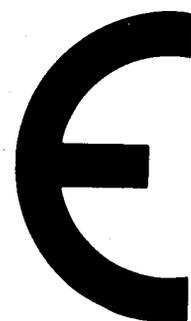


COMMISSION
OF THE EUROPEAN COMMUNITIES

DOCUMENT

**PROSPECTS
FOR WORKERS' COOPERATIVES
IN EUROPE**

Volume I: Overview



This document has been prepared for use within the Commission. It does not necessarily represent the Commission's official position.

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Commission of the European Communities

**PROSPECTS FOR WORKERS' CO-OPERATIVES
IN
EUROPE**

Volume I : Overview

by
MUTUAL AID CENTER
LONDON

Document

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The studies on workers' co-operatives are reproduced in three volumes :

VOLUME I

- OVERVIEW

VOLUME II

studies elaborated
by Mutual Aid
Centre, London

- COUNTRY REPORTS, FIRST SERIES :

- Denmark
- Greece
- Republic of Ireland
- Netherlands
- Spain
- United Kingdom

VOLUME III

studies elaborated
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- COUNTRY REPORTS, SECOND SERIES :

- Belgium
- France
- Federal Republic of Germany
- Italy

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Note by the authors

The authors, in their capacity as independent consultants, would like to thank those people in all the different European countries who have helped the Mutual Aid Centre of LONDON and TEN, Cooperative de Conseils, of PARIS to compile this report for the Commission of the European Communities.

We would like to say some words of caution about it. The figures and other facts cited are up to date only the latest year for which information was available at the time the report was written. The figures for different countries are compiled on different bases, partly because the legal and operational definition of what is a co-operative varies from one country to another. An effort has been made to check the facts set out by consultation in the countries concerned ; but we cannot vouch at first hand for their accuracy in every case.

SUMMARY
OF
PROSPECTS FOR WORKERS' CO-OPERATIVES
IN EUROPE

1. Introduction

The report Prospects for Workers' Co-operatives in Europe, submitted by the Mutual Aid Centre, London, to the EEC in September 1981, is in two parts: an overview and a collection of reports on each of the member countries. This four-page summary dwells on one of the main interests which lay behind the commissioning of the report: the contribution workers' co-operatives can make to employment and economic development, and how it may be fostered.

2. Why the interest?

Co-operative enterprises, owned and controlled by the people working in them, are growing in number in many European countries at a time when other types of enterprise are going out of business. Jobs are being saved and new jobs are being created in a sector of the economy to which until recently governments and financial institutions have paid relatively little attention.

One reason why workers' co-operatives have attracted growing interest not only from governments but also from the media and in certain circumstances the trade unions is that they are going against the trend of rising unemployment.

Another is that the traditional conflict between the two sides of industry can be much less in a system where the employees hire capital rather than the other way round, where they are their own employers and where profits are shared according to work done rather than capital invested.

3. The contribution to employment

The great majority of workers' co-operatives fall within the category of small and medium-sized businesses which, it is estimated, employ two-thirds of the EEC's workforce outside agriculture and public administration. Though still a relatively small force in the economy, workers' co-operatives form a distinctive sub-category which is neither capitalist nor state-controlled and which, we believe, deserves some measure of special help from the EEC and from individual governments because of the contribution they can make to employment in a variety of ways:

a) Saving jobs - worker rescues

Many businesses throughout Europe have been saved in the last few years by conversion into co-operatives as an alternative to liquidation. Each bankruptcy averted has meant the saving of jobs. Of the 726 worker co-operatives in existence in France in April 1980, 126 were formed by the take-over of ailing businesses. The number has increased since then if only because of a new provision which allows redundant workers to receive six months'

unemployment pay in a lump sum and to put it as capital into a new co-operative or other business.

In Italy, 80% of new industrial co-operatives affiliated to the Federlavoro (the production sector of one of the three co-operative federations in the country) were formed out of small or medium-sized businesses which had fallen into difficulties when in private ownership.

b) Preserving jobs - conversions

Another alternative to closure is the conversion of traditional businesses to workers' co-operatives on the retirement or death of their owner when there is no obvious capitalist successor.

c) Creation of new jobs

Despite the obviously newsworthy aspects of workers saving their jobs by creating a co-operative out of a dying or bankrupt firm, by far the largest number of new workers' co-operatives have been set up from scratch. Among the reasons for this are:

- increasing pressure from individuals to have a greater say over the way their lives are organised and in particular a greater control over their working lives.
- a move away from traditional hierarchical forms of management. Co-operatives may especially attract into business people who would not be interested in working for an ordinary company; some of those are innovators who create jobs
- greater concern with the quality of the working environment and with the quality of products or services than with profitability for its own sake. Many new co-operatives are associated with the alternative movement.

d) Job security

Co-operatives may provide greater job security for their members than other forms of business. In a period of high unemployment, workers who own their own enterprises are more likely to agree on tough measures for survival and to accept stagnant or falling wages rather than make redundancies. It is a legitimate cause for pride on the part of the Mondragon co-operatives in Spain that they have not, in the whole period of their existence and even in this current recession, had to make any member of a co-operative redundant more than temporarily before re-employment in another co-operative within the group.

e) Development within the social services

Co-operatives may also have a significant contribution to make in the public sector, especially the social services. There is increasing awareness among public authorities that the cost of unemployment, especially where key industries have declined, can be overwhelming to a local economy as well as greatly overburdening welfare and social services.

In Italy, co-operatives engaged in social services such as child-minding, help for the elderly and disabled, etc., have been expanding rapidly with the help of the municipalities.

In France, the economie sociale - the name used to describe collective economic activity for the public benefit - has its own government-sponsored body charged with facilitating the relationship between co-operatives and public authorities.

Co-operatives may, with the support of public authorities, also have a role to play in creating jobs for groups of people who are disproportionately affected by unemployment: young people, women, members of ethnic minorities or the disabled. The natural feelings of solidarity which exist within such groups can be tapped in a positive way by helping them to create their own employment rather than rely only on the welfare state.

3. Why do workers' co-operatives need help?

Co-operatives share most if not all the problems faced by any new small business but they can also suffer from disadvantages from which their capitalist competitors are free:

- they often suffer from a shortage of capital because they cannot offer equity to outside shareholders
- loan capital is frequently hard to raise because of ignorance about workers' co-operatives in financial institutions. Banks are frequently reluctant to lend to co-operatives and even when they do interest rates may be higher than those charged to more conventionally run enterprises.
- there is a general lack of knowledge about co-operatives and this extends to the co-operatives themselves who are unable through lack of information to learn from the successes and failures of others in the same field.
- the management skills required to run a workers' co-operative are different from those in an ordinary company; but there is little systematic training available which is geared to managers of co-operatives
- legislation in some countries puts workers' co-operatives at disadvantages from which their capitalist and state competitors are free. In some parts of the Netherlands, for example, the ruling has been that members of a co-operative who serve as directors are self-employed and therefore ineligible to receive unemployment and sickness benefit from the state. The same practice has been adopted in Spain where all members of co-operatives are excluded from state benefits although this has been overcome at Mondragon where they have been able to set up their own social security system. Co-operatives may also be discriminated against in taxation.

4. What can governments do?

There is clearly a case for removing legislative or fiscal disabilities which put co-operatives at a disadvantage compared with other types of business enterprise.

A more difficult question is whether co-operatives should receive any concessions which are denied to ordinary companies. If it can be accepted that co-operatives are at a disadvantage in the capital market and therefore may not be able to create jobs even in labour-intensive sectors of industry, then there may also be justification for special support from governments. There is a growing need for labour-intensive alternative industries.

Most often government help would be best directed through the existing support organisations and federations such as the Confederation des SCOP in France, the Lega, the Confederazione and the Associazione in Italy, the Caja Laboral Popular in Spain, ICOM and the CDA in the UK, ABC in the Netherlands, DKF in Denmark, etc. In those cases where the workers' co-operative movement is relatively under-developed and unable to foster a strong support organisation of its own, there may also be a case for government backing for the support organisations.

5. EEC Policy

In the conclusion to the report, a European data bank is proposed for the collection and dissemination of information about workers' co-operatives on a permanent basis. Mutual learning is not proceeding as smoothly as it should, nor is there as much inter-co-operative trading, even across national frontiers, as there could be.

Research is needed on:

- the reasons for the failure and success of particular co-operatives
- ways in which managements may be strengthened
- the role that the support organisations do and could play.

The institution proposed is a European Institute for Studies of Industrial Co-operatives. It could also fulfil a practical function in training senior managers of co-operatives.

Finally, a European Co-operative Development Fund with an initial budget of £25 million a year is proposed for the support of promising experimental approaches to the creation of new employment by workers' co-operatives. Such a fund would not only co-ordinate the activities described above but would also earmark a percentage of the non-quota allocations of the Regional Fund for co-operative enterprises.

PROSPECTS FOR WORKERS' CO-OPERATIVES
IN EUROPE

OVERVIEW

Michael Young and Marianne Rigge

Mutual Aid Centre, London

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1. THE BACKGROUND

1.1 Many-sided manifestation

On one or other day in September 1981 - a month much like any other month in the history of European co-operatives - a young girl living in the mountains of Greece gets up early and feeds the chickens belonging to her school co-operative - one of 680 in her country. In Cardiff, after a visit to Spain, the Wales Trades Union Congress, called in this context the Welsh Mondragon, presents a plan to create 20,000 new jobs in co-operatives to be established throughout unemployment-torn Wales. In Amsterdam the five women members of a feminist publishing co-operative, Twee Jaar Sara (Two Years Sara), spend the day reading manuscripts, packing books for despatch, editing, translating. In Italy the staff of Lega's Intercoop arranges another export deal for some of its member co-operatives who joined a consortium to make a joint tender. In Berlin Netzwerk collects more Deutschmarks from subscribers which will go towards paying some of the 80,000 people employed in West Germany's alternative movement. In Paris the Confédération Générale des SCOP receives its daily quota of requests for help from workers about to lose their jobs and who hope to rescue their failing businesses by converting them to co-operatives. This report is sent off to the Directorate of Employment and Social Affairs in Brussels. In this as in any other month co-operative activity manifests itself in many diverse ways. The yeast is working in the bowl.

1.2 Terms of reference

The report, which tries to show how such varying activities as these form a common pattern, was formally commissioned from the Mutual Aid Centre by the EEC on 31 December 1980 (800270). The main purpose was to study 'The contribution of co-operative enterprises to employment in the European Community'. In particular, the Centre was asked to include in the study:

- a) a general introduction to the co-operative movement in the country concerned
- b) legal characteristics and tax position of worker co-operatives
- c) economic and social aspects of worker co-operatives
- d) worker co-operatives and their environment, including financing facilities
- e) trends in the development of co-operatives and creation of jobs
- f) case studies in member countries
- g) overall appraisal of the scope of job-creating activities in the European Community.

The Mutual Aid Centre was also asked to collaborate throughout with TEN Coopération de Conseils of Paris. The report was to be presented not later than 30 September 1981.

1.3 Country reports

The main part of the submission consists of reports on the member countries of the European Community. These are published separately.

Despite their length these country reports are not comprehensive. The existing documentation is not ample, and had to be supplemented by visits. The EEC could not set aside any funds specifically for travel between European countries so that, even when the cheapest hotels and cheapest charter-fares and trains were used, the visits had to be kept uncomfortably short. The reports could with advantage have been fuller. But within these limits we and our collaborators have attempted to cover the terms of reference.

The requirement that we should include a 'general introduction to the co-operative movement' in each country has meant that we have had to refer to other types, as well as worker co-operatives. The countries cannot in many particular matters be compared directly with each other. They are more alike in respect of agricultural and consumer co-operatives than they are in respect of the subject we were enjoined to pay particular regard to, worker co-operatives. We should warn the reader right at the beginning that the figures given for the number of co-operatives are very often not strictly comparable. 'Co-operative' means different things in different countries; the figures are recorded in different ways and with varying degrees of scrupulousness.

* * *

2. THE DEVELOPMENT OF THE CO-OPERATIVE MOVEMENT

2.1 Agricultural Co-operatives

The stress, both in the terms of reference and in the report, is on worker co-operatives. This is not because they bulk large in economic terms - far from it.

We have to make it perfectly clear that agricultural co-operatives are of far greater importance in the economy of Europe than other kinds of co-operative, so much so that in another sphere of EEC affairs, the Common Agricultural Policy, they are very much involved.

In France and the Federal Republic of Germany almost 53% of all sales of agricultural products and purchases by farmers are handled by co-operatives. In some products they matter more than for others. Between 90% and 100% of the milk market is in the hands of co-operatives in Denmark, Ireland and Holland. Germany is not far behind. Other EEC countries have similar experiences to record, as the country reports show one after the other.

The influence of agricultural co-operatives in political as well as economic terms obviously varies according to the weight which agriculture has in the economy. In Greece, where agriculture employs relatively more people than elsewhere, PASEGES, the organisation for agricultural co-operatives, has a considerable influence over the affairs of the country. So do its counterparts in Ireland and Denmark.

But it is true that they are of importance everywhere, being not negligible even in Britain where the state has since the Second World War been generally responsible for agricultural marketing. In France until recently some four out of five farmers have been members of one farmers' co-operative or another; with such numbers they cannot, even in a country as industrialised as France, fail to pull a lot of weight.

2.2 Reasons for banding together

Co-operation has been one of the crucial means by which small farmers have managed to survive.

The smaller the farmer, the more his co-operative matters to him. Before the Industrial Revolution farmers had perforce to help each other at peak periods like harvesting, ploughing and sowing. That is less necessary than it was. At the same time they have been forced, as capitalism has developed, with larger and larger companies both selling to farmers and buying from them, to protect themselves from being picked off one by one, and generally exploited. They have pooled their buying power in order to attract lower prices from suppliers and pooled their selling power so that in the market one farmer cannot be played off against the other.

As less and less food is sold in its raw state and more and more of the profits have come from the work done by 'middlemen' to process it, farmers have through their co-operatives to integrate vertically to ensure that more of the profits accrue to them. The Dutch co-operatives are, for example, like others in setting up and developing sugar beet factories, flour mills, milk, butter and cheese factories, and meat factories. The following Table* shows how well in the era both of the Common Market and of large-scale agri-business the co-operatives have maintained their market share in this country, which we are taking just for purposes of illustration.

In Greece, at the other end of Europe, it is much the same story except that the products are different. There are fewer co-operative flour mills, more olive mills, more tomato processing, more fruit-packing stations working (as in the Netherlands or any other Common Market country) for export as well as for the home market. There may not be all that much room for expansion, or for more jobs to be created in processing plants, or for farmers' jobs to be preserved.

But as long as the EEC survives, even if CAP is restructured in a fundamental manner, the prospects for farm co-operatives must be accounted good.

2.3 Inter-co-operative support

By their very size farm co-operatives have had a special influence over all other co-operatives in a number of member countries

Particularly in countries where agriculture has until recently been predominant, such as Greece and Spain, the law has been in large part devised for farm co-operatives and other types have had to conform. Farm co-operatives have also on occasion used their resources in order

* Frida Terlouw, The role of co-operation in agricultural food marketing in the Netherlands, National Co-operative Council for Agriculture and Horticulture, The Hague, 1980

Table 1

Market shares of co-operatives in Netherlands

Sector	Turnover, production	Market shares of cooperatives		
		1974	1976	1978
Buying-in	Cattle-feed turnover	52	52	53
	Fertiliser turnover	±61	±61	±60
<u>Processing</u>				
<u>Dairy</u>				
	Milk deliveries	89	89	89
	Butter production	94	93	94
	Cheese production	92	92	92
	Milk powder	85	85	86
	Condensed milk	73	77	76
	Liquid milk	78	75	79
Cattle and meat	Slaughtered pigs	27	+26	+27
	Slaughtered cattle	8	+18	+18
Sugar	Sugar beet deliveries	63	61	60
Potatoes for processing	Processed potatoes	80	80	100
Flax	Processed flax	42	41	0
Poultry for slaughter	Slaughtered chickens and broilers	-	33	-
<u>Sales</u>				
<u>Dairy</u>				
	Butter sales	79	79	77
	Cheese sales	67	69	68
	Milk powder sales	51	57	58
Eggs	Marketed eggs	19	19	21
Vegetables	Marketed vegetables	84	84	+84
Fruit	Marketed fruit	82	82	+82
Flowers and plants	Marketed flowers and plants	-	+83	+85
Wool	Intake of wool	-	+60	+65
Ware	Solid ware	±26	±26	±27
Potatoes	Potatoes			
Seed Potatoes	Sold seed potatoes	±52	±52	±56
<u>Services</u>				
<u>Mushrooms</u>				
	Supply of raw materials for mushroom culture	±90	±80	±80
A.I. - cows	Cattle breeders	-	66	69
	pigs	12	13	19
Cooperative book-keeping offices	Main occupation farms	-	±29	±39
Grass drying	Production	59	45	52
Farm relief	Main occupation farms	-	31	37
	50 standard farm units			

- unknown

to support other types. In Greece they have not only set up super-markets; they have also provided initial finance for new consumer co-operatives. A major supplier of agricultural co-operatives in England and Wales is the Co-operative Wholesale Society. If there were more co-operation of this kind between sectors in the future it could make a large difference to the vitality of the whole.

The sixth principle of the International Co-operative Alliance, to which we shall return several times, is that there should be 'co-operation among co-operatives'.

2.4 Credit co-operatives

Credit co-operatives have developed alongside and in good part as a consequence of the success of agricultural co-operatives.

The members of agricultural co-operatives needed credit just as much as, or even more than, they needed an agency which would get a better price for their product than they could get in any other way. In the nature of their work farmers have to wait after sowing until harvesting before they can get paid. Ordinary agricultural co-operatives can help. But the common development has been for credit co-operatives to be set up - agricultural banks of one kind and another - that specialise in meeting the needs of their members for any of the usual range of banking services.

Few credit co-operatives have restricted themselves to their prime market, the farmers; they have ended by inviting anyone to become customers.

The resulting Crédit Agricole in France is said to be the second largest bank in the Western world, and it is (as the country report on France mentions) not alone at that: Crédit Mutuel and Crédit Coopératif are also important institutions. The co-operative bank in the Netherlands - the Central Rabobank - is the second largest bank in the country. Its members are 990 local co-operative banks with 3,100 branches, 25,000 paid employees and one million individual members. France and Holland are not unique. The Raffeisen and Popular Banks forming the DG Bank have made it the ninth largest in Germany. Most other countries have credit co-operatives.

Only Spain has a bank - the Caja Laboral Popular - which plays the same kind of role in relation to worker co-operatives as most other co-operative banks do in relation to agricultural co-operatives.

Credit unions have in some countries been a flourishing if small sister of the banks. They ordinarily consist of people with a common interest who save regularly with the union and who decide from their knowledge of each other's creditworthiness who shall get a loan. They are thrift clubs which are none the worse for the 19th-century flavour they sometimes have.

2.5 Consumer co-operatives

These have, until the last two decades or so, enjoyed a success as striking as that of the agricultural and the credit co-operatives, numbering their members not in scores or millions but in scores of millions. The Rochdale co-operative, founded in 1844, is undoubtedly

the most famous there has ever been. Its original store in Toad Lane is almost as much a shrine for international visitors as Karl Marx's grave in Highgate Cemetery in London.

It has been almost forgotten that the Rochdale Pioneers were as keen on producer as on consumer co-operatives.

They did not only start the shop in Toad Lane; they also established a co-operative cotton factory known as the Rochdale Co-operative Manufacturing Society. This was not a failure, by any means, except insofar as its commercial success and its need for capital brought in a lot of outside non-working shareholders who made the Society no different from any other joint stock company.

The store at Rochdale became the unchallenged standard-bearer of co-operation and multiplied exceedingly in almost every industrial and some non-industrial countries. Retail shops owned by their members, electing their own directors, responding in a direct fashion to their members' needs, could not only compete with, they could outface ordinary profit-seeking businesses in selling the staples of life, at least until recently.

The age of the supermarket has made a great difference. More capital is needed for these large shops than before and the consumer co-operatives have found it more and more difficult to raise it. The proliferation of brands in a more and more sophisticated market has not helped either. The original Rochdale store was banned by its committee from selling 'bobby-dazzlers' - clothes with some element of fashion to them - on the grounds that they would tempt good working women to spend more than they could properly afford. A little of the same ascetic atmosphere, in a period emphatically not notable for its asceticism, has persisted in some co-operative shops. Consumer co-operatives that have continued to match the performance of their capitalist counterparts - in Denmark, for instance - are the exceptions.

