

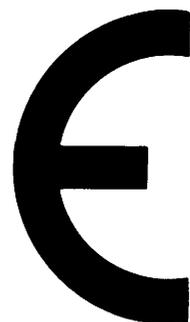
COMMISSION  
OF THE EUROPEAN COMMUNITIES

DOCUMENT

**PROSPECTS  
FOR WORKERS' COOPERATIVES  
IN EUROPE**

**Volume III:** Country report — second series:

- Belgium
- France
- Federal Republic of Germany
- Italy



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**

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- France
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- Italy

by  
TEN COOPERATIVE DE CONSEILS  
PARIS

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- COUNTRY REPORTS, SECOND SERIES :

- Belgium
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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.

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EUROPEAN CO-OPERATIVES  
PERSPECTIVES FROM BELGIUM

Hugues Sibille

TEN, Co-opérative de Conseils, Paris

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## 1. INTRODUCTION AND SUMMARY

This study on the Belgian co-operative movement is part of a larger study on the furtherance of economic activity and the creation of jobs by means of co-operative style enterprises, particularly industrial and service co-operatives.

Its aims are:

- to describe the Belgian co-operative movement, its past evolution and its present position, both economic and legal
- to analyse the weakness of the producer co-operative movement and to examine whether there are any new industrial forms in Belgium which might offer alternative job creation potential.

The main conclusions of this brief study are as follows:

- \* The history of Belgian co-operation is marked by its development in three distinct movements: Socialist, Christian and Non-aligned. This development is linked to the history of the Belgian labour movement at the end of the 19th and the beginning of the 20th centuries. The co-operative federations are still divided according to these three ideological attitudes, rather than according to the economic activities of their member co-operatives. The non-aligned co-operatives are now relatively insignificant, while the FNCC, linked to the christian movement, and FEEECOOP, linked to the socialist movement occupy the most important positions.
- \* While they originally developed in the marketing sector (ie. as consumer co-operatives), expansion is now taking place in the service sector, particularly savings and insurance, since co-operative marketing is facing strong competition from capitalist enterprise. In order to fight this competition co-operatives have tended to model themselves on their capitalist counterparts, thereby losing to a certain extent their original character.
- \* Because of ideological and political reasons linked to the development of the Belgian labour movement, producer co-operatives are virtually non-existent in Belgium. The absence of any legal framework for this sort of enterprise no doubt reinforces this situation.

There is, however, a growing awareness of producer co-operatives, particularly as a result of the economic crisis facing the ailing businesses of the traditional industrial areas.

A very few 'alternative' enterprises do exist in Belgium which are not true co-operatives, but these are not well-known and in comparison to Germany are relatively unimportant.

- \* If co-operatives carry great economic and social weight in Belgium in terms of the number of members (1 million) or of turnover, they are of much lesser importance in terms of employment: less than 1% of the working population. Employment in co-operatives

has tended to stagnate or even decrease in the last 10 years because of the mergers between several enterprises.

## 2. MAIN PHASES IN THE EVOLUTION OF THE BELGIAN CO-OPERATIVE MOVEMENT

As in nearly all European countries, the history of the Belgian co-operative movement is linked to the history of the labour movement. Co-operatives appeared to be a means of resisting exploitation arising from the accumulation of private capital, and of changing society through co-operation. As in most other European labour movements, co-operatives, mutual aid organisations, political parties and trade unions are closely linked. Unlike France, the distinctive characteristics of the Belgian co-operative began to appear as early as the end of the 19th century:

- the virtual non-existence of producer co-operatives: these were crushed from the beginning and co-operatives soon turned towards mutual aid, communal purchasing etc. In 1875, two years after an act was passed creating the Co-operative Society, which is still going strong today, there were 37 legally constituted co-operatives, of which 20 were credit unions, 14 consumer co-operatives and only 3 were producer co-operatives;
- the birth of two, then three, co-operative movements, the first non-aligned, the second socialist and the third, which emerged after the 1st World War, christian. Thus, unlike France, where the co-operative movement is organised according to sectoral groupings (producer, agricultural, consumer), in Belgium, as in Italy, the co-operative movement is structured on an ideological and interco-operative basis. These two characteristics which are remarkable at the birth of the Belgian co-operative movement also explain its subsequent development.

### 2.1. The Socialist Co-operatives

#### 1) Early History

Socialist co-operators began to emerge within the 'neutral' co-operatives and eventually separated from them to form their own enterprises. The first completely socialist co-operative, 'VOORUIT' (Forward) founded in 1881 gave rise to the creation of dozens of co-operatives. In the same year, the socialist co-operative movement allied itself to the Belgian Labour Party.

From the beginning, economic and social activity in these first socialist co-operatives were closely linked: they were concerned with helping workers to obtain cheap but good quality goods, with cutting out tradesmen and parasitic middlemen who were accumulating private wealth, and with offering help to strikers. In this way the co-operative bakeries at Gand and Brussels, the pharmacies at Anvers and Gand, and later the clothing, coal and other co-operatives were set up. In 1907 the co-operatives banded together within the Federation to set up a life insurance and a

fire insurance system. In this way, the Provident Society, one of several insurance co-operatives in Belgium, was created.

Another important characteristic of Belgian co-operatives also emerged at this stage: due to low levels of capital and the practice of paying dividends which reduced surplusses, Anseele, the director of VOORUIT, had the idea of setting up limited companies, such as the amalgamated spinning and weaving factories and the Belgium Labour Bank. The structure of limited company allowed quotation on the stock exchange and the issue of shares and hence eased the inflow of capital. But it also, no doubt, decreased the co-operative spirit in drawing them closer to the classic commercial enterprise.

The links with the Labour Party and the trade unions were not without their problems and often gave rise to conflict. If co-operatives contributed to the creation of the Labour Party and if more than half the socialist candidates elected to parliament in 1894 had been directors of co-operative societies, many socialists, as in France, were opposed to or indifferent to co-operatives, particularly in the trade unions. At first the Belgian Labour Party tended to regard the co-operative movement as a funding organisation, providing quarters and propoganda support; this attitude soon annoyed the co-operators, even more so as conflicts arose between trade unions and directors of co-operatives, particularly over working conditions. A conciliation body was set up, but in spite of this strikes broke out in many co-operatives.

## 2) Evolution

Characteristic of the development of socialist co-operatives were:

- the progressive disappearance of localisation and autonomy which had been marked at the birth of the co-operative movement. Before the 1st World War there were 200 consumer co-operatives and about 30 producer co-operatives. Gradually, because of mergers, the number of local co-operatives were reduced and gave rise to more powerful regional co-operatives. Two central organs, the Belgian Co-operative Office, which was the co-operative movement's representative body, and the Federation of Belgian Co-operative Societies, which played the role of broker and wholesaler for the movement, were amalgamated in 1936 to form the General Co-operative Society. Commercial efficiency became of increasing importance.
- the extension of activity in co-operatives to fields outside food marketing. Most importantly savings institutions were set up; the Belgian Labour Bank and the Deposit Bank co-existed with small savings banks. The two main banks were designed to centralise funds and manage financial services. After running into difficulties, the banks were replaced in 1935 by the Coop-Depots (CODEP). Insurance institutions also developed with the Provident Society, to which were attached a variety of socialist institutions (co-operatives, union organisations, friendly societies ...). Finally, in some isolated sectors

(printing and pharmacy) co-operatives thrived. But no true worker's co-operatives emerged, the few producer co-operatives being dependent on the consumer co-operative movement.

- and finally, in recent years, the difficulties faced by consumer co-operatives. From 1960 to 1977 the market share for the co-operatives fell from 25% to 10%. To combat this trend the socialist co-operatives sought a solution in:
  - increasing restructurisation of co-operatives with new technical, financial and legal mergers
  - a commitment to large scale distribution (hyper-markets).

In 1974, after lengthy negotiation, the christian and socialist co-operative movements invested in the limited company of DISTRIMAS, which runs the Carrefour chain of hypermarkets in Belgium \*. Written into the contract was that commercial production should concentrate on quality control, labelling, honest publicity etc.

