to new and productive use.

The reasons why levels of

and few assets that could help them secure a loan.

Small payroll deductions for the purposes of building up individual equity accounts seem painless to those of us with good incomes. However, for someone supporting a family on even \$20,000 a year, five or ten bucks a paycheque is a real sacrifice!

Economic versus social value

Reliance on traditional forms of equity financing increases the danger that decisions favouring an increase in the economic value of the enterprise will take precedence over decisions which

A high level of member investment reduces access to a co-operative by people seeking employment.

improve its social value. Emphasis on individual financial investment could pose a threat to a co-op's broader role as a community enterprise.

The equity issue applies not only to the matter of initial share investment but also to the accumulation of equity through retained earnings or surplus. Any attempt to increase the equity in a co-operative enterprise beyond what is necessary for adequate capitalization flies in the face of co-operative traditions which favour investment in improved salaries and benefits, additional employment, movement education and service to the community. This is not an argument against retaining earnings in the co-op; it is an argument against increasing member equity.

Even though many worker co-op failures are due to undercapitalization, we should not try to solve this problem by demanding greater member investment. There ought to be a ceiling on the investment required of workers, and it ought to be based on the financial needs of the

enterprise. There is nothing wrong with debt financing if a worker co-op can get it! At the very least, practical considerations should prevail over arbitrary guidelines for determining the appropriate level of member equity in any worker co-operative.

There are not many alternatives to having workers finance a portion of their own co-operative enterprise. There are ways, however, to limit reliance on equity capital. The most obvious is to ensure that new worker co-ops open their doors only after careful and detailed financial planning. Worker co-op support

groups must concern themselves with developing sophisticated and imaginative financing arrangements that use "other people's money". Surely there are options we have not adequately investigated.

We also require some significant sources of low- or no-interest debt capital -- progressive sources with an objective of promoting the economic health of communities. Government initiated venture-capital programs are one source of funds, but the co-operative movement needs its own vehicles for investment, vehicles which are based on the understanding that membership is more important than ownership.

Grant MacDonald is an adult educator at Henson College, Dalhousie University in Halifax, Nova Scotia. B3H 3J5; (902) 424-2323.

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Member-equity in a worker co-op: a response to Grant MacDonald

Marty Donkervoort

Worker co-ops are the only form of co-op that make labour the exclusive basis for membership. Since only members can purchase common (ownership and voting) shares in a worker co-op, it follows that the business is owned by the worker-members. As with all co-ops, each member may purchase only one share and have only one vote. It is this principle of ownership that makes worker co-ops truly democratic workplaces. By contrast, employees in workplaces that are owned publicly, privately or by the community are ultimately accountable to non-worker boards which dictate policy and which control hiring and firing.

Having established that worker ownership is both essential for real workplace democracy and, by definition, a given for a worker co-op, I will now address some of Grant MacDonald's concerns related to ownership, namely: member-equity, member accessibility, accumulation of personal wealth and commitment to the community.

The problem is complex

The member-equity required in a worker co-op depends on a number of factors: the total amount of capital required, the

amount raised through preferred (non-voting) shares, the value of assets to borrow against and the attitude of the financial institution loaning money to the co-op. The other factor that has a bearing is the number of co-op members: the more members, the less that is required from each in member-equity. If a worker co-op does not require any capital, common shares could have a nominal value of \$1 per share.

share worth \$100 today would still be worth \$100 at any time in the future, both for redemption by existing members or for purchase by new members. Once the level of equity in a co-op is adequate for continued operation, shares for new members could be purchased on a monthly repayment plan from future earnings; alternatively, the membership could vote to reduce the price of all common shares to fit with the

There should be provisions to keep common shares at par value so that they don't increase with the value of the business.

As a rule of thumb, in no case should the value of the common share be more than half the median annual income in the co-op. Commitment to the co-op is not normally measured in financial terms.

Although initial entry to a worker co-op is sometimes determined by access to financial resources, there are a number of provisions that can be included in the bylaws that minimize this problem. There should be provisions to keep common shares at par value so that they don't increase with the value of the business. Therefore, a common

current and projected financial situation.

Salaries important

Since worker co-ops recognize the priority of labour over capital, there is an expectation of a continuing adequate salary. There is also a recognition that it will not be possible to accumulate personal wealth as a result of speculative gain from shares. Under bylaws suggested by worker co-op activists, which have been adopted by a number of existing worker co-ops, common shares are not permitted

to appreciate in value, and upon dissolution of the worker co-op the net assets are distributed to the community rather than to the members.

Although commitment to community is not legislated by any provincial acts, a number of worker co-ops have passed by-laws allocating a certain percentage of their annual surplus for the community. In the case of worker co-ops established in conjunction with a community development corporation (such as Just Work, Good Riddance and A-Way Express in Toronto), the CDC supplies the start-up equity and the co-op returns a given portion of its annual surplus to the CDC. In addition, the CDC provides technical and emotional support for the co-op. Upon dissolution, the net assets of the

Although commitment to community is not legislated by any provincial acts, a number of worker co-ops have passed bylaws allocating a certain percentage of their annual surplus for the community.

worker co-op go back to the CDC. This type of structural relationship allows for "disadvantaged" groups to set up their own worker co-ops where they otherwise might be unable to because of lack of access to capital.

Although my views differ slightly from MacDonald's, I fully support his call for funding sources for pre-start-up planning and for start-up capitalization. Funds that up until now have

been reserved for private and public enterprises must become accessible to groups wanting to start worker co-ops, and there must be special emphasis on grants and low-interest loans to "disadvantaged" groups.

Marty Donkervoort is a resource person with Co-op Work Consultants, now located at Carrot Common, 348 Danforth Ave., Toronto, Ontario M4K 1N8; (416) 461-7371.■

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Unemployment Insurance Crisis



Worker co-op members ineligible, Revenue Canada rules

Brian Her

Members of a number of worker co-ops in the Maritimes have lost their unemployment insurance benefits after being told that they were not "employees" as defined by the Act.

The situation is sufficiently serious that the National Association of Administrators of Co-operative Legislation have called upon the Co-operative Secretariat of the Government of Canada to "undertake discussions with the Canada Employment and Immigration Commission to ensure that members/workers of employment co-operatives are given full and fair consideration under the *Unemployment Insurance Act* in a manner which provides them the same eligibility for benefits as employees of other firms to the full extent under the legislation."

Caledonia Products Co-operative

New or small worker co-ops which lack basic financial and legal resources are the primary victims of UI's aggressive tactics says David Carrington, the president of Prince Edward Island's Caledonia Products Co-operative. Seven members of Caledonia, including Carrington, recently lost their UI benefits when Revenue Canada, which determines eligibility for UI, ruled that they were not employees. Worse, UI is attempting to recover payments, amounting to several thousands of dollars each, already made to the seven.

Caledonia had sought and obtained favourable rulings from Revenue Canada in advance. But

now Revenue Canada has decided that an employer-employee relationship did not exist, as the co-operative "did not have the right to control and direct (a member) while performing his services."

The situation elsewhere

Fred Pierce, Nova Scotia's Registrar of Co-operatives, says similar problems exist in Nova Scotia, although the pattern is not completely consistent: "It depends on the interpretations made by the local Manpower people. Some consider that worker co-operatives might be established on an unfair basis for the purpose of accessing UI."

He states there are established practices, for example, in fish marketing co-operatives where "traditionally, they have a limited amount of work and as a result hire one group until it accumulates enough UI stamps. That group is then laid off and another group is hired. That's considered to be normal and the only way they can survive. For many, the alternative is to move to Toronto."

The issue

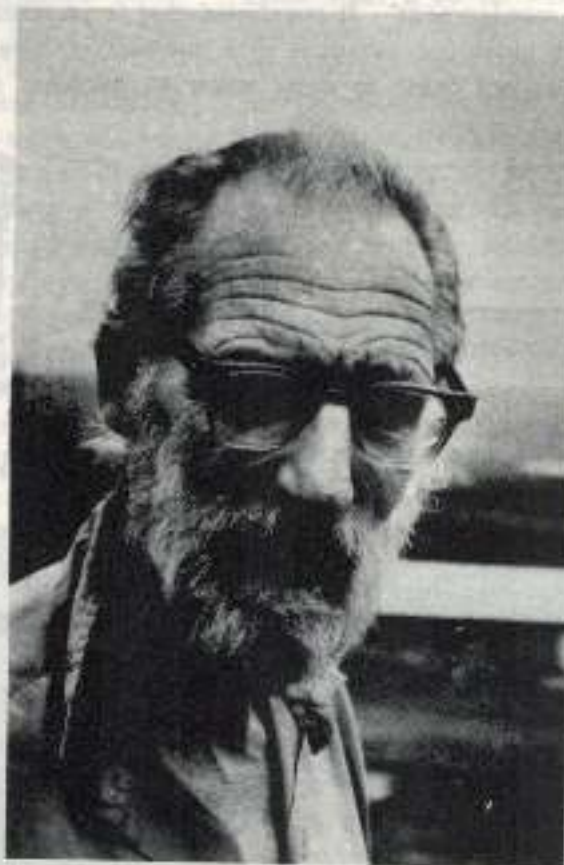
A key issue is Revenue Canada's lack of appreciation that for many small worker co-operatives there is no management hierarchy -- decisions are made collectively. Says Pierce: "Revenue Canada simply doesn't appreciate the way co-operatives work."

The issue raised here has general implications for co-operatives across Canada, particularly those which adopt a non-hierarchical management structure such as Caledonia's. The absence of an employer-employee relationship deprives worker co-op members of unemployment insurance and other basic employee rights such as minimum wage, regulated hours of work, maternity benefits and a right to organize.

Revenue Canada's rulings against these UI claimants seem to be inconsistent with the current legal opinion that worker co-operatives in Canada are based on an employment relationship.

By comparison, in Spain, members of worker co-operatives are deemed to be self-employed and not employees, and are therefore not covered by the state's social-security system. This was obviously an

New or small worker co-ops which lack basic financial and legal resources are the primary victims of UI's aggressive tactics.



Victim of UI ruling: David Carrington, President of Caledonia Products Co-operative

important factor in the development by the Mondragon worker co-operatives of their own comprehensive social-security system.

Central to the issue are the criteria for defining an employment relationship. In Canada, the leading authority is a decision of the Quebec Labour Court: *Imprimerie Coopérative Harpell*.¹

On an application by a trade union for certification of the employees of the Harpell worker co-operative, the co-operative opposed the application, arguing that the members of the co-operative "unite in common venture, to which each brings only his/her labour power. They share risk of profit and loss. The element of economic subordination, integral to the notion of employee, is absent in such a context."

The court examined not just the corporate structure of the co-operative, but also its actual practice in operating and managing the work of the co-operative. It found that day-to-day control of members of the co-operative resided with management personnel: "they have adopted the capitalist model of management". It concluded that "a member is first an employee pursuant to a contract of hire, which does not cease to exist when he becomes a member."

¹ 82 C.L.L.C., 12, 872.



The solution

Control -- the element of subordination -- is thus, according to the Harpell ruling, a key element in an employment relationship. But are there situations where an employment relationship can exist in the absence of control?

The courts are recognizing that changes in the structure of modern business have made it increasingly difficult to apply the control test as a meaningful working rule.² However, there is, as yet, no clear authority.

It would therefore be prudent for a worker co-operative to ensure the existence of an employment relationship by designating one person who will act as manager and who, in practice, supervises other employee-members of the co-operative. Provided such person is in turn supervised by the board of directors of the co-operative, he/she should not have difficulty establishing the status of employee.

It would also be prudent to document the employment relationship with a written agreement.

Brian Iler is a partner in the firm of Iler, Campbell & Associates, 150 Simcoe St., Toronto, Ont. M5H 3G4; (416) 598-0103.■

² *Armstrong v. Mac's Milk*, 1(1975) 7 O.R. (2d) 478.

Shoptalk

Fair pay: Vancouver's CRS faces the issue



The worth of a job: Anne Romanow and Gordon Truscott receive a shipment at the CRS warehouse.

David Scott

How much is my job worth? How much can our co-op afford to pay? Should we have pay differentials for seniority? These questions and others confront the worker-members of CRS Workers Co-op as we enter our twelfth year of operation.