2.6 Housing Co-operatives

In the provision of social services, housing co-operatives have been very much to the fore in many countries, most notably Germany and Denmark.

They have proved themselves the means by which houses and flats can be built for rent without surrendering the rights of tenants to control their own housing and their immediate environment.

These co-operatives have usually had subsidies from the state along with other public housing. In Britain, where local authorities have been almost solely responsible for subsidised housing, there has been a change of mood. Housing co-operatives and tenant management co-operatives and their cousins, housing associations, are receiving more support now that there is growing scepticism about local authority housing.

Although it would perhaps be wrong to omit this growth sector entirely from our study it is, in view of the terms of reference, barely mentioned in the country reports, any more than are building societies, another type of credit co-operative which has departed rather far from its original member-controlled, local form, as have the increasingly powerful mutual insurance societies.

2.7 Worker co-operatives

So we come to our main subject.

Worker co-operatives are central, because they are growing so fast, much faster than any other type.

The reasons are, as we shall show later, in part to do with the crisis in employment. But worker co-operatives are by no means new. They are as old as, or older than, any other type. In the 19th century, state socialism had for the most part barely been conceived and the best way of achieving common ownership in industry was thought to be through co-operatives. Robert Owen and Louis Blanc were the mentors of a whole generation of co-operators. For a variety of reasons the thrust changed. State socialism gained the ascendancy and it is only in the last decades that worker co-operatives have again returned to favour.

The shift has been marked. In France the number of worker co-operatives affiliated to the Confédération Générale des SCOP (Sociétés Co-operatives Ouvrières de Production) rose from 522 in 1970 to 726 in 1980, with a considerable acceleration in both 1979 and 1980. There are also many co-operatives outside the Confederation. Italy is further ahead than France by a good measure. It has some 5,000 worker co-operatives belonging to a representative organisation and 18,000 altogether recorded by the Ministry of Labour. The recent pace of expansion has also been rapid.

Some other countries which have not in the past been in the same league as France, let alone Italy, have been catching up. To judge by the figures set out in the country reports - 250 new co-operatives in the United Kingdom were started between 1976 and 1980 compared with 139 in France - the growth has been faster in the UK than in France in absolute and even more striking in relative terms. In Holland, to take another instance, in 1978 there were only 80 such co-operatives; two years later the number had grown to 200.

In no country have worker co-operatives - unlike farmers' co-operatives - reached a point where they can, taken together, rival private enterprise; but if they continue to increase at the rate they have been doing they will constitute an important third sector in the economy alongside private enterprise and state enterprise.

2.8 Distribution between industries

The fact that growth has been more rapid in worker than in other forms of co-operative is all the more remarkable because the capital required per member is more, often a great deal more, than in other types.

All the same, growth has been more consistent in labour-intensive than in capital intensive industries.

The building and construction industry has been a front-runner for co-operatives almost everywhere. Of the 5,053 co-operatives which were, in 1979, members of the three Italian federations, 1,929, or nearly 40 per cent (according to the relevant country report) were in building. Many of them were large employers. In France

the proportion was even higher; 292 out of 726 co-operatives, or 45%, were in building. Again, some of them were large. The building co-operative, Hirondele, gained a good part of the contract for the Charles de Gaulle airport. In Denmark the proportion in building and construction out of the co-operatives (other than housing) in membership of the Danish Co-operative Federation (DKF) is also about 40%. The facts are similar elsewhere.

There is also some clustering in most countries in printing and publishing, and in recent years there has been a marked growth in co-operatives whose members are for the most part highly trained people engaged in computer programming, systems analysis, electronic and engineering consultancy and the like. As members of just one of the three Italian federations, the worker co-operative section of the Lega, there are 111 consultancy and research bureaux and 12 data processing co-operatives. Service co-operatives in transport, communal catering, professional services such as interpreting and data processing and social service co-operatives for child-minding, the disabled and old people have also expanded rapidly within the Lega. In France, too, growing numbers of co-operatives are engaged in services like town planning, architecture, market research and programming. Almost all other countries show evidence of the same trend.

Co-operatives are thus represented in high-growth sectors as well as in traditional industries.

2.9 Early Italian experience

We have already commented on the predominance of Italy.

It has, as the country report shows*, more worker co-operatives than the rest of Western Europe put together.

Why should this be so? The explanation is as usual an historical one. In the 1880s there was much the same development of producer co-operatives in Italy as in Britain and France. The first co-operative federation was formed in 1886 as the Federazione delle Co-operative Italiane, becoming the Lega in 1893. The difference from elsewhere is that the growth continued steadily. By 1921 there may have been up to 3,000 active worker co-operatives in the Produzione e Lavoro sector. The latter, the labour-only sector, was apparently dominant. Lavoro co-operatives were by 1914 carrying out large contracts for the construction of roads, bridges, harbours and public works of a most diverse nature. They were as an organisation, but in a new form, made up of the kind of independent artisans who had for centuries formed a large part of the building industry in Italy.

Since there were so many of them the Lavoro co-operatives could also mobilise political influence - the political multiplier which always adds something extra unto him who has numbers to start with - and gain certain tax advantages.

* See also Robert Oakeshott, The case for Workers' Co-ops, Routledge, London, 1978.

A law of 1883 granted co-operatives relief from stamp duty for their first ten years. Further legislation in 1889 allowed them to contract directly, and not through private contractors as intermediaries, with state and financial authorities.

2.10 Italian development since the First World War

Until 1919 the Lega was the national organisation for worker co-operatives. After that, following the Russian Revolution, it became more overtly political, forming direct links with the Italian Socialist Party. This led to a breakaway of a separate Catholic grouping, the Confederazione Cooperative Italiane. When the Italian communists in their turn split from the socialists the Lega remained with the communists. But eventually, after 1945, the socialists re-asserted themselves and a third republican and social democrat federation, the Associazione Generale delle Cooperative Italiane, was formed.

Individually, and sometimes collectively, the influence of the three federations over the state has, except during the Mussolini period, been almost continuously effective. One testament to this was article 45 in the new Italian republic's constitution which was adopted after the Second World War. It guaranteed that

'The state will assist by the most suitable means the development of co-operative organisations, founded on the principle of mutuality, and will supervise their activities'.

To give practical effect to this clause, three measures were enacted:

1. Interest on members' capital was made exempt from tax
2. Co-operatives were made eligible for low-interest loans
3. Both provincial and local authorities were permitted to give special preferences to them.

Another testament to their status was the approach recently made by the Italian government to discuss the possibility that some of the loss-making state-owned enterprises might be converted into co-operatives.

This was an emphatic return to the 19th century; it did only good to the reputation of the co-operatives, as did the success of all the groupings in rescuing capitalist enterprises and setting up job-saving co-operatives in place of those that had failed. One remarkable feature of the three Italian federations is that they include all types of co-operative (agricultural, consumer, worker). This facilitates trade and other kinds of mutual support between enterprises of different kinds and also reinforces their political influence.

2.11 France

The French movement has roots as deep as any. The self-governing workshops for carpenters, shoemakers and printers established in 1830 and afterwards by Louis Blanc, Fourier and others were for a

time famous throughout Europe. A few years later, after the 1848 Revolution, 200 new co-operatives were established within a period of a few weeks. The great majority failed or were closed down. But eventually the steady flow of new enterprises which were started became more solidly based and lasted longer. If the growth was never as sharp as in Italy it was for many years more constantly sustained than in Britain and the longevity was more marked, perhaps due in part to a continuing attachment to the 'Republic of the Workshop'. More than one out of every three co-operatives existing in 1980 was founded before 1945, but the pace of development has quickened in recent years as the economic, social and political climates have changed. The recent election of a socialist government in France seems likely to enhance the development of co-operatives still further. A Cabinet Minister, M. Rocard, has been appointed as Chairman of the Conseil Supérieur de la Co-opération, a body specifically charged with the development of the Social Economy and relations between public authorities and co-operatives; and a number of legislative measures are being drawn up to facilitate the takeover by workers of ailing traditional enterprises.

The achievements in France are certainly such as to make it, after Italy, a leader of worker co-operatives in Europe, with Britain moving up but not yet at the same level.

2.12 Ireland

The third country we will mention is not at all in the same category as Italy and France. It is, however, worthy of attention because it has been the originator of a new variety of co-operative not seen before in quite the shape it has now assumed.

We are referring to the community co-operative, which is a blend between a worker co-operative and a community council responsible for the general well-being of all the residents in a district.

The first of these (as the country report relates) was set up in 1967 in County Kerry in the village of Ballyferriter; it is called Comharchumann Forbatha Chorca Dhuibne Teo, or the Ballyferriter Development Co-operative. The co-operative has improved farm yields in its district, built glass houses for tomato growing, and created employment: 40 full-time jobs and up to 100 part-time jobs in the summer. Similar ventures have flourished in other parts of the Gaeltacht, or Irish-speaking, areas along the western sea-board. Their activities are very diverse as shown by the Table that follows on 24 Gaeltacht co-operatives.

The general idea that members of a community should put up a little capital individually and that an enterprise or set of enterprises should then be started to meet the community's most urgent needs - employment always being one - has proved attractive elsewhere, particularly in other Celtic areas where community spirit is strong. The new kind of co-operative has spread from Ireland to the Highlands of Scotland and Wales. The progress in the United Kingdom, even in England itself, is mentioned in the report for that country.

2.13 Why the new growth?

This is a difficult question. If there are historians of co-operatives in a century's time, they will be able to put the growth of the 1970's and (we would expect) of the 1980's in Italy, France, Ireland and elsewhere into proper perspective, in an all-European and in a world context. The time has already passed when

Table 2

Actual and planned activities in 24 Gaeltacht cooperatives and some cooperatives and development groups in the rest of the country

	Actual	Planned
Land and Bog development	6	4
Electricity and water	9	-
Ferry/Cargo Service	1	4
Housing scheme	1	-
Machinery sharing/maintenance	1	-
Adjustment (members fatten livestock owned by cooperative)	1	-
Demonstration forum	2	-
Livestock Mart	4	-
Supplies - farm, household, building	13	2
Coal store	1	-
Quarrying, stone crushing	2	1
Blockmaking, building services	2	1
Fish farming	-	4
Services to Fishermen	2	1
Fishing Tackle manufacture	1	-
Tomato/vegetable farming, growing, chilling	3	-
Lamb fattening	3	-
Sheep Marketing and lambs	4	-
Wool purchase, marketing	4	-
Wool sale (manufactured)	1	-
Knitting (hand) marketing	4	-
Knitting machine	3	-
Weaving/tanning	2	-
Fencing posts	1	1
Pottery/crafts	3	-
Printing/publishing	3	-
Stationery/office supplies	2	-
Wood screw manufacture	1	-
Community Hall/Folk museum	9	-
Launderette	-	2
Hotel, hostel	2	1
Caravan/house letting	2	-
Summer Colleges	9	-
Boat hire	1	-
Bingo, dances, festivals, sports amenities	1	-
Licensed club	8	-

Terence O'Brien Rural development cooperatives in Ireland; their role as agents of economic and social development; International Seminar on Marginal Regions, Trinity College, Dublin 1979.

any respectable commentary on co-operatives can be confined to one nation, as it has often been in the past. In the future it will be unthinkable. The crossing of ideas, as well as goods and services, over our frontiers, are too frequent and too fleet for that. ABC in Holland is supported by SCOP in France. Mondragon is emulated in Wales. Irish community co-operatives find an echo in Brittany.

But impossible as it may be at this close distance to give a rounded answer, we would say that at least two factors have in the last few years given a new edge and specification to the urge for human autonomy which has been the underlying motive behind co-operation since the coming of large-scale industry.

- The first reason is to do with employment
- the second reason is the rise of the alternative movement.

2.14 Saving jobs

The recession throughout Europe has brought on not only massive lay-offs from surviving concerns but an unprecedented number of bankruptcies.

Each bankruptcy has meant that more employees have lost their jobs; whereas each bankruptcy averted has meant that at least some jobs have been saved.

How can employees avert a closure? Normally, they can only do so by pooling their knowledge of how the business is run, pooling their resources and their labour power, and trying to make the business work under new auspices to the best of their ability. To form a co-operative, or at any rate to talk about forming a co-operative, has become a standard riposte to a threatened closure. Parliamentarians, local councillors and officials almost everywhere are getting accustomed to discussion of this new possibility.

The total number of new co-operatives set up in these circumstances may not be all that great. In France, according to the country report, only 123 (or 17%) out of 726 co-operatives in membership of the Confédération Générale des SCOP were formed by the take-over of ailing businesses.

The number has increased since then if only due to the new provision which allows redundant workers to receive six months' unemployment pay in advance in one lump and to put it as capital into a new co-operative or other business.

In Italy, on the other hand, 80% of new industrial co-operatives belonging to Federlavoro (the production sector of one of the three co-operative federations in that country) were formed out of businesses which had fallen into difficulties when in private ownership. Even when the numbers of new co-operatives in this category have not been large, the attempt to save jobs at a Lipp, a Manuest or a Meriden has at least focused attention on the rescue role that co-operatives can play, even though they do not always do so successfully. It must also be said that the potential of co-operatives for saving jobs in the case of capitalist failure has in many cases brought about a change of attitude towards them on the part of trade unions, for example at MANUFRANCE where the CGT union played a vital role in the setting up of a new co-operative and saved 4-500 jobs.

2.15 Transforming traditional businesses to co-operatives

With the same desire to save jobs many other businesses are converted into co-operatives by the wish of their owners. The founders of many small and medium-sized businesses have no one to pass them on to. They do not want the business to collapse or be sold when they retire or die just because they have made no proper arrangement for the succession. If they see no point in selling the business they can give it to the managers or they can give it to the entire workforce, which means turning it into a co-operative. This has happened often enough in the past and is likely to continue to do so in the future, perhaps on an increasing scale.

The case study of MOES in the Netherlands report is just one of many. Mr Moes, the founder, was a carpenter and builder who expanded by using a system of concrete-casting to build houses on reclaimed polders. His children were not thought capable of leading the company when Mr Moes retired. The workers' council wished to turn the company into a co-operative and since this was done, in 1976, it has continued to flourish, with some 1,000 workers altogether. Scott Bader is another example in the United Kingdom, Bewley's in Ireland and the Sussmuth Glassworks in Germany.

2.16 New job creation

Despite the obvious appeal of co-operatives which save jobs that would otherwise be lost, perhaps the greatest contribution that co-operatives have made up to now and could with appropriate support make even more in the future is the creation of new jobs. Sixty-seven per cent of new co-operatives formed in France in 1979 were set up from scratch, as were most service and building co-operatives and the majority of ICOM co-operatives in the UK in the last decade. As the co-operative form becomes better known it is in any case more likely to be considered as an option by people starting new businesses and more likely to be put forward as an alternative to other legal forms by organisations encouraging the development of small businesses. Among the reasons for the growth in numbers of new co-operatives in recent years are:

- increasing pressure from individuals to have a greater say over the way their lives are organised and in particular a greater control over their working lives
- a move away from traditional hierarchical forms of management. Co-operatives may especially attract into business people who would not be interested in working for an ordinary company; some of those are innovators who create jobs
- greater concern with the quality of the working environment and with the quality of products or services than with profitability for its own sake. Many new co-operatives are associated with the alternative movement.

2.17 The alternative movement

The co-operative movement has always been prompted by ideology, as indeed to some extent it had to be if it was to hold its own in an economy dominated by private ownership, by the profit motive, by competition, and by managers whose predominant accountability, whatever else it was, was not to their employees.

Co-operatives were in the economic sphere an alternative to capitalism. Now in the last decade or so they have been caught up in a more far-reaching movement which has posed an alternative not just to capitalism in the economy but to the whole society of which capitalism is part.

The proponents of the movement play variations on themes provided by ecology, women's liberation, renewable energy supplies, a modest standard of life, vegetarianism, the reaction against bigness and against authority of any form which is not fully sanctioned by consent. Many also regard work itself in a new light, as something to which people do not need to be tied by the compulsion to possess all the paraphernalia of affluence. Many want to be able to have flexible and random hours and to mix paid with unpaid work in changing combinations which suit them best as they go through the different stages of their lives. Co-operatives have been regarded almost universally in this scheme of thought and action as one of the keystones of the alternative life-style, provided that they do not in their organisation ape the orthodox business whose opposite they are supposed to be.

This is not a report on the alternative movement. That would go far beyond our terms of reference. But Christiana or Svendborg in Denmark and the alternative Netzwerk Selbsthilfe (Mutual Aid Network) in Germany have been described because they incorporate worker co-operatives, even if of a particularly unusual kind. Any account of European co-operatives would be incomplete without them. There are similar manifestations of the same new ethos in other EEC countries.

It is worth noting too that many individual co-operatives have some of the characteristics of the alternative movement - like Suma, the wholefood co-operative in Leeds which is described in the UK report or Advies Groep Men en Organisatie cited as a case study in the Netherlands report.

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3 LAW AND PRACTICE

3.1 Towards more precision

So far we have in this general review been using the word 'co-operative' in a loose sense, without making any attempt at a precise definition. Now, before we go any further, we should raise the question quite specifically.

What is a co-operative?

We have to say that opinions differ on the answer even amongst the most devout co-operators. There is no universally agreed definition any more than there is of 'capitalism' or 'socialism' or even, on a more mundane level, of a commercial company or corporation. The nearest that most co-operators get to agreement, and it is a respectable distance in all the circumstances, is on the six principles set out by the International Co-operative Alliance in 1966. These were based on those enunciated by the Rochdale Pioneers in 1844.

A co-operative, according to the International Co-operative Alliance, is a group of people who join together in a common undertaking in accord with the six principles which are as follows:

1. Membership is open and voluntary
2. There is democratic control, usually on the basis of one man, one vote
3. Interest on share capital is limited
4. There is equitable distribution of any surplus, usually in proportion to transactions with or work done in the society
5. Co-operatives devote some part of their surpluses to education
6. Co-operatives co-operate among themselves.

3.2 Co-operatives compared to companies

It is adherence to these principles which distinguishes co-operatives from traditional capitalist enterprises. In a capitalist firm, the prime motive is to make profits for the shareholders, in a co-operative it is to provide for the common needs of the members. Though clearly profits must still be made if a co-operative is to survive, that is not the first aim.

Another fundamental difference is in the matter of control. In an ordinary company, voting rights are based on the size of shareholding: the biggest shareholder has the greatest degree of control. In a co-operative, voting is on the basis of one man, one vote, regardless of the size of shareholding: control is shared equally between the members.

Co-operatives are also distinguished from ordinary companies in the rate of return their members may receive on investment. In a traditional company interest must be paid at a full commercial rate or a dividend paid on equity capital. In a co-operative, the shareholder is investing not primarily for the return he will get on his money but because he is a beneficiary in other ways, whether as a user of its services, a customer for its goods or a worker.

By the same token, profits in a co-operative are normally distributed in such a way that the members are rewarded for what they have contributed by way of work or custom rather than for what they have contributed financially in share capital. Thus, though there are considerable differences in the precise way in which the co-operative principles are applied from one country to another, they are all distinguished by the fact that ownership and control rest with the members: workers are entitled to membership by virtue of their employment in the co-op.

But once we leave such generalities behind, there is, as we shall see, a great deal of variation between one country and another. Not all the points of difference have been noted since this is not primarily a legal report, but we have included as an Appendix to this overview a summary of the answers given in writing to questions put to the experts who attended the seminar on co-operative law and organisation in March 1981 in Brussels.

3.3 Membership

The basic principle of open and voluntary membership denotes that members join a society of their own free will. There was, in fact, nothing about voluntary membership in the original Rochdale rules except that the member was free to leave the society whenever he wished to do so. As far as worker co-operatives are concerned the principle quite clearly cannot mean that anyone who wants to join a particular worker co-operative can do so since there may be no job for him. But it can mean that anyone who works in the co-operative should be allowed to become a member if he wishes to and it can also mean that only workers are entitled to be members of a worker co-operative. Above all, what it should mean is that no one small group of people, whether they are workers or outsiders, should be able to confine membership and the advantages that flow from it to themselves to the exclusion of other workers.