This association of the socialist co-operatives with a large capitalist distribution network was severely criticised as an unnatural marriage (see for example, articles in Le Monde) and there was even talk of them being struck off ICA's register of Belgian Co-operatives.

FRABELMAR subsequently bought up all the shares of DISTRIMAS (late 1979) and the co-operatives were forced to pull out. One can, however, still ask the question, as did Claude Vienney: "are consumer co-operatives organisations which succeed in initiating better ways of satisfying consumer needs, or are they merely following developments thought up elsewhere?"

## 2.2 The Christian Co-operatives

The first Christian co-operatives grew up partly because of a desire to do 'good works' and partly as a means of limiting the influence of the socialist co-operatives. In this spirit the Boerenbond was set up as an organisation to lead the rural guilds. A Christian Democrat tendency worked towards the raising of living standards among the working classes. In 1891 the first Christian co-operative was born: 'The United Workers' at Charleroi; this was followed in 1896 by the foundation of 'Het Volk' at Gand. Their main area of production was baking. It was not until 1910 the the society 'L'Economie' was set up in Hasselt; this was to serve as a rallying point for Christian co-operatives. In 1921 the LTC (League of Christian Workers) was put in charge of co-ordinating the various co-operative activities.

As in the socialist movement, the period between the 2 World Wars was one of concentration and centralisation. However, unlike the socialist co-operatives, the separation of commercial services from social welfare services is a fundamental principle of the Christian movement. The 'welfare' services were grouped together in the Belgian Workers' Co-operation; 'L'Economie', under the new name of

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\* Investment divided as follows: Delhaize le Lion Group: 35%, Carrefour: 35%, Socialist co-operative movement: 15%, Christian co-operative movement: 15%.

'Bien-Etre' (Well-being) was responsible for the centralisation of co-operative retail outlets, working in conjunction with the Boerenbond. Insurance companies were grouped together in the LAP (Popular Insurance Companies). Four banks and savings banks were regrouped under the COB (Central Savings Bank). Finally, in 1935, the National Federation of Christian Co-operatives (FNCC) was founded. Its task was to bring together the various economic activities of the Christian Labour Movement (MOC).

After the liberation, the Christian co-operative movement continued to expand, mainly in printing and publishing (La Presse Ouvriere, 1946; SOFADI, 1951; Hetvolk, 1969), in tourism and holidays (buying up Ultra Montes, a travel agents) and finally in pharmacy (taking a shareholding in ESCAPO, wholesale pharmacy supplier).

2 important points in the development of the Christian co-operative movement were:

- the takeover of EPECE by FNCC - EPECE, an old distribution co-operative found it difficult to face competition, in spite of its rising turnover
- The previously referred to contract with FEBECOOP to participate in DISTRIMAS who managed Carrefour in Belgium.

### 2.3 The Non-Aligned Co-operatives

The non-aligned co-operatives were founded by the manual labourers, clerical staff and managerial staff employed by the public administration. In 1886 several non-aligned co-operatives appeared as a result of the formation of the Belgian Railway Workers Association. In 1891 the Federale was born, the first national federation to restrict its membership to Public Employees. In 1900 the Federale had 17 member societies; this grew to 33 in 1910 and 49 in 1930.

After the first World War the Federale reaffirmed its political neutrality. Its principles were to sell at the lowest possible prices and pay large dividends: it was not interested in changing society or helping the disadvantaged classes. In the period following liberation it went through a growth phase.

But after 1967, when their turnover reached its height, they encountered difficulties due to a lack of rationalisation and modernisation and several societies folded and were closed down. Its turnover has fallen since 1970, the federation has had to close down its retail outlets and retains only financial links with its subsidiaries. Competing with capitalist distribution and politically isolated, the neutral co-operative movement is progressively diminishing.

### 2.4 Synthesis

Christian and socialist co-operatives were based on opposing ideologies. The objective of the socialist co-operatives was to fight against the capitalists and merchants, to supply goods

and services to workers at low prices. Gradually co-operation became a vehicle for social change, in itself an alternative to the capitalist system (hence the conflicts with trade unions and the party). In contrast, the aim of Christian co-operatives was to give material help to workers, to unite the social classes and halt the rise of socialism.

While they started from opposing positions the two movements followed similar developments and ended by resembling each other.

- Both of them were part of a movement which was greater than them: the socialist movement on the one hand and the Christian labour movement on the other are both made up of mutual aid societies, co-operatives, trade unions, educational and cultural institutions of various persuasions.
- Both based their economic activities in the same sectors: distribution, savings, insurance ... Neither of them are involved in workers' producer co-operatives, perhaps because this type of co-operation raised trade union protest in both camps.
- Finally, both movements, having developed their commercial activity, suffered from capitalist competition. Faced with this competition, the co-operatives, whatever their persuasion, adapted themselves by rationalising and centralising their operations. They closed down many retail outlets, changed their management systems and became involved in capitalist enterprise. Their collaboration in Distrimas illustrates their new proximity. While still supporting the ideological movements to which they belong, both have adapted themselves to changes taking place elsewhere.

### 3. THE CO-OPERATIVE MOVEMENT TODAY

#### 3.1 Definition and legal framework

##### 1) Definition and manifesto

The Supreme Council for Co-operation sets out the characteristics of the Belgian co-operatives as follows:

- i) a co-operative is both an association and a business enterprise (principles of voluntary membership and 'open door' policies).
- ii) a co-operative is an exercise in collaboration designed to carry out a specific economic activity. It follows that a co-operative must aim both at the highest economic efficiency and protecting the interests of their members.
- iii) this collaboration is based on the recognition of the need for mutual aid and the equal rights of all members. The general interest should be taken into account in the furtherance of interest of the members and consumers of the co-operative.
- iv) this collaboration is based on:
  - communal input, as much by participation in the society

through labour, buying the co-operative's products etc. as through investing capital. It therefore follows that: capital does not hold a dominant position; the division of surpluses earned is not made according to capital invested; capital is not invested as a speculation.

- decision sharing and the ensuing participation in responsibility (co-operative democracy).

v) providing a service should be the motivating force in a co-operative in the same way that profit is the motivating force in capitalist enterprise. This 'service ethic' manifests itself on three levels:

- commercial (better buying and selling prices, reliable delivery, lower credit rates)
- membership and consumption (personalised service, information, motivation)
- general (preparation for the responsibility of involvement in the socio-economic life of the country, actual participation in the economy).

The striking thing in this doctrine as defined by the Council for Co-operation is that:

- the stated characteristics of co-operation are much more applicable to consumer co-operatives than to workers' producer co-operatives. The rules of conduct and the stress laid on needs are directed mainly at consumers rather than workers.
- the need for economic efficiency in the co-operative is explicitly mentioned in the co-operative doctrine as defined by the National Council for Co-operation. This doctrine takes into account recent economic evolution and its repercussions on co-operative life. They state, for example: "In Belgium we are obviously no longer in the era of the small local co-operative when each member could be actively involved in the day-to-day existence of his co-operative and could make his views known to the directors, whom he knew and frequented. Centralisation has occurred because of economic pressures and management takes place elsewhere."