How CRS operates

CRS has some 30 full-time worker-members and a dozen or so part-time and on-call workers, divided into three collectives: the warehouse collective that operates CRS Natural Foods Wholesaler; the bakery collective that runs Uprising Bread Bakery; and an administrative collective that provides financial and accounting services for the co-op.

Obviously, there are a variety of jobs in this organizational structure. In keeping with egalitarian principles, the tradition at CRS has been to pay every member the same, though there has been a supplement for members with children.

Last year, small differentials for seniority and management were added to the base rate in recognition of the added responsibility and strain of management positions as well as the sacrifice of those who contributed long years of "sweat equity" at low pay. This sacrifice helped bring CRS to its present stable situation.

Of course, these changes were not initiated without controversy.

Setting wage rates

The wage rates of both unionized and non-unionized firms were looked at, using Stats Canada and B.C. Ministry of Labour figures for similar businesses. Against the non-union sector, CRS compared favourably, with the exception of managers' wages. In terms of benefits, CRS was generally far superior.

In keeping with egalitarian principles, the tradition at CRS has been to pay every member the same, though there has been a supplement for members with children.

Compared to the union sector, CRS paid less for most jobs. Once again, managerial positions were grossly underpaid. With the exception of its pension plan and overtime pay, CRS compared favourably with unionized business in terms of benefits.

The survey: job differentials

To assist the salary-policy review and to guide our members in their democratic discussion about a new salary and benefits policy, CRS conducted a detailed survey of its members' views.

There was a general willingness to see salaries increase, but there was a divergence of opinion as to how the pie should be divided. Members of less than four years tended to favour equal pay for most jobs, while those with more service were inclined toward differentials based on seniority, responsibility, skill, and experience.

Most members favoured a fixed ratio of lowest to highest salaries. The preferred range was from 1.4 to 1, to 2.5 to 1. There was near-unanimous support for seniority differentials, and a majority favoured an increase in management differentials from the current \$100 per month.

There is a strong egalitarian

streak running through CRS. Members are ambivalent about evaluating jobs for the purpose of pay differentials, and there is a reluctance to evaluate one worker's performance against another's. Seniority remains the most acceptable criterion for pay differentials.

Pension concerns

The lack of a pension plan was the major concern. CRS has a mechanism whereupon a percentage of annual bonus payments from the year's surplus is loaned back to the co-op. These loans collect interest and reduce each member's taxable income. These internal capital accounts are considered comparable to equity and can be withdrawn from the co-op when a member leaves. This fund could provide the beginnings of a pension scheme.

David Scott is a CRS member. Research and background material was provided by two other members -- Anne Romanow and Hugh Wilkinson.

For more information, contact Marty Frost, general manager, CRS Workers Co-op, 1239 Odium Dr., Vancouver, B.C. V5L 3L8; (604) 252-1585. ■

Taxation: do worker co-ops pay too much?

Jean-Claude Guérard

The present tax system in Quebec is so discriminatory toward worker co-operatives that their advocates feel increasingly uncomfortable about promoting them.

The worst of the tax irritants stems from the fact that the co-op member is not recognized as an owner. Depending on the business of the co-operative, the member is considered a consumer, a producer or a worker, but never an owner.

For tax purposes, the worker-owners of a worker co-operative assume the sole status of a salaried employee. The immediate consequences are that the notion of a salary advance is non-existent and the annual dividend rebate is considered salary income rather than investment income. Not only do members have to add the rebate to their personal income and so pay higher taxes, but also the co-operative must treat the rebate as a salary expenditure and so pay increased unemployment insurance, pension and other costs.

Double taxation

Should the members decide to invest these profits in their firm, by putting the money into reserve rather than paying out larger salaries, the state demands

that the co-operative pay taxes on the reserve. This taxation is an economic sacrifice for the members and a penalty on their investment. Either way, the worker co-op and its members carry a burden of double taxation.

Double taxation is undermining the appeal of worker co-ops. Like any business, a worker co-operative will have a deficit for the first few years, and financial institutions will ask it to reduce this deficit with members' capital. This poses tax problems for the co-op.

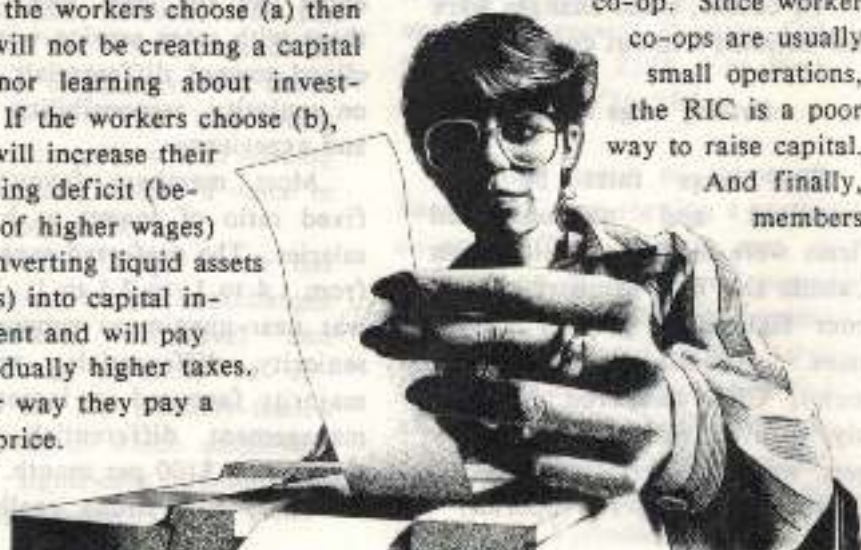
Here's an example. Let's assume that when a worker co-op is being set up the members have to choose between the following: (a) a wage of \$8 per hour or (b) a wage of \$10 per hour and an obligatory reinvestment of \$2 per hour. The lenders would prefer or may even require option (b).

If the workers choose (a) then they will not be creating a capital base nor learning about investment. If the workers choose (b), they will increase their operating deficit (because of higher wages) by converting liquid assets (wages) into capital investment and will pay individually higher taxes. Either way they pay a high price.

Answers to the dilemma

It would be more logical to tax the members when they withdraw their capital from the firm rather than when they invest in it. Likewise, it would be better to tax the dividend rebates when they are actually received by the worker-owner rather than when they are reinvested in the co-op.

It is true that Quebecers benefit from the RIC (régime d'investissement coopératif or co-operative investment program). The RIC, set up in 1985, allows members to deduct from their income the cost of shares in a worker co-op. However, there are two major drawbacks of the RIC. Members can withdraw their shares once they are valued at 50 per cent of the co-operative's reserve. Also, the RIC is limited to members of a worker co-op. Since worker co-ops are usually small operations, the RIC is a poor way to raise capital. And finally, members



Pour les coopératives de travail, le besoin d'une réforme fiscale

Le 21 mars 1987, le Québec a voté la loi sur la réforme fiscale. Cette loi a été adoptée par l'Assemblée nationale.

cannot take advantage of the supplementary deduction (another tax deduction) allowed to workers who acquire shares in the company for which they work.

The political battle

Faced with such drawbacks, the members of a worker co-op might sooner opt for a capitalist model because it can prove more lucrative. Any co-operative movement that is the least bit concerned with the development of worker co-ops would rebel against such a situation. The co-op movement must demand the abolition of article 147 of Quebec's Co-operatives Act which states that the reserve cannot be shared among members and associate members and cannot be diminished by giving dividend rebates.

Consumer co-operatives, because of their practices, have reduced members to the status of customers. Members of worker co-operatives in Quebec must not be reduced to the sole status of workers. Our co-op development groups must face up to the issue of taxation that penalizes worker-owners and must spell out the programs that worker co-op development requires.

(Translated by Julia Berry.)

Jean-Claude Guérard is a professor at the Centre de gestion des coopératives, Ecole des Hautes Etudes commerciales, 5255 avenue Décelles, Montréal, Québec H3T 1V6; (514) 340-6017. ■

Jean-Claude Guérard

La fiscalité actuelle est fortement discriminatoire envers la coopérative de travail, à tel point que les coopérateurs, promoteurs d'une telle forme d'organisation se sentent de plus en plus mal à l'aise à en faire la promotion.

Le pire des irritants fiscaux est la non reconnaissance chez le sociétaire du statut de propriétaire. Selon l'activité de la coopérative, le sociétaire sera considéré comme un consommateur, un fournisseur ou un travailleur, jamais comme un propriétaire.

La conséquence immédiate du seul statut de salarié dans la coopérative de travail est que la notion d'avance salariale est inexistante et que la ristourne est considérée comme un revenu de salarié et non comme un revenu de propriétaire.

Non seulement le sociétaire doit-il ajouter à son revenu personnel la ristourne encaissée ou même réinvestie, mais la coopérative doit aussi considérer cette ristourne comme une dépense salariale et payer les coûts des programmes sociaux inhérents à cette dépense. Lorsque les sociétaires doivent réinvestir leurs trop-perçus, ils préféreront les virer à la réserve plutôt que de payer immédiatement des impôts

sur des sommes qu'ils recevront peut-être plus tard. En guise de remerciements, l'Etat exigera que comme une corporation, la coopérative paie un impôt sur cette réserve ou sur ce don fait par les sociétaires au patrimoine économique.

Lors de la création d'une coopérative de travail, l'inexistence de la notion d'avance salariale ou de ristourne négative est sérieusement démobilisante. Comme toute entreprise, la coopérative sera en situation de déficit les premières années. Les financiers l'obligeront à se constituer un capital social. Par exemple, considérons l'alternative suivante: (a) verser un salaire de 8\$ l'heure; (b) verser un salaire de 10\$ l'heure et obliger un réinvestissement en capital social de 2\$ l'heure. Au démarrage de la coopérative, les prêteurs préféreront, obligeant même la plupart du temps, le choix de la situation (b).

La conséquence de la situation (a) est d'équilibrer les résultats d'exploitation sans créer de capital social et, pire encore, sans développer chez le sociétaire l'apprentissage à l'investissement. Par contre, la situation (b) accroît le déficit d'exploitation en rééquilibrant les liquidités par l'apport de capital social, permet à la coopérative le report de

pertes plus importantes pour les fins fiscales et oblige le sociétaire à verser immédiatement un impôt supplémentaire de 15 l'heure plutôt que de 8\$. C'est payer cher l'apprentissage à l'investissement! Ne serait-il pas plus logique qu'il paie l'impôt au moment où il encaisse ses parts sociales plutôt qu'au moment où il se dote de cet instrument vital qu'est le capital social de la coopérative? Dans une même logique ne pourrait-on pas imposer les ristournes au moment où elles sont encaissées et non au moment où elles sont réinvesties dans la coopérative?

Il est vraie que les Québécois bénéficient du RIC (régime d'investissement coopératif). Créé en 1985, le RIC permet à un sociétaire de déduire de ses revenus l'acquisition de parts sociales de sa coopérative de travail. Il ne peut cependant pas bénéficier du taux de déduction supplémentaire accordé aux travailleurs qui acquièrent des actions des corporations qui les engagent.

L'inconvénient majeur du RIC est que le sociétaire peut retirer ses investissements en autant qu'il a accru la réserve de sa coopérative d'au moins 50 pour cent de ses investissements déductibles. Comme le RIC ne s'adresse qu'aux travailleurs de la coopérative, il est un instrument inutile et inefficace pour l'obtention des capitaux nécessaires à la coopérative.

Face à une telle situation, les porteurs de projets coopératifs opteront vers une charte corporative plutôt que coopérative. Un mouvement coopératif le moins préoccupé de développe-

ment coopératif s'insurgerait contre une telle anomalie démolisante.

Comme prérequis à toute réforme fiscale permettant la promotion et le développement des coopératives de travail, il faut au Québec abolir l'article 147 de la Loi sur les coopératives. Il faut abolir ce faux principe coopératif et cette iniquité qu'est l'impartagéabilité de la réserve.¹

Dans les coopératives de service, les us et coutumes coopératifs ont réduit la notion de sociétaire à celle de client. Il ne faudrait pas leur permettre de réduire à celle de travailleur la notion de sociétaire d'une coopérative de travail.