There is a considerable variation both in law and in practice as to who the members of worker co-operatives are and we are talking now only of co-operatives set up as such. In law many co-operatives are ordinary companies or partnerships, or even unincorporated bodies. As far as formal co-operatives are concerned, on the one hand there are co-operatives in which only workers may be members and all workers must be members; the Mondragon co-operatives are a good example. On the other hand - and these are probably the most common - there are co-operatives in which membership is open to outside individuals and even to corporate bodies such as other co-operatives or trade unions. The reason why membership is left open in this way is often that without non-worker members a co-operative would not have sufficient finance to get going. But clearly outside membership can involve a loss of control by the workers in their own workplace. That could not happen in the Mondragon co-operatives but does, for instance, in some of the Danish ones.

Whether workers have an automatic right to become members is one question, whether they must do so another. To a great extent it is left to individual co-operatives to address these questions in their rules, although in Italy the law requires that workers directly involved in the production process (ie on the shop floor) must represent no fewer than 88% of the total number of members while those indirectly involved (ie the administrators and managers) should represent no more than 12%. And though Italian law does allow for outside members it stipulates that the majority of the workforce must be members.

Under French law anyone who has been employed for more than a year may apply to become a member, the decision as to whether to accept the application being taken by simple majority vote of all the members in General Meeting. The law also enables co-operatives to adopt special schemes whereby admission to membership is automatic or even compulsory. In other words any worker who refused to become a member in a co-operative adopting such a scheme would be deemed to have resigned and his contract would be terminated. Without such legal stipulations it would, in theory at least, be possible for control of a worker co-operative to be taken over by a group of outsiders or, as some might think equally to be deplored, for a group of worker-members to exploit non-member workers for their own benefit.

3.4 Democratic control and voting rights

The members of a co-operative are its shareholders and the principle long accepted as being fundamental is that control should be 'democratic'. It is generally regarded as most appropriate that this democratic control should be exercised on the basis on one man, one vote, regardless of the size of individual shareholdings, although German co-operative law allows individual members a maximum of three votes each according to shareholding. In a very small co-operative democracy may take its simplest form with all policy decisions being taken by all members in general meeting. In larger co-operatives this would be impracticable and it becomes necessary to delegate authority for such policy decision-making to a board of directors or its equivalent. Provision is made for such election procedures in the law of each of the countries we have looked at, although some are more specific than others.

The issue of one man, one vote is not quite so straightforward. Where outside members are allowed and where these outside members may be corporate bodies such as consumer co-operatives, other worker co-operatives or trade unions and may invest substantial sums in share capital, the question arises whether they should be accorded greater voting powers. Practice varies from one country to another and even within individual countries, according to the type of rules adopted. It may largely be governed by the size of investment made by outside shareholders and the extent to which the co-operative relies on it. In Denmark, for instance, where many worker co-operatives are almost entirely financed by trade unions it has been the practice (although not governed by law since there is no specific legislation) for such corporate shareholders to be given up to twenty votes. DKF, the federal body for worker co-operatives, believes that this should be changed so that in future voting is strictly in proportion to shareholding with no maximum number of votes.

The problem does not arise in ICOM co-operatives in the UK because there, not only are no outside shareholders allowed but even the worker shareholders are restricted to a maximum shareholding of £1 each.

3.5 Capital

One of the main distinctions between a co-operative and a traditional company is that in a co-operative capital is deemed to be the servant of labour and not the other way round. The workforce - in theory at least - owns the capital and so controls the way it is used. But there are wide variations in the way capital is owned. The chief point of controversy is whether capital should be owned collectively, as in most Danish co-operatives and the ICOM co-operatives in the UK; individually as in the CPF co-operatives in the UK; or in a combination of collective and individual ownership as in the French and Italian co-operatives and those of Mondragon.

3.6 Collective shareholding

Collective shareholding can take two forms. Either it is literally collective, as in some Danish co-operatives where shares are held by a Workers' Fund and there is no element of individual ownership whatsoever; or the size of shareholding required is so nominal that it becomes a kind of membership ticket. This is the case with the ICOM co-operatives in the UK where, as we have seen, the maximum shareholding is £1.

One immediate drawback of the second system is that co-operatives which operate it have virtually no capital of their own. Their capital requirements must be met from loan capital and since no equity can be offered and the co-operative may have little to give by way of security the interest rates demanded are likely to be high. In some cases members may be forced to offer personal guarantees and even mortgage their houses to secure adequate financial backing.

3.7 Individual shareholding

Co-operatives in which individual shareholdings are substantial are far less likely to face the same difficulties in raising outside finance. The experience of Mondragon, where every new worker is expected to contribute £1,500 to join an existing co-operative and approximately twice that to join a new co-operative, shows that initial capital contributions combined with continuing reinvestment of profits can play a crucial part in building up the financial strength of a co-operative enterprise.

But the individual worker's capital stake has much more than financial implications. In the words of Anxton Perez de Calleja, until recently head of the empresarial division of the Mondragon co-operatives:

'Above all it is a means of involving workers in the success of their own enterprise. The psychological attitude of a man who has invested capital, thus putting his own financial position at risk, is

radically different from that of a man who has kindly been granted a loan; the latter rarely completely identifies with the success of the enterprise he works for'.

3.8 Interest

In a worker co-operative a clear distinction is made between reward for capital and reward for labour. As we have seen, one of the six co-operative principles is that interest on share capital should be limited. How this is translated in law and practice varies considerably. Italy comes closest to the principle with a legally stipulated maximum of 5%. In other countries the difficulties of raising adequate capital have led to a more pragmatic solution whereby it is left to individual co-operatives to decide for themselves what interest should be paid. The recently enacted law covering worker co-operatives in France has raised the level of interest which can be paid to that of the average actual yield on bonds issued over the previous six months and in Denmark the rules generally stipulate a maximum of 2% above the Danish National Bank Rate.

Interest on loan capital is another matter. Apart from loans made by their own members, co-operatives have to pay whatever rate the market dictates when they raise capital in the form of outside loans. But since such loans do not confer the rights of membership - and therefore control - in a co-operative, the principle need not apply.

3.9 Distribution of profits

When a co-operative makes a profit - or 'surplus' to use the term generally preferred in co-operative circles - it is likely to be bound either by law or by rule to distribute that profit in a certain way.

The co-operative must first meet its legal obligations, paying interest at no more than the stipulated maximum rate to its shareholders either as individuals or collectively.

- It may then have to allocate a certain percentage of its profits to reserves. In Italy at least 20% must by law go to the reserve fund and in France 15% must be allocated to reserves until they equal the sum of the co-operative's capital.

- In allocating the remainder account has to be taken of the fact that in a co-operative the remaining surplus is regarded as a reward for the worker-members by virtue of work done and not as a further reward for the provision of capital. In some countries the way in which it can be distributed is regulated. In France at least 25% of the profits must go to the workers (or be reinvested for them) in proportion to salary or hours worked, regardless of whether or not they are members. In Spain 15% must go to a compulsory reserve fund, 10% must be allocated to a fund for education and social work and only then may the remainder be distributed to members' share accounts in proportion to their salary.

3.10 Capital gain

In an ordinary limited liability company shareholders hope to benefit not only from the payment of dividends but also from the increase in the value of their shares which they can sell whenever they choose, thus realising any capital gains there may be. In a co-operative, on the other hand, each share retains its nominal value regardless of any increase in the value of the co-operative's underlying assets.

In many co-operatives a member, when he leaves, must sell his share back to the co-operative at its face value, thus receiving no capital gain whatsoever.

In other co-operatives, notably those of Mondragon, individual shareholdings may be increased by the addition of bonus shares. When a worker retires he may redeem his original shares and also the bonus shares that have been added over the years. If he leaves before retirement he is still entitled to receive 80% of the total value accrued. The bonus shares are not, however, redeemable before the worker leaves. What is even more unusual in the attitude of the Mondragon co-operatives to capital gain is that shareholdings are adjusted annually to take account of inflation. Such practices may be regarded as heretical by those who adhere strictly to a system of collective ownership and a strict ban on capital gain of any description whatsoever.

But it must be said that, whatever the ideological arguments, the Mondragon co-operatives are among the very few which have flourished in capital-intensive sectors of industry.

In most other countries and with a few notable exceptions in France and Italy, the vast majority of worker co-operatives have been established in labour-intensive industries such as construction, and the growth area in recent times has, as we said in the previous section, been in those sectors where skills and know-how are essential but relatively little capital is required such as consultancy, computer software or professional services such as architecture or in specialist areas of retailing such as wholefoods or radical books. There may, of course, be many other factors involved in this predisposition towards non-capital intensive undertakings but the size of stake an individual member is expected to hold and the degree of reward he can expect to get from it cannot be ignored.

3.11 Liquidation

Here again there is considerable variation and a degree of controversy. It is to do with whether the reserves of a co-operative are indivisible. In France and Italy and in ICOM co-operatives in the UK the law or rules stipulate that any reserves remaining after payment of debts must be given either to another co-operative or to some charitable or social project; individual shareholders cannot therefore benefit from liquidation. In non-ICOM co-operatives in the UK, in the Netherlands and in Belgium, residual assets may be distributed in whatever way the rules prescribe and in Ireland, Germany and some UK co-operatives they may be distributed to members according to the size of their shareholding. The obvious drawback

of such relative flexibility is that workers in a co-operative where reserves are divisible on liquidation may be subject to a temptation to wind up their business solely in order to realise their capital gains. A firm of printers in Bristol wound itself up not so long ago precisely for that purpose.

Thus, the legislation, where it exists in EEC countries, reflects the notion that workers in a worker co-operative have possession and use of capital but not the full rights of individual ownership and that this applies just as much when a co-operative is wound up as when it is running successfully.

3.12 Management

Leaving aside the financial aspect of ownership and control, we turn now to what, for many people, is the most fundamental difference of all between co-operatives and conventional companies: management. In most countries industry is liable to be beset by friction between management and workers, 'them' and 'us'. In ordinary companies managers are appointed by boards of directors elected by the shareholders. Co-operatives work in precisely the same way. Managers are appointed by boards of directors (although they are not always called this) who are elected by the shareholders.

The crucial difference in many worker co-operatives is that the workers and the shareholders are one and the same.

The sovereign power rests not with outsiders but with the workers themselves and the members of a worker co-operative can dismiss the managers on the basis of one man, one vote. That, at any rate is the theory; in practice, as we have seen, control may be loosened or even removed from the workers by outside shareholders and even in co-operatives where there are no outside shareholders not all workers are members. In France the average proportion of worker members is only around 50%.

3.13 Size and democracy

The degree of worker control over management varies in part with the size of the enterprise. In many small co-operatives, management is carried out by all the workers sharing equally in day-to-day as well as policy decision-making. The case of the small Danish printing co-operative, Eks Skolen, illustrates the degree to which decision-making can be decentralised. There, one of the workers wasn't even quite sure who the chairman was.

Participation in decision-making can become more formal than real as the size of co-operatives increases. Democracy has, of necessity, to become representative; frequently, as decision-making becomes removed from individual workers, so the form of organisation in other respects, management in particular, tends to become more hierarchical and sometimes more efficient, resembling more closely that of traditional capitalist undertakings. This may happen by default rather than by design: workers who are to some extent removed from decision-making will necessarily be less well-informed than those who are not. They may then find themselves unable to judge the efficiency or otherwise of managers. So although they retain the power to dismiss the managers, they are unlikely to exercise it. Though in other respects the relatively small size of most co-operatives may seem like a sign of weakness, in this it may well be an advantage.

3.14 Advantage of bigness

Small co-operatives are, however, at one severe disadvantage compared with larger co-operatives or with large traditional concerns. Their members are less likely to have management and commercial skills and, since they may understandably be reluctant to appoint skilled managers from outside, the efficiency of their enterprise may suffer. Similarly, small co-operatives are unlikely to have the resources to pay for training. In any case few countries offer management training geared specifically to co-operative managers. Fortunately there are signs that this particular weakness is beginning to disappear. For one thing co-operatives have, in many countries, lost the character of working-class enterprises wary of anything which smacks of professionalism. Co-operatives have been set up by highly-skilled or qualified groups of professionals and others to whom efficient management is natural.

There is increasing recognition that good management is essential and that marketing and promotion are just as necessary to a co-operative as to any other commercial concern.

3.15 Conversion of companies to co-operatives

We have so far talked about the law and practice as they apply inside co-operatives and as they differ from those in conventional capitalist companies. But what happens when a company wants to convert to a co-operative? There is nothing, in law, to prevent a company from converting to a co-operative in any of the countries studied. But if a new legal body is thereby created there may be stiff tax penalties. Both Capital Gains Tax and Capital Transfer Tax can be incurred. When that happens it can be a real disincentive to capitalist owners who wish to pass on their firms to their workers when they retire. It may be an equal disincentive to a group of workers who wish to take on a company and run it as a co-operative.

To illustrate the degree of disincentive we can take the case of the Netherlands. There a fledgling worker co-operative has to bear a heavy tax charge if it acquires from the liquidator a company that has failed. Assets which have been depreciated over the years may be worth more than their book value. The difference between the real value and the book value is construed by the tax authorities as 'profit' on which tax has not been paid. The tax on profits is 50% and this is what the new co-operative will be expected to find.

By contrast, recent changes in the law of both the United Kingdom and France have made it possible for conversion from companies to co-operatives to take place without incurring heavy tax penalties. In the UK this can happen if a special trust is set up which holds the shares of the old company on behalf of the workers in the new co-operative. In France it has been possible since the Law of 19th July 1978 for the change to take place without the creation of a new legal entity and therefore without incurring taxation.

3.16 Value of comparative approach and conclusions

We have not in this section by any means covered all the many points of law and regulation on which comparisons can be made between EEC countries, most of which, as we have said, appear in the Appendix.

But we hope that we have shown the value of a comparative approach. It allows members of co-operatives in any one country to consider whether the law is less favourable to them than it is elsewhere, and to seek changes if that makes sense in their particular circumstances. To recapitulate on the topics we have covered, from the point of view we ourselves adopted, it does look as though there are some conclusions which can be drawn.

- a) Outside shareholders. If there is to be 'democratic control' by the body of workers it does seem to be inescapable that the number and weight of outside share-holders not employed by the co-operative should be limited. Otherwise control can be exercised by outsiders, which is precisely the objection levelled against the ordinary company which often puts the ultimate (and sometimes the immediate) power in the hands of outsiders. Even if practice does not go as far as that of Mondragon, which prohibits outside members, there is clearly a great deal to be said for a limitation on the proportion of outside members. An alternative solution might be to allow co-operatives to issue non-voting preference shares.
- b) Non-member employees. It would be as much contrary to the same principle of democratic control for insiders to be excluded from membership as for outsiders to be predominant in it. On this point there is obvious merit in the French law.
- c) Capital from members. Given that there is to be some limitation on outside shareholdings it becomes all the more important that members should be required to contribute capital themselves whenever they are able to do so. As well as providing necessary capital for the business it gives the members the most immediate of stakes in its effective performance. The Mondragon practice has in principle much to commend it.
- d) Capital gain. If workers are to be required to invest, the issue (particularly in a period of inflation) of whether they are to be entitled to participate in capital gains in proportion to work is an important one. If there is no participation that is bound to reduce the attractiveness of investing in one's own co-operative. If, on the other hand, any member can cash his shares with accrued appreciation the capital of the business could be far too much at risk. The Mondragon compromise has, again, considerable attraction.
- e) Distribution of profits. In order to protect the capital of the co-operative it is certainly desirable that there should be some restriction on the extent to which profits can be distributed to members. The French and Italian laws are to the point.

We have to say again that this listing is merely illustrative and intended to show that in this respect as in others, member countries of the Common Market (and would-be members) have much to learn from each other.

3.17 Part of still larger subject

In touching on the law in different countries we have made our first approach to the main theme of this overview, and of many of the country reports. This theme is about the position that should be taken up by governments. If governments wish to give support to co-operatives there are many ways in which it can be done. Improving the legal regime in which co-operatives operate, which can sometimes be done without any change in legislation, is one such way, and a relatively inexpensive one.

Most of the other ways that are open are more controversial, to do with the removal of discriminations against co-operatives or the giving of positive support to them. We shall consider that question more specifically in Section 6. But before we get to it we need to consider an important issue which has a strong bearing on policy - the attitudes of trade unions. If they were hostile to co-operatives the chances of governments taking affirmative action would be that much poorer. Trade unions are therefore the subject of the next section. After that we shall consider another related issue, of how far co-operatives can, and do, help themselves by united action with or without any help from the state.

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4. RELATIONS WITH TRADE UNIONS

4.1 Common origins

Trade unions and co-operatives have common origins. They were both reactions against a capitalism which in the 19th century had few scruples about exploiting the workforce. Labour was regarded as a commodity or as a factor of production and in the market where the price of that factor was settled the superior bargaining power belonged to the employers. They were the few with resources and the workers were the many without. Long before there was any social security for the unemployed, the sick, the disabled or the old to fall back on in time of need, in the never-ending struggle for jobs one worker could be, and was, pitted against another to keep wages down. It was not at that time complete nonsense to talk, as Marx did, about the 'iron law of wages'.

In the circumstances, usually without a state to give them any support, workers had only one defence against exploitation: to organise themselves for mutual aid. This they did partly by using their votes (once they secured them) to gain influence in the political arena, partly by forming trade unions and partly by forming worker or consumer co-operatives in which the workers would not be exploited because they would themselves be their own employers or, if it was a retail society they founded, by themselves supplying the goods they needed.

The thousands of worker co-operatives started all over Europe in the last century were founded by the same sort of people, sometimes by the very same people, who were creating and sustaining the new trade unions.

The co-operatives were generally part of a labour movement which often comprised a political party as well. As the report for Belgium says of that country, 'As in most other European labour movements, co-operatives, mutual aid organisations, political parties and trade unions are closely linked'. Co-operatives were regarded as an essential means whereby the workers would over the long haul become the masters of their own destiny - this being the guiding objective of the working-class movement. It is only in the last two or three decades that middle-class people have arrived at the same point in some numbers. Hence the computer bureaux, engineering consultancies and social service co-operatives which have been referred to in a previous section of this overview and will be again in the body of the country reports which are to follow.

4.2 Traditional union links

These generalisations can be illustrated for almost any other EEC member as well as Belgium. In Italy the Lega which will be described in the report for that country is a co-operative federation which is closely connected with a political party with influence in the trade unions. In France trade unions played a part in strengthening co-operative organisation at the beginning of this century. In 1907 the CGT signed an agreement with consumer co-operatives which still holds to the effect that the special character of co-operatives should be taken into account in any trade union approach to them. In Denmark - exceptionally, it is true - the trade unions have in the past provided capital and other support for their own network of worker co-operatives. This solidarity - in Denmark as anywhere else - is by no means only a thing of the past. Every report has examples in it of active union support for co-operatives in the present.

4.3 Co-operatives only one instrument

Co-operatives are not seen as the chosen instrument for achieving the goals of the unions - that would clearly be going much too far. State socialism is another instrument which continues to command loyalty, as the present events in France show. In moving along this path France is at the moment unusual. More in evidence have been the attempts to gain a measure of control without necessarily overturning the whole system of ownership. Co-determination in Germany is of long standing. Economic democracy is the current goal in Denmark, and everywhere the unions are involved to some degree or another in the way in which industry and services are run. Given this situation co-operatives need not be put into the discard. But they are not the only means that the unions have to hand.

4.4 Special tensions

It has to be admitted that in the present recession there can also be some special tensions. On countless occasions in almost every EEC country trade unionists have wholeheartedly supported the

establishment of co-operatives as a means of saving the jobs of their members. Lipp and Meriden are just two of the more famous examples where the stakes have been high. The same thing has happened in very many smaller concerns. The NOBEL Co-operative at Zutphen in the Netherlands (which is described in an appendix to that country report) was set up at the instance of the organiser of the union to which the workers in this particular clothing factory belonged. He was thereafter one of the prime movers in gaining support from the local authority, being the first local factory to apply. 'Within a week, 47 others had asked for similar facilities. There is now a development board to help small businesses as part of the local authority'. Nobel is, as we say, far from being alone. ABC in the Netherlands has had support from some of the most important union leaders in that country.

4.5 Early difficulties

So far, so good. But it is not difficult to understand why tension is liable to develop. The workers have, with the backing of their unions, set up a co-operative with the express purpose of saving their jobs. This cannot possibly be easy. The circumstances which precipitated the collapse of the firm which is being superseded are usually still the same after the co-operative has been established. The marketability of the product or service is often at fault, and will not improve just because the structure of organisation is different. Some (or all) of the experienced managers may have left the concern; the ones that remain may be those least able to find jobs elsewhere. Suppliers of materials may refuse credit to the untried new management, particularly if some of the money owing to them by the failed business remains unpaid.