## 2) The legal framework

The legal definition of a co-operative can be made as follows:

"A co-operative is a company set up under a special title, with a minimum number of seven members (who can leave at will or who can be excluded) with easily limited liability and with non-transferable shares." \*

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\* Jaques Kint and Michel Godin: Les Sociétés Cooperatives, p. 16

The essential points of this legal framework are:

- Unlike countries such as France and Italy there is only one body of legislation on co-operative societies, resulting from an act of 1873 and several laws grouped together in 1935. Thus the scope is very wide, since it must cover producer co-operatives, consumer co-operatives, agricultural co-operatives etc. The legal framework is thus a lot less sophisticated but also a lot more flexible than in France or Italy.
- At present under scrutiny is a project to reform co-operative societies. The 'legislation' committee of the National Council for Co-operation was working on it during 1980.
- According to Kint and Godin "if, in the field of co-operation, the legislation does not adequately answer to the practical necessities, it is basically because the legislator neglected or refused to sanction the guiding principles of co-operation in the legislation." It is true that the Belgian legislature, unlike the French, insists on the commercial character of the co-operative ("the co-operative is a commercial society whose purpose is commercial activity and whose aim is to divide the profits between its members"), and refers to the rules to add the co-operative dimension. Co-operatives are therefore subject to a law which was essentially conceived for capitalist companies when, by definition, co-operatives are based on people rather than on capital. The legal texts on co-operatives are basically just supplements to the laws on commercial societies.
- The law states that the rules must specify on the following points or risk dissolution (sections 144 and 145).
  - the manner in which the company funds are or will eventually be provided and their minimum amount
  - the duration of the company
  - the conditions for joining, leaving or being excluded from the society and withdrawal of contributions
  - how and by whom the company transactions will be administered and supervised and, if it applies the process for nominating and dismissing the Managing Director, the directors and the auditors, the extent of their powers and the length of their term
  - the rights of members, the procedure for calling general meetings, the majority required for debate to be valid, the method of voting
  - the division of profits and losses
  - the extent of the liability of members ....

One sees, therefore, that unlike countries where co-operative legislation is highly developed, in Belgium co-operatives are free to decide for themselves on matters as important as the constitution of company funds, admission and exclusion of members and division of profits. The logical consequence is that according to the way the rules are formulated the enterprise

will be more or less capitalist or co-operative in its 'ethos'.

If the rules do not provide for the points indicated in section 145 of the legislation, section 146 imposes the following provisions:

- the society will last for 10 years
- members are free to leave the society in the first 6 months of the company trading year; they can only be excluded for non-fulfillment of contract; the general meeting decides on exclusions and admissions and authorises the withdrawal of contributions
- the society is managed by an administrator and supervised by three delegates nominated in the same way as in limited companies
- all members can vote in the general meeting; they have an equal voice; meetings are called by registered letter signed by the management committee; resolutions are taken in accordance with the rules laid down for limited companies
- profits and losses are divided each year, half shared equally between members and half divided according to their investment. Membership entails joint liability.

### 3) Financial Provisions

Co-operatives, being commercial societies, are subjected to corporation tax rather than income tax. They are also liable to a registration fee and to stamp duty, and to VAT if there is a 'personal property delivery service' or if they make service charges. Thus they enjoy no special financial privileges.

Taxable income is based on the profit made as it appears in the company's books. The company is under a legal obligation to provide the tax authorities with a company balance sheet, to which they are committed (ie. they cannot alter it after approval from the general meeting).

On the other hand, the tax authorities can query and alter the declarations of this balance sheet in order to determine the taxable profits. The 'tax sheet' is therefore made after adjustments to the sheet submitted by the company to the tax authorities.

### 4) Registration of co-operatives

In this open and liberal legal system, there is one constraint: in order to become a member of the National Council for Co-operation \* and to enjoy certain advantages, co-operatives must be licensed by the Ministry of Economic Affairs. This licensing is conditional on the fulfillment of a certain number of the broad co-operative principles.

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\* The NCC has a set of model rules, given in an appendix, which they propose to people who are interested in setting up a co-operative

### 5) Conditions for Registration

The conditions imposed by the ministry are as follows:

- voluntary membership
- equality in or limitation of the right to vote
- appointment of the management committee and the supervisory body by the general assembly
- moderate interest rates, limited to company shares
- dividends to members.

### 6) Advantages of Registration

The main advantages of registration as a co-operative are as follows:

- participation in one of the four committees which make up the National Council for Co-operation. However, this advantage applies only to co-operatives with a high turnover, since membership is allocated according to turnover.
- various tax advantages, such as: a lower rate of corporation tax; exemption from income tax for the first 1,500 BF interest on capital invested in a registered co-operative; exemption from tax on advances made by registered co-operatives.
- people who, as paid delegates, give up the bulk of their time to management or administration of a registered co-operative are entitled to employees social security
- the possibility of obtaining help from the SNI (National Investment Society) for the creation or expansion of co-operatives.

## 3.2. Overall view of the Co-operative movement

The figures provided on the whole co-operative movement in Belgium come from research carried out by the National Council for Co-operation into co-operatives registered with the Ministry for Economic Affairs. The figures referring to 1971-1975 have been published; those for 1976-1980 have not, however, been released yet. The Council was kind enough to let us have some of these statistics, but stressed that they were incomplete and provisional. Some important co-operatives have not, in fact, replied to the questions and therefore the totals given do not represent all of the registered co-operatives.

### 1) Overview

Table 1, though it includes some unknown factors, nevertheless allows one to make the following observations:

- co-operation appears to be of great economic and social significance in Belgium if one studies the total membership.

Table 1: OVERALL VIEW OF THE BELGIAN CO-OPERATIVE MOVEMENT - REGISTERED CO-OPERATIVES

	Turnover	Growth Rate (1971=100)	Number of Members	Number of Employees *	Sales Outlets
1971	33,878,098	100.0	987,857	18,932	8,697
1972	38,283,893	113.0	1,016,278	18,920	8,560
1973	42,694,177	126.0	1,040,912	19,356	8,545
1974	49,181,396	145.2	1,069,105	19,917	8,675
1975	55,973,131	165.2	1,178,469	19,181	9,276
1976	Not known	Not known	875,700 **	16,803 **	Not known
1977	Not known	Not known	902,980	17,332	Not known
1978	Not known	Not known	917,566	17,629	Not known
1979	Not known	Not known	950,286	17,567	Not known
1980	Not known	Not known	1,032,000	17,718	Not known

\* Agricultural co-operatives are not included except for 1975

\*\* The difference between the 1975 and 1976 figures can be explained by the fact that the figures from 1976 on are provisional; not all the co-operatives have replied to the Council's questions.

With minor fluctuations over the last 10 years, there have been roughly 1,000,000 co-operators in Belgium, ie. 10% of the population or 30% if one calculates in terms of households.

- turnover is rising at a higher rate than inflation. But this increase covers different circumstances in different sectors.
- co-operative employees are a low percentage of the total working population (less than 1%). In spite of their rising turnover over the last 10 years, the economic activity of co-operatives has done little to create jobs. This is because the bulk of employment is in consumer co-operatives, many of which have closed down or been restructured.

Table 2: Employment according to sector

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	Consumer	Agricultural	Producer &* Distributor	Insurance	Savings Banks	Various**
1971	7,048	3,849	2,074	4,075	1,775	111
1972	6,767	3,994	2,090	3,970	1,984	115
1973	6,816	4,159	2,101	3,925	2,240	115
1974	7,154	4,133	2,142	3,808	2,512	168
1975	6,754	3,985	1,860	3,786	2,617	180
1976	Not known	Not known	Not known	3,825	2,803	Not known
1977	Not known	Not known	Not known	3,926	3,122	Not known
1978	Not known	Not known	Not known	3,881	3,429	Not known
1979	Not known	Not known	Not known	3,767	3,867	Not known
1980	Not known	4,104	Not known	3,766	4,218	Not known

\* This sector covers a multitude of enterprises, including pharmacy distribution enterprises, bulk-buy groups, printers, and a brewing/milling factory

\*\* This sector includes travel agents, a research bureau and a number of 'social service' type schemes

## 2) Employment according to sector

Table 2 shows that the number of employees in several sectors is stagnant or decreasing. The only exceptions to this are the savings banks who have expanded greatly in the last ten years and taken on many employees. This is in marked contrast to countries like France and Italy where there has been a steady increase in employment in producer co-operatives over the last few years. In Belgium the sectors in which co-operatives have usually been established (consumer, insurance) are sectors which are centralising and restructuring and where there is no prospect of job creation. Thus co-operative job creation in Belgium must come from penetration into new economic sectors, such as industry or tertiary activity.

## 3) Difficulties in the consumer co-operatives

Belgian consumer co-operatives have increased their turnover over the last 20 years but when compared to capitalist organisations they can be seen to have fallen behind. The capitalist organisations have, since the 1950s, introduced new distribution techniques and been concentrated through mergers and takeovers of Belgian firms by American multi-nationals. The co-operatives, smaller and more localised, had difficulty in resisting this competition. From

Table 3: Comparative markets (Sales in millions of Belgian Francs).