Face à la réforme fiscale, il faut que les milieux coopératifs réalisent la teneur de leurs discours sur la concertation et la solidarité et forment ce nécessaire mouvement coopératif capable d'articuler les véritables instruments que requiert le développement coopératif.

Jean-Claude Guérard, Centre de gestion des coopératives, Ecole des Hautes Etudes Commerciales, 5255 ave. Decelles, Montréal, Qué. H3T 1V6; (514) 340-6017. ■

¹ La réserve ne peut être partagée entre les membres ou les membres auxiliaires ni être entamée par l'attribution d'un ristourne.

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Pioneering Quebec worker co-operative in the mining industry

Francine Bordeleau

The reasons for the creation of Magma in 1983 are much the same as those of any other worker co-operative: the desire to improve working conditions and to have some influence on one's surroundings. But the resemblance ends there, since the area Magma is operating in is vastly different from that of most co-operatives. It is a daring undertaking, and the participants, in this setting, are "revolutionaries".

Mineral exploration, in which Magma is involved, is not mining. It consists of clearing the land and taking geophysical surveys. Since this is seasonal work, mining companies ordinarily contract the work out to geologists who pass the job on to "line cutters".

A hard life

"The life of line cutters is pretty rough," remarks Georges Marcotte, director-general of Magma. "They are often unemployed lumberjacks who agree to work in deplorable conditions: isolated, without insurance, and with poor equipment. Line cutters are an exploited workforce, working for weeks and months in very primitive camps where there is little concern about safety."

Because exploration is a costly item, mining companies

prefer to hire unskilled workers on the sly. The companies save through low pay, low camp costs and no benefits. It was in this context that Magma was born.

It all began by chance, Georges Marcotte relates, when a geologist decided, back in 1978, to give all his contracts to two workers who had formed a company. The company had five shareholders and depending on



the size of its contracts hired as many as 30 workers. The increased volume of contracts caused a series of financial and labour difficulties which resulted in a reorganization into a co-operative called Magma.

The SDC (Society for Co-operative Development) supported the project and recommended Magma to the Caisse populaire of Rouyn. The Caisse turned down the proposal. But, ironically, in 1983, a year after the co-operative was incorporated, a bank gave it two loans totaling \$25,000 and also a \$15,000 line of credit. The SDC loaned Magma another \$30,000. Then each member put in \$1,000.

Magma grows

Magma had a rocky first year, but began a steady growth in 1984-85. Today, Magma sees itself as "a service business that must adapt to the market." With its new viability, the co-operative is turning to human needs.

Magma understands that "to make line cutters into professionals" it has to guarantee them better working conditions. The main concern is safety, so Magma has equipped each camp with radio transmitters and good quality equipment. It also provides accident insurance and hires on the basis of competence. "The selection is done quite naturally in the camps," says Pierre



Pierre Morissette, Magma's director of communications Georges Marcotte, director general of Magma.

Morissette. "Since line cutting is team work, an incompetent person isn't tolerated very long."

Another advantage for Magma employees is the method of payment. At Magma the workers get paid every two weeks, while most other line cutters wait months for payment because the contractor must first invoice the company. As well, Magma has reduced the pay difference between geophysicists and line cutters. And nobody has complained, which is a sign of how well Magma is handling these difficult issues.

The future

Although Magma has close to twenty nearby competitors, it has risen to the number three spot in the region. It has 17 members and employs up to 25 people in peak periods. In 1985 it had a gross income of \$1.2-million.

Magma is determined to establish itself even further by diversifying its operations. It wants to offer its customers full service, with drilling and consulting as well as surveying and line cutting. It also wants to collaborate with a new computer co-operative in order to produce

high-tech instruments used in mining exploration.

Determined and dynamic, the people at Magma have much to be pleased with, but they won't rest until they've become equals with the large mining companies -- a goal Magma intends to achieve.

(Originally published in the Revue Dexjardins, Vol. 52, No. 1, 1986. Translated by Julia Berry.)

For more information about Magma, contact Philippe Letourneur, 20, rue Reilly est, Rouyn, Qué. J9X 3N9; (819) 762-6588. ■

Religion and Mondragon: The religious philosophy of Don Jose Maria

Greg MacLeod

The Mondragon complex in Spain is a direct result of the religious convictions of its founder, Don Jose Maria Arizmendi-Arrieta and his pioneering team.

It is nothing short of phenomenal that a co-operative begun in 1955 with almost no capital has expanded to a high-tech business complex with 20,000 workers and sales of \$1.5 billion. In the last ten years, Mondragon added 4,000 jobs to the Basque economy while capitalist businesses have lost 150,000 jobs. It is my contention that this growth would not have taken place without the underlying set of values that religious faith inspired.

Don Jose Maria clearly acted out of his religious convictions, both as a soldier in the Spanish Civil War and as a pastor in the village of Mondragon. At one point, during a debate with his clerical colleagues, he concluded, "If religion doesn't apply to economics, then to what does it apply?" In his view, religion entails a way of doing things based upon principles that affect everyday life.

According to Don Jose Maria, "Bread for me is a material problem, but the bread for my neighbour is a spiritual problem."

A spiritual problem entails a moral duty to struggle against a social evil. In his writing he quotes Mounier who states, "A system like modern capitalism is a kind of social sin." And it is the search for an alternative to this "social sin" that has led the Mondragon founders to co-operatives.

Their intention was to apply certain deeply held, personal values to the society. Only after a year or so did they realize that the co-operative formula could express their beliefs. For them, co-operativism merely referred to the kind of life exemplified in the Acts of the Apostles.

A New Jerusalem

For Don Jose Maria, a human society was naturally co-operative. Humans are all children of the one God and are, by essence, linked to each other. An economic system which divides people and breaks down positive human relationships is a perversion of God's creation. To live religiously is to live in harmony and in solidarity with all other humans, not simply with members of a co-operative. To live religiously also means the restoration of harmonious relationships among people and societies. For Don Jose Maria, a co-operative view of life meant a religious understanding of life.



In the last ten years, Mondragon added 4,000 jobs to the Basque economy while capitalist businesses have lost 150,000 jobs.

The problem of egoism

Don Jose considered egoism as the source of all political, social and economic ills. He attributed egoism to the liberal tradition of the 18th and 19th centuries. The premise of economic theories that came from this tradition was that a rational society is based on self-interest and is opposed to the altruism which is at the root of Don Jose Maria's religious beliefs.

In Don Jose Maria's view, a non-egoistical co-operative is in solidarity with other co-operatives and with the rest of society. This solidarity entails sharing capital, creating jobs, and contributing to the educational, cultural and other needs of society. The Mondragon co-operatives are based on these values.

Different means to the same end

According to the thinking of the Mondragon founders, there are three main social forces in the 20th century which are appropriate to the process of creating a new society without exploitation. These are the labour movement, the co-operative movement and political parties. Even though these three were considered different fronts of the same struggle, they should be kept separate and independent of each other. This separation was necessary for pragmatic reasons. For instance, the organization of a factory in which only the members of one political party are eligible is not workable. Similarly, Don Jose considered

that co-operatives should be religiously neutral or secular.

Very often a religiously-motivated person will use these practical instruments differently from a politically-motivated person. In the case of Don Jose Maria, as an example of a religiously-motivated activist, total social reform is a distant goal and co-operative enterprises are only steps along the way. His commitment is only to those ideas that can be translated into effective practice. Even "co-operativism" can turn into an obstacle if it does not deal with concrete human life, which is what he conceives to be the goal of religion as well.

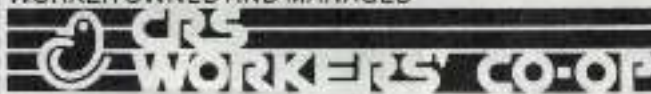
Conclusion

To say that a co-operative is based on religious principles is to say also that it is based upon a particular concept of the person.

This would contrast with a co-operative which is based upon merely economic ideas. Such a co-operative would only appeal to the member for its economic benefits. Religious inspiration tends to generate a much broader and more inclusive type of co-operative such as the complex developed at Mondragon. This specific structure came about because of the religious principles that are its foundation.

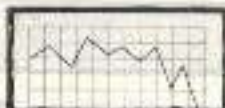
Greg MacLeod is the author of New Age Business. He was instrumental in the establishment of the New Dawn Community Development Corporation in Cape Breton. He conducts annual educational tours to Mondragon and is working on a biography of Don Jose Maria Arrizmendi-Arrieta. He can be reached at the University College of Cape Breton, P.O. Box 5300, Sydney, Nova Scotia B1P 6L2; (902) 539-5300. ■

WORKER OWNED AND MANAGED



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Baseline Type and Graphics Co-operative reports a 10.2% increase in sales

Baseline Type and Graphics Co-operative is a Vancouver worker co-op providing a full range of services and consultation in graphic design, typesetting and related computer functions, mechanical art production, illustration and graphic-arts camera-work. The co-operative serves a wide range of clients including small and large businesses, newspaper and magazine publishers, community groups and independent designers. Formed in 1982, the company has eight full-time staff. Staff become members after completion of a three-month probation period. Currently, all members serve as directors on the board of the co-operative.



Baseline's David Lach & Pam Woodland discuss job.

With the B.C. economy in a slow growth period, Baseline's fifth year of business was highlighted by substantial growth in sales in the graphic-design department, while typesetting sales were sluggish.

Major assignments completed by the design department include three show catalogues and a poster for a Vancouver art gallery; 12 book jackets for a Vancouver publisher; the redesign of an international computer magazine; numerous promotional brochures for businesses and community groups; logo designs for business and institutions; and display panels for the annual meeting of a large Canadian corporation.

Improvements in quality control and job turnaround attracted new typesetting business from independent designers. Baseline's interface typesetting system (BITS) also saw increased use. (BITS permits clients to prepare material for typesetting on their

own computer equipment.)

Many companies have chosen to purchase in-house desktop publishing systems in order to cut costs and improve turnaround time. Baseline is currently developing a marketing strategy aimed at ensuring that companies are aware of the full costs of in-house systems (staff training, reduction in quality, locked-in investment) and of the alternatives.

Renovations

Major renovations to the co-op's leased premises in downtown Vancouver, including a 25 per cent expansion, were carried out in the first part of 1987. These renovations provided more attractive areas for customers, more efficient use of space and better working conditions. Major financing for the renovations was provided by an increase in the co-op's existing loan from CCEC Credit Union.

Education

More than half of the co-op members took part in formal courses or other activities designed to upgrade professional or business skills. One member was granted an extended unpaid leave to gain experience with other companies in the business.

Member Maureen Noel represented Baseline at the meetings of Great Vancouver Co-ops, an organization of 14 small Vancouver co-ops (consumer, worker and financial). Member David Lach was elected to the executive of the B.C. Co-op council. He also served as the director elected by co-operatives on the board of B.C. Central Credit Union and as one of two B.C. directors of the Co-operators Group.

Baseline Type & Graphics Co-operative, #201 - 990 Homer Street, Vancouver, B.C. V6B 2W7; (604)683-5038.

Mary Lou Morgan dreams

Jack Quarter

What may be the largest worker co-operative development in Canada has just opened in Toronto's east end.

Carrot Common, a 14-store mall valued at \$6.5 million and anchored by the 7,000 square foot Big Carrot natural food market, has become the worker co-operative response to the Eaton Centre.

An exaggerated comparison you may say, but recall that the original Big Carrot was started from nothing three years ago by nine unemployed people.