4.6 Main asset of new co-operative

Against these liabilities the main asset of the new co-operative may well be the enthusiasm of the members. It is their business now; they may put some of their own money into it; their jobs are at stake. So they are often ready to make sacrifices, as the case studies and country reports show; and not just at Nobel. They may be ready to work longer hours than usual, to show greater flexibility about doing each other's customary jobs than usual, and to accept a cut in wages in order to tide their new co-operative over its period of gestation.

4.7 A British example

A case in point from the United Kingdom which rather neatly illustrates the point was provided in the same September 1981 when this provisional report was being produced. A shirt-making company at Taunton, Somerset, had closed down. Local union officials were led by the regional secretary of the Transport and General Workers' Union, which has been more inclined than some of the craft unions to back co-operatives. The regional secretary persuaded the company to allow the new co-operative to use existing machinery at the plant rent-free for at least six months. The members who have re-started work will not be paid at all. They prefer to work for nothing to get the scheme going rather than to have the prospect of no job at all. Five Transport and General Workers' Union members constitute the board of directors and they are not to be paid either.*

* Guardian, London, 21 September, 1981

4.8 Flexibility on wages

The tension is inherent in the situation. Unionists want to save their jobs. In order to do so they may consider they have to accept wages and conditions which are not as good as those incorporated in trade union agreements in general. Other members of the union may be critical of the co-operative and demand that its members return to the path of rectitude. Or this part may be played by members of other unions where more than one union is represented in the same place of employment. At Le Courier Picard in France the print unions were prepared to reduce wages not on this occasion in order to tide over a newly-established co-operative in its very early days, but to maintain the paper in existence. As the Danish report shows the print unions were not prepared to take this line in the case of Information and were no doubt critical of workers in other unions for being ready to.

Another matter of contention can be about the role played by trade unionists in management. It may have been confusing to some when a leading shop steward at the KME co-operative in Britain was transformed almost overnight into a manager.

Yet another issue, which goes deeper still is whether it is in the interests of unions to accept the reduction in conflict between 'them' and 'us' which may well be the consequence of converting employees into owners of their own business, hiring capital instead of being hired by it. In a co-operative the role of trade unions is bound to be different from that in ordinary capitalist concerns.

4.10 Old alliance could be re-formed

Attitudes have not hardened. One would not expect unions to be enthusiastic about paternalistic employers who turn their businesses into co-operatives. But the increasing level of unemployment, and the increasing urgency about retaining the jobs of union members, has already brought about some difference in approach. Trade unions are often supporters of job-saving co-operatives, whether they are new or old ones. If on the co-operative side the approach to the unions is of the right kind the old alliance could be re-formed in new circumstances. There is certainly no necessary reason for union hostility to co-operatives, or to any government policy which might favour them.

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5. SECONDARY CO-OPERATIVES AND OTHER SUPPORT ORGANISATIONS

5.1 The need for support

In this section we are concerned primarily with how worker co-operatives translate into practice the sixth co-operative principle

as laid down by the International Co-operative Alliance in 1966: 'All co-operative organisations in order to best serve the interests of their members and their communities, should actively co-operate in every practical way with other co-operatives at local, national and international levels'.

As the country reports show the majority of worker co-operatives are small. Just as other small businesses have to fight hard to survive competition from large businesses and multinational or state corporations, so do co-operatives. Both co-operatives and small businesses are marked by a very high infant mortality rate. They need all the help and support they can get and one of the best forms of support is that which they can provide themselves by banding together and setting up their own support agencies. The more they do so the better their chances of survival and success.

It cannot be a coincidence that the three countries in which worker co-operatives have more than held their own in the recent spate of growth - France, Italy and Spain - can each boast strong co-operative support agencies.

These agencies are all the stronger for the fact that they have been created by the co-operatives themselves and that they are run on co-operative principles.

5.2 The types of support organisation

Support organisations range from sophisticated groups of institutions to microscopic units operating on shoe-string budgets. At one end of the spectrum is the group of support organisations developed by the Mondragon co-operatives in Spain, which include a bank, a research and development centre and a polytechnic. At the other end are two support organisations in the Irish Republic, the National Co-operative Council and the Co-operative Development Society; neither employs any full-time staff and they share the same honorary secretary.

Apart from variations in size, there is a noticeable distinction between support organisations which have been created by an already existing cluster of worker co-operatives and those which have been set up by more or less independent initiative, seeking to encourage growth at grass roots. The first kind may be described as federal or second-degree co-operatives, and all the larger and more sophisticated support organisations in France, Italy and the Mondragon region fall into this group. The smaller support organisations such as the two Irish bodies fall into the second category, and clearly suffer from the lack of productive enterprises beneath them. Lacking a firm foundation in productive enterprises, they are hamstrung in their efforts to promote and support co-operative development.

Another form of inter-co-operative support is a relatively recent phenomenon: the advent of co-operatives which themselves specialise in a co-operative variety of management and other consultancy work. An example is the TEN Co-operative de Conseils, our collaborators on this report. Besides their research function, TEN also provide consultancy services to a number of co-operatives. Such services can be of particular value to a group of workers considering the possibility of taking over an ailing enterprise.

In these circumstances it is imperative that sound and hard-headed advice should be readily available but it is also important that the people who give the advice should be sympathetic to the aims of the workers.

Finally, there is the support agency funded and sponsored by central or local government. The Co-operative Development Agency in the United Kingdom is an example of this type. It is totally reliant on government for its funding and has no member co-operatives.

Before going on to discuss the role of secondary co-operatives in detail, and by country, there is one other general point which has emerged from at least two of the country reports. This is that co-operatives help the establishment of new co-operatives by their very existence. In both the UK and France there is a marked geographical clustering of co-operatives in certain areas. The Confédération Générale des SCOP believes that the recent growth in the number of co-operatives has to some extent been furthered by the existence of successful co-operatives in the locality. That may also be true of the UK, but in that country there is almost certainly another factor at play as well. The areas in which there is the highest concentration of worker co-operatives happen also to be those in which support organisations of one sort or another are to be found. So while there is clearly an element of 'success breeds success', the support organisations have had a good deal to do with fostering it.

5.3 The functions of support agencies

These may be summarised briefly as follows:

- a) start-up services, including model rules and legal advice
- b) help with administration
- c) carrying out feasibility studies on ailing capitalist companies
- d) help in raising finance for conversion or new starts from outside sources or providing loans or grants themselves
- e) arranging joint tenders and contracts
- f) and finally, what has always been accepted as a vital element in co-operative development, education and training.

5.4 Education and training

The provision of education is one of the six principles of co-operation and it is one that secondary co-operatives have, in the past as they do now, taken seriously. The early consumer co-operatives in Britain were well aware of the need for education; it was not just restricted to education about co-operation either. In 1879, Professor Stuart of Cambridge University had this to say to the consumer co-operatives: 'If the mass of your members are

not sufficiently instructed in economic science, in the facts of commerce, in the state of this and other countries, in the history of trade, in general knowledge and in particular knowledge of what you aim at and how you seek it...I say if the mass of your members are not sufficiently instructed in these things, there arises a real danger to the Co-operative Movement...Education is desirable for all mankind: it is the life's necessity for co-operators.*

Nowadays the need for education of the general public about co-operatives is perhaps the one taken most seriously by the co-operative movement. One of the reasons suggested for the almost complete absence of worker co-operatives in Ireland is the general ignorance and even apathy about co-operatives.

Education within the co-operative movement has by no means been left aside. DKF in Denmark runs courses for workers elected to the boards of its co-operative societies; the federal bodies of agricultural co-operatives in almost every country do the same, recognising that particular skills are needed if ordinary farmers are to be transformed into policy-makers. The consumer movement has done the same and is seeking new ways of involving the membership in co-operative activities now that, in so many places, the traditional dividend has had to be abandoned in favour of competitive prices.

In worker co-operatives there is another need which we have mentioned in an earlier part of this overview: the need for education of co-operative managers. If the members of boards of directors need special training for their weekly or monthly meetings, then the men and women who manage co-operatives from day to day need it even more. Secondary co-operatives can provide such training, as Beechwood College does at Leeds and as - on a much larger scale - the Escuela Profesional Politecnica does at Mondragon. But not every co-operative federation is based on the strength of enterprises like those at Mondragon. The will to become involved in education of one sort or another has been amply demonstrated, but the means to continue providing it have been whittled away, if they existed in the first place, by the effects of the economic recession. It may be that one of the most important tasks of support agencies is to combine forces to fill the gap, perhaps even across national frontiers. If they cannot find the means even with their combined resources then they may need to call on governments, universities and other institutions to help them.

5.5 The achievements of support agencies

Across Europe the federal support organisations, or co-operatives of the second degree, have built up a record of solid achievement in helping worker co-operatives to succeed, especially in France, Italy and Spain.

5.6 France: the long history of SCOP

The French federal body for worker co-operatives - the Confédération Générale des Sociétés Ouvrières de Production (SCOP) - is probably the oldest of the second-degree co-operatives in Western Europe. It can trace

* Quoted in Arnold Bonner, British Co-operation, Co-operative Union, 1970

its history back to the last century. Although the number of workers employed in the co-operatives with which SCOP is associated is much smaller than that claimed by the two larger Italian federal bodies, the quality of its information and statistics is superior. A reasonably reliable picture of its activities and their consequences is possible.

SCOP is financed by a turnover levy paid by its constituent membership of worker co-operatives and a grant of 1½ million francs from the Ministry of Works and Employment towards the support it provides to workers contemplating a take-over of a company in difficulties. It provides support at both a national and regional level.

SCOP's effort is organised on the basis of ten regional 'unions' which together cover the whole of France. In the majority of these regional unions, the regional office or 'délégation' can provide a full range of support services; in the remainder regional needs may have to be met in part or in full by support from a neighbouring region or from Paris.

The support services provided are grouped for organisational purposes under three main headings: legal support, financial support and what is called 'development support'. The funds available for direct financial support are modest and come from the 'Confederal Fund for Expansion' (Fonds d'Expansion Confédéral) - which is financed by a 1% levy on the sales of its member co-operatives. From the point of view of job creation and preservation the key services are provided by the Development Support Division in Paris, which can not unreasonably be seen as a smaller version of the 'Empresarial Division' of Mondragon's Caja Laboral Popular (CLP).

When staff within the regional delegations are included, the Development Support Division claims that SCOP can muster a total of 20 professionals who have the experience and expertise to contribute directly to the creation of new jobs and the preservation of existing ones. It further claims that in 1979 a total of 1,500 jobs were either created or saved with the help of SCOP's support services. This figure takes no account of those co-operatives which went into liquidation (either voluntarily or otherwise) during the year. But there are indications that the net movement of SCOP employment during 1979 was positive.

The methods and procedures adopted by SCOP for the creation of new co-operatives, either from scratch or by conversion, are fully described in the country report. The approach followed is realistic because it places emphasis on three necessary pre-conditions:

- the clear existence of a market
- the availability of competent management
- the existence of a real commitment to a co-operative form of enterprise and not just the kind of commitment which is based on tax considerations.

It is also professional because it prescribes the steps which have to be followed successfully and successively if a new co-operative

is to be launched. Essentially they consist of feasibility studies followed, depending on their outcome, by the preparation of a detailed business plan. What is important, perhaps, is that SCOP can now claim considerable experience of carrying through this work and bringing it to a successful conclusion. This experience is mostly in the setting up of small or very small businesses but SCOP has also played a part in the rescue of at least one quite large company, Manuest.

Before it went into liquidation in 1974, Manuest which manufactured kitchen and bathroom furniture, employed 600 people. Without the help of the Confédération Générale des SCOP it is unlikely that the workers would have succeeded in taking it over and running it as a co-operative. In the first place it was SCOP's business expertise that was needed to study what remained of the business and judge whether it could be viable under new co-operative management. Then it was their financial expertise, not just in deciding how much money needed to be raised but in helping the workers to mobilise it. Thereafter it was a question of helping to nurture the new co-operative. The two experts who had carried out the initial feasibility study were appointed as directors to manage the enterprise. When the new Manuest started as a co-operative in April 1975 it had only 80 workers, compared with the original 600. Of the rest, 300 had found work elsewhere and 220 remained unemployed. By 1980 Manuest was employing 350 people and none of those who had been unable to get a job in the new co-operative to start with had been refused later on. The company was making substantial profits.

It is worth remarking that many of the new co-operatives with which SCOP has been involved have been conversions, contrary for example to the experience of the Empresarial Division of Mondragon's Caja Laboral Popular, which has been involved chiefly in wholly new ventures. SCOP's role in job creation and preservation may therefore be described as more reactive than initiating.

Concentration on SCOP's job creation achievements should not obscure the fact that assistance to existing co-operatives is an equally important part of their work and probably accounts for a larger share of total professional time expended. At least two important and substantial co-operatives would have gone into liquidation in the 1970s had SCOP's supporting services not intervened. One was the regional newspaper, Le Courier Picard, based at Amiens; the other a famous glassworks in South Central France: La Verrerie Ouvrière d'Albi.

5.7 Italy: three federal bodies

The importance of secondary co-operatives is readily apparent in the Italian organisations where there is no division between the different sectors of the movement - consumer, agricultural and worker. Whereas in most other countries each sector has its own federal body, in Italy co-operation between co-operatives goes beyond sectoral divisions. Italy's support organisations, like its worker co-operatives, are organised into three distinct groupings historically based on political affiliation:

LEGA NAZIONALE DELLE CO-OPERATIVE E MUTUE	- Mainly Communist & Socialist
CONFEDERAZIONE CO-OPERATIVE ITALIANE	- Mainly Christian Democrat
ASSOCIAZIONE GENERALE DEGLI CO-OPERATIVE ITALIANE	- Mainly Social Democrat, Liberal and Republican

These three federal bodies include in their membership a whole array of co-operative enterprises (credit, consumer, agricultural, housing, etc) as well as worker co-operatives.

The co-operatives are also, with the help of the federations, organised into consortia which provide them with services of a very varied nature or raise funds which the co-operatives could not obtain on their own. The way they operate is described in detail in the country report but there is little doubt that they have played a vital role in the development of the worker co-operative movement in Italy, and especially its successful move into export markets.

A substantial growth over the last few years is claimed by all three Italian federal organisations - growth both in number of jobs created or saved and in numbers of co-operatives. In the case of the jobs created the figures in the report on Italy (12,000 to 15,000) are at least ten times greater than the corresponding SCOP figure for 1979 in France. Even when account is taken of the relatively much higher employment levels in Italian co-operatives, their job creation claims represent an increase proportionately at least twice as high as anything claimed in France.

5.8 Mondragon

The support institutions of the Mondragon co-operatives are:

- The Caja Laboral Popular (including its crucial Empresarial Division)
- IKERLAN, the research and development organisation
- The Escuela Profesional Politecnica.

They are fully described and analysed in the report on Spain. But three points are worth highlighting.

a) Both in quality and quantity the support services (including investment finance) available at Mondragon are clearly in a different and superior league to any available elsewhere. No doubt those offered by SCOP come closest to those at Mondragon. But whether we look at available funds or whether we look at professional back-up staff per person employed, the position for Mondragon co-operatives is vastly superior to that of the French counterparts.

b) Although detailed statistics to demonstrate this point may be lacking, it is clear that the superiority of the Mondragon co-operatives' support services derives not only from the successful establishment of a dynamic bank, the CLP, but also from the comparatively high levels of value added per head in the co-operatives themselves. For this reason the productive enterprises of the Mondragon group can support better support services than their counterparts elsewhere.

c) It is worth extending a little the distinction made earlier between the essentially reactive work of SCOP's support organisation and the initiatory activities of the CLP's Empresarial Division. Of course, in relation to existing co-operatives in the group, the Empresarial Division is reactive (and preventative) as well as

initiatory. But the distinction comes out most clearly in relation to co-operative ventures started from scratch. Unlike SCOP's Division Appui au Développement, the Empresarial Division now initiates studies of possible new co-operative ventures and may pursue these studies a considerable way before there is any involvement with the prospective workers of the new business. It aims at all times to have one or more potentially viable and extensively researched projects 'on the shelf' so that these can be discussed with would-be members of a new co-operative. In a sense it has institutionalised much of the pre-investment work of the entrepreneur. And this activity is continuing despite the recession.

5.9 Denmark: Det Kooperative Faellesforbund (DKF)

Though, like the other support organisations so far dealt with, the DKF is a genuine federal body and second-degree co-operative, it is unusual in two (possibly connected) respects. First the constituent worker co-operatives of which it is the federal body include enterprises where ownership and control rests almost entirely with trade unions. Second, its staff have not been actively engaged, anyway in recent years, in promoting co-operative ventures either by means of new start-ups or conversions. Pessimism about the chances of success, especially because of inadequate access to capital, is one of the reasons for this lack of activity. But the influence of the trade union component in its funding may also have played a part. For it is not at all clear that the spread of 'non-trade union co-operatives' is in the interest of any trade union establishment. As the country report shows there have indeed been worker take-overs of traditional companies but they have not come under the umbrella of the worker co-operative movement.

To judge by the Danish experience, federal bodies which represent both trade union and non-trade union co-operatives seem unlikely to pursue dynamic policies of job creation. And if such job creation is a reasonable policy goal for the non-trade union co-operatives, then they should set up their own federal body.

5.10 Netherlands: The Associatie Van Bedrigven Op Co-operatieve Grondslag

The Dutch ABC is also a pure federal body, controlled by a board which its 46 member co-operatives elect on the basis of one co-operative, one vote (without regard to employment or other measures of size). On the other hand, like the two support organisations in Ireland, it occupies a position at the microscopic end of the spectrum and until now has had no paid staff.

However, by making full use of the services of unpaid members of its board and particularly those of its President, Ir. C L Provily and with some early help from the SCOP central office in Paris, ABC has made genuine progress since its formation in 1959. Essentially this progress has been of two kinds: first in spreading awareness among the Dutch public of the possibilities of co-operative production, with a consequent increase in the number of its member enterprises; second an increasing understanding by ABC of the legal and other handicaps with which these Dutch co-operatives have to contend and the beginnings of a real effort to persuade the authorities to do something about them.

ABC has been reluctant to endanger its weaker members by charging more than nominal membership fees. Its history over the last 20 years illustrates a dilemma which is more or less general in all the countries where the number of worker co-operatives remains quite small and where their typical circumstances are modest and fragile. It is precisely in such situations that a federal body is most needed, both to strengthen the existing co-operatives and to help with the formation of new ones. Yet it is also precisely in these same circumstances that the existing co-operatives are unable to pay for the costs of a federal body with a full-time support staff. In this respect at least ABC's worries may be over. Just as this report was being typed we heard that the Dutch government has agreed to grant-aid ABC over the next four years to enable it to take on full-time members of staff.

5.11 Republic of Ireland

The Irish Republic offers an extreme example of one side of this dilemma - the existence of very few worker co-operatives indeed, and very small ones at that - and also an example of how that situation may be dealt with. Its two support agencies, the National Co-operative Council and the Co-operative Development Society, have already been mentioned. It has also already been pointed out that neither employs any full-time staff and, of crucial importance, that both were set up more or less independently of the worker co-operatives themselves. The absence of any real contact with worker co-operatives is the danger inherent in the independent formation of detached support agencies. Such agencies are, on the other hand, obviously in a position to do useful propaganda and lobbying work. Put in another way they may well be able to perform most of the classic external representational functions of a federal body but not its more directly operational ones.

5.12 Lack of support in West Germany

The number of worker co-operatives in West Germany has been falling steadily for most of the century. According to the 1978 statistics, the latest available, there were only 31 remaining in that year. It is perhaps not surprising therefore that the worker co-operatives do not have their own federation. Instead they represent a very marginal grouping within Deutscher Genossenschafts- und Raiffeisenverband (DGRV) one of the three national co-operative federations in Germany. At one time DGRV had a committee whose special concern was worker co-operatives but even that has now disappeared.

5.12 Belgium: no co-operatives to support

As the report on that country shows, worker co-operatives are of no significance in Belgium today. The few that might loosely be described as such are affiliated to and dependent on service and distribution co-operatives and there are no worker co-operatives of the type we have seen exist in other countries. The reason is in part historical. Worker co-operatives simply never 'took' in Belgium and for various ideological reasons they failed to find a champion in any political or social group.

There are, however, signs that this lack of development may be beginning to change. FEBECOOP, the federation linked to the socialist movement which represents consumer and service co-operatives, has been surprised by the number of approaches from workers in ailing industries who wished to save their jobs. FEBECOOP has turned to the Confédération Générale des SCOP for help.