	1966	1977	Growth Rate 1966 = 100
Consumer co-operatives	9,086	9,496	105
Chain Stores	40,711	197,917	486
Total Retail Sector	346,542	1,072,312	309

Source: ANSION, UER Lille

1961 to 1977 the co-operative share of the retail market fell from 3.67 to 0.9% while the share of the large supermarket chains rose from 14.04 to 18.4%.

The expansion of super and hyper-markets corresponds to the stagnation and regression of co-operatives. The large capitalist companies dispose of large amounts of investment capital.

Faced with this development, consumer co-operatives attempted to adapt to new techniques and to centralise. Many co-operatives disappeared, for example the Economic Union at Brussels. Between 1971 and 1975, twelve co-operative societies were dissolved. The result of all this was, for one thing, that many co-operatives lost their essential character (Distrimas, for example) and for another that the co-operative movements reacted more or less well to these pressures. The christian co-operatives (EPECE and Bien-Etre), because of their mode of establishment and their adaptation to capitalist distribution techniques, fared much better than their socialist and non-aligned counterparts (FEBECOOP and FEDERALE). It is the latter which, because of their lack of political support and the dispersal of its retail outlets, faced the greatest difficulty.

Table 4: Relative importance of each movement in distribution

	BIEN ETRE	EPECE	FEBECOOP	FEDERALE
1955	8.1%	8.1%	44.2%	30.3%
1960	18.7%	9.2%	41.3%	30.8%
1965	16.0%	9.1%	43.2%	31.7%
1970	15.3%	11.3%	45.3%	28.1%
1975	22.3%	20.2%	44.2%	13.3%
1978	22.5%	30.7%	38.5%	8.3%

4) The growth of services

The savings banks are the major growth 'industry' in the co-operative movement. In 1976 the co-operative banks represented 18.3% of the total savings collected, which is a considerable amount. The financial organ of the Christian co-operative movement, COB, has been particularly successful since the second world war. CODEP is the socialist movements' equivalent. This is a 'second-degree' co-operative in the sense that its associate companies are themselves co-operatives or sister organisations (the Belgian Provident Society, mutual assurance companies, trade unions). In contrast to the consumer co-operatives' situation, the amount of savings invested in co-operative banks has grown faster than their privately owned counterparts.

Table 5: Savings Banks

	CODEP		COB	
	Own investment	Savings	Own investment	Savings
1976	253,387 (100)	9,561,605 (100)	2,891,000 (100)	67,637,000 (100)
1977	289,585 (112.1)	10,892,599 (113.9)	3,265,000 (112.9)	79,536,000 (117.6)
1978	321,927 (124.6)	12,725,478 (133.1)	3,623,000 (125.3)	92,936,000 (137.4)
1979	381,845 (147.8)	14,207,997 (143.6)	4,071,000 (140.8)	109,715,000 (162.2)
1980	441,864 (171.0)	15,988,576 (167.2)	4,333,000 (149.9)	120,733,000 (178.5)

The co-operative insurance sector is just as prosperous. The Provident Society, affiliated to the socialist movement and a small life assurance company 50 years ago, has become the country's third largest society. The FNCC's insurance company is less prominent but it continues to grow, while the PS has reached its ultimate size and is now stagnating. Both are second degree co-operatives.

Table 6: Insurance Companies - premiums in million francs

	Provident Society (Socialist)		Les Assurances Populaires (Christian)	
1976	3,993	(100)	2,206	(100)
1977	4,529	(113.4)	2,522	(114.3)
1978	5,014	(125.5)	2,934	(133.0)
1979	5,479	(137.1)	3,199	(145.0)
1980	5,995	(150.1)	3,418	(154.9)

### 3.3 The Co-operative Federations

The history of the co-operative movement, rapidly sketched in Section 2, illustrated that its construction and method of representation is based not on sectoral divisions, as in France, (the federation of producer co-operatives and the federation of agricultural co-operatives) but on ideological and political divisions and is therefore similar in this respect to Italy.

The agricultural sector does have its own representative bodies, the Boerenbond in particular (which comprises agricultural insurance companies, a bulk-buy agency, savings banks, agricultural co-operatives, a research institution, a travel agents etc). But we are not concerned with agricultural co-operation in this necessarily restricted study.

To summarize briefly, the 3 representative bodies are FEBECOOP (Socialist), FNCC (Christian) and Federale (Non-Aligned). Before studying each individually it is important to say that time has served to bring together the two large socialist and Christian movements, if not ideologically, at least in their working methods. The non-aligned movement is now of relative unimportance.

Often representing their movement side-by-side, FEBECOOP and FNCC have started to collaborate and discuss their views. As members of the Committee for Inter-Co-operative Action, the national secretariats of the two bodies collaborated in 1980 on, among other things: pulling out of Distrimas, ground-work for the National Council, the European Co-operative Liaison Committee, the drafting of a memo to the Government .....

1) FEBECOOP

i) Composition

FEBECOOP is a national federation composed of co-operative enterprises of socialist persuasion. Rule 3 of its statutes is explicit: 'FEBECOOP and its members work towards the replacement of the present regime, profit orientated as it is, with a regime built on mutual aid, democracy and service'. The involvement of FEBECOOP in Socialist United Action (a body uniting various socialist organisations) continues.

FEBECOOP's General Secretary is also the treasurer for Socialist United Action.

Set up as a 'non-profit making society' FEBECOOP is made up of two groups of socialist co-operatives.

- Primary co-operatives, ie. consumer and pharmacy co-operatives where members are individuals. These represented approximately 400,000 of FEBECOOP members in 1980. But this figure is only an indication of size as in consumer co-operatives membership can entail only an act of purchase and not active participation.
- Secondary co-operatives, which are groups of co-operatives. This category includes the insurance and banking sectors.

ii) Areas covered by socialist co-operation

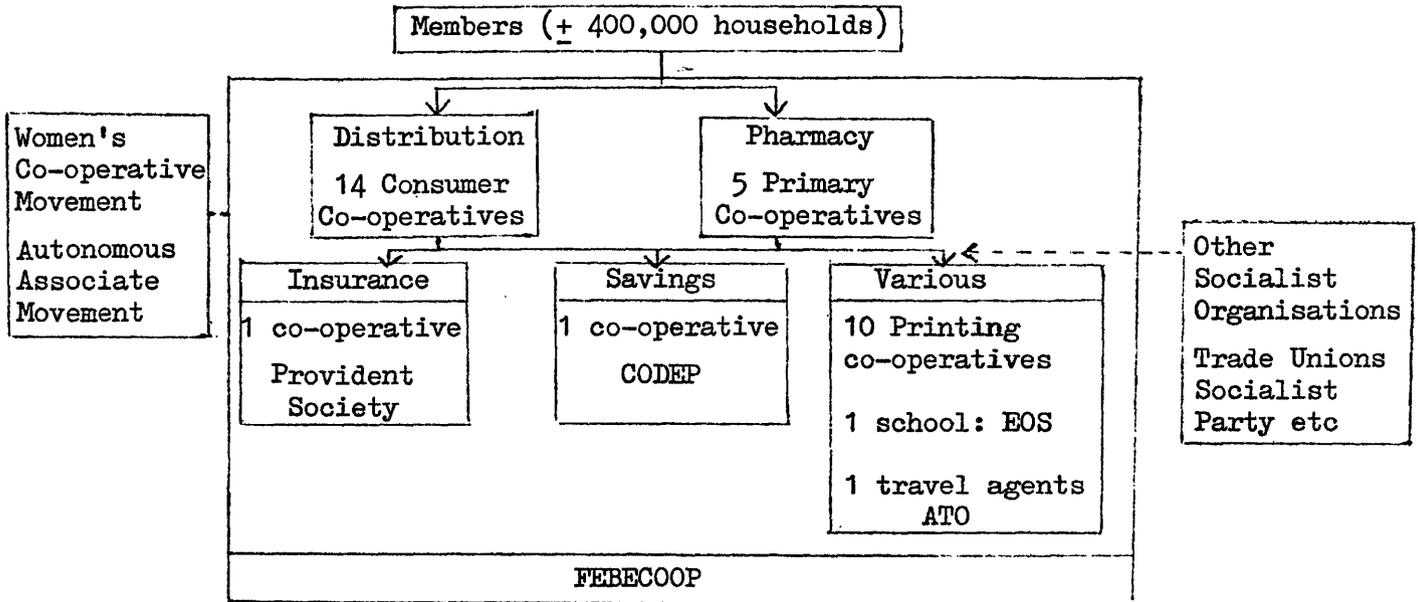
We have already written about the principal sectors of activity in section 3.2. Insurance is handled by the Provident Society, the country's third largest society which serves as the movement financial institution. Saving is run by CODEP which has enjoyed a fast rate of expansion in the last few years. In distribution, economic problems have forced the closure of several small shops. 4 companies account for more than 90% of sales: Coop Sud in Wallonie and Brussels, Vooruit No. 1 in Gand, Kooperatief Verbond at Anvers and Vooruit at Malines.