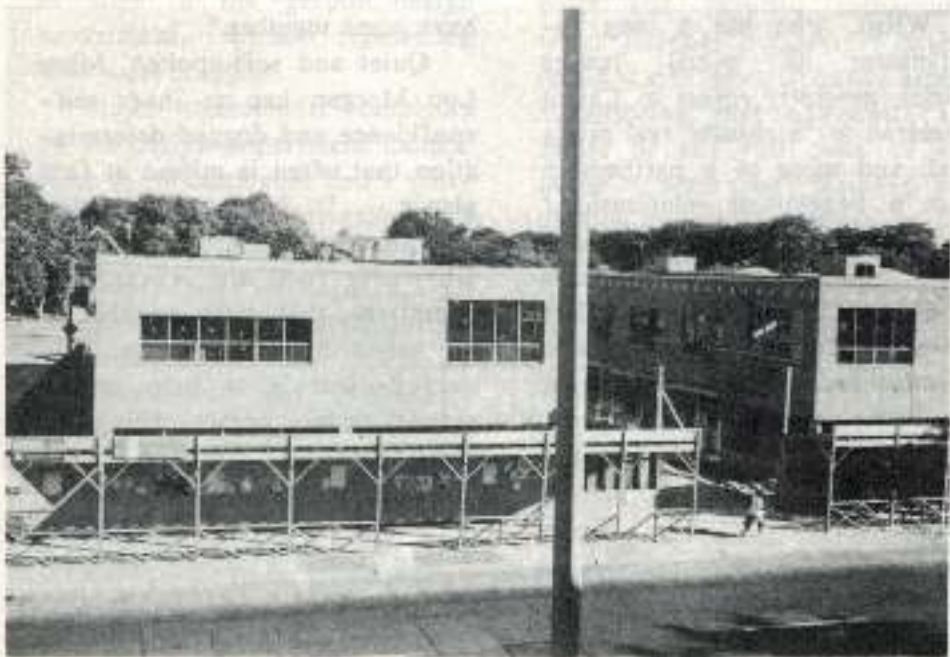
There are many people responsible for the Big Carrot's success: the 14 members of the co-operative, and particularly the remaining originals, Daiva Kryzanasuskas (co-manager), Pat Smith (president) and Grant MacKinnon; David Walsh, a benevolent real estate developer (president of Realco Property Ltd.), who financed the property deal and who donated 33 per cent of the equity to the Big Carrot and 15 per cent to three other community development groups; Marty Donkervoort (Co-op Work Consultants), who created the business plan for the expanded Big Carrot; and Brian Iler (Iler, Campbell and Associates) who has been the Carrot's legal advisor from the beginning.

However, to most people, the heart and soul of the Big Carrot and the stimulus to its meteoric success has been Mary Lou Morgan, co-manager and member responsible for development.



Above: Daiva Kryzanasuskas and Mary Lou Morgan in courtyard of Carrot Common. Below: Plumbers at work.

and The Big Carrot grows



Above: Rafters frame a view of the old Big Carrot across the street. Below: Carrot Common.

The '60s generation

It is often asked what became of the young people who participated in the social and cultural ferment of the 1960s and early '70s. Mary Lou Morgan was very much a product of that period.

At that time, Mary Lou was living on a farm near the small community of Claremont, Ontario, with her two children and her husband Bob. She became interested in alternative food and worked in an organic greenhouse and also with a health food retailer and a wholesaler. Upon moving to Toronto, she eventually became manager and an investor at Baldwin's, a successful natural food market.

Raised in Sault Ste. Marie with four sisters and two brothers, Mary Lou recalls that her father, an accountant for Algoma Central Railway, "encouraged education and independence". She adds, "we always felt that we could accomplish our goals."

Worker co-op idea

At Baldwin's, Mary Lou was introduced to the idea of a democratic collective. Baldwin's owner wanted the employees to buy part of the business and to operate it themselves.

"At the time we didn't realize that we had formed a collective." Then a dispute erupted with the owner over control of the business, and Mary Lou and other members of Baldwin's staff quit,

Amongst the Carrots

determined to start their own business.

In a characteristic way, Mary Lou began to read about worker co-operatives, her appetite whet by a chance viewing of the *Mondragon Experiment*.

"None of us had the money to start our own business, so a worker co-op seemed like a practical solution."

Although the original members of the Big Carrot had a lot of experience selling natural food, they knew very little about starting a business. Moreover, they were unemployed, had little or no savings, and at that time there was no resource group in Toronto to whom they could turn for support.

"It was a lonely, frightening feeling," recalls Mary Lou. Nevertheless, they persevered, and after a nine-month struggle put together the \$120,000 financial package and opened their small market.

It was an instant success, quickly amassing sales in excess of \$2-million. With the business thriving, the Big Carrot quickly outgrew its space.

Financing a problem

It is well understood that a lack of financing is a major obstacle to worker co-operative development. The financial package for the original store was scraped together from a combination of member investments (\$5,000 each of Class-B shares), a \$50,000 bank loan, and preferred

share investors. For the new development, financing has been even more of a problem. Both the banks and the Credit Union Central of Ontario turned down loan applications.

It has taken nearly a year and much of Mary Lou's time to arrange the Big Carrot's \$500,000 investment in the expanded market and the mall (\$250,000 from the Federal Business and Development Bank; \$180,000 from preferred shares held by customers and member investors; and \$70,000 from store revenues).

However, the new development could not have occurred without the generous financing of David Walsh of Realco Property, a company that specializes in the renovation of historic buildings.

Walsh, who has a long involvement in social justice causes, modestly refers to Carrot Common as "a regular real estate deal, and more of a partnership than a benevolent relationship." He likens the Carrot's role in the mall to that of such retail giants as Eatons, Simpsons and Zellers in other Toronto developments. "Groups such as the Big Carrot should be asking for part of the equity," Walsh argues, "in exchange for participating in the project."

The future

And what does the future hold for Mary Lou Morgan now that the new development is underway? Over the next few years, she plans to study co-

operative management and business skills, and she sees herself as moving into a consulting role in the food industry.

"I am interested in helping small groups get together and form worker co-operatives. I'm not interested in large takeovers because there is no shopfloor democracy."

In spite of her strong connection to the movement, Mary Lou experiences a sense of loneliness about her work. She laments the lack of support networks and the financial sacrifice. Nevertheless, she speaks with pride and satisfaction of the Big Carrot and notes how she "spent so many years feeling that I was not doing anything worthwhile, but in the end all of the parts have come together."

Quiet and soft-spoken, Mary Lou Morgan has an inner self-confidence and dogged determination that often is missed at first glance. It is these qualities, combined with her devotion to alternative food and worker co-operatives, that make people listen when Mary Lou says, "My next project is to help unemployed people create their own employment."

The Big Carrot is now located at 348 Danforth Avenue, Toronto, Ont. M45K 1N8; (416) 466-2129.

Jack Quarter is managing editor of the Worker Co-ops magazine. ■



CHILE

Women's artisanal co-ops

Early in June, Ana Maria Quiroz arrived in Vancouver from Chile with two large suitcases packed tightly with crafts made by women's co-ops in Santiago. Ana Maria is working for CUSO in Chile on a program that supports the development of women's production co-ops by providing start-up capital and by training members in production techniques, management and marketing.

Two hundred women are involved in 15 co-ops in

Santiago, spinning angora and lamb wool, producing crocheted or knitted sweaters and shawls and creating *arpilleras*, the applied wall-hangings that depict daily life in Chile. While some women work at home, each group comes together once a week to discuss the specific tasks and to work out organizational matters. The purchasing of raw materials and the marketing of the final products are done collectively.

One big problem facing the artisanal co-ops is finding markets for their products. To help solve that problem, Ana Maria came to Vancouver as the

first stop on a cross-country trip. Her trip took her to Winnipeg, to several cities in Ontario and to Halifax. When she arrived back in Vancouver, she had made many successful contacts and had barely managed to reserve some *arpilleras* to sell at the Vancouver Folk Festival.

The CUSO program to support Women's Artisanal Co-ops operates in Latin America, Asia, the South Pacific and Africa. For information about the program or about outlets that sell Chilean and Bolivian crafts, write the CUSO regional office, 60 Maryland Street, Winnipeg, Manitoba R3G 1K7.

MONDRAGON

Employment

During 1974-84, Mondragon co-operatives increased their worker-membership from 11,417 to 18,795. Over the same period, Spain as a whole was losing about 252,000 jobs per year, and the Basque region was losing about 23,800 jobs per year.

Unemployment compensation for Mondragon members is 80 per cent of earnings. This high rate of compensation means that labour is a relatively fixed cost, and therefore there is not a financial incentive for laying off workers.

For more information see Chris Clamp, in CED, Vol. 3/ Issue 2, June 1987, pp. 5-7.

MONDRAGON CO-OPS 1984

Industrial	94	
Agricultural	9	
Consumer	1	(225 outlets)
Educational	44	(35,000 students)
Housing	17	(1,100 apartments)
Service	7	
Total	172	
Members	18,795	

Mondragon Industrial Co-ops: (000,000 U.S. \$)

	1979	1984
Sales	484.32	920.51
Exports	89.98	269.07
Investments	40.37	56.85

Total Mondragon System

Sales	570.99	1,212.17
Exports	90.40	278.57
Investments	46.26	67.55

UNITED KINGDOM

Norma Henderson

1,476 and rising

The 1986 CDA Directory, compiled from the London ICOM database, lists a total of 1,476 worker co-ops and community businesses, compared to 911 in 1984. These data show a growth rate of 62 per cent since 1984.

ICOM estimates that for 1985, the number of new registrations of common ownership businesses was 203, a small drop from the 1984 figure of 248. Popularity of registration under the Industrial and Provident Societies Acts has waned, to be replaced by registration under the Companies Act. This is probably because many of the new starts are very small, and the IPS Act requires a minimum of seven members.

Another feature of the 1985 data is the popularity of "off-the-shelf" co-ops. These are co-ops which can be purchased, ready registered, from ICOM. The advantage of this approach is that it takes days rather than weeks and therefore is particularly useful in business shut-downs.

Mondragon, U.K.

Following a visit to Mondragon by Employment Minister Kenneth Clarke, Britain's Conservative government has announced a £200,000 grant for the creation of worker co-operatives in the unemployment-

plagued Middlesbrough community of Cleveland.

The plan was developed in conjunction with the local co-operative development agency (CDA), whose staff and other resources will be beefed up for the experiment. It calls for "the creation of larger co-operative enterprises in a single community" by the "expansion of existing co-operatives" and by "accelerating the development of co-operatives in the pre-trading stage".

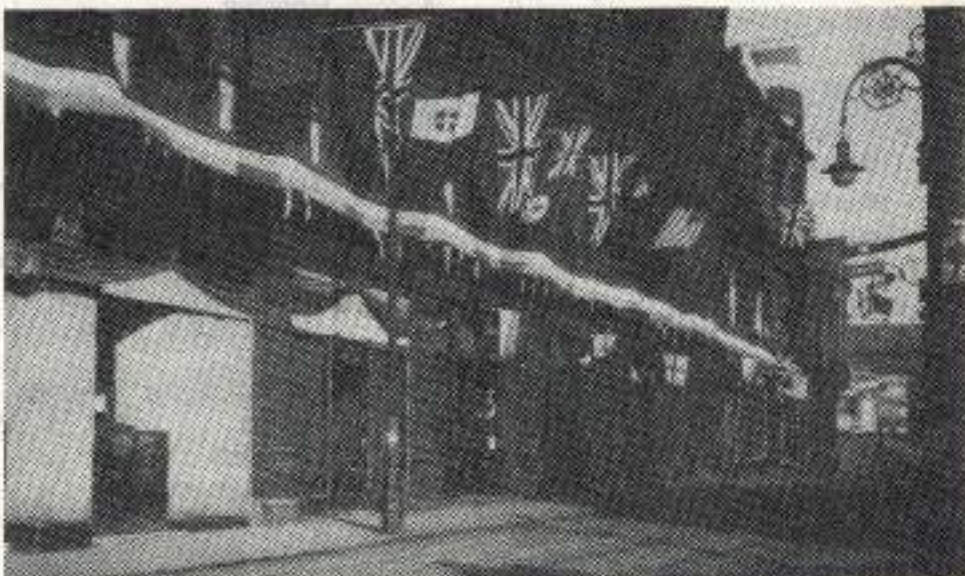
Clarke is quoted on the front page of the *Co-operative News* as stating: "I was greatly impressed by the development of co-operatives in the Mondragon region. It is not always possible to transplant good ideas from one part of the world to another, but both the CDA and I felt we should make every effort."

The long-term future of the project is still uncertain as the initial funding is only for one year. It is hoped that further money will be made available.