5.13 United Kingdom: a multiplicity of support organisations

The different types of worker co-operatives in the United Kingdom are dealt with at length in the report on that country. For the purposes of dealing with the UK's support organisations they may be reduced to five:

1. The old productive co-operatives, similar in origin and ideology to the early Associations Ouvrières in France, such as Walsall Locks and Equity Shoes;
2. Near-co-operative enterprises which mainly owe their existence to the magnanimous decisions of their former capitalist owners, such as John Lewis Partnership and the Scott Bader Commonwealth;
3. Enterprises partially structured as co-operatives but which can better be understood as examples of 'government funded syndicalism' and which owe their existence to the influence of Mr Wedgwood Benn when he was Secretary of State for Industry in the third and early part of the fourth Wilson governments. The only surviving example is the Meriden Motorcycle Co-operative, now very much reduced in size.
4. Health and wholefood retailing and wholesale enterprises structured as co-operatives, and other very small businesses engaged in activities like printing and publishing. These have had an explosive growth over the last few years and now number several hundreds.
5. New co-operative type enterprises structured in such a way as to replicate as closely as possible the ownership and control mechanisms of the Mondragon co-operatives. The only example to come into existence so far is the Job Ownership Company, Manchester Cold Rollers.

As against these five different types of co-operatives, the four main support organisations which existed in the middle of 1980, before the oldest was absorbed into the Co-operative Union - the federal body of what is essentially the British consumer co-operative movement - were, in order of seniority of establishment:

- a) The Co-operative Productive Federation (CPF)
- b) The Industrial Common Ownership Movement (ICOM)
- c) The Co-operative Development Agency (CDA)
- d) Job Ownership Limited (JOL)

The CPF was formed at the end of the last century when the main body of the UK's co-operative movement decided to 'go consumer'. It was the federal body of the never very large number of old

productive co-operatives which had grown up with the movement and wished to retain some sort of separate identity. At its height, in the years before the First World War, its membership may have numbered more than 100. But it went into a steady decline after 1918. By the early 1970s its members had dwindled to less than ten. After an interim period of some years with a part-time secretary, the CPF was absorbed by the Co-operative Union in 1980. This sequence of events may serve to illustrate a general point. A support organisation in the form of a federal body which, because of lack of resources, is unable to offer much in the way of real services will eventually disappear.

ICOM's main contribution has probably been the development and publication of a simple set of model rules suitable for co-operative enterprises in which the ownership of capital is totally collective. These have been widely adopted by the enterprises of type four - the wholefood distributors, etc. It is plausible to argue that, without this set of rules, many of those enterprises would not have adopted a co-operative structure at all. It is also plausible to argue that because their needs for both working and fixed capital are relatively modest, the distinction between collective and individual ownership is of secondary importance when applied to them.

It is worth pointing out that ICOM itself is a hybrid body. Membership is open to enterprises of the desired type - to that extent it is a federal body. But it is also open to individuals and has tended to attract both Christian Socialists and people who favour the mix of policies advocated currently by Mr Wedgwood Benn. Both ICOM and its commitment to collective ownership were strongly commended in a recent Labour Party pamphlet on worker co-operatives. Under a future Labour government which followed Mr Wedgwood Benn's policies its influence might well grow.

The third of the main UK support organisations mentioned earlier, the Co-operative Development Agency, is the largest. It was set up in 1978 by the Callaghan government but with all-party support. Perhaps 1% of its income has come from consultancy work largely undertaken for local authorities. But it is essentially government-funded. The budget granted to it by parliament in 1978 was for a maximum of £1.5 million to be spent at an annual rate of not more than £300,000. In July 1980, the government announced that the remaining £600,000 should be spent at an annual rate of not more than £200,000. This decision was designed to ensure that it will be the next government which has to decide about the Agency's long-term future.

The CDA can no doubt take some share of the credit for the rapid growth of the 'alternative' type co-operatives over the last few years. But its more important (and less measurable) achievement has been rather different. By its mere existence it has done something to counteract the widespread public prejudice against and widespread public scepticism about worker co-operatives which exists in the UK. And the overcoming of this prejudice can reasonably be seen as a necessary pre-condition of any substantial development of worker co-operatives in the UK in the future.

Job Ownership Limited, the last of the four support organisations mentioned earlier, is in one respect similar to the CDA. Its main contribution, since it became properly established in 1979, has probably been to counteract British prejudice and scepticism about worker co-operatives. But it is very small, with no more than two workers and a budget a tenth the size of the CDA's. Though JOL has gradually built up an income from consultancy work it is nothing like enough to make it self-supporting.

These are just the 'national' support organisations for co-operatives in the United Kingdom; there are others which are described in the country report. The imbalance in Britain between the relatively large proportion of support organisations to the relatively small proportion of actual worker co-operatives is noticeable. This throng of support organisations no doubt reflects the British genius for voluntary bodies. But the point for the medium and long term future is rather different: unless there is a substantial increase in the number of worker co-operatives over the next few years it is most improbable that all these organisations will survive into the second half of the 1980s. Nor should they. Up to now they can perhaps reasonably justify their existence on the grounds of the need to educate public opinion. But unless they can help to create a substantial number of new co-operative enterprises in the next four years some of them are almost bound to disappear.

5.14 The USA: a footnote

There is at least one independent co-operative support organisation in the USA, the Industrial Co-operative Association (ICA), based in Somerville, near Boston, Massachusetts. It is funded partly by sympathetic foundations, partly by consultancy fees. It explicitly favours the Mondragon model of co-operative. Over the last few years it has been directly involved with half a dozen or more co-operative ventures.

But the US experience is worth mentioning not mainly because of the ICA, admirable and professional as that organisation is. It is worth mentioning primarily because of the growing number of successful US workforce buy-outs over the last ten years. In their forthcoming book, Keith Bradley and Alan Gelt assert that:

- since 1970 between 50,000 and 100,000 jobs have been saved by such workforce buy-outs in the USA
- so far there has been not one single instance of failure among the successor enterprises
- up to 70% of all these cases have occurred when a parent conglomerate has divested itself of a branch plant.

National legislation, for example the Employee Share Ownership Programme Legislation and the Voluntary Job Preservation and Community Stabilisation Acts (of 1979) have been an important factor. And so have the national institutions like the Economic Development Administration which has played a key part by guaranteeing bank loans to the successor employee-owned companies. In essence legislation has provided tax incentives in situations of potential workforce buy-outs, and the EDA has provided guarantees which have unlocked local credit; the local community and the workforce itself have usually done the rest. No doubt in terms of the total US labour market the

numbers are small. Nevertheless, the record of what has happened already is striking evidence of the ability of a local workforce to take over a branch plant facing closure and to make a success of it.

5.15 Conclusions

Any evaluation of the effectiveness of these co-operative support organisations must start from a basic distinction - between their political and lobbying role on the one hand and their enterprise support and job creation functions on the other. Lobbying activities may result in legal or tax changes of advantage to co-operative businesses. But even if they fail to achieve those, they may well have some value as a means of counteracting widespread public prejudice and scepticism.

But in the end the only sure way to overcome prejudice and scepticism is to be able to point to successful working examples.

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6 GOVERNMENT POLICIES

6.1 Special preference?

The previous section has shown that co-operatives, by practising what they preach outside their boundaries as well as within their own membership, can do a great deal to help themselves. This being so, should worker co-operatives receive any special assistance from governments or other public authorities on top of anything that is available to other businesses of a more orthodox type? This is a question of public policy on which opinions in the co-operative movement are certainly not united.

6.2 Remove discriminations

On one particular issue, however, there would be virtual unanimity. This is that wherever co-operatives suffer disadvantages from which their capitalist and state competitors are free, those discriminations should be removed. Some of these arise because governments have not been able to decide - a problem inside the co-operative movement as well - whether co-operatives are to be considered as being made up of individuals or whether it is the collective entity that matters. The issue can be expressed another way - are members of a co-operative, since in a sense they employ themselves, to be treated as self-employed or as employed? In some parts of the Netherlands this has posed a severe practical problem. The practice has been not that all members of a co-operative are self-employed, but that any member who serves on the board of directors is. Since he is, according to this ruling, self-employed, he is

ineligible to receive unemployment or sickness benefits from the state. These being substantial, the prospective loss to worker-directors has been more than most of them could sustain. Unpaid directors from outside the co-operative - but from within the co-operative movement - have done duty instead. The injustice of this exclusion has, under constant pressure from ABC in the Netherlands, now been largely accepted by the government and it should only be a question of time before the law is changed.

6.3 Spanish example

There is a similar discrimination in Spain. All members of co-operatives, not just the directors, are regarded as self-employed and therefore ineligible for state benefits. Mondragon has had the financial strength to build up its own system of social security which provides benefits superior to those from the state. But this is not a remedy that could be recommended for general application.

6.4 Unjustified taxation

There is discrimination of a different kind in many countries. Ordinary shareholders participate in the appreciation of their business because they can sell their shares on the Stock Exchange or elsewhere, and their value will reflect whatever growth there has been in the business. They may be liable to a capital gains tax but not to income tax on the increase in value since they obtained their shares. But when members of agricultural and worker co-operatives are issued with shares or loan stock by virtue of the growth in the underlying assets of their co-operative they are, in many countries, liable to income tax at their full personal rate on the value of the shares or stock when it is issued. In the United Kingdom employees of a company issued with up to £5,000 worth of shares are exempt from tax if they hold them for ten years or more. Co-operatives are not eligible for this concession.

6.5 Examples of some existing preferences

The question of special preference is a more vexed one, as we have already said. It is not as if preferences did not exist. Here are some examples:

- (i) Spain. The Ministry of Labour has set up a special fund which provides co-operatives, but not ordinary companies, with subsidies of up to 15,000 pesetas for each new job created.

There is also a special class of 'protected' co-operative which is exempt from corporation tax for ten years after registration and pays tax at only half the normal rate thereafter. After allocation of surplus to compulsory reserves (15%) and to a fund for the local community (10%), both of which are tax deductible, the remainder may be paid in the form of bonus shares to workers in proportion to salary and these shares are free of tax, although the interest of 6% payable on these shares is subject to personal income tax.

- (ii) France. Legislation dating back to 1931 provides that where tenders are called for in public contracts preference must be given, price being equal, to those submitted by worker co-operatives; and that where possible the contracting authority should break the contract down into lots, a quarter of which should be assigned to worker co-operatives at the

average price. This law has helped to foster co-operatives, especially in the building industry.

Regional development grants can also be given in France to a co-operative which is saving jobs where the rescue plan appears sound. Since 1978 local authorities have also been able to give grants to worker co-operatives in order to rescue ailing companies; and also to guarantee loans from banks.

Under French law bonuses paid to workers and allocated to a workers' participation fund are exempt from both corporation and personal tax as long as the fund is left intact for five years. In addition French co-operatives may set up investment reserve funds (equal in size to the participation funds) which are also exempt from tax. The position is very different from that in the UK.

- (iii) Italy. Some of the tax privileges obtained by co-operatives are mentioned elsewhere. They have also been helped by government contracts. State and provincial authorities do not necessarily have to put out contracts to competitive tender. Co-operatives may get contracts without going through that process.

6.6 Case for preferences

No doubt this list of preferences could be added to. The question is about the justification for them. The case for them can be summarised under three heads:

- (a) Co-operatives are discriminated against in all kinds of ways whatever the attitude of the state. Banks tend to be suspicious. They are quite often averse to granting overdrafts or making loans to a co-operative because this sort of business is outside their range of experience. 'Who is the proprietor?' they are apt to ask. What assurance can the bank have that there is going to be continuity of management in the hands of a person known and trusted, with a personal financial stake in the business? When told that the board of directors is elected by the employees, bankers may easily take fright. Suppliers often react in the same way, and customers too. A director of the Dutch building co-operative, MOES, said that to counter the prejudice against co-operatives in the minds of potential customers, he had to take with him full statements about the profitability of his co-operative business. All this might well have been taken for granted if the business had been an ordinary capitalist one. Such prejudice on the part of the business community needs to be offset by positive preference for co-operatives from governments so that they will, taken all round, have more of a fair chance of success.
- (b) A more important argument in a period of heavy unemployment is that co-operatives have a special part to play in saving, creating and maintaining jobs. We have given illustrations of this in the overview and many more are given in the country reports. Co-operatives are labour-intensive and so

for a given size of grant will ordinarily create more jobs than will a business with a different structure of control. The solidarity between members, and their legal rights, also makes it difficult to dismiss people. It is a legitimate sign of pride on the part of Mondragon that they have not, in the whole period of their existence, even in the current recession, had to make any member of a co-operative redundant except on a temporary basis before re-employment in another co-operative within the group. The flexibility about wages and practices which has also been illustrated makes it easier to weather storms which might extinguish ordinary companies. Surveys suggest that industrial relations are more harmonious in co-operatives and this again is an asset which can be cashed. Moreover, as we have already said, co-operatives attract into business people who would not be interested to work for an ordinary company; some of these are the kind of innovator who can create jobs. Unemployment being what it is, special support from the government is therefore fully justified.

- (c) It is desirable that in a pluralistic society the economy of Western countries should be even more mixed than it is. Outside agriculture and retailing, co-operatives have not been as significant as they should be in order to provide a larger range of business types. Governments should be prepared to support them up to the point where they have something like a 'critical mass'. After that, they can be left to fend for themselves in straight and unfettered competition with other firms.

6.7 Case against preference

There is also a strong case the other way.

- (a) Once governments subsidise particular forms of business they are distorting the economy in ways for which there is no justification whatsoever. If co-operatives can compete without any special preference being given to them, fine. If they cannot then to shore them up means that resources that could go into more efficient businesses are being artificially locked up in co-operatives.
- (b) There is an element of sentimentality in the case made out for co-operatives. The appeal is to the values of human co-operation rather than human competition. That is all very well. But in the end it is competition which does, and should, decide who is to survive.
- (c) Workers' co-operatives may not in any case, conform as well as they might to co-operative principles: democracy may be more formal than real with little participation in decision-making by shop-floor members; management may be as hierarchical as in private enterprise.
- (d) Government preference can create a fool's paradise. People may be attracted into co-operatives, and perhaps persuaded to put some of their life-savings into them, when the long-term future may well be bleak. Governments change. Support once given can be withdrawn, and if and when it is the let-down can be very painful indeed. Much better that there should be no subsidy, concealed or unconcealed.

6.8 Half-way position

For what it is worth we ourselves would not adopt either of these extreme points of view. We accept that wholesale subsidy would be as wrong as wholesale discrimination. Co-operatives must in general compete on their merits, that is their economic not their political merits. This is so for many reasons, none being so compelling as the fact that co-operatives are mutual aid and also self-help bodies which must in the end rely on the resources they can mobilise from within. Undue help from outside would be contrary to one of the basic principles by which they must be guided. But to be doctrinaire about that, or on the opposite tack, would lead to sterility. The important point is that governments and other public authorities should be pragmatic. Sometimes, and sometimes rightly, they give special support to private companies. So should they whenever a good and proper case can be made out for special support for a particular co-operative, or style of co-operative. The most compelling case is on grounds of employment, and within that for co-operatives which can provide employment for women, members of ethnic minorities or the disabled, being people whose chances of getting jobs are even worse than those of other people. We do not cite this example because it exhausts the kind of grounds on which public support could properly be given. Each case, as we say, needs to be argued on its merits.

6.9 Pre-emptive right for workers

There is also in our view a compelling case for workers to be given pre-emptive rights, as proposed by the new Mitterand government in France. The main losers whenever a capitalist concern is closed down are the employees whose jobs are forfeit, and their families too for that matter. Before final closure, or before the concern is sold out to another without any guarantee on jobs, the people most at risk should have the right to set up a co-operative, if they wish, and to take on the concern. This right, if granted, clearly needs to be made real by the provision of proper advice and support - a point which we have been reiterating.

6.10 Social service co-operatives

There may be a particularly promising future for co-operatives that perform social services for the old and for people such as we have just mentioned. In Italy, some local authorities have been prepared to entrust responsibility for social services - usually undertaken elsewhere by local and other public authorities - to such co-operatives. The cost may be cheaper, the standard of service higher. Where this happens then the question of subsidy takes on a different aspect. The creation of employment can save the state the cost of unemployment benefits. The creation of social service co-operatives could also save money which would otherwise be spent in different and more costly ways. The test is whether the co-operative can provide better value for money than the public authority providing the same kind of service.

6.11 The support organisations

We have been impressed by the very important role that can be played by support organisations. They seem to matter even more than

trade associations and the like for ordinary businesses. If co-operatives are more ready to co-operate with others like them they have an asset which should certainly be made the most of. Insofar as public funds are available for backing co-operatives there is therefore much to be said for some of that money going to the secondary co-operatives and other support organisations. This would be all the more so if these organisations would show more willingness to co-operate between themselves. It is a strength in the Italian movement that agricultural, consumer, credit and worker co-operatives are all represented in the same bodies, which can arrange for mutual reinforcement all the more readily as a result. It is not so obviously a strength that there are three such organisations in a single country. Even so, like the SCOP Federation in France, ABC in Holland, Mondragon in Spain, they have the advantage of the same sort of democratic structure as the individual co-operatives they exist to serve - an advantage which is denied to bodies appointed (as well as subsidised) by the state. It is difficult on several grounds to resist the conclusion that the future for co-operatives in Britain would be much more promising if there were a greater measure of unification among the support bodies.

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7. ROLE OF THE EUROPEAN COMMUNITY

7.1 Stimulus so far

Since this review was commissioned by the European Community it is fitting that the final section should be devoted to the question of what further support it might give to co-operatives. We say 'further' deliberately: just calling for the report has not in itself been entirely without practical results. Our colleagues from TEN and we ourselves, as we have journeyed back and forth across the frontiers of Europe, have carried a small cargo of information about experience elsewhere;

in several instances people we have met have said that they would propose the adoption of what, when they heard about it, they judged to be good practice elsewhere, although not something they knew about before.

In Greece, for instance, there is perhaps now hope, partly as a result of the EC having commissioned a report mainly about worker co-operatives, that PASEGES - the powerful body which represents agricultural co-operatives - will act as it did before when it financed consumer co-operatives and in conjunction with the General Confederation of Greek Workers do the same in the same fraternal spirit for worker co-operatives. Such possible innovations illustrate what could be the spin-off in organisational terms of a systematic

exchange of information between bodies and countries which, despite common membership of the Common Market, can still be rather ignorant of each other, even when they share the kind of strong specialised interest that worker co-operatives have in common.

7.2 Two seminars

The same interest has been aroused by the two seminars which have been conducted during the course of the enquiry. The first was set up by the Mutual Aid Centre for OECD at Dartington Hall, UK, in September 1980; and the second by the same body and by TEN for the EC in Brussels in March 1981. The OECD was involved throughout as a partner with the EC in the enquiry. Chris Brooks, a member of the staff of the OECD shares the responsibility with John Morley of the EC for originating the proposal that there should be such an enquiry. From that time on the work was borne forward by the enthusiasm of Gerda Loewen, also of the EC, and Eric Burgeat, also of OECD.

The seminars were notable for the fact that relatively few of those attending, each knowledgeable about co-operatives in a particular country, had met each other before. On many subjects the same faces are seen again and again at international conferences. It is a question of renewing old acquaintanceships. Not so these seminars. This is in itself a small indication of the need for more cross-national exchanges.

The fact is that, as we have pointed out before, at a time of general recession worker co-operatives belong in a small way to a growth sector of European economy and society.

Their situation is changing fast. There is an air of enthusiasm in many of them. The cadres of the co-operatives in each country want to know what others have done. Some follow-up to the EC initiative would therefore be welcome in all countries. Further seminars would pave the way. What else should and could the European Community do?

7.3 Consultation needed

Before getting down to detail we should make one obvious but important preliminary point.

When it comes to action on a European scale it will be necessary, as well as involving Members of the European Parliament, to bring in to the discussion, in a more formal way than has been done during the course of the study, the main representative bodies in the Ten countries, and also to include Spain if that be allowed.

We are referring to the support agencies which have already featured large in the report such as the Confédération Générale des SCOP in France, the Lega, the Confederazione and the Associazione in Italy, Mondragon in Spain, CDA and ICOM in the UK, ABC in the Netherlands, DKF in Denmark, etc. The views of each should be sought along with those of CECOP for worker co-operatives, COGECA for agricultural co-operatives, EUROCOOP for consumer co-operatives, and ICA for co-operatives in general. This could be done at a conference with a more formal agenda than for the two exploratory seminars just mentioned.