Pharmacies, which we have not yet examined, account for a large number of co-operative members (350,000 households) and a turnover of 3,800 million francs. As well as the 'chemists' department of the consumer co-operatives, there are five pharmaceutical companies: La maison des mutualistes at Brussels, la Sauvegarde at Micheroux, les Pharmacies du Peuple (Seraing), and two De Voorzorg at Hasselt and Malines.

Finally, there are printers, which are encountering more and more difficulties, and of which only 3 or 4 survive, and co-operative publishers.

iii) The FEBECOOP mission

- To study and promote co-operative action: in this context, FEBECOOP runs the journal 'Co-operation', voice of the movement, and also training courses for co-operative members.
- To represent the socialist co-operative movement to official bodies at a national (Economic Council, Prices Commission, National Bank, Family Allowances Department, FEDIS etc) and international (Eurocoop, ICA, European CES, CIRIEC) levels.
- To help its member societies and plan for co-operative development. In this context FEBECOOP play the role of consultant to its members on finance, accounting, taxation, company law etc. It is worth noting that FEBECOOP is not equipped to help in the setting up of new co-operatives, as the Fédération des SCOP does in France.



The Women's co-operative movement is worthy of note. It is a consumer and education group which has, thanks to its grass-roots support and its training and information programmes, done its best to keep co-operation alive and well.

\* \* \*

- Promotion and defence of consumer and user interests, and those of the public at large, with a view to altering society and the economic system. In this context, FEBECOOP is represented on the Consumer Council and the Centre for Consumer Research and Information.

## 2) FNCC

FNCC is one of the components of the Christian Labour Movement, together with the National Alliance of Christian Mutualities, the Federation of Christian Unions and cultural and educational institutions.

### i) Composition

One of FNCC's characteristics is that its trading and social activities are clearly separated from each other. Individual members are grouped into regional bodies which are affiliated to the FNCC. In 1980 there were 375,000 members, representing 787,671,000 francs capital. The Flemish societies make up the largest number of these regional co-operatives. The individual enterprises are affiliated members of the commercial societies.

2 points on the composition of FNCC:

- the contract with EPECE in 1975, which is involved in

the distribution sector and which, faced with competition, got into serious financial difficulty.

- the links with the Belgian Boerenbond, the large Christian agricultural organisation. These links are shown in the overlapping shareholdings of a certain number of co-operative societies.

The strong points in the Christian co-operative movement are undoubtedly the savings institutions (COB), which are steadily growing, and the insurance and distribution companies which are holding out better than their socialist and non-aligned counterparts.

As in the socialist movement, it is necessary to point out that there are practically no producer co-operatives in the strict sense of the term. Only the printing firms bear any resemblance to producer co-operatives as they exist in France and Italy.

#### ii) Aims of FNCC

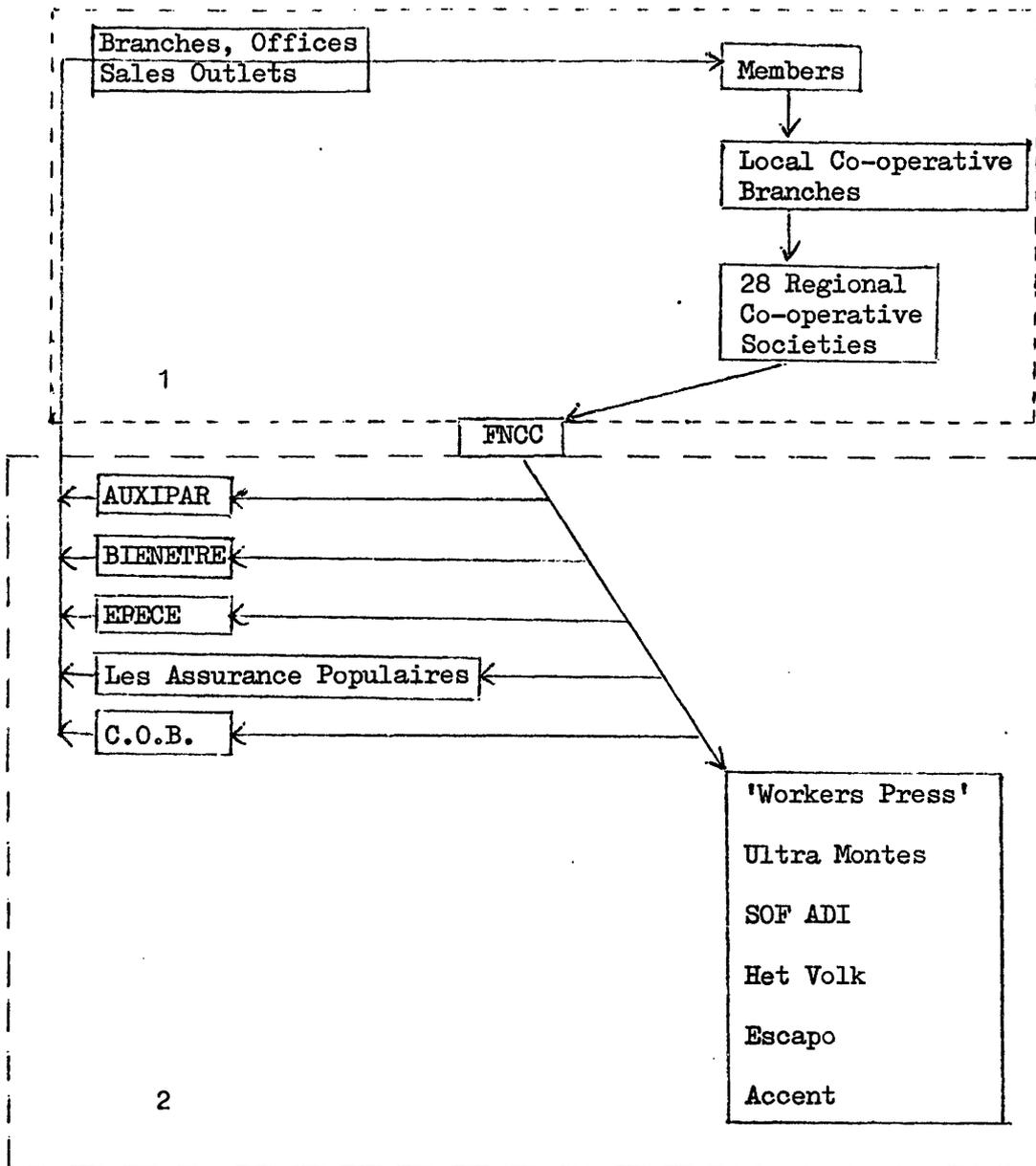
In some respects these are very similar to the aims of Febecoop or of any other co-operative movement. We will not, therefore, go into much detail:

- propoganda
- promotion of co-operation: this takes a commercial rather than an ideological form, and makes use of an advertising agency and the marketing departments of various enterprises.
- information and education: notably through various journals and newspapers of the movement.
- legal assistance to consumers. Since 1978 a consumer advice department has been part of FNCC's services. This is run on a national and regional basis, on the same principles as the consumer movement.
- representation on the National Consumer Council, the Prices Commission, CRIOL, the Central Economic Council, the National Council for Co-operation, ICA etc.