Co-operative history workshop

The 1987 Co-operative History Workshop was held at the Co-operative College, Stanford Hall, in July. The workshop on worker co-operatives went into the issue of degeneration of co-operatives, as propounded by the Webbs. The Webbs believed that co-operatives would either fail as businesses or would degenerate until they ceased to be co-operatives. Chris Cornforth analyzed the degeneration thesis and discussed the different forms of degeneration, while Alan Thomas looked at the reasons why economists have predicted the failure of co-operatives. Both presented recent findings on the performance of the new wave of worker co-ops.

More information on this workshop can be obtained from the Co-op Research Unit, Faculty of Technology, The Open University, Walton Hall, Milton Keynes, United Kingdom MK7 6AA.



Dewsby Pioneers Industrial Society Limited celebrating their jubilee, 1929.

Co-operative shares

The Industrial Common Ownership Fund, ICOF for short, was formed in 1973 to help finance worker co-operatives. Its revolving loan fund has provided some 120 loans, typically between £7,500 and £10,000 over a period of between two and seven years.

There are currently two ICOF funds -- general and regional. The general fund, set up with donations from individuals and established co-ops, was augmented by a £250,000 grant under the 1976 Industrial Common Ownership Act. This fund operates country-wide and has a lending capacity of £159,000. The regional funds are administered by ICOF on behalf of the sponsoring local authority.

ICOF is now to start a new type of fund which will be known as "co-operative shares". These shares will carry no voting rights, but an elected representative of the shareholders will sit on the ICOF board. Financial return on the shares is expected to be around six per cent, and the shares will be redeemable in 10 years. The target sum to be raised is £500,000.

These shares are likely to be popular despite the modest return they offer. ICOF's impressive write-off rate on loans of only 10 per cent suggests that security is not going to be a problem. Previous examples of loans for social purposes show that there is a demand for ethical investments. Traidcraft, a company based at Gateshead which promotes equi-

table trading with the Third World, issued £300,000 of shares with a return of five per cent in 1985. The issue was 60 per cent over-subscribed. A second share issue in 1986 raised £1-million.

For further information, write to ICOF Ltd., 4 St. Giles Street, Northampton, U.K. NN1 1AA.

The 1987 budget

Three items in the Chancellor of the Exchequer's 1987 budget are likely to affect worker co-ops in Britain. First, the rate of corporation tax payable by "small companies", a heading which covers most new co-operatives, has been reduced to 27 per cent.

The second tax change is in the VAT, or Value Added Tax -- an indirect tax which is added to the price of certain goods and services classified as "luxuries". The turnover limit above which a business has to register for this tax was increased in the last budget to £21,300 per annum.

The really important change in the VAT legislation, however, has been that businesses with an annual turnover of less than £250,000, which includes most worker co-operatives, can now choose to account on a "cash received" basis. This means that the business only pays the VAT on money which it has actually received. This change should help to reduce cash-flow problems caused by late payers and bad debts. Businesses may now also choose to make one annual VAT return.

The final change of interest to co-ops is the introduction of

tax relief on profit-related pay. One half of all profit-related pay can be tax free. There are limits on this exemption of 20 per cent of the employee's basic pay, or £3,000, whichever is lower. Thus, if the basic wage is £10,000, and a profit-related payment of £2,000 is made, £1,000 of that will be tax free.

Funding problems

The Central London CDA has an uncertain future. In its three-year tenure, this agency has worked with 23 worker co-ops and a large number of pre-start groups. The CDA provides a full training program for co-ops, operates a resource centre with a library, publications and videos and administers a small-sums loan fund of £22,000.

However, funding problems, caused in part by the demise of the Greater London Council, are likely to force Central London CDA to drastically reduce its scale of operations. It is hoped the CDA will continue to operate on a shoestring budget with at least one worker so that the resources will still be available to local co-ops.

IPP trainings

The ICOM pilot training program (IPP) was a joint initiative of the Greater London Enterprise Board (GLEB) and the Industrial Common Ownership Movement (ICOM). Funded by the GLEB and the European Social Fund, the IPP has involved five large London co-

operatives in the design and implementation of tailor-made training programs. A training resource pack is now available.

More information about the IPP Training and the Resource Pack is available on application to ICOM Ltd., 7/8 Corn Exchange, Leeds, U.K. LS1 7BP.

* * *

SCOTLAND

Norma Henderson

Future is bright

SCDC has recently issued its 1987 Annual Report. The list of co-ops in Scotland numbers almost one hundred, ranging from the traditional engineering and building trades to bookshops, wholefood retailers, wholesalers and restaurants, to a Fife Co-op which produces wine from locally grown fruits.

One of the great success stories has been the co-operative Venture Capital Fund, which now stands at over £200,000. An energetic fund-raising campaign is underway to raise money from local authorities and from large corporations.

As well as financing co-operatives directly, the Fund helps co-ops to raise money through traditional channels. Because of the Fund's backing, banks and government agencies are reassured that co-operative enterprises are a good risk.

One of the new co-ops which has been helped through the

Venture Capital Fund is MGM, a co-operative formed by three unemployed oil-workers to repair fishing trawlers. Formerly, boat owners had to send their vessels abroad for repairs.

SCDC chairman, Laurence Clarke, states: "Our goal of worker co-ops being accepted as a natural alternative to private companies and partnerships is no longer a dream. Ten years hence, the co-operative sector could be a third force in the Scottish economy."

The 1987 annual report can be obtained from the SCDC, Templeton Business Centre, Templeton St., Bridgeton, Glasgow, Scotland G40 1DA: (041) 554-3797.

Norma Henderson is a graduate student in the Co-operatives Research Unit, Faculty of Technology, Open University, Walton Hall, Milton Keynes, United Kingdom MK7 6AA.

Union solidarity at Green City

The Scottish worker co-op, Green City Wholefood of Glasgow, derives its name from a little known fact. Glasgow originally meant "the dear green place".

Workers at Green City will celebrate their firm's 10th anniversary in 1987 through involvement in Glasgow's Garden Festival. The co-op manufactures and distributes wholesale natural foods to over 500 outlets throughout Scotland. Green City's turnover of £1.15 million in 1986 makes it one of only 13 British worker co-ops to exceed the £1-million level.

Labour support has a long tradition on the industrial Clydeside so Green City is also a unionized worker co-operative.

For more information, contact Martin Meteyard, Green City Wholefoods, 23 Fleming Street, Glasgow G31 1PH, Scotland;

(Contributed by Bob Schutte.)



EUROPE

Worker co-ops growing in Italy and Spain

(CUC) - Worker co-operatives are increasing in Europe's production sector, especially in Italy and Spain, the International Co-operative Alliance reports.

From 1970 to 1980, worker co-operatives in Italy increased from 48,000 to nearly 80,000. These new co-operatives created 15,000 jobs. In Spain the number of worker co-operatives has doubled since 1978; there are now 1,300 worker co-operatives providing 36,000 jobs.

Le Secteur des coopératives de travail en croissance en Italie et en Espagne

(CUC) -- Selon un rapport de l'Alliance coopérative internationale, il y a augmentation du nombre de coopératives de travail en Europe, et particulièrement en Italie et en Espagne.

Entre 1970 et 1980, le nombre total de coopératives en Italie est passé de 48,000 à 80,000; de ce nombre, on compte 500 créations de coopératives de travail par année, qui ont généré 15,000 emplois annuellement. En Espagne, il existe 1,300 coopératives de travail pour 36,000 emplois; le nombre de coopératives de travail dans ce pays a doublé depuis 1978.

* * *

UNITED STATES

Frank Adams

Efforts to spread democracy to the American workplace have been focused at the state level, bringing into sharp relief the continuing absence of federal interest in worker ownership.

Three handbooks

Activists and academics in three states recently published handbooks for employee buyouts.

In January, academics at four centres in Ohio collaborated to publish "The Ohio Buyout Handbook, A 'How to do it' Guide for Workers Becoming Owners". John Logue of the Employee Ownership Project at Kent State University headed the team. Other institutions were the Central Ohio Center for Labor-Management Cooperation at Ohio State University, the Cooperative Work Relations Program at Ohio University and the Northwest Ohio Center for Labor-Management Cooperation.

The 83-page paperback opens with a map of Ohio locating buyout attempts which either succeeded, failed or were in progress. One especially useful, but all too short section, pertains to the union's role in worker-owned firms.

At the University of Oregon, Steven Hecker, assistant professor at the Labor Education and Research Center, and John Hubbard, a graduate student in the Department of Planning, Public Policy and Management, co-

authored "Employee Buyouts and Job Retention: An Oregon Workers' Guide to Employee Ownership".

The spiral-bound booklet was one result of a trade union conference on worker ownership, co-sponsored by the Research Center. While covering much the same ground as the Ohio booklet, its emphasis on labour's role in a buyout is extensive and helpful. For example, a sample right-to-first-refusal contract is included along with suggested ways to use worker-ownership as a negotiating strategy.

Late in 1986, the Midwest Center for Labor Research in Chicago, a non-governmental agency which sometimes gets state or city funding, published a second volume in their impressive working papers series. Entitled "Early Warning Manual Against Plant Closings" and written by Greg LeRoy, Dan Swinney and Elaine Charpentier, this booklet is also aimed at the union member. It suggests the whys and wherefores of spotting the signs of a plant closing and then advises what to do.

State hearings

In Massachusetts, the first state to adopt laws specifically allowing the formation of worker co-operatives, there were weeks of legislative committee hearings on employee involvement and ownership. The special commission was co-chaired by Rep. David Magnani and Sen. John Houston. John Simmons, a co-author of *Working Together* and a

teacher at the University of Massachusetts - Amherst, was commission director.

Among the committee's findings were: employee participation improved organizational performance and job security; and where employees were involved in decision-making, trust between workers and managers improved, more income was generated, and costs were reduced. Their five-part list of recommendations included: education and promotion of basic ideas; expanding existing programs; providing technical assistance and seed funding for labour-management committees; and developing ways to protect employees from abuses.

Montana assistance

In Montana, the Business Assistance Division in the Department of Commerce has been helping workers to develop various types of employee-ownership.

Elsewhere, many dioceses in the nation's Catholic community are forming agencies to foster worker ownership. In Albany, New York, for example, Catholics have opened the Center for Co-operative Enterprise to promote worker ownership in 14 counties. Church leaders in New Mexico are considering a similar centre. The Campaign for Human Development has supported worker-owned firms for many years.

Out in California, Democratic Management Services (DMS) marked its 15th anniversary of

providing support for co-operative businesses in Santa Cruz. Started in 1970 by University of California-Santa Cruz community activists and ministers, over 30 firms have been affiliated with DMS. These worker-owned or managed firms sell clothing, take care of children, provide health care, build houses, or create plays, art and music. DMS's assets totalled over \$400,000 at the end of its 1986 fiscal year.

Frank Adams is education coordinator at ICA, 58 Day St., Ste. 200, Somerville, MA 02144, USA; (617) 629-2700.

Bill on worker co-ops in Washington State

(CUC) - A committee of the Washington State Legislature is considering two bills aimed at fostering worker co-operatives.

One would authorize and regulate employee co-operative corporations, and the other would direct the state Department of Community Development to set up an office of employee ownership for co-op educational programs and technical assistance. The legislation is aimed at creating and retaining jobs needed in the state.

The Employee Co-operative Corporations Act would detail the structure of co-ops and solve the problem of membership shares increasing in value by splitting them from the net worth of the co-op.

ISRAEL

Making membership affordable

Many of the established co-operatives in Israel have run into financial difficulties because the price of a share has skyrocketed beyond the means of the average worker.

The relatively wealthy bus co-operatives (\$500-member Egged and 2200-member Dan) make low-interest loans available to their members.

Israel's largest trucking company, the Shelev co-operative, has decided to split its \$60,000 (U.S.) share into five parts and requires new members to purchase only two shares -- though they retain the same voting and profit-sharing rights as old members.

Another large trucking co-operative, Hacohach, has split its shares into three parts. This co-operative requires new members to purchase only one share. Members receive another share free after 10 years and a third share after 20 years. This model may lead to financial difficulties for the company if and when members with free shares have to be paid out.