After further soundings in preparation for such a conference the recommendations made below, and others from the EC and OECD, could be presented to the expert bodies before an agreed programme is taken up through official channels. Now to our recommendations.

7.4 European information exchange

We would not have already mentioned this topic had we not thought it of importance. There is, if we are right, a case for continuing exchange. This would no doubt have happened already if one vital condition had been satisfied, that is if the representative bodies, and the co-operatives who are behind them, had possessed sufficient resources to make it happen. Wherever capitalist manufacturers from different countries recognise, even when they are competing with each other, that they also have a common interest in the exchange of information, in research, in joining together for buying or selling, or in lobbying in places like Brussels, they will ordinarily be able to find the resources for the purpose. Co-operatives are not so fortunate. The industrial ones have certainly been on a growth path. But that does not mean they can spare much in the way of money for international activities.

In these circumstances some small funding from the European Community could be critical in priming the pump, and for no purpose would this matter more than in relation to the humdrum business of information.

The hope is that in the course of time a data bank of reliable facts could be assembled. The information needed falls into a number of different categories:

a) Updating of information from EC countries

The first category is similar to that contained in the country reports which follow this general overview. These could indeed be the starting point for a continuing data base. We say that while knowing full well that our resources have been very slight. But the country reports are a start; and they would be of much greater value if, with all the rapid changes that are now in train in virtually every EC country, they could not only be repeated at greater depth but be kept up to date. When the feminist movement in Italy is promoting a range of new-style women's co-operatives or Ireland an extension of the rural social services provided by their community co-operatives, it should not have to wait upon chance until someone in another EC country hears about it. Ears are open.

There is against the sombre background of the European economy a readiness in the co-operative sphere to adopt new ideas.

If people are unusually receptive, especially about co-operative endeavours, to ideas to moderate the harsh effect of unemployment, then now is the time when their willingness to innovate should be fed with up-to-date facts about new departures capable of being adapted for use in their own countries. There is already more than enough material for a regular newsletter.

b) Support initiatives

Up-dated information about the support given to co-operatives by national, regional and local authorities could also be of value in other ways, by providing precedents which less forward governments might be prepared to consider. This also applies to the legal framework.

We are emphatically not proposing any 'harmonisation' of the law on co-operatives throughout the European Community.

That would be counter-productive. But there is still some hope in distributing information about the law and practice in different countries because, again, it will keep open the possibility that governments and co-operative officials will be able and willing to learn from good practice elsewhere. There is not a single EC country which does not in one respect or another have something to teach others and, equally, none so admirable it has nothing to learn from others.

c) A statute for European co-operatives

Despite what we have said about 'harmonisation' of the law on co-operatives we are nevertheless in sympathy with the proposal put forward by COGECA, the General Committee of Agricultural Co-operation in the EEC, EUROCOOP, the European Association of Consumer Co-operatives, and UGAL, the Union of Food-Buying Groups that there should be a body of law for inter-state co-operation among co-operatives. This would greatly help co-operatives in different member countries to co-operate with one another as advocated by the sixth principle of the ICA.

d) Statistical data

Another category of information is somewhat less straightforward, being statistical information which does not exist at present. One of the grave handicaps from which we have suffered in preparing these reports is the virtual absence of statistical data for some countries. For France and Italy, and for them almost alone, the figures are relatively ample. It is possible to pinpoint the number of co-operatives and their distribution between sectors of the economy. For most other countries it is a question of making shift with what paucity of material there is. This stricture does not apply nearly so much to the most securely established sections of the co-operative movement - agriculture, retailing, housing, credit - for the obvious reason that they are so well established. But worker co-operatives in their present buoyant state are a relatively recent phenomenon; they do not necessarily belong to support organisations and even when they do statistical information may not be collected in a systematic fashion. This is especially likely in those countries which, like the UK, have more than one support organisation.

The statistics for worker co-operatives have not by any means kept up to date with the growth. This is a matter which should be taken in hand in discussions with co-operative organisations and with governments.

The object would be to persuade the authorities concerned to keep proper statistics and to make them as far as possible comparable between one country and another. Eventually, the figures might be reliable enough to enable the European Community, individual governments and co-operative organisations to know where the most rapid growth

(or decline) is, by countries and by sectors. On such basis of fact discussion about policy would be as firmly based as it could be and pointed questions raised about both successes and failures.

e) In-depth studies of co-operative businesses

Yet another category of information is different again. A great deal is known about capitalist business, although of course not enough, especially about small and medium enterprises. But about co-operative business strangely little is known. There is a great deal of literature about aspirations; very little about the nitty-gritty of organisation. This dearth means that time and time again the apparent success or failure of a co-operative has, if noted, to be left without explanation. In the body of this report we have commented on the standard problems of co-operatives - shortage of capital, quality of management, extent of participation.

What we have not been able to deal with, except for the most part impressionistically, is the more important matter of how the shortage of capital is overcome when it is, nor the still more important matter of how effective management is secured with enough authority to take decisions which will stick while at the same time maintaining the open, participative atmosphere which is intrinsic to co-operative working at its best.

It is a sad commentary upon the present state of knowledge that there is hardly a single really well-researched and objective case-study which penetrates into the innerness of operation of even one successful co-operative, with the possible exception of Mondragon. Why this has been so influential is in good part because the facts (or some of them) are there and at least some reporting has been done. The value of that illustrates the need for new research on a form of business which seems to be becoming increasingly common.

f) Motivation and morale

Another tricky but important subject which would repay enquiry is motivation and morale.

In what circumstances are people motivated to set up or enter a co-operative?

Does co-operation work better for some people than for others?

A variant of this question is about the adherents of the alternative movement. Many of them are clearly striving for a different style of life of which co-operatives as a form of economic organisation are only a part. Can their hopes for a radical change in their way of life, even in the whole ethos of modern civilisation - 'Lebensreform' to use the term of the German alternative movement - be combined with reasonable efficiency in the co-operative mode by which they intend to earn a living? When is there a reconciliation and when not?

The emphasis of all research should, in our submission, be empirical, at least until a good deal more is known than at present, enough to justify the building of some fact-based theories. Professor Vanek, an economist, is the only modern theorist of co-operatives of

world fame. There could in time be more. 'Co-operation' is a great prompter of lofty talk; it has not so far proved itself nearly so much of a stimulus for hard-headed research.

g) Workings of support organisations

Before leaving this question there is one more topic to mention, which has again been given some prominence in the preceding pages. It is to do with the support organisations in each country. If our conclusion is right it is difficult to overrate their significance. That being so, we would suggest that a study in depth of the way they work in practice, and implicitly at any rate of what each could learn from one another, should rank as a priority in any further research that is done.

7.5 An information clearing-house: what kind of institution?

If this kind of case be accepted then the next issue is about the assignment of the responsibility for the collation of the information and the promotion of research. Unless responsibility is firmly pinned upon a suitable body very little is likely to happen of a systematic nature. As with all such proposals the preliminary question which must always be asked is whether there is an existing body which could do the job. Never start a new organisation if there is already a suitable one in existence. It could be already either performing the role or could perform it within the Commission as an attachment to a body like CEDEFOP in Berlin, or it could be outside the Commission. The situation appears to be that there are, at any rate on a world scale, many research bodies (many also for education and training) inside or on the edges of the co-operative movement. These are particularly common outside Europe, ranging from the Casa de Rochdale which publishes Cultura Rochdaliana in Buenos Aires to the Bureau pour le Développement de la Coopération in Cherkaoui in Morocco. In Europe also there are many similar bodies, amongst the best known being le Collège Coopératif and the Institut Français de la Coopération in France, Beechwood College, the Co-operative College and the Plunkett Foundation in England. There are also large numbers of departments in universities in Germany and elsewhere which have some interest in co-operative studies.

But so far there is no body which has the function indicated, namely a clearing-house for information and a promoter of study and research.

7.6 Choice between countries

If it were decided that the European Community could devote some small resources to establishing such a body - which would mean exploring its nature, programme and location and then giving partial support to its programme in the early years - the search could begin. Each member country could be asked to put up a proposal which would amount in an informal way to a tender. This would show how much in the way of resources that country would be able to put into the support of the institution if it was in that country, and whether the proposal was to graft some new function on to an existing body or to create a new one.

It would be made clear from the beginning that though the European Institute for Studies of Industrial Co-operatives, as it might be called, would be placed in one particular EEC country, its brief would be to mobilise research resources in any of them, especially when studies were themselves necessarily cross-national.

The Institute would be specially charged with giving advice to Members of the European Parliament and to the EC staff on any matters to do with worker co-operatives, as well as publishing an annual report on the state of worker co-operatives in Europe as a whole. We are proposing that it should, at any rate to begin with, concentrate on worker co-operatives because so little is known about them, and their significance for employment is particularly great.

7.7 Education and training: a European 'Harvard'

Another function for action on a European scale would be to do with training. Several countries already have colleges and the like which conduct courses for co-operative members and others and sometimes there is some specialisation on the needs of worker co-operatives.

But there is nothing which approximates a European Co-operative Business School, and it is this in particular that we think is required for higher studies and training, if only to train those who are themselves responsible for training in their own countries.

The single most grievous deficiency of worker co-operatives is that, with many fine exceptions, they do not have enough skilled managers, skilled not just in management but also in how to meet the special challenges which co-operatives present to managers. A European School could begin to remedy this deficiency with a combination of courses to last at least a year, together with a variety of sandwich courses combining training with continuing work experience, and with short courses and seminars. There is much to be said for adding this educational function on to the research function already mentioned, which would mean that the proposed European Institute would have a rather comprehensive role in the future development of co-operatives throughout the Common Market. Research and education can with good leadership, be natural bedfellows, especially when all the 'students' (mature men and women as they will often be) could be encouraged to undertake research, before and after leaving this European 'Harvard'.

7.8 Social Fund and training

Quite apart from anything that is done on that level there is also a case, which has been argued before, that

the 'European Social Fund should explicitly acknowledge the role of community enterprise and co-operative initiatives in promoting new employment growth.'*

This would be done as part of the forthcoming review of the

* European Community Support for New Employment Growth: Community Enterprise and Co-operatives: Some Initial Proposals about the Role of the European Social Fund, National Council for Voluntary Organisations, London 1981.

Social Fund. It implies not just that some support should be given to the kind of higher training just mentioned but also to the more everyday training for managers and other members of co-operatives which are making some special contribution to the reduction of unemployment. Arrangements for the exchange of personnel between co-operatives would also be of value. Such developments might well call for the creation of a new budget line which would provide support for them, and allow for the special conditions in which they operate. It would make a great difference if the '50% rule' could be relaxed for such bodies particularly if like so many co-operatives they are starting up from scratch. At such times every sou has to be counted. It would also be a boon if as part of any support the EC gave to pilot projects more experimental co-operatives could be backed.

7.9 Strengthening the support organisations

Before coming to our final recommendation at the European level we want to say another word about the support organisations. They are already crucial; they could be more so still, especially if they could support each other on a more ample scale than they do now. SCOP showed what can be done when with typical magnanimity it gave a grant to its small sister organisation in Holland to enable ABC to move forward at a very critical stage of its development. The research study already proposed might well help to encourage such generous moves. But in addition to that there is (we believe) much more that could be done. A case study attached to the UK country report is of a rather flourishing food wholesaler, SUMA. They imported quite large supplies of spaghetti from Italy. They did not know that there were three Italian federations and if they had written to any of them they could have got the names of co-operatives supplying what they wanted. They would presumably in the end have had to accept the lowest price. But if they had known of the Italian co-operatives they could at least have given them the chance to quote their terms.

The achievement of such inter-co-operative co-operation requires once again specific, regular information about prices and qualities which could perhaps be circulated internationally, before one day being computerised.

There is also scope for co-operative consortia to sell services. Intercoop buys in bulk on the world market for consumer co-operatives. Worker co-operatives could try to emulate the consumers, but when they are selling rather than buying. Sometimes they might be led by the sort of engineering consultants who are established as co-operatives in Holland and elsewhere, and backed by a number of co-operative banks from different countries rather than just by one.

In the age of the multi-national company, co-operatives need to explore every possibility of working together across frontiers.

In this way they might gain some of the economies of large scale without losing the benefits of small scale which are so essential to the realisation of co-operative ambitions. A range of possibilities for co-operation between support bodies could be considered at the gathering already proposed to review the means by which information could be made to flow more freely.

7.10 European Co-operative Development Fund

The last recommendation is perhaps the most far-reaching. It is that, with the backing of the European Parliament, if it can be gained, a European Co-operative Development Fund should be set up. If to start with it had at its disposal £25 million a year at 1982 prices that would clearly not be a large amount when there would be potential claimants upon the Fund from wherever there is an interest in worker co-operatives, which means in all the ten member countries. Clearly not a great deal could be done in a major country with £2½ million. But, bearing in mind once again the shortage of resources which characterises co-operatives, it could still act as an important stimulus if the Fund were used to encourage co-operatives to embark on new and promising experimental approaches to the creation of employment. It would need to be demonstrated that the members of the co-operative drawn from the locality where it was sited were making their own special efforts, through their own work and money, to establish their co-operative on a sound footing with regional and neighbourly feeling behind them.

Some preference could be given to regions and areas with a specially high level of unemployment, and where, in relative as well as in absolute terms, the decline in the local economy was accelerating. The justification for such a step would be in part that worker co-operatives in their modern form are somewhat like an 'infant industry' on a European scale. They offer some hope of injecting a new set of ideas and practices into European industry. These may not be on a large enough scale to affect prospects in general for quite a time. But their promise is sufficient to justify some special nurturing. This ground is not yet well covered. The European Community could, with relatively modest expenditure, occupy a central place in this arena. It would be more effective a signal to government and other bodies, and more likely to be taken as a precedent, if a new Fund was set up, although to earmark a percentage of allocations from the Regional and Social Funds for this kind of purpose would be an important step forward. Europe is waiting for leadership, and our hope is that by a variety of means that need will be met.

* * *

8 CODA

8.1 Democratic aspirations

This is an introduction to the country reports and the reader who goes through them will have to make up his own mind about the potential of co-operatives, especially as a means of preserving and creating employment. We for our part consider that they certainly have a worthwhile contribution to make. The essential character of

a co-operative is that it translates into working life the aspirations that are now recognised and acknowledged in the political life of all the Common Market countries, which are taken together the great bastion of democracy in the world. This was not, of course, always so, and almost wherever it was not, co-operatives were either extinguished or emasculated. The Colonels in Greece, when they came to power and dismissed from power all the freely elected officials of co-operatives, were only doing what Hitler and other fascist dictators had done many times before them. Mondragon is a strange exception which shows the rule. Dictatorship cannot generally stand democracy in economics or in politics. Being in accord with an underlying belief about the manner in which society should be organised, co-operatives cannot fail to command some sympathy even from people who on hard-headed business grounds might be flatly opposed to them. Co-operatives are an expression of the deep-rooted human desire for autonomy, but in the workplace where authority, if under challenge, is not ordinarily accountable to the workforce in the way political leaders are accountable to their electorates.

8.2 Claims of efficiency

The doubt has not been so much about the principle as about the practicality of its application in industry. How many first-class managers are prepared to accept accountability to the employees with whom they have to deal every day? Will not workers with the ultimate power to choose their managers choose the wrong people, too tender-minded to be tough when the occasion demands it or without the essential qualities of which the workers will not necessarily be the best judges? We would guess that, with such sceptical questions in mind, most managers in most ordinary businesses, and most politicians, and most opinion-formers, would have, at least until recently, been unfavourable to worker co-operatives. Farmer co-operatives, yes, they have proved themselves. Worker co-operatives, they might say, to themselves and publicly, cannot work. It seems to us that this mood has been changing and that as worker co-operatives have expanded in number and scope so have more people inclined towards them. It is not as though capitalism has since the break in the post-war boom been going through its most brilliant period. An alternative has attractions which it would not have had even ten years ago.

8.3 A phenomenon of the 70s and 80s

Co-operatives are therefore a phenomenon of the 70s and 80s. It would be an unwise student of the subject who would commit himself firmly to a prediction about their future. What can be said is that the outcome will depend in good part upon the steps the co-operatives take to exert themselves in their own interests and, particularly, upon the steps they take to remedy what must still be counted their chief weakness, the quality of management. They could do a great deal by concerting the resources they have more effectively than they have done so far. Individual co-operatives are often too isolated and insufficiently aware in practice of that vital sixth principle of the ICA referred to earlier, that co-operatives should co-operate among themselves. Their support and representative organisations are also often too fragmented. Unity has been strength for the trade union movement; unity could be, equally, strength for the co-operative movement in all its many sectors. There is liable to be a contradiction on this point. Unity is needed; so is continued autonomy. The support organisations should therefore regard themselves as servicers rather in any way than as bosses.

8.4 Attitude of governments

The outcome will also depend upon the attitude displayed by governments. They have by and large been becoming more sympathetic, but with most having a long way to go before they can rival those of Italy and France. Co-operatives could be stifled by too much officious and official support. But they need understanding for their special problems and needs, and if they had it that alone would make a considerable difference to their prospects. The EEC is in the same state. If it could generate the same kind of understanding and give support in the crucial areas we featured in the last section it could be a stimulus to individual governments and at the same time pioneer action on an international scale which could be of both symbolic and practical value. Given statesmanship on three sides, the co-operatives, individual governments, the EEC, a genuine third sector of the economy of Europe may be a fact, not just an aspiration, before the Greek girl with whom this overview started is much past 30.

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9 APPENDIX

The following pages are a summary of the answers given to us in writing by experts on co-operative law from each of the EEC countries. They attended a meeting in Brussels on 'The Employment Potential of Co-operatives - Legislation and Taxation' in March 1981.

Answers were not supplied for Denmark and Greece because, as has been said in this overview and in the country reports, Denmark has no co-operative law and Greece has no worker co-operatives.

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| 1. HOW IS THE LEGAL CONCEPT OF A CO-OPERATIVE RELATED TO THE LEGAL CONCEPT OF ORDINARY COMMERCIAL CONCERNS IN THE COUNTRY CONCERNED? |
| 2. WHAT ARE THE STATUTES GOVERNING CO-OPERATIVE ORGANISATIONS? |

BELGIUM

1. Co-operatives are commercial societies.
2. Co-operative societies are governed by the act of 18.5.1873 and by other laws rationalised in 1935.

FRANCE

1. Not answered.
2. The law on commercial societies, 24.7.1966, and the law of 19.7.1978, the law on co-operation of 10.9.47 and the law on variable-capital companies of 24.7.1867 govern co-operatives.

GERMANY

1. A co-operative is mid-way between a partnership and a capital society.
2. The law on partnerships is relevant in parts. The law on producer co-operatives of 29.5.1898, amended in 1973, governs such co-operatives.

IRELAND

1. There is no distinct legal concept of a co-operative, which may be a partnership, a company limited by shares or guarantee or an industrial and provident society (I&PS). But virtually all co-operatives are registered under I&PS Acts and the work 'co-operative' has sometimes been defined as having this sense. I&PS have share capital with limited liability but share holdings may not exceed a certain limited amount prescribed by statute. Credit Unions are governed by special legislation.
2. I&PS Acts 1893 and amendments and the Registry of Friendly Societies Act are the main acts to do with I&PS; Credit Unions are governed by the Credit Union Act 1966.

ITALY

1. A co-operative is a limited liability company. A commercial company has profit as its aim, a co-operative does not.
2. Producer co-operatives are controlled by the Civil Code, articles 2511 to 2548 and the law 1577 of 14.12.1947 and successive amendments and the decree no. 278 of 12.2.1911.

NETHERLANDS

1. Ordinary companies have share capital, with votes according to shareholding. Shareholders have no liability. Co-operatives are under no legislation regarding capital - votes are according to membership. Rules of each co-operative set out members' liabilities. Co-operatives aim to promote the material interests of their members.
2. Statutes governing co-operatives are laid down in the second book of the Civil Code, sections 26-63 (26.7.76).

SPAIN

1. Not answered.
2. The law on co-operatives of 19.12.1974.

U.K.

1. The law neither defines a co-operative nor prescribes any legal form to which it must conform.
2. Most co-operatives are registered under the I&PS acts 1965-79. A few industrial and many agricultural co-operatives are registered as companies and as such are registered under the Companies Acts 1948-80.

3. IS THERE A COMPREHENSIVE LAW FOR ALL TYPES OF CO-OPERATIVES OR ARE THERE SEPARATE LAWS FOR EACH TYPE? IF SO, PLEASE SPECIFY.