#### 3) The Fédérale

These co-operatives, which are totally independent of any political movement, have run into serious difficulty over the last ten years and nearly all of the distribution societies have closed down, leaving only 2 still in existence. They are still involved on a small scale in insurance (CAFB) and in friendly societies (AMBF). Here again there are no producer co-operatives.

The Structure of FNCC



1 'Social' Services - recruitment, collection of co-operative capital, training and propoganda

2 'Commercial' Services - shareholdings, subscriptions, controls

Sectoral activities and the FNCC's enterprises

Sector	Society	FNCC's % Shareholding	1980 Turnover (in thousands)	1979 Turnover (in thousands)
Distribution	BienEtre	50%	2,006,641	2,027,816
Distribution	Epece		3,310,911	3,049,350
Insurance	L.A.P.	82%	3,418,216	3,199,488
Savings	C.O.B.	60%	120,733,000	109,715,000
Printing	Het Volk	20%	1,333,457	1,235,515
Printing	SOFADI		442,129	414,954
Tourism	Ultra Montes	33%	451	488
Tourism	SOFALTO	No turnover figures: charitable institution which runs two holiday organisations		
Equipment Hire	Samko Buro	100%	250,000	
Marketing & Publicity	Accent		164,000	148,000
Pharmacy	ESCAPO	100%	1,219,297	1,087,506

3.4 The National Council for Co-operation

1) The National Council for Co-operation was established under an act passed in 1955. Its membership consists of all the co-operatives registered with the Ministry for Economic Affairs.

Representative bodies from the four different sectors of economic activity each choose 5 representatives who make up the National Council. These four sectors are:

- the consumer co-operatives
- the agricultural co-operatives
- the distribution and producer co-operatives
- the service co-operatives.

Membership of the representative bodies for each sector is allocated according to the turnover of each co-operative.

2) The Council's aims are two-fold:

- to study and promote ways in which the principles and ideals of co-operation can be spread.
- to pass on to Ministers, to the Central Economic Council or to other statutory agencies, any advice or suggestions to

do with problems concerning co-operative activity.

The Council works in close co-operation with the CEC and other economic consultative bodies.

The Belgian National Council is similar to the National Association of French Co-operation (GNC) in the sense that it is a political pressure group and inter-co-operative. The Christian co-operative movement and the socialists are both represented, as are the various economic sectors. However, it is not constituted on a principle of equal representation, unlike the Central Economic Council and the Belgian professional representative bodies.

In its activities (promotion/consultation) it is also similar to the Supreme Council of French Co-operation (CSC) which also produces research studies, and gives its advice on legislative texts etc. As an example, several working parties were active within the National Council for Co-operation in 1980:

- 'legislation': examination and criticism of a proposed law modifying legislation on co-operatives in order to obtain greater acknowledgement of the special character of co-operatives.
- 'doctrine': rewriting a leaflet on co-operation in Belgium first published in 1977.
- 'tourism': examination of the different modes co-operative tourism could assume and organisation of a consultative body on travellers cheques.
- 'co-operation and schools': revival of the co-operative schools.

#### 4. WEAKNESS OF PRODUCER CO-OPERATIVES

As in Germany and other northern European countries, producer co-operatives are rare in Belgium. M.G. Ancion worked out the following table from information gathered by the National Council for Co-operation:

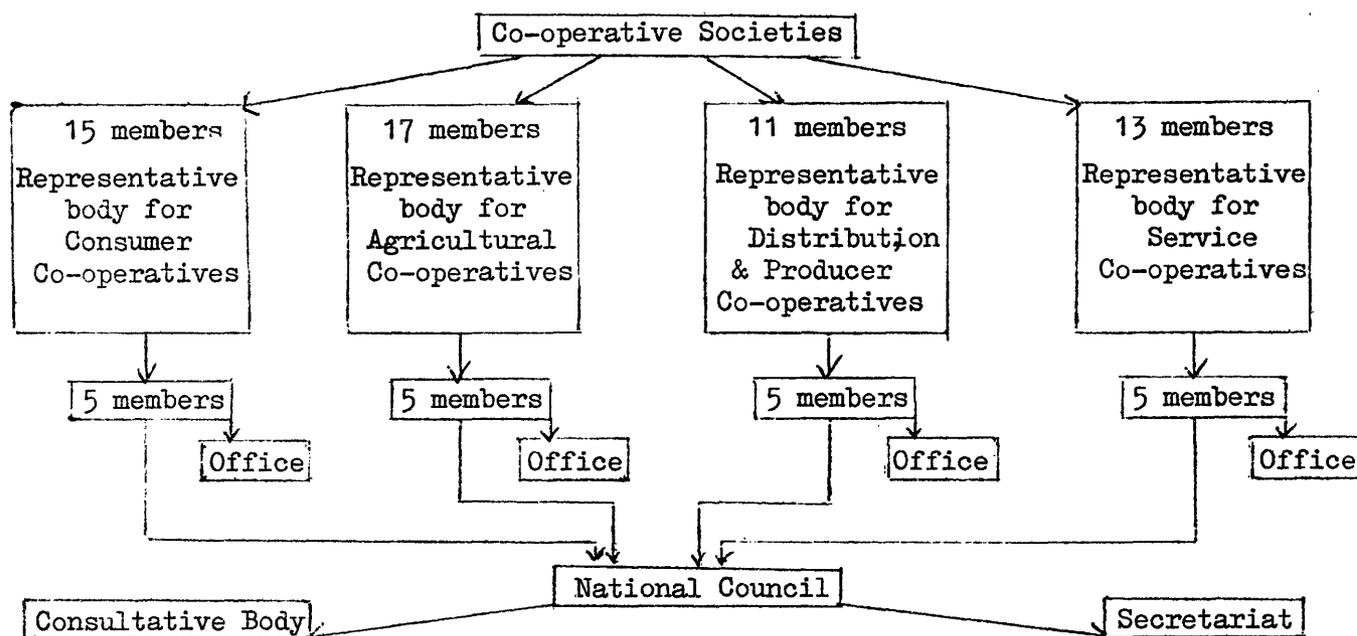
Production	6%
Distribution	9.5%
Agricultural	16%
Services	73.9%

Relative importance of co-operative sectors: percentage of total turnover

As this table is based on turnover it might be claimed that it overestimates the importance of services by using deposits (savings) and premiums (insurance). A calculation based on the number of employees or on membership would give a different result.

It remains true that these figures illustrate a trend and are still relevant. Producer co-operatives are not of any significance in Belgium today. The category includes a few printing works, breweries, flour-mills, bakeries and the manufacture of pharmaceutical products,

Structure of the National Council for Co-operation



but it should be noted that these producer co-operatives are affiliated to and dependent on service and distribution co-operatives. There are no autonomous industrial or tertiary co-operatives, such as exist in France or Italy. We will attempt to analyse why this should be before we turn to the question of whether there is any likelihood of new innovations emerging in Belgium.

#### 4.1 Reasons for the weakness of producer co-operatives

1) It is remarkable that, neither in the documents we obtained nor in the interviews we held, was there any solution offered to the question 'why are there so few producer co-operatives in Belgium?' Apparently this question had rarely presented itself before.

As in West Germany, alongside reasons of a 'technical' nature (judicial, financial etc), which can apply in any country, there exists a fundamental reason for the weakness of producer co-operatives which must be sought in the 'Belgian ideology', including historical, social and political factors.

The initial analysis, put forward by F. Espagne in the course of the seminar organised by the EEC on the 12 & 13 March and which established links between the catholic tradition and the existence of producer co-operatives (as in France, Italy, Spain), should be modified with respect to Belgium, since it is a country with a Christian tradition where co-operation has not, however, infiltrated the industrial world. However, Espagne's analysis is to a certain extent still valid, since Christian trade unions are less hostile

to the concept of producer co-operatives than socialist unions. (See next section).