For more information, contact Israel Ziv, Director of the Association of Production, Transportation and Service Co-operatives, 24 Recov HaArbaa, Tel Aviv, Israel; (phone) 03-260151.

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SOUTH AFRICA

Share Ownership

The Anglo American Corporation, the biggest South African conglomerate, is to introduce a "share-owning scheme" for its mainly black workforce.

Reported in *The Economist* on July 1, Anglo-American chairman G.W.H. Relly states:

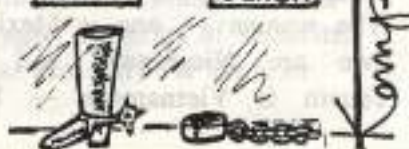
"In South Africa, where the wealth-creating processes of the First World must arrive at a durable synthesis with the needs and aspirations of the Third, there is a strong case for believing that the stake held in the country through growing home ownership can well be matched by workers holding a direct stake also in the business in which they are employed. This view is surely consistent with the world trend away from centralist socialism on the one hand and rigorous capitalism on the other, to something in between, founded not on ideology but on pragmatism, deriving its strength and support from the fact that it is seen to work."

The full text of Relly's statement is available from the Anglo-American Corporation, 444 Main Street, Johannesburg, Republic of South Africa.

SOUTH AFRICAN
FOOTGEAR

WHITE

BLACK



TANZANIA

Improving management of industrial co-operatives

A four-week intensive training program for managers of industrial co-operatives in Tanzania was conducted by three Plunkett Foundation trainers in Dar es Salaam during the first two months of 1987. Fifteen managers participated in the course. Their co-operatives' activities included flour milling, tailoring, steel fabrication, furniture-making and printing.

The Plunkett Foundation was asked to run this course by the Small Industries Development Organization (SIDO) in Tanzania, and the theme of the course was enabling industrial co-operatives within Tanzania to provide a higher living standard for their members. The course contained a minimum of theoretical input, and each manager prepared a business expansion plan which he has taken back to his co-operative to implement.

Funding for the three specialist trainers and the training materials was provided by the United Nations Industrial Development Organization (UNIDO).

For further information please contact Liz Cobbald, Development Officer, The Plunkett Foundation for Co-operative Studies, 31 St. Giles, Oxford, U.K. OX1 3LF.

ZIMBABWE

The following editorial is reprinted from *The Vanguard Co-operative Newspaper* of Zimbabwe.

Debts

Since the formation of collective co-operatives just after independence, a few have attained self-sufficiency. Most of the co-operatives started poor, others even poorer. This is indeed a sorry state of affairs. There are a great many reasons for this -- lack of skills, lack of finance capital, shortage of foreign currency, high interest rates and the reluctance of potential donors -- all of these tending to make an already difficult situation, worse.

The DEBTS owed by co-operatives are in fact a facet of the overall problem confronting developing nations. On the local front, co-operatives owe monies to financial institutions and, at a higher level, countries of the designated "third world" owe capitalist cartels such as the 'World Bank' and 'The International Monetary Fund'. Are we all to approach debts in the manner Alexander did the Gordian Knot and ceremoniously refuse to play by the set rules, or do we plead for re-scheduling without calling into question the rationale of existing arrangements?

Overseas subscriptions to *The Vanguard* are \$12 U.S. and can be obtained from Box 66102, Kopje, Harare, Zimbabwe.



NATIONAL

Albert Chambers

The educational needs of worker co-operatives in English Canada are the focus of a major funding application to the federal Innovations program. This application, which follows from the report of the National Task Force on Co-operative Development and the subsequent worker co-op project managed by Laird Hunter, is being submitted by the new organization formed by the amalgamation of the Co-operative Union of Canada and the Co-op College.

At a meeting last April, attended by representatives of co-operative, church and labour organizations, Skip Kutz (until recently, director of program design at the Co-op College) was assigned to head an application-drafting committee.

If the application is successful, the work will be sub-contracted to worker co-operative resource groups over the three-year term of the project.

For more information, contact **Albert Chambers**, Director of Government Affairs, Co-operative Union of Canada, 400 - 275 Bank St., Ottawa, Canada K2P 2L6; (613) 238-6711.

\$770,000 in funding helps worker co-ops

The federal government has allocated \$770,473 in funding over three years to a project called Alternative Co-op. It is

intended to provide work experience in co-operatives for young workers from francophone minority groups across Canada and to stimulate entrepreneurship among them.

The project, sponsored by the Fédération des jeunes Canadiens français Inc. of Ottawa, is expected to create 435 seasonal jobs and 64 permanent ones. If it succeeds, it will be used as a model for other minority groups across Canada, a June 23 announcement said.

Information about Alternative Co-op is available from Canadian Jobs Strategy, Employment and Immigration, Canada, Ottawa, Ontario K1A 0J9.

Canadian Tire ruling

The Toronto Stock Exchange (TSE) has ruled that holders of non-voting shares have to be given the opportunity to convert their shares into common, voting stock in the event of a takeover bid.

This ruling comes about because of the takeover bid for Canadian Tire -- a corporation in which the employees own about 30 per cent of the non-voting stock, but in spite of this holding were originally denied a voice in the proposed takeover.

The TSE ruling, which has been adopted by stock exchanges in Montreal, Vancouver and Alberta, will probably be applicable to all publicly-traded corporations in which employees hold a significant number of non-voting shares.

BRITISH COLUMBIA

Melanie Conn & Dana Weber

Two fledgling women's co-ops

A women artists' co-op is brewing in New Westminster. The women are students in a job re-entry program at Douglas College called "Co-operative Employment for Women".

Since March, a small group within the program has been planning a worker co-op to provide marketing and promotional services to women artists in this area. The fledgling co-op was brought to the attention of the New Westminster Economic Development Association (NWEDA), a large community-based organization. Now there seems to be a good chance that NWEDA will support the co-op by providing technical advice, by sponsoring grant applications and by linking this project to appropriate community networks.

For more information, contact **Women Artists Co-op**, c/o Community Programs, Douglas College, P.O. Box 2503, New Westminster, B.C. V3L 5B2.

Another group of women in Surrey, B.C. are starting a sewing co-op. The women met as trainees on a Job Development Grant (a federal job-creation program) sponsored by the Adult Learning Centre where they had all been attending English classes. The women -- one is Mexican, two are Nicaraguan and the fourth is Vietnamese -- have

concentrated on the development of both sewing and business skills, with assistance from one of the teachers at the Centre. One of their primary products has been lingerie, but they have also handled contracts for other women's wear items.

The group has worked through the details of their legal structure in preparation for incorporation as a worker co-op. The plan was for the new co-op to acquire the equipment purchased through the grant, thereby fulfilling the government's requirement to use the equipment for employment. To their surprise and disappointment, the government project officer was unwilling to allow the co-op to acquire the equipment, insisting that "one person be responsible", in this case, the Centre's teacher. Because of time pressure, the group agreed to the arrangement, postponing their plans to incorporate, though they are still committed to owning their business co-operatively.

This experience underlines the urgent need for more education about co-ops within the public sector.

Pacific Armoured Car on the road

After nearly two years of sweat and struggle, Vancouver's worker-owned Pacific Armoured Car has finally put its first vehicle on the road.

The firm was launched by employees of Loomis Armoured Car who were locked out during much of 1985 (*Worker Co-ops*, Spring, 1986). When the workers reluctantly voted to accept a company offer, enthusiasm for the co-op waned among all but the most dedicated members. Many were exhausted not only by the bitter and protracted fight with Loomis, but also by repeated rebuffs from lenders.

Still, two or three die-hards refused to return to work under a contract they found insulting. Continuing to believe the co-op idea was sound, they worked quietly and doggedly to sell the business plan to a lender -- so quietly, in fact, that most people thought the co-op had died until its truck was spotted on Vancouver streets.

Pacific, now restructured as a limited company, has managed

to get enough money from the Federal Business Development Bank to buy one armoured vehicle and to put six people to work for about six hours a day, including a manager with previous experience at Loomis. The company has contracts with B.C. Transit, the Municipality of Burnaby, Rogers Cablevision, a cruise-ship company and the B.C. Medical Services Plan.

Despite the restructuring, which was undertaken primarily to appease lenders who didn't know what a co-op was, Pacific continues to operate on a one member/one vote basis. Each member holds an equal share.

Undercapitalization is still the firm's most serious problem. As in many co-ops in their early stages, Pacific's worker-owners, including its manager, are underpaying themselves to keep the company alive. But judging from its history, Pacific is not a company that intends to roll over and die.

Anyone interested in more information on Pacific Armoured Car -- and particularly anyone who has money to invest in it -- can contact Stu McPhee, Pacific Armoured Car, Suite 215 - 1401 W. Broadway, Vancouver, B.C. V6H 1H6; (604) 734-7555.

Melanie Conn and Dana Weber can be contacted at Worker Co-op's B.C. Desk., 1646 West 7th Ave., Vancouver, B.C. V6J 1S5; (604) 430-0453.

CO-OP

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UNITED CO-OPERATIVES OF ONTARIO

MANITOBA

Jeremy Hull

Housing co-op spins off worker co-op

The recently-created MAPS housing co-operative in Winnipeg's inner city has developed a worker co-ops, called PAMS, for unemployed carpenters and construction labourers in their neighbourhood.

Initially PAM's members will renovate the housing co-op's dwellings. However, PAMS is also hoping to take advantage of the construction being generated by Winnipeg's Core Area Initiative and to enter a larger market for construction and renovations.

Although the group has received some technical assistance from the provincial Employment Co-operative Program, it has found the provincial program to be response-oriented rather than proactive. Tom Sims, one of the co-op's organizers, says that effective table organizing, is simply not done by the provincial program. A much more active approach needs to be taken, he suggests, if worker co-operatives are to emerge in low-income communities.

For more information contact board president, Ben Templeton, at (204) 582-9223 or Tom Sims at (204) 582-6158.

Jeremy Hull can be reached at WMC Consultants, 200 - 651 Croydon Avenue, Winnipeg, Manitoba R3M 0W3; (204) 453-6137.

ONTARIO

Ethan Phillips

Worker co-op statute

What is likely to be the most comprehensive worker co-operative amendment to a co-operative statute in Canada should become law by year's end. Agreement has been reached with the Ontario government on a set of amendments to the Ontario Co-operative Corporations Act that will entrench many of the "Mondragon" worker co-op rules in the Act.

Financial assistance

The Worker Ownership Development Foundation's efforts to obtain a provincial worker co-op financial-assistance program received a boost from an all-party legislative committee examining plant shutdowns. The committee's final report explicitly endorsed a number of the recommendations contained in the Foundation's policy document, *Worker Co-ops in Ontario: An Idea Whose Time Has Come*. Copies of this document can be obtained from the Foundation's office for \$5.00.

Plant shutdowns

A resource kit on plant shutdowns and municipal economic-development strategies is now available from the Foundation. The kit contains articles on plant shutdown early-warning systems, the Greater London

Council's economic-development strategy and the "de-industrialization" trend in Canada. The kit, which was first made available to registrants at the Foundation's successful June conference, is available for \$5.

Another publication available from the Foundation is the *Co-operative-Labour Option* (\$15), a collection of readings on unions and worker co-operatives.

Another worker co-op

Ontario's second worker co-op courier service is being planned for the central Ontario community of Collingwood. A majority of members will be unemployed workers from the ship-building yards. Collingwood was hard hit when its ship-building facilities were closed as part of the industry's "rationalization" efforts. It is hoped that this new courier co-op can be linked with Ontario's first worker co-op courier, A-Way Express, which opened on June 1 in Toronto.

Ontario Credit Union Central considers CED

Last year the board of directors of the Credit Union Central of Ontario endorsed a proposal for a pilot project to examine how credit unions could become more involved in community-based economic development. As a first step, a conference was held this past June for credit union leaders.

The featured speaker was André Morin, government affairs

Across the Nation

advisor to La Confédération des caisses populaires du Québec.

Morin noted that about 174 community projects had been sponsored or financed by individual caisses populaires. These projects included a number of worker co-operatives (e.g. school-bus drivers and security guards). To co-ordinate these activities, the Quebec caisses populaires have established a division of Community and Co-operative Development.