BELGIUM	One legal regulation covers all types of co-operative.
FRANCE	There is one general law of 10 September 1947, plus laws specific to each type of co-operative.
GERMANY	There is one general law (1973) on organisation plus clauses which relate solely to certain types of co-operative.
IRELAND	There is no special legislation for any category of co-operative except Credit Unions, but the comprehensive law is applied differently in certain respects to different categories of co-operatives.
ITALY	There is one general law (no. 1577 of 14.12.1947) plus laws specific to each type of co-operative. (Agricultural co-operatives: Law 1235, 7.5.1948; Producer co-operatives: Law 278, 12.2.1911).
NETHERLANDS	One legal regulation covers all types of co-operative.
SPAIN	One general act and some statutory clauses related to each type of co-operative.
U.K.	There are no separate laws for different types of co-operative although the Industrial and Common Ownership (I&CO) Act of 1967 was intended to apply only to industrial co-operatives. Credit Unions are governed by the Credit Union Act 1976 and some types of housing co-operatives are subject to special legislation.

4. WHAT IS THE SCOPE FOR CHANGING STATUS FROM THAT OF A TRADITIONAL COMMERCIAL COMPANY TO THAT OF A CO-OPERATIVE ORGANISATION, AND VICE VERSA?

BELGIUM	<ol style="list-style-type: none"> 1. Possible in order to obtain variability in capital and of personnel. 2. Not answered.
FRANCE	<ol style="list-style-type: none"> 1. It is possible to change from a company to a co-operative, since the law passed on 19.7.1978, without it being the creation of a new entity, and therefore without it being taxable. 2. It is impossible to change from a co-operative to a company.
GERMANY	<ol style="list-style-type: none"> 1. No restrictions on changing status in either direction. 2. See above.
IRELAND	<ol style="list-style-type: none"> 1. Conversion of a company to a society or vice-versa is through the passing of a resolution by a special majority of members at a general meeting. Assets are automatically transferred. 2. See above.
ITALY	<ol style="list-style-type: none"> 1. Possible. 2. Impossible (law no. 127, article 14, 17.2.1971).
NETHERLANDS	<ol style="list-style-type: none"> 1. Possible. 2. Possible, but rare - usually assets are transferred to a trust fund for charitable purposes.
SPAIN	<ol style="list-style-type: none"> 1. The transformation of a commercial company into a co-operative is not regulated and is done in practice. 2. The transformation of a co-operative into a commercial company is regulated and is not done.
U.K.	<ol style="list-style-type: none"> 1. Companies can be converted into co-operatives quite easily but may be subject to capital gains tax. However, provisions in the 1976 and 1978 Finance Acts enable most transfers of this type to avoid this. 2. Co-operatives registered under the I&PS Acts can be converted into companies without difficulty.

5. WHICH IS THE BODY RESPONSIBLE FOR DECIDING WHETHER A GROUP CAN BECOME A CO-OPERATIVE?

BELGIUM	There is none. The National Council for Co-operation can licence a co-operative which gives certain advantages.
FRANCE	There is none. But authentic co-operatives are registered on a list held by the Ministry of Employment.
GERMANY	The magistrate's court registers co-operatives and verifies that all conditions are satisfied before registration.
IRELAND	The Registrar of Friendly Societies.
ITALY	A co-operative is registered by the legal authorities. It may also be registered by the local authority if a board decides the co-operative is authentic.
NETHERLANDS	The public notary who drafts the founding deed sees to the fulfillment of legal requirements.
SPAIN	The Ministry of Employment.
U.K.	The chief Registrar of Friendly Societies also registers enterprises under the I&PS Act and he may certify a limited company as a 'common ownership' enterprise. The Secretary of State for Industry certifies a 'co-operative enterprise' for the purpose of registering under the ICO Act and the Secretary of State for Agriculture can certify that an agricultural co-operative which is registered as a company should be treated as a co-operative for tax purposes.

6. HOW MUCH DOES IT COST TO REGISTER A CO-OPERATIVE?

BELGIUM	1% of initial capital.
FRANCE	1% of the registered capital and a fixed tarrif to the Registrar of the commercial court.
GERMANY	There is no tax, but there is a small payment to cover costs (150 DM).
IRELAND	£50 (Irish £) or £10 if model rules are used.
ITALY	Registration with the court is free. The cost of institution is from 200 to 400,000 lire.
NETHERLANDS	Registration costs vary, but include: Dfl 400 (approx) for the notarial deed; at least Dfl 120 for registration on the commercial register (this cost increases according to the size of capital); and a yearly registration fee with the Chamber of Commerce which varies from Dfl 25 to Dfl 10,000 according to the size of capital.
SPAIN	Registration is free.
U.K.	If registered under the I&PS Acts the co-operatives rules either conform to a model already approved by the registrar of Friendly Societies, in which case the cost is £84, or its rules are specific to the co-operative, in which case the cost is £179. If incorporated as a company, registration costs £50.

7. HOW LONG DOES IT TAKE TO REGISTER A CO-OPERATIVE?

BELGIUM	There is no delay - registration is done immediately.
FRANCE	Roughly 4 months.
GERMANY	4 to 6 weeks, occasionally longer.
IRELAND	1 to 2 months.
ITALY	2 to 3 months.
NETHERLANDS	4 to 6 weeks.
SPAIN	3 months.
U.K.	Provided there are no complications, approximately 6 weeks.

8. TO WHICH AUTHORITY ARE CO-OPERATIVES ACCOUNTABLE?

BELGIUM	There is no special authority. They are answerable to common law.
FRANCE	Common law courts.
GERMANY	There is no special statutory body but the support agencies can monitor co-operatives.
IRELAND	The Registrar of Friendly Societies.
ITALY	Co-operatives not governed by special legislation are all under the authority of the Ministry of Employment which carries out an inspection once every 2 years. This inspection can be delegated to one of the representative bodies if the co-operative belongs to one. Some co-operatives are under the control of special authorities, eg. the agricultural consorzi.
NETHERLANDS	Apart from general rules about safety at work etc. the only legal requirement for co-operatives is the publication of statistical returns as set out in question 9.
SPAIN	There is an inspection by the Ministry of Employment.
U.K.	Companies registered under the I&PS Acts are accountable to the Registrar of Friendly Societies, those registered as companies are accountable to the Registrar of Companies.

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| <p>9. ARE THERE STATUTES CONTROLLING THE STATISTICAL RETURNS OF CO-OPERATIVES?</p> <p>10. WHAT ARE THE REQUIREMENTS CONCERNING THEM?</p> <p>11. ARE THEY PUBLISHED?</p> |
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BELGIUM	Co-operatives are not obliged to provide statistical returns but the Federations keep their own and CIRIEL undertakes annual investigations.
FRANCE	Statistical returns of co-operatives are not officially controlled, but the law of 19.7.1978 makes registration of co-operatives on the list at the Ministry of Employment conditional on the production of a balance-sheet, profit and loss account and trading account. This information is not processed by the government but this is done beforehand by the Federation of Co-operatives who must pass a verdict of approval before the co-operative can be registered. The Federation produces a record of co-operative accounts from these various pieces of information.
GERMANY	Co-operatives are obliged to publish an annual balance-sheet. The Federations fix any other statistical obligations. Credit Unions must make special declarations. Reports are published by the DG Bank and by the Federal office of statistics.
IRELAND	The form of annual statistical returns is prescribed by the Registrar, and must include an income and expenditure account and balance sheet. Membership and shareholdings must be submitted once every three years. The returns are unpublished but are available for public inspection.
ITALY	There is no legal obligation to produce statistics. However, when the Ministry of Employment carries out its two-yearly inspections, economic statistics for the co-operative are released. These are published by section: consumer co-operatives, industrial co-operatives, agricultural co-operatives, transport co-operatives, fishing co-operatives and mixed co-operatives.
NETHERLANDS	Co-operatives are required by law to provide a list of members, the names and other data on directors and their powers, if any and annual accounts. If the co-operative's capital exceeds Dfl 3 million, the accounts have to be audited by an independent auditor. These statistics are entered in the commercial register where they are available for inspection.
SPAIN	Co-operatives are legally obliged to provide statistics on their area of activity, the number of members, share capital and reserves.
U.K.	Annual returns are required of co-operatives by law but the Chief Registrar has some discretion on the detail of information required. It is generally less than that required of a company. Annual returns must include factual information regarding membership, capital and directors, accompanied by an annual report and an accounts balance sheet after they have been laid before the society's AGM. The annual returns are not published but are available for public inspection.

12. WHAT IS THE MINIMUM AND MAXIMUM NUMBER OF MEMBERS ALLOWED?

BELGIUM	The minimum is 7 members, but there is no maximum limit.
FRANCE	The minimum for limited liability co-operatives is 4 working members and for limited co-operative companies it is 7 working members. There is no maximum limit.
GERMANY	The minimum is 7 members. There is no legal maximum limit but this may be governed in the co-operative's rules.
IRELAND	The minimum is 7 members, but there is no maximum limit.
ITALY	The minimum is 9 members or 25 in the case of co-operatives that have been allowed to appeal for public funds. There is no maximum limit.
NETHERLANDS	There is no minimum or maximum limit.
SPAIN	The minimum is 7 members, but there is no maximum limit.
U.K.	The minimum is 7 members for an I&PS, or 2 for a company. There is no maximum limit.

13. IN PRODUCER CO-OPERATIVES:

- a) IS MEMBERSHIP CONFINED TO WORKERS?
- b) DO ALL WORKERS HAVE TO BE MEMBERS AS A CONDITION OF EMPLOYMENT?
- c) CAN ALL WORKERS BECOME MEMBERS IF THEY WISH TO?
- d) ARE ALL OR SOME WORKERS COVERED BY STATE SOCIAL SECURITY?

BELGIUM

There are no true producer co-operatives in Belgium and therefore this section was not answered.

FRANCE

- a) No. There can be non-worker members.
- b) No.
- c) Yes, after a certain period stated in the rules (usually 1 year).
- d) Yes.

GERMANY

There are very few producer co-operatives in Germany and therefore only some of this section was answered.

- a) There are no legal dispositions but rules are free to specify that only workers may become members.
- d) Social security cover is governed by the status of the wage earner and not the type of enterprise.

IRELAND

- a) There is no provision in law - in practice, no.
- b) There is no provision in law, but there may be in the society's rules.
- c) There is no provision in law - the management committee usually decides.
- d) Yes.

ITALY

- a) Usually, yes. But technicians and administrators necessary to the proper functioning of the co-operative can be up to 12% of the total membership.
- b) No. But the majority of the workforce must be members.
- c) Yes, if the management committee approves.
- d) Yes.

NETHERLANDS

There are no legal provisions on this subject, but in practice:

- a) Generally yes.
- b) Membership is not compulsory.
- c) Yes, after a certain period (usually 1 year). Generally membership entails certain financial liabilities towards the co-operative..
- d) Social security is provided by trade unions, some of whom have refused to accept co-operative members. The underminister for Social Affairs has promised to change this, but nothing has been done so far.

SPAIN

- a) Yes.
- b) It is allowed that 10% of the workforce may not be members.
- c) Yes.
- d) Yes.

U.K.

- a) Membership is not restricted by law but may be by the rules of the co-operative.
- b) Employees are not bound by law to be members.
- c) All workers may be eligible for membership - the rules specific to the co-operative govern all the above points.
- d) Normal social welfare provisions apply to co-operatives. Once an unemployed person is no longer available for full-time work he loses his benefit, whether he is being paid or not.

14. IS THE INTEREST PAYABLE ON SHAREHOLDINGS LIMITED BY LAW?

BELGIUM	The law on commercial societies states: "profits and losses are divided each year, half divided equally between all the members and the other half divided in proportion to members' shareholdings".
FRANCE	The total amount of interest paid on capital must not be more than the total dividend paid out to the workers, member or not. The interest on capital must not be more than the average rate of return on debentures issued.
GERMANY	A distinction should be made between interest paid on shares, which is not limited, and interest paid on assets (ie. the money actually invested by members). Rules allow the payment of interest on members' investments only when profits or reserves allow it.
IRELAND	No. Society's rules will set a limit.
ITALY	Yes. 5% maximum.
NETHERLANDS	A co-operative has no share capital, so the law does not provide for distributions to shareholders.
SPAIN	Yes. The maximum rate is the base rate of the Bank of Spain or 11% at most.
U.K.	No. In the case of I&PS the dividend shareholding is limited in each case by the registrar of Friendly Societies, in the case of companies it is unlimited.

15. DO MEMBERS HAVE TO HOLD SHARES IN ORDER TO BE ACCEPTED INTO MEMBERSHIP?

16. WHAT IS THE MINIMUM SHAREHOLDING?

BELGIUM	Yes, members do have to hold shares, but there is no legal minimum. Shares are non-transferable.
FRANCE	Yes. The law states that it is only necessary to hold one share but the co-operative's rules may demand a higher shareholding.
GERMANY	Yes, at least one share must be held. Rules can stipulate a higher shareholding. The compulsory minimum investment is fixed by the rules and can be paid in installments.
IRELAND	There is no explicit provision to this effect in the legislation but the rules of the society usually provide for membership only on a minimum shareholding.
ITALY	Yes. At least one share of 5,000 lire must be held. No member can hold more than 4 million lire-worth of capital in an industrial co-operative.
NETHERLANDS	There is no legal provision for financial participation by members but the rules of the society often demand it.
SPAIN	Yes. There is no legal minimum, but the rules may specify.
U.K.	It is necessary to own at least one share in order to be a member of an I&PS; this is not however the case for companies.

17. DO SHARES HAVE TO BE SURRENDERED WHEN LEAVING A CO-OPERATIVE?
IF SO, IS ANY PAYMENT RECEIVED?

BELGIUM	Yes. The member receives his share as it stands at the end of the company trading year in which his notice was given.
FRANCE	Shares can be surrendered within a maximum period of 5 years from the date of leaving. Payment is made on the nominal value, after a deduction of an amount in proportion to the eventual losses of the company.
GERMANY	Yes. The member's original investment is repaid. Since the law passed in 1973 he may also receive a share of the real value of the co-operative in the form of a share of the special voluntary reserve fund. This possibility is rarely exploited in practice.
IRELAND	No provision in law is made on this point, except to say that the issue of 'withdrawable' shares by a co-operative is prohibited. 'Withdrawable' is not defined, but it would appear to prevent a member from surrendering his shares and a society from paying any refund on them. Co-operative rules do not usually require a member to dispose of his shares on leaving the co-operative.
ITALY	Yes. Reimbursement is made at the nominal value.
NETHERLANDS	The general meeting decides on these questions. Generally a worker will receive modest interest on the money he has lent to the co-operative while he works there and the loan will be repaid when or soon after he leaves.
SPAIN	Yes. A discount is possible if the balance is revalued.
U.K.	Shares usually have to be surrendered on leaving a co-operative. The capital value is usually reimbursed, but not always.

18. CAN A MEMBER DISPOSE OF HIS SHARES IN THE COURSE OF MEMBERSHIP?
WHAT PAYMENT MAY HE RECEIVE?

BELGIUM	Yes, if the general meeting or the rules allow it. Shares are only transferrable to other members.
FRANCE	The law leaves it up to the rules of individual co-operatives to settle this question. Shares can only be sold to another member or to the co-operative as a whole, however.
GERMANY	Not generally but partial disposal is allowed if a member holds more than one share.
IRELAND	No provision is made on this point in the law, but rules of societies usually provide that shares are transferrable subject to the approval of the management committee as long as he does not dispose of all his shares, in which case his membership will cease.
ITALY	Yes, if the management committee agrees.
NETHERLANDS	Does not apply.
SPAIN	Not unless the management committee expressly permits it.
U.K.	There are no legal restrictions, but I&PS rules may make restrictions. Shares can only be redeemed, repaid or withdrawn at face value during membership but rules may permit this to be exceeded at winding up.

19. WHAT IS THE PROVISION OF THE LAW RELATING TO LOANS TO CO-OPERATIVES?

BELGIUM	None.
FRANCE	None, unless it is the act of 1938 setting up the Caisse Centrale de Credit Co-operatif.
GERMANY	None.
IRELAND	The rules of a society must specify whether it may contract loans and if so under what conditions. There is no legal limit to the amount of a loan, but the Registrar must approve all forms of fund-raising other than subscription shares whose total value is less than £10,000 in any six-month period.
ITALY	None, except the act no. 1421 of 15.12.1947 setting up a special department for loans to co-operatives.
NETHERLANDS	No legal provisions are made.
SPAIN	None.
U.K.	The only provision under the I&PS Acts governing loans prescribes in effect that co-operatives must not be run with the object of making profits mainly for the payment of interest. In practice the Registrar allows co-operatives to pay interest sufficient to obtain the necessary loan.

20. IS ANY DISTINCTION MADE BETWEEN LOANS FROM MEMBERS AND NON-MEMBERS? IS INTEREST TO MEMBERS OF THE CO-OPERATIVE LIMITED? IS INTEREST TO NON-MEMBERS LIMITED?

BELGIUM	No distinction is made.
FRANCE	No distinction is made except that interest to members is limited to the amount paid by the Bank of France + 2 points, while interest to non-members is set at the current market price.
GERMANY	There is no legal distinction and none is made in practice. Loans from non-members are extremely rare.
IRELAND	No.
ITALY	There is no legal distinction, but there are differences in the level of taxation. For a member, if the loan to the co-operative is limited to 17 million lire and if the interest paid is equal to or less than 13.5%, then interest is exempt from ILOR (regional tax on revenue) and is subject to taxation at source of 10% instead of the usual 20% paid on bank deposit interest. For non-members, interest of any amount can be paid.
NETHERLANDS	No legal provisions are made on this point.
SPAIN	No distinction is made.
U.K.	There is no distinction made in the respective acts between loans from members or non-members.

21. WHAT IS THE LAW WITH REGARD TO THE WAY PROFITS ARE DISTRIBUTED?

BELGIUM	This point is governed by the general provisions to do with commercial societies, but there are no restrictions apart from the legal reserves.
FRANCE	15% goes to the legal reserves until they have reached the level of capital. (For ordinary companies it is between 5% and 10% of the level of capital). Rules fix a compulsory payment of a certain percentage to a supplementary reserve fund, known as the development fund. At least 25% of the net profits must be allocated to the workforce, whether members of the co-operative or not, to be divided in proportion to their salary or hours. This sum can be frozen for five years so that national insurance and tax do not have to be paid if a general meeting so agrees. The law does not provide for distribution of profits to other causes. Surpluses can only go towards charitable purposes after liquidation.
GERMANY	The rules are free to decide for themselves on this point. They must specify a minimum sum to be allocated to the compulsory reserve funds. They may add to this an optional reserve and specify that all the surplus must be paid into it. The amount to be distributed to workers is decided in a general meeting. A certain amount may be set aside for charitable purposes. In producer co-operatives, division of profits may be made in proportion to salaries or to the amount invested by each member.
IRELAND	There is no law governing the distribution of profits, but the rules may do so.
ITALY	At least 20% of profits must go to the legal reserves. Dividends cannot be more than 5% of the share value. In producer co-operatives surpluses can be distributed to workers, but only up to 20% of the usual total salary-bill. If it is higher than this the distribution is considered to be profit-sharing and taxed as such. The distribution to members is done in proportion to salary earned. Some of the surplus can be given to other bodies. This is up to the general meeting or the rules.
NETHERLANDS	No law governs the distribution of profits - the rules of the co-operative decide what uses to put them to. However, in practice, profits are paid into reserves, distributed to workers or allocated to community or other projects.
SPAIN	15% goes to the compulsory reserve fund. 10% is allocated to a fund for education and charitable purposes and the remainder can be distributed to members. In a workers' co-operative this distribution is done in proportion to salaries.
U.K.	The I&PS Acts do not prescribe any minimum proportion of earnings to reserves, but this may be prescribed by the rules.

22. CAN PROFITS DISTRIBUTED TO MEMBERS BE ENCASHED OR DO THEY HAVE TO BE HELD IN ADDITION TO SHAREHOLDINGS?

BELGIUM	Both possibilities are open - the rules will provide for this.
FRANCE	Profits can either be encashed, or, if members agree, they can be held up for 5 years and are then exempt from tax and national insurance. If the general meeting agrees they can be converted into shareholdings.
GERMANY	Until the minimum shareholding has been reached the profits must go towards this. Once this threshold is crossed, credit may be cashed at any time. Rules may specify that these surpluses will be used to purchase additional shares or that they can only be cashed after a certain period.
IRELAND	No provision is made in law, but rules usually provide that dividends are not payable in cash unless there is a reserve in excess of liabilities.
ITALY	Yes, they can be encashed unless the rules dictate otherwise.
NETHERLANDS	No provision is made in law, but rules of a co-operative may specify that a certain percentage should remain on loan to the co-operative.
SPAIN	There is no legal provision and either option is open.
U.K.	There are no provisions in the respective acts, but again rules may apply.