The brief historical outline in section 2 illustrated that producer co-operatives never 'took' in Belgium, probably because the labour movement never felt a need for them. Since then, the socialist movement (trade unions and the political party) has become more reluctant to regard co-operation as a vehicle for social change. Co-operation appears to them more as a means of raising support (particularly financial) for their activities. From this point of view consumer and service co-operatives were more appropriate for raising finance.

In fact, co-operation in industrial producer enterprises serves only to highlight the conflict between capital and labour. There is a threshold of involvement in the management of enterprises which the unions hesitate to cross. The integration of many of the co-operatives into the capitalist system does nothing to allay these fears.

2) As a result of this historical and ideological situation, producer co-operatives failed to find a champion in any social group or organisation. We have already seen that the structure of the movement is based on political rather than economic activity. Not one of the three movements provided any impetus to the producer co-operatives. When their movements did include producer co-operatives it was primarily as suppliers to their distributive co-operatives (eg. bakeries) and as subordinates. The increasing domination of the service sector (insurance and savings) has had its effect on the representative bodies and tended to distance the movements from the industrial world. It is obvious from a perusal of the various federations' documents that they have an outlook, a phraseology and propositions which are appropriate to consumers and users but not to 'producers'. The efforts of the representative bodies to obtain new rights and advantages from the public authorities and in publicising their activities are not relevant to the sector of producer co-operatives.

3) The judicial framework is ill-adapted to producer co-operative needs. There is only one legislature for all co-operatives, whatever their field of activity. The result is a legal framework which has the pronounced 'commercial' approach of ordinary company law. This raises a question about the logical relation between the strength of the producer co-operative movement and the legal framework. In countries where producer co-operatives are strong, they have secured a favourable legal framework, which in turn allows the further development of producer co-operatives. In Belgium, from a purely legislative point of view, there appears to be no obvious advantage in choosing the structure of a co-operative rather than that of a limited company (SA) or that of a non-profit making association (ASBL).

4) It will be recalled that one of the classic obstacles in the formation of new co-operatives is the difficulty in raising capital. An appendix to do with this subject is attached, describing a Febecoop proposal for the establishment of a co-operative development fund. (This is also being looked into by FNCC). It remains to be seen whether this fund would be available for helping in the foundation of producer co-operatives.

#### 4.2 Producer co-operatives and the revival of businesses in difficulty

Several experiments in workers co-operatives have taken place:

- Le Textile d'Ere (150 employees, appears to be successful)
- Le Balai Libéré (110 employees)
- Salik (Jeans manufacturers)
- HBV (heating and air conditioning systems, 20 employees)
- SOS Eupen (4 employees)

Most of these initiatives are followed by the Andre Oleffe Foundation, which is trying to support these developments.

The economic problems related to the recession, and the liquidation of many firms, particularly in Wallonie which is an old industrial region, have put workers' co-operatives back in the news as a possible way of saving a business.

As an example, FEBECOOP were surprised by a number of approaches from workers in ailing industries who wished to safeguard their means of existence. FEBECOOP, unused to this sort of request, turned to the Fédération des SCOP for help.

Another example is a group of engineers in Liege (CRIF) who have started a programme of consciousness-raising on producer co-operatives as a solution to Wallonie's crisis.

These examples are too isolated to be able to draw any real conclusions but perhaps they show a new awareness of workers' co-operatives.

#### 4.3 Alternative enterprise

We speculated that the weakness of producer co-operatives in Belgium might, as in Germany, go together with the development of 'alternative' enterprises, which bear certain resemblances to co-operatives (such as worker participation in management, communal property etc). In Germany, this has given rise to considerable employment.

There are about 100 such projects in Belgium which have been listed in a sort of directory entitled 'The Yellow Pages of New Co-operatives'. These diverse projects usually take the structure of non-profit making associations (ASBL). They are involved in the same sectors as in Germany (crèches, legal advice centres, restaurants, print workshops etc) and are characterised by their refusal to get involved in the political and ideological struggles led by the christian and socialist movements.

But their inability to form a network, the absence of any support such as the Autrement journal and the administrative organisations that exist in France, weaken these experiments and 'infant mortality' is high. According to our sources, the number of these alternative projects remains very limited.

Appendix 1: The constitution of co-operative societies

The constitution must provide on the following points or risk invalidity:

1. The name of the society and its head office.
2. The aims of the society.
3. The full names of members.  
(At least seven, whether individuals or corporate bodies).
4. The way in which the company funds are or will be provided and their minimum level.  
(This minimum level must be written into the society's rules and maintained throughout the life of the society).

The rules must state:

- in a clear and unequivocal way the make up of the capital, that is to say:
  - the number of shares taken up by each member;
  - the total amount of each member's contribution and the way in which he has undertaken to pay.
- how the company funds will be made up in future, apart from the setting aside of profits, ie. the ways in which new issues will be made. (The rules may provide that the company funds will be built up from contributions or other sources).

The funds must always be fully paid up.

The rules will also state:

1. The duration of the society, which may not be longer than 30 years.  
(If no provision is made, the society will last for 10 years).
2. The conditions for admission, retirement and dismissal of members and for the withdrawal of contributions.  
(If no provision is made 'members are free to leave the society; they can only be excluded for non-fulfillment of contract; the general meeting decides on admissions and exclusions and authorises the withdrawal of contributions').
3. How and by whom the society is to be managed and supervised; the means of nomination and dismissal of the administrators and supervisors; the extent of their powers and the duration of their term.  
(If no provision is made 'the society is managed by an administrator and supervised by three delegates, nominated in the same way as in a limited company, ie. by the general meeting').  
(In societies which have made or are to make public appeals for savings, at least one of the delegates must be chosen from among the members of the National Institute of Auditors).

4. The rights of members, the means by which meetings are called, the majority required for debate to be valid, the method for voting.

(If no provision is made, 'all members can vote in the general meeting; they have an equal voice; meetings are called by registered letter signed by the management committee; resolutions are taken in accordance with the rules laid down for limited companies).

(Under this ruling, each member has one vote no matter how large their shareholding).

5. The division of profits and losses.

(If no provision is made, 'profits and losses are shared out each year, half divided equally between members and half divided according to their investment).

6. The extent of members' liability, whether they are held by the society's obligations jointly or individually, to the extent of their entire wealth or merely up to a set sum.

(If no provision is made 'members are jointly liable' and their liability is unlimited).

As these provisions are optional, founder members are allowed to give only a summary in the original constitution and expand on them later in the internal regulations.

Appendix 2: Model Rules

The model rules given below can apply to all types of co-operative and fulfill all the requirements for registration.

In this year ..... on ..... appeared before ..... the following people:

- 1 .....
- 2 .....
- 3 .....
- 4 ..... (At least 7 members).

Or if the contract is made as a private agreement:

Between the undersigned:

a co-operative is hereby constituted, governed by the following rules:

SECTION I: Name, registered office, aims, duration

1. The society is to be called .....
2. The registered office is to be at .....  
It can be transferred elsewhere by agreement of the management committee.  
The society can also set up branches elsewhere in Belgium if the management committee agrees.
3. The society's aims are .....  
(The commercial aims of the society must complement the aim of procuring social or economic advantages for the membership in the satisfaction of their private and professional needs).  
The society may partake in any activity which is likely to help bring about the society's aims, whatever this may be.
4. The society is founded for the maximum duration of 30 years from today.  
It can take on obligations which extend beyond this period.  
It can be extended or dissolved before this time if the general meeting so wishes under the method and conditions for alteration of rules.

SECTION II: Capital, shareholdings, liability

5. The society's capital fund has no maximum limit. It's minimum level is fixed at ..... (It must be fully paid up at the time of foundation, on pain of invalidity).
6. The society's capital is represented by registered shares of .....f each.  
Shares equal to the amount of minimum capital must be paid up at all times.  
The management committee decides in what proportion shares can be redeemed and at what intervals payments are to be made.  
(There can be various share categories; they must, however, confer the same rights and responsibilities even if they are of different values, with the following reservations:

(All members have an equal vote on all matters in the general meeting; however, corporate bodies, representatives of established societies and members of agricultural, producer, distribution and service co-operatives can take a number of votes for themselves or as a delegate, as long as this is not more than a tenth of the votes attached to the shares represented; if the society has more than 1,000 members the vote can be taken at a secondary level).