This community-based orientation, which is becoming more prominent among the caisses populaires, reflects a commitment to create a distinct role for that movement -- a role that separates it from other financial institutions.

A communique on this conference and a videotape of the caisses populaires' community-development initiatives are available from Larry Gordon, Communications Manager, Credit Union Central of Ontario, 180 Duncan Mill Road, Don Mills, Ont. M3B 3K3; (416) 441-2900.

Youth co-ops

The Ontario Ministry of Skills Development initiated 15 youth co-ops this past summer. Organized as worker co-ops, these small odd-job businesses were primarily in northern Ontario communities that agreed to sponsor them.

For more information contact Jo Hoffman, Manager of Special Projects, Youth Employment Services Branch, Ministry of Skills Development, 2nd Floor, 700 Bay St., Toronto, Ontario M5G 1Z6; (416) 965-5722.

New co-op

Blackbird Graphics is a new worker co-op that combines desktop publishing with manual layout and original graphic-design techniques. It is also Toronto's only IWW (Industrial Workers of the World) union local.

Clients have ranged from real estate companies to book pub-

lishers. Most of the work, however, is done for local grassroots and peace organizations.

For more information contact Blackbird Graphics at 456 Spadina Ave., 2nd Fl., Toronto, Ont. M5T 2G8; (416) 964-5957.



ESOPs slammed

"Business leaders have slammed Ontario's Employee Share Ownership Plan (ESOP)" as proposed by provincial treasurer Robert Nixon. So reports the magazine, *Small Business* (June, 1987, p. 80).

Nixon had proposed that employees be permitted to buy as much as \$2,000 of stock in their companies each year with government assistance of 15 per cent of the purchase price.

This plan, being sold to the business community as a way of raising fresh capital, is meeting with skepticism because 85 per cent of Ontario firms have fewer

than 10 workers, and because of high implementation costs.

New location

The Foundation, along with Co-operative Work Consultants, Bread & Roses Credit Union and Toronto's largest worker co-op, The Big Carrot, have moved into a new "alternative" shopping mall (Carrot Common) in eastend Toronto. The mall is in part owned by The Big Carrot. The Foundation's new address is 348 Danforth Ave., #212, Toronto, Ont. M4K 1N8; tel. (416) 461-6992.

Ethan Phillips is director of the Worker Ownership Development Foundation.

QUÉBEC

Claude Carboneau

74 new worker co-ops

During 1986-87, 208 new co-operatives were formed in Quebec. Seventy-four of these were worker co-ops, and 102 were housing co-ops.

Overall, and excluding saving and credit co-ops, there was a total of 1,951 co-operatives in Quebec as of March 31, 1987:

consumer co-ops	1,445
producer co-ops	163
worker co-ops	343

Review of the R.I.C.

During the past year, 5,128 members of 85 co-operatives took advantage of the Régime d'investissement coopératif (co-operative investment program) to invest \$5,682,631 in their enterprises. More than \$2.1 million was invested in 54 worker co-ops by 1,466 members, for an average of \$1,433 for each worker.

Since its creation in 1985, the R.I.C. has allowed co-op members and workers to invest more than \$11-million in Quebec co-operatives. So far, it has been the agricultural co-ops which have benefited the most. Investments made under the plan are tax deductible.

New forestry co-ops

Forestry co-operatives have existed in Quebec for 40 years. Some have become diversified and very profitable enterprises.

Now, a new generation of forestry co-ops specializing in forestry maintenance and forestry conversion is becoming very popular in Quebec.

Often started by young, local workers with a training in forestry, these co-ops are winning contracts for tree planting and forestry maintenance. The future could be promising since the Quebec government is involved in a massive reforestation program.

The Alphonse Desjardins Prize

The Desjardins Foundation has awarded this year's Alphonse Desjardins Prize to the Société d'exploitation de Sacré-Coeur (Sacred Heart Production Corporation). This organization is supporting the development of manufacturing in two co-ops -- one comprised of forestry workers and the other of factory workers.

This award, which comes with \$10,000, recognizes organizations which have distinguished themselves and which are innovators in their fields. An organization that wins must have found a collective solution to a specific problem.

(Translated by Rosemary Oliver.)

Claude Carboneau is information officer at the Société de développement des coopératives, 430 Chemin Ste. Foy, Québec City, Québec G1S 2J5; (418) 687-9221.

De nouvelles coopératives

Au cours de l'année 1986-87, 208 nouvelles coopératives ont vu le jour au Québec. 74 de celles-ci étaient des coopératives de travailleurs. Le plus grand nombre (102) de nouvelles coopératives se situe cependant au niveau des coopératives d'habitation.

Globalement, et en excluant les coopératives d'épargne et de crédit, le nombre total de coopératives au Québec se situait à 1,951 au 31 mars 1987. Ce nombre se répartit de la façon suivante:

coopératives...	
de consommateurs:	1445
de producteurs:	163
de travailleurs:	343

Un bilan du R.I.C.

Au cours de la dernière année, 5,128 membres de 85 coopératives se sont prévalus du Régime d'investissement coopératif pour investir 5 682 631 \$ dans leurs entreprises. Pour leur part, les coopératives de travail représentent 54 de ces coopératives. Leurs 1,466 membres y ont investi plus de 2,1 M \$ pour une moyenne de 1,433 \$ par travailleur.

Depuis sa création, en 1985, le R.I.C. aura permis aux membres et travailleurs de coopératives d'investir plus de 11 M \$ dans les coopératives québécoises. Jusqu'à maintenant, ce sont les coopératives agricoles qui ont su en profiter davantage.

Source: Info-Coop (M.I.C.).

Amenagement forestier, les coopératives se développent rapidement

Les coopératives forestières existent au Québec depuis une quarantaine d'années. Certaines d'entre elles ont su se développer et devenir aujourd'hui des entreprises diversifiées et très rentables. Une nouvelle génération de coopératives forestières est cependant en voie de devenir très populaire au Québec. Il s'agit des coopératives spécialisées dans la réalisation de travaux sylvicoles et d'aménagement forestier.

Souvent créés par de jeunes travailleurs locaux, ayant une formation en foresterie et une certaine expérience du terrain, ces coopératives réussissent à obtenir des contrats de plantation d'arbres et de travaux sylvicoles. Au niveaux de la plantation, l'avenir pourrait être prometteur puisque le gouvernement du Québec s'est engagé à reboiser massivement les forêts du Québec.

Le prix Alphonse-Desjardins

La Fondation Desjardins a remis cette année le prix Alphonse-Desjardins à la Société d'exploitation de Sacré-Coeur. Cet organisme est à l'origine de la relance d'une série par l'intermédiaire de deux coopératives et d'une groupe d'investisseurs locaux. L'une des deux coops regroupe les travailleurs forestiers et l'autres les travailleurs de l'usine.

Ce prix, accompagné d'une somme de 10,000 \$, vise à encourager un organisme qui a su se distinguer et qui a été une source d'inspiration pour son milieu. Parmi les critères pour se mériter le prix, un organisme doit avoir su trouver une solution collective à un problème précis.

...

NOVA SCOTIA

New worker co-operatives in Nova Scotia in 1987:

East Wind Productions Co-op Ltd., Sydney -- a writers' worker co-op;

Mic Mac Masonry Co-op Ltd., Eskasoni -- a native worker co-op in the building trades business of masonry;

Future Forestry Service Co-op Ltd., New Glasgow -- a forest-harvesting worker co-op;

Just-A-Minute Productions Co-op Ltd., Halifax -- a musical group producing recordings and performances;

Constructors Co-op Ltd., St. Peters -- a construction co-operative in home building;

Masterpiece Business Systems Co-op Ltd., Sydney -- a computer sales and service worker co-operative;

Officextra Co-op Ltd., Sydney -- a worker co-op providing secretarial services on a part-time and overload basis;

La coopérative de Jeunes travailleurs de Cheticamp Limitée, Cheticamp -- a student co-op providing community services.

This brings to 32 the number of worker co-ops in Nova Scotia.

Malagash Builders Centre Co-operative Ltd.

The oldest consumer co-operative in Malagash went out of business in 1986 after operating for over 70 years. The liquidator sold the buildings to a worker co-operative of four people in the community. They felt there was a need to continue the grocery and store operation, and an opportunity to provide jobs in this high unemployment area of northern Nova Scotia.

The new owners arranged a mortgage and working capital through the Credit Union Central and obtained a lot of assistance from John Gilbert, a manager of a consumer co-operative in Truro, 40 miles away.

In six months, the store was renovated, re-arranged, and operational, providing employment for four members and three students who work during the summer months.

The co-operative is located in a very small community which more than doubles in population when the cottagers arrive for the summer.

Sales have reached budgeted figures and the customers seem very pleased to again have a good service -- the only one in this community.

The co-operative is a member of Co-op Atlantic and plans to expand services to accommodate other markets in the community. Plans are for a small lumber mill, a bakery, hardware store, and services to the cottagers, such as security during the winter, buildings materials, etc., but first

Charles Purdy, the president, says "we have to get the grocery business, which is the mainstay of the operation, up and running profitably before we expand". Future plans will more than double employment.

This venture may prove to be an example for other rescue operations. It is the first worker co-operative retail grocery store in Nova Scotia, so many will be watching its progress and success.

(The above two items were contributed by Fred Pierce, Registrar of Co-operatives, P.O. Box 9, Truro, Nova Scotia B2N 5B6.)



Fred Pierce, Nova Scotia's Registrar of Co-operatives.

New silviculture service co-op

A new worker co-op has recently been formed in Picou county. It will provide various silviculture services for small woodlot owners, larger forestry companies and for government. Future Forestry Services Co-operative Ltd. consists of four members, all experienced woodworkers who are committed to co-operative principles.

A primary motive for initiating this project was their perception that woodworkers are exploited. The co-op hopes to be able to offer higher wages, better tools and safety equipment, more secure employment and better training to its members than is generally found in the industry.

As business expands, the co-op will be adding more members, including a forest technician and a professional forester. The members hope that the quality of their service and the fact that they are a co-operative will appeal to woodlot owners who belong to other co-operatives.

For further information contact Future Forestry Services Co-operative Ltd., 339 Marsh Street, New Glasgow, Nova Scotia B2H 4S5; (902) 755--6014.

(Contributed by John Ure, an extension worker with St. Francis Xavier University Extension Dept., New Glasgow, N.S.; (902) 755-4550.

Goose River Crafts

Five women near Linden on Nova Scotia's "Sunrise Trail" are working full weeks at their looms and sewing machines turning out crafts for the Goose River Crafts Association. The group hopes to be operating soon as a worker co-operative.

Elsie Peterson, Barbara Boliduk, Julie Wambolt, Wendy Smiley, Thelma Mills and Michele English are confident they can turn out quality crafts. They are creating a cohesive line, one that will have a distinct "Goose River" look. Some of the best selling items have turned out to be the ones they designed themselves.

Initially, they will concentrate on selling their crafts to retailers in major centres in the Maritimes. Additional financial support will be necessary to become well established.

For further information contact Goose River Crafts Association, Amherst Shore Road, RR #4, Cumberland Co., Nova Scotia B4H 3Y2; (902) 667-5017.

(Contributed by Judy Burwell, a journalist with CBC in Moncton, N.B.)

For more information about Nova Scotia co-operatives, see the annual directory of co-operatives, available from Fred Pierce, P.O. Box 9, Truro, Nova Scotia B2N 5B6; (902) 662-3339.

NEWFOUNDLAND

Robert Thompson

Household Services Co-operative

A new worker co-operative which provides household and office cleaning services has recently been incorporated in St. John's.

The five women behind this effort are presently employed in a similar line of work, but they are experiencing a lack of control over their jobs and often feel exploited in an industry that has no benefits and often pays only the minimum wage. The co-op has been given considerable organizational motivation from the Roman Catholic Social Action Office, and is currently working with the Federation of Co-operatives and the Department of Rural, Agricultural and Northern Development in developing its business plan.

Household Services Co-op is an excellent example of a start-up with enormous quantities of good will and commitment but with severe problems in management skills and financing. The assistance of the Federation and the Department as resource groups may prove critical to the success of this venture.