23. DOES THE TAXATION WHICH APPLIES TO COMMERCIAL COMPANIES ALSO APPLY TO CO-OPERATIVES?
24. ARE THERE STATUTES SPECIFIC TO CO-OPERATIVES ON TAXATION OF INTEREST AND PROFITS PUT TO RESERVES OR DISTRIBUTED?

BELGIUM

As a rule the same regulations apply to both commercial and co-operative companies, but there are certain advantages granted to registered co-operatives, such as a reduced rate of corporation tax, the fact that the interest paid on the money invested in the co-operative by its members is non-taxable and that the first 1,500 francs interest paid on capital invested in a co-operative is exempt from income tax.

FRANCE

No business licence fee is levied on co-operatives. Tax on profits is theoretically at the same level as in ordinary companies (50%), whether they are distributed or put into reserves. However, sums paid out to workers are deductible from taxable profits and hence are exempt from corporation tax. (They are regarded as a bonus and hence eligible for income tax and national insurance). A co-operative may also allocate a percentage of profits to a workers' participation fund, tax free. It may then allocate a similar amount to an investment reserve and this will also be exempt from corporation tax provided the co-operative saves the same amount or more in the following four years. These two regulations mean that if a co-operative exploits them correctly they pay considerably less than 50% tax. As well as this and in the same way as limited companies, 3,000 F per employee and 1,000 F per dependent child can be invested each year, free of tax, in a shareholding, as long as this shareholding is retained for at least 5 years.

GERMANY

Co-operatives are subject to the normal rate of corporation tax. Credit Unions pay 46% corporation tax instead of 56%. Tax on surpluses can reach about 60% for co-operatives.

IRELAND

I&PS are subject to the same code and rate of tax as all other businesses, except that tax on dividends is not levied on the company but on the recipient; discounts, rebates, dividends and bonuses made by a co-operative are deductible as expenses and Credit Unions are exempt from taxation. There are no specific statutes relating to co-operatives.

ITALY

Co-operatives which adhere strictly to co-operative law can benefit from a reduction of taxation (either total or partial). They can also be totally exempt from corporation tax and from the local revenue tax (ILOR). Interest paid on loans from members is taxable at a rate of 10% rather than at the rate of 20% payable for interest on bank deposits. Any distributed profits can be totally or partially exempt from tax.

NETHERLANDS

Both commercial and co-operative companies pay 48% tax on profits, but whereas commercial firms are taxed on dividends distributed to share-holders co-operatives pay no tax on money distributed to workers - this is taxed only as income. If the member chooses to lend his bonus to the co-operative reserves he pays no tax as long as he receives no interest.

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24. ARE THERE STATUTES SPECIFIC TO CO-OPERATIVES ON TAXATION OF INTEREST AND PROFITS PUT TO RESERVES OR DISTRIBUTED?

SPAIN

Corporation tax is 18% rather than the 33% paid by traditional businesses. The share allocated to the charitable purposes fund is tax deductible. Transactions between co-operatives are exempt from tax, as are profits distributed to members. There is a rebate of 95% on the taxation licence.

U.K.

The same tax regime governs I&PS as governs other co-operative or conventional companies. However, I&PS pay a flat rate of corporation tax at all levels of profit and enjoy certain minor tax concessions. There are no specific statutes relating to co-operatives. However, bonusses distributed to worker members is deductible for corporation tax purposes but liable to personal income tax etc.

25. WHAT GRANTS OR OTHER FORMS OF FINANCIAL AID ARE CO-OPERATIVES ENTITLED TO RECEIVE FROM PUBLIC AUTHORITIES?

BELGIUM	There is no State aid specifically for co-operatives. There is, however, a concession on investment credit, where a maximum guarantee of 75% is required.
FRANCE	Co-operatives are entitled to the same grant aid that ordinary companies are entitled to, such as establishment grants, regional development aid etc. The Ministry of Employment has given the Federation a grant to study take-overs of ailing firms by co-operatives. The regulations governing public contracts allow, in theory, that co-operatives should be favoured in the granting of such contracts. The law of 19.7.1978 allows local authorities to give grant aid to co-operatives but this option is rarely taken up. There is no reduction in interest paid by co-operatives on bank loans.
GERMANY	There is no state aid specifically for co-operatives. Any aid they do receive is due to political motives (subsidies for job creation, regional development etc) rather than to their legal structure.
IRELAND	The Industrial Development authority gives grants under a special scheme to promote small industry (50 employees or less, assets of £400,000 or less). The Industrial Credit Corporation, merchant bank, gives long-term loans. Gaeltarra Eireann promotes and finances development of co-operatives in Irish-speaking areas. None of the above concessions are specifically for co-operatives, however. Local Authorities are perhaps the most useful agency, since they are more inclined to be helpful to the small industries and are particularly interested in the potential for job creation shown by co-operatives.
ITALY	As a general rule co-operatives do not benefit from any state aid or grants. However, co-operatives set up by young people for projects of a community nature are supported and local authorities sometimes give modest financial aid to co-operatives. The state provides a fund of 111 thousand million lire to encourage co-operatives, which is controlled by the National Labour Bank and loaned to co-operatives at an interest rate 4 to 6 points lower than the normal bank rate. Local communities also occasionally start up appeal funds for co-operatives.
NETHERLANDS	Co-operatives are governed by the same aid laws as other companies and there are no special financial agencies to help them.
SPAIN	Co-operatives can obtain loans from the National Job Protection Fund up to a maximum of 500,000 pesetas per member, with an interest rate of 6 to 8% over 6 years. There are no other special grants.
U.K.	Co-operatives are not legally entitled to financial assistance or public contracts of any kind. However, those in many cities are eligible for £1,000 start-up grants under the Inner Urban Areas Act and all co-operatives are eligible for loans at slightly lower than market rates from a government-funded revolving loan fund administered by the Industrial Common Ownership Finance (ICOF).

26. DOES THE LAW REQUIRE THAT THERE SHOULD BE A BOARD OF DIRECTORS OR THE EQUIVALENT?

BELGIUM	The co-operative is administered by one or more authorised agents, members or otherwise, who are responsible only for their particular duties.
FRANCE	Yes. A management committee or a supervisory board for SCOP in the form of limited companies, a director for a co-operative which is in the form of a limited liability company.
GERMANY	Yes. A management committee and a board of trustees.
IRELAND	The law merely states that provision should be made in the rules for such a committee - there is no legal control on the make-up and powers of the committee, which are governed by the rules of a society. Credit Unions are under different legislation and there are detailed provisions for them,
ITALY	Yes, a management committee.
NETHERLANDS	Yes. A supervisory board is optional.
SPAIN	A supervisory board of 3 to 12 members.
U.K.	The I&PS Acts require societies to elect a management committee by equal vote.

27. HOW IS THE BOARD OF DIRECTORS ELECTED?

BELGIUM	The rules usually specify that this is up to the general meeting.
FRANCE	By the general meeting. A majority decision on the basis of one man one vote is taken. At least two-thirds of the management committee must be paid-up working members of the co-operative.
GERMANY	The board of trustees and the board of directors are elected by the general meeting. In co-operatives where the law on joint-management is applicable, the board of directors is elected by the board of trustees. Members of both boards must be members of the co-operative.
IRELAND	There is no provision in law, but rules usually specify that the committee of management is elected by the members in general meeting.
ITALY	By the general meeting.
NETHERLANDS	Board members are elected by members, although the rules may state that a minority of outsiders may have a vote. Board members do not have to be members of the co-operative by law.
SPAIN	Elected by secret ballot in the general meeting.
U.K.	As in the answer for q.26 for I&PS, but for companies the articles prescribe procedure and the Companies Act gives the general meeting the power to sack them.

28. WHO APPOINTS AND HAS THE POWER TO DISMISS THE CHIEF EXECUTIVE?

BELGIUM	This will be fixed by the rules but in practice it is usually the management committee.
FRANCE	The chief executive is appointed and dismissed by the management committee.
GERMANY	The notion of a chief executive is alien to co-operative law. The management committee assigns responsibility to those they think fit. The general meeting has the right to dismiss anyone from their duties.
IRELAND	The law only specifies that the rules of the society should make provision for this. These usually give the decision to the management committee.
ITALY	Appointment is made by the management committee. The chief executive serves the same term as the committee which appoints him.
NETHERLANDS	No provision is made in law, but usually the decision is in the hands of the board of directors. Occasionally it is put to the general meeting.
SPAIN	The board appoints the chief executive.
U.K.	Neither act prescribes a chief executive; rules and articles may do this.

29. IS THERE ANY PROVISION IN LAW FOR GENERAL MEETINGS OF MEMBERS?
WHAT ARE THE RIGHTS OF MEMBERS AT SUCH MEETINGS?

BELGIUM

The rules specify the rights of members, the form of the meeting, the majority required for a motion to be passed and the method of voting. All members vote at the general meeting with one man, one vote. Resolutions are taken according to the rules for limited companies.

FRANCE

Provision in law is the same as for ordinary companies, except that voting is on a one-man, one-vote basis; the quorum is calculated on the basis of the number of members, not on the percentage of shareholding and there is a limit on the power of members who are present to vote by proxy for those who aren't.

GERMANY

The general meeting is authorised to change the rules, dissolve the co-operative, authorise mergers and elect the board of trustees. Members have the right to participate and to vote on the basis of one man, one vote. Very important members may have up to 3 votes. A tenth of the members may call a general assembly. Proxy votes are limited to two per member.

IRELAND

Again no provision in law, except to state that certain major decisions may only be made by a majority vote at a general meeting and also that 10% of the members may require the Registrar to call a meeting. The rules of a society usually provide for annual general meetings and 1 man, 1 vote.

ITALY

General meetings are governed by articles 2532 and 2533 of the Civil Code. Votes are made on the basis of one man, one vote. Corporate bodies may hold up to 5 votes.

NETHERLANDS

Yes. The meeting decides on any question not already delegated to others by the co-operative rules (eg. directors). Members ratify the accounts, can change the rules of the society and nominate or dismiss the directors.

SPAIN

The general meeting is the supreme authority. All members have the right to vote.

U.K.

There is no law which says that you have to have general meetings, but the rules must provide for such an event. The rules of each individual co-operative specify the rights of members, but usually these are one man, one vote.

30. DO MEMBERS HAVE THE RIGHT TO NOMINATE DIRECTORS?

BELGIUM	Yes.
FRANCE	No. The management committee nominates them on the suggestion of the president.
GERMANY	Yes, the general meeting can nominate the board of directors, but this is, in practice, more often done by the board of trustees.
IRELAND	No law governs this apart from the general requirement that provision must be made in the rules - in practice it is usually the members who nominate directors.
ITALY	No. The management committee nominates them.
NETHERLANDS	Yes.
SPAIN	Yes, at a general meeting.
U.K.	I&PS don't have directors and the Companies Acts don't prescribe a right to nominate directors.

31. WHAT HAS TO BE CONTAINED WITHIN THE ANNUAL ACCOUNTS WHICH ARE PRESENTED TO MEMBERS?

BELGIUM	The same as those of all commercial companies.
FRANCE	The same as those presented to shareholders of an ordinary company, ie. a report from the management committee on administration, a balance sheet, profit and loss account and a trading account, the salaries of the 5 or 10 best paid workers, an auditors report and a special auditors report on the agreements made between the co-operative and its directors.
GERMANY	An annual balance sheet, the number of members and any variation in company assets, a profit and loss account and a management report.
IRELAND	This is up to the Registrar of Friendly Societies to decide in each case.
ITALY	As for all companies, ie. a balance sheet, a profit and loss account and a trading account.
NETHERLANDS	The annual reports on company accounts are not detailed but must give a true picture of the situation. The board of directors prepares the accounts which are then examined by a members' committee or an independent auditor. The 4th EEC directive on company law applies to co-operatives.
SPAIN	An annual report, balance sheet and trading account, as for all companies.
U.K.	The I&PS Acts simply require that members have access to annual returns and the latest balance sheet. The companies acts require that a profit and loss account, balance sheet and auditors report must be presented at the general meeting.

32. WHAT PROVISION IS MADE IN LAW FOR THE DISPOSAL OF ASSETS IN THE EVENT OF THE LIQUIDATION OF A CO-OPERATIVE?

BELGIUM	The rules are free to provide on this matter.
FRANCE	The members' shares are redeemed at face value. The accumulated reserves are non-distributable. On liquidation of a co-operative, if there is any surplus after repayment of debts, the money is set aside for charitable purposes or given to another co-operative.
GERMANY	Once all obligations have been fulfilled, assets may be distributed to members. If the rules specify that the sum may not be divided, it goes to the registered office's local community.
IRELAND	On liquidation the assets are distributed to members in proportion to their shareholding.
ITALY	If the co-operative is recognised as such, the reserves remaining after redemption of shares and repayment of debts are set aside for charitable purposes.
NETHERLANDS	The law only requires that the rules of the co-operative should make provision on this matter. The rules must specify to what purpose an eventual surplus will be designated and how such a purpose is to be chosen. As with all rules, these may be changed by a majority vote in the general meeting.
SPAIN	The rules are free to specify within the following limits: the charitable fund may not be touched; debts must be cleared; the optional reserves can be distributed to members according to their length of employment and their contribution and 50% of the compulsory reserves can be distributed to members. The rest is assigned to charitable purposes.
U.K.	Residual assets may be distributed as the rules allow and the members decide. The I&PS Acts only require that there be an instrument of dissolution which sets out the intended appropriation or division of funds and property or leaves it to the Registrar. Under the Companies Acts the residual assets are the property of the shareholders.

33. ARE CO-OPERATIVES REQUIRED TO JOIN A FEDERATION OF CO-OPERATIVES OR A SECONDARY CO-OPERATIVE?

BELGIUM	There is no legal obligation, but registration with the National Committee for Co-operation brings certain advantages.
FRANCE	There is no legal obligation. But the confederation is required by an act of 12.5.1979 to give a judgement before a co-operative can be registered on the official Ministry of Employment list.
GERMANY	A co-operative has to belong to some supervisory organisation but this does not necessarily have to be a co-operative body.
IRELAND	No. But producer co-operatives usually adhere to the Co-operative Development Society Ltd.
ITALY	There is no legal obligation. They must register with the Ministry of Employment, however.
NETHERLANDS	No.
SPAIN	There is no legal obligation.
U.K.	No.

34. IN WHAT WAYS ARE CO-OPERATIVES ADVANTAGED/DISADVANTAGED IN COMPARISON WITH ORDINARY COMPANIES?

BELGIUM	No particular advantages.
FRANCE	Co-operatives are exempt from the business licence fee; they are entitled to accept local authority grants; they are allowed to set up an investment fund, if there are surpluses and the general meeting agrees, which is exempt from tax; the self-financing of a co-operative is made easier by the application of the shareholders agreement, which could theoretically be applied to ordinary companies but which rarely is, and finally, they can benefit, at least in theory, from the fact that co-operatives can obtain government contracts.
GERMANY	There are some tax advantages, but these do not result from the law on co-operatives. There are legal restrictions and responsibilities which make the legal structure of co-operative unsuitable for enterprises which require a high capital input.
IRELAND	There are some small tax advantages; incorporation as a society which adopts model rules is cheaper than incorporation as a company. Societies tend to be disadvantaged in their fundraising, in particular by the limits on maximum shareholding and by the fact that all loans are stringently controlled by the Registrar of Friendly Societies.
ITALY	There are some tax advantages and advantages stemming from lower interest rates on loans from the co-operative development fund, though these funds are limited. Co-operatives are disadvantaged with respect to traditional firms in that the maximum investment of members is limited.
NETHERLANDS	Agricultural co-operatives are neither disadvantaged or advantaged. Industrial co-operatives appear to suffer certain disadvantages as a recent report shows: bodies dealing with social security are unwilling to take on co-operative members in many cases; banks are suspicious about the continuity of co-operatives; transformation of a company into a co-operative is difficult since the co-operative is taxed as if the company had been dissolved and there is no professional organisation to help people setting up a workers' co-operative.
SPAIN	Advantages stem from favourable tax legislation and from the loans from the National Job Protection Fund.
U.K.	I&PS have to comply with co-operative principles; companies not. The most serious disadvantage facing I&PS is that shares are not normally allowed to appreciate in line with assets. This makes it difficult to accommodate and hence attract outsiders.

35. WHAT ARE THE LEGAL AND FINANCIAL BARRIERS THAT STAND IN THE WAY OF JOB CREATION?

BELGIUM	Not answered.
FRANCE	A section of the Employment Bill (article 132-12) on the continuity of contracts of employment makes it difficult for a co-operative to take over a company which has gone bankrupt.
GERMANY	The absence of an ideological foundation, in particular from trade unions. The lack of concern shown by the co-operative federations for producer co-operatives. The structural weakness of producer co-operatives which prevents them from rationalising in order to increase their competitiveness. The conflict of interest which results from the role distinction between those who contribute capital and those who contribute labour. The problem of raising capital.
IRELAND	The rights of workers are probably less well protected under the I&PS Acts than under company law. Also, see answer to q.34.
ITALY	Article 45 of the constitution which prevents the state from promoting co-operatives in an effective way. Financial constraints, such as rules controlling capital. As well as legislative obstacles, problems arise because of the attitude of the working classes who are not enthusiastic about taking economic responsibility in a firm.
NETHERLANDS	See answer to q.34. An application for funds to the government to help in the creation of a professional organisation to support co-operatives has just been granted, which should mean that they will be able to concentrate on job creation, which ABC's study last year showed was a very important aspect of workers' co-operatives.
SPAIN	Difficulties in raising capital.
U.K.	The combination of ignorance of the co-operative form and a tendency to be suspicious of innovative work structures generally is a major barrier to the creation of jobs through co-operatives. Although public policy at present favours small enterprises, there tends to be less risk money available for these enterprises in Britain. This is partly because tax concessions are less advantageous for smaller firms. Investment allowances intended to encourage investment in general also tend to work to the advantage of large rather than small companies. Loan institutions like the Industrial and Commercial Finance Corporation prefer to take up ordinary shares, which are not available in industrial co-operatives. UK co-operatives registered under the I&PS are also unable to issue non-voting redeemable preference shares.

36. WHAT ARE THE REASONS FOR THE LACK OF DEVELOPMENT OF WORKER CO-OPERATIVES IN THE COUNTRIES WHERE THIS APPLIES?

BELGIUM	Not answered.
FRANCE	The elements favouring the development of co-operatives in France are: that workers are traditionally keen to find new work structures; the Roman Catholic tradition; and the existence of co-operative organisations who see the co-operative movement as an extension of the struggle to change society.
GERMANY	See answer to q.35.
IRELAND	Since industrial co-operatives are an unfamiliar concept to Ireland, there is likely to be a lack of legal and financial advice for new co-operatives. Banks tend to require that members of co-operatives should provide a proportion of the capital themselves before they will consider granting a loan. Help should be given with the design of organisational and financial structures, with education for financiers, lawyers and business advisors as well as for potential members, and with financial assistance on favourable security terms.
ITALY	Elements which work against the development of co-operatives are: a lack of co-operative tradition; the lack of state support; trade union attitudes which were generally anti-co-operative in the past; the lack, inefficacy or incapacity of the national co-operative organisations; the attitude of the working classes who have handed over the financial management of businesses to others and who tend to be demanding rather than anxious to participate and the general economic climate.
NETHERLANDS	While worker democracy is operating in about 250 enterprises in the Netherlands, the movement still lacks strength. This is probably due to: the strength of private enterprise where the concept is ignored; the lack of interest shown by the trade union movement, whose only active encouragement has been to the consumer co-operative movement; the lack of stability of many early co-operatives which were more 'communes' than industrial co-operatives, and which often folded due to tension among those living and working there; and the lack of interest demonstrated by the public authorities, financial institutions, universities, schools and trade unions towards the co-operative movement.
SPAIN	See answer to q.35.
U.K.	The main reasons appear to be a combination of the following: capitalist industrial and financial organisations are so well developed, as are the nationalised industries; people are unlikely to want to risk their savings for the kind of returns allowed by co-operative law; and the tax system discriminates against co-operatives.

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