Latest developments on Bell Island

The Bell Island Development Co-operative is a community-based organization devoted to creating new enterprises and employment opportunities. This co-op was created in the context of a community with 50 to 80 per cent unemployment.

Ron Bennett is the new president of the co-op, replacing Ken Kavanagh who is now vice-president of the Newfoundland and Labrador Federation of Co-

operatives.

If all goes well, the co-op plans to start construction of a bakery this fall. A senior citizens' home has received government approval, and construction has started.

The co-op has hired a consulting firm to assess the range of development opportunities in the community. Future initiatives may arise from this report.

New Rural Development Agreement

The Department of Rural, Agricultural and Northern Development (RAND) is currently preparing a proposal to the federal government to cost share community-development programming in rural Newfoundland. The last such agreement included a component for administrative support to the Federation of Co-operatives and the Credit Union Council, as well as development financing to worker and producer co-ops.

It is expected that the new proposal will include a component on training needs and start-up financing in co-operatives. The Fur Farmers' Fund -- a source of funds from a co-operative wind-up which has been the subject of much negotiation as a development fund -- will be related to the

mix of programming available in the agreement.

The Federation of Co-operatives will be making a presentation to the Resource Policy Committee of Cabinet this fall in which it will push for meaningful co-operative programs in the agreement.

The Rural Development Agreement will be one of the first federal/provincial agreements negotiated under the new Atlantic Canada Opportunities Agency. This agreement will provide a test of the new agency's support for co-operative enterprises.

Robert Thompson is the research director of career development, Government of Newfoundland, Box 4750, St. John's, Newfoundland A1C 5T7; (709) 576-2734.

PRINCE EDWARD ISLAND

Amand Arsenault

The P.E.I. Potato Chip Co-operative in Urbainville, P.E.I. is producing now with new P.E.I. potatoes and is looking at expanding its markets. This worker co-op processing enterprise has already made arrangements for distribution of its product in the northwest areas of New Brunswick, and the response seems to be quite encouraging.

The co-operative is slowly coming into its own with the worker-members taking charge of the operation.



P.E.I. Potato Chip Co-operative plant under construction.
Usine de la Coopérative de croustille en l'I-P.E.

Les P'tits Acadiens

"Les P'tits Acadiens" worker co-operative is now in full production, and their fall line is in selected stores across the Atlantic provinces. The five members want P.E.I.'s *Conseil de la coopération* to provide them with more training on co-operative principles and the internal functioning of a worker co-op.

Although worker co-operatives are still a new concept in this rural area, more people are becoming interested in them as a way of creating their own employment. The *Conseil* is planning a video about the co-operative way of life in the area.

For more information, contact Amand Arsenault, *Conseil de la Coopération de l'île de Prince Édouard*, 37 Mill Rd., Wellington, P.E.I. C0B 2E0; (902) 854-2595.

Provincial program

Leonce Bernard, the Minister of Industry in P.E.I., is one of the best informed Ministers of Co-operatives in Canada. He is a dedicated co-operator with a strong business approach to co-operative development on the Island.

The Minister recently initiated a new program to assist co-operatives and community development organizations to provide jobs and new business ventures, especially for rural P.E.I.

Interest rebates and loan guarantees provided by the government, through the credit unions of the province, indicate the government's commitment to community development and co-operatives.

At least one new job for each \$25,000 in borrowings is required for a viable project. The projects are approved by a local board which also monitors the program.

Reg Bryan, the co-operative development manager with the government, along with Frank Driscoll, a community economic development manager, will be responsible for making this program successful. The Co-op Union in P.E.I., and its manager, Ken MacLean, are expecting great results from the program, and have offered the government their support and encouragement.

(Contributed by Fred Pierce, P.O. Box 9, Truro, Nova Scotia; B2N 5B6.)



*SAVE
OUR SHOPS*

by

Johnston Birchall

British book proposes worker co-op franchise system

Holyoake Books, Hanover Street,
Manchester, United Kingdom
M600AS, 1987, 105 pages, £5.60
(includes postage)

Reviewed by Tom Webb

For anyone interested in worker co-operatives, community co-operatives or wholesale and retail co-operatives, this is an interesting book. As in North America, supermarkets and the superstore are playing a larger and larger role in supplying Britons with their daily groceries. Johnston Birchall looks at the demise of the small shops and, in particular, at the demise of the small co-operative shops. He examines how the co-operative system, workers and communities have reacted.

The U.K. system

In reading this book, it helps to understand the co-op system in the United Kingdom. The co-operative wholesale society in the U.K. has developed a franchise approach in which it either sells franchises to local entrepreneurs or establishes new convenience stores which purchase the goods from the co-operative wholesale. As Birchall points out, this is indeed good business for the wholesale, both in terms of the services that it provides in setting

up and maintaining the new stores and in terms of co-op goods that it sells on the shelves.

He also documents the fact that this approach works. Gross sales increases of 100 per cent or more have been the result of converting these small, dying co-operatives into private-sector retail franchises.

He notes, as well, that this approach is a basic departure from co-operative principles. The defence offered is employment creation. Nevertheless, the failure of a co-op system to maintain strong connections with its philosophy and ideals converts it into another private-sector business. Birchall notes that no effort has been made by the co-operative wholesale society to sell its franchises to worker co-operatives, and that almost all of the franchise holders are private or partnership arrangements.

The retail society solution

Several of the co-operative retail societies in England have begun to set up their own "chain" of convenience stores. Birchall feels comfortable with this solution, which is more consistent with co-operative philosophy, tradition and ideals. Also, it has been just as successful as the co-op wholesale's franchising approach. What began as an at-

tempt to protect the co-operative sector from losing a slice of market share has become a great source of strength. As Birchall describes it, "Managers involved in these experiments are beginning to see these small shops as the main springboard for revival of the movement, and not just as a rearguard action designed to stop societies from losing their small outlets altogether."

The worker co-op solution

The author examines a small number of cases in which a worker co-operative has been formed out of a failing small co-op shop. The existence of a team of people who know how to run the store is a definite asset. However, Birchall is very skeptical about the prospects for small independent worker co-ops. He notes, "It is impossible not to agree with the Late Late Super Shop manager's view that co-ops like these can only ever be 'subsistence' ventures, securing a few jobs but not trading aggressively or professionally enough to make much impact on the competition. These worker co-ops tend to be small, under-capitalized, and lacking in the kinds of new expertise that allow them to survive in the changing retail marketplace."

Book Reviews

The community co-operative solution

Birchall looks at several cases and concludes that community co-operatives are a solution that is difficult, at best, but nevertheless appropriate in some circumstances. The success of the community co-operatives has not been impressive. It has been difficult to obtain the necessary levels of commitment from boards of directors who do not have a direct stake in the enterprise.

Such co-operatives need a strong village identity, but community factions also can hurt. He notes that it is hard to get good managers and modern business expertise, especially if the staff leaves. In the context of an isolated Welsh mining village, the community co-operative may indeed be the best option, but Birchall believes that a franchise would also help.

Reflections for Canada

The Canadian retail sector is dominated by one enduring trend -- corporate concentration. Gone are the days when a local independent grocery store or even a small chain could hope to stand against the giants. Empires such as Weston's have the ability to go in and lose millions of dollars on a store in order to, as they call it, "purchase market share". This is a nice way of saying that those with lots of dollars simply drive out those without lots of dollars.

The retail scene in North America has become dominated by vicious, predatory capitalism

at its very worst. The threat to independent co-operatives is just as real as to the independent privately-owned businesses. Independents cannot muster the muscle to combat the big chains.

These circumstances create difficult terrain for worker co-operatives. Also, small worker co-operatives can be unstable. The departure of a key member can mean the collapse of a good team or a serious personality dispute can tie up the business.

Small market niches are the most open to worker co-ops in Canada's retail sector. When it comes to larger scale enterprises, the consumer co-operatives are already well developed in every region except Ontario.

Two thought-provoking options suggested by Birchall's book could be of interest in Canada. One is the idea of a franchise operation for worker co-operative convenience stores in those areas already served by major consumer co-ops. A great deal

of thought would have to go into the development of such a franchise system, but it is an approach that the co-operative movement in Canada has left virtually untouched.

The second model involves the development of convenience stores around the hub of an existing consumer co-operative. The convenience stores could offer the opportunity for a high level of member participation, while the association with a larger consumer co-op would help to ensure stability. The increase in participation levels might have a positive, long-term impact on our consumer co-operative system.

For those interested in either of these two options for Canada, Johnston Birchall's book is an excellent place to start.

Tom Webb is manager of member and public relations, Co-op Atlantic, P.O. Box 750, 123 Halifax St., Moncton, New Brunswick E1C 8N5; (506) 858-6039.

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Book Notes



Co-operative-Government Relations in Canada: Lobbying, public policy development and the changing co-operative system, by *David Laycock*, Centre for the Study of Co-operatives, University of Saskatchewan, Saskatoon, Sask. S7N 0W0, 1986, 240 pp, (individuals \$10; institutions \$15).

This study was written in collaboration with the Co-operative Union of Canada and with administrative support from the Co-operative College of Canada. It reviews co-operatives' relations with governments, particularly during the last 10 years, at both national and regional levels. The report examines federal and provincial government policies on worker co-operatives, and it outlines several proposals for implementing the recommendations about worker co-operatives presented by the National Task Force on Co-operative Development.

Laycock acknowledges that he intentionally raises issues not normally addressed in consultants' reports, but adds that he is not a "disinterested" observer of co-operative-government relations.

Le Centre de gestion des coopératives des Hautes Etudes Commerciales, 3535, Chemin de la Reine-Marie, suite 508, Montréal, Québec H3V 1H8, has the following French language

publications related to worker co-operatives:

1) Colloque international sur "les coopératives de travailleurs pour la création et le maintien de l'emploi" (\$6);

2) Evolution récente et perspectives de développement du mouvement coopératif de travail: Etas-Unis, France, Italie, Mondragon, Québec, Royaume-Uni, Wallonie (\$11);

3) Les coopératives de travail au Québec et aux Etats-Unis (\$4);

4) Les coopératives de travail en France, en Italie, en Pologne, au Royaume-Uni et en Wallonie (\$9);

5) L'expérience coopérative de Mondragon (\$5);

6) Création de coopératives de travail: création spontanée, création planifiée (\$7);

7) Fermetures d'usines et faillites: réanimation en coopératives de travail (\$6);

8) Cas français de réanimation d'entreprises défailtantes en coopératives: Coopieux et Copelec Scop (\$4);

9) Cas québécois de réanimation d'entreprises défailtantes en coopératives: Cadiex-Cadimac, Scopem, Uniformes Trasso (\$5);

10) Transformation d'entreprises saines en coopératives de travail: expériences de la France et du Québec (\$4);

11) Cas français de transformation d'entreprises saines en coopératives: Chaussures Typ, Semes, VET (\$6);

12) L'Imprimerie coopérative

Harpell: mutation d'entreprise et transformation technologique (\$3);

13) Les nouvelles expériences de participation des travailleurs à la propriété des entreprises conduisent-elles à une mutation de la forme coopérative? (\$6);

14) Expériences et défis du développement des coopératives de travail: des leçons à tirer, des instruments à développer (\$9);

15) Entrepreneurship collectif, changements technologiques, relance et reconversion d'entreprises en coopératives de travail (\$10);

16) Points saillants et abrégés de communications extraits du colloque (\$7).

The entire series is available for \$100.

Employee Ownership in Public Companies. Available from NCEO, 927 South Walter Reed Drive, Arlington, Virginia 22204, 1984, (members: \$10.00; non-members: \$12.00).

This 1984 National Center for Employee Ownership study, completed with partial funding from the New York Stock Exchange, looks at publicly-held companies with employee ownership plans to see how the sharing of ownership affects company performance. The study results indicate that publicly-held employee-ownership firms outperform their competitors. ■

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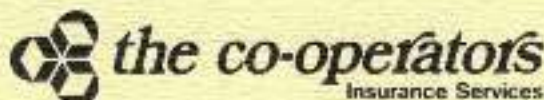
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