7. Shares cannot be disposed of or reassigned without the permission of the ..... (general meeting, or, if necessary, management committee, with a special majority vote).
8. The liability of members is restricted to their shareholding. They are dividually liable (neither joint nor indivisible liability).

### SECTION III: Membership

9. The members are:

- the signatories of the present contract
- individuals or corporate bodies registered as members by the management committee (or by the general meeting through a simple majority vote) and who accept the conditions laid down by the management committee. These people must buy at least one share of the society's capital, this participation implying acceptance of the society rules and internal regulations.

The quality of membership is conferred by the inclusion of the member's signature on the register of members and the date of his admission.

A registered security is given to each member according to legal regulations.

10. A member can only withdraw in the first half of the company trading year. This withdrawal can be rejected if it provokes the dissolution of the society.

(Withdrawal can be forbidden, or only allowed after agreement with the management committee or the general meeting).

11. A member can only be dismissed if he fails to fulfill the terms of his contract or if he acts against the society's interests.

Dismissal is pronounced by the general meeting or the management committee with an explanation for their decision and only after hearing the member who is to be dismissed. A copy of the minutes of the meeting of exclusion is sent to the subject within two days by registered letter.

The resigning or dismissed member has the right to be reimbursed for his share as it appears in the annual returns of the society in the year in which he resigned or was dismissed.

12. In case of death, bankruptcy, insolvency or certification of a member, his inheritors, creditors or legal representatives may recover the value of his shares under the above conditions.
13. The partners, beneficiaries or executors of a member may not provoke the liquidation of the society, put the company funds under seal or provoke the liquidation or division of company funds nor intervene in any way whatsoever in the administration of the society. Their rights are defined in the company books and documents and in the minutes of management committee and general meeting decisions.

SECTION IV: Administration and supervision

14. The society is administered by a management committee of 3 (or more) members chosen by the general meeting.  
The society is supervised by one or more delegates chosen by the general meeting.  
The length of office of the managers and supervisors is 6 years. They can be re-elected.  
They can be sacked at any time by the general meeting.
15. If one of the administrative positions falls vacant the management committee and the supervisors together can name a replacement until the next general meeting can decide for themselves. An administrator replacing another completes the term of the latter.
16. The posts of administrator and supervisor are un-salaried. However, they can be paid fees for their work and if they are charged with special or permanent duties they can be paid in other ways; they can never share in the profits of the society.
17. The management committee chooses a president and vice-president from among their number.  
It meets, under the president or if he is unable to be present, under the vice-president, every time that two administrators ask for it to do so.  
The council can only take decisions if more than half its members are present. Decisions are taken by majority vote.  
Decisions are noted in the minutes which are placed in a special register and signed by all present. Copies or extracts to be produced in legal proceedings or elsewhere are signed by the president or by two administrators.
18. The management committee is enabled to make decisions on all matters of management and on all acts conforming to the society's aims except for those the law or rules reserve for the general meeting.  
Legal proceedings are taken up and followed by the management committee represented by 2 administrators or an administrator-delegate.
19. The management committee can delegate its powers, partly or totally, to one or more of its members or to a third party.  
In particular, it can hand over the day-to-day administration of the society to one single administrator or to a manager.  
The management committee decides on the remuneration to be paid to such delegates, taking into account the provision in rule 16.
20. The management committee will, in their first meeting, set out as an internal regulation the exact duties of all those who take part in the management, administration, supervision and control of the activities of the society.
21. The supervision of the activities of the society is the responsibility of the delegates. They have the right to supervise and control all the operations of the society.  
They may investigate any books, letters, minutes and all documents belonging to the society.

SECTION V: General meetings

22. All members take part in general meetings. The general meeting has all the powers conferred to it by law.
23. The general meeting must take place at least once a year. It must be called at least one week in advance of the meeting in conformance with internal regulations and the notification must include the date, time and place of meeting as well as an agenda.
24. The general meeting is chaired by the president or the vice-president of the management council or if not then by the longest-serving administrator.

The meeting's executive is made up of the president, any administrators and supervisors in attendance and the two tellers and minute-taker.

25. All members have equal voice (except for the provisions in rule 6).

(The proposed law modifying the act on co-operatives would introduce a double limitation, as follows:

In co-operatives each member holds one vote. However, the rules may grant a number of supplementary votes to members in proportion to their shareholding or in proportion to their labour, as long as no one individual holds more than ten votes, nor holds more than a tenth of the votes represented at the general meeting, whether personally or as a representative.

Rules can also grant to member corporate bodies a number of votes proportional to their shareholding as long as no corporate member holds more than a quarter of those votes represented at a general meeting).

26. The general meeting can debate no matter how many members are present or represented.

Decisions are taken by a simple majority vote.

The general meeting can only debate points listed on the agenda.

27. The general meeting can only modify the rules of the society if this has been specifically pointed out in the notification of the meeting and if those present at the meeting represent at least half of the votes attached to the entire share-issues.

If this condition is not fulfilled, a new meeting will have to be called which will be able to modify the rules whatever percentage of the share-issue is represented.

Modification of the rules is only valid on three-quarter majority.

(Under present legal regulations, the rules could allow the meeting to change the rules on a simple majority, whatever the percentage of vote-holding shareholders present)

(Under the proposed law at present under study, no modification of the rules would be allowed unless at least a  $\frac{3}{4}$  majority were obtained. And even then, if the modifications deal with fundamental changes, such as legal format, mergers etc. then this  $\frac{3}{4}$  will be changed to  $\frac{4}{5}$  majority with at least  $\frac{2}{3}$  of the membership being present, and the specification that a second meeting must have at least  $\frac{1}{3}$  of the membership present)

28. The minutes of the meeting are signed by the executive and by any member who wishes to do so.

Copies which are to be produced in legal proceedings or elsewhere are signed by the President or by two administrators.

29. Extraordinary general meetings can be called by the management committee or by the supervisory body each time the interest of the society demands it.
30. Unless they depart from legal and statutory requirements, the activities of the management committee, the supervisory body and the general meeting can be described in internal documents.

#### SECTION VI: Accounting period, balance sheet

31. The tax year will run from the 1st January to the 31st December each year. The first tax year will run from today until the 31st December 19.... (the year of foundation).

32. At the end of each tax year the management committee draws up the inventory together with the balance sheet and the profits and loss account for submission to the general meeting.

33. The Annual General Meeting will hear the management committee and supervisory body's report and move on the acceptance of the balance sheet and the profit and loss account.

After the acceptance of the balance sheet, the meeting will dismiss the management committee and the supervisors.

Within 30 days of its being approved, the balance sheet is deposited with the registry of the registered office's commercial court.

#### SECTION VII: Division of profits

34. Surpluses left after deduction of general costs, charges, repayments, reserves against interest owed, dividends to members etc. represent the net profits.

Whatever net profits remain will be distributed as follows:

- 5% to the legal reserves
- 6% maximum to go towards the company capital fund
- the rest to be placed in an extraordinary reserve fund or an emergency fund.

#### SECTION VIII: Dissolution, liquidation

35. The society is dissolved whenever the number of members falls below seven or the level of the company funds falls below the statutory minimum.

It can also be dissolved by the general meeting in accordance with the regulations for modification of statutes.

In case of dissolution, voluntary or forced, the general meeting names the liquidators. It decides the extent of their powers, the means of liquidation and their compensation.

As long as the liquidators remain unnamed, the management committee is charged with liquidating the company.

36. After payment of debts and National Insurance contributions, the money raised will go towards the reimbursement of money paid for shares.
- Any money remaining is distributed by the founding members to eg. similar organisations, or to members according to share-holding or to any other purpose as set out in the rules.

SECTION LX: Various matters

37. The extension of the duration of the society is made in accordance with the regulations for the modification of the rules.
38. The general meeting decides on all internal regulations drawn up by the management committee. These internal regulations may provide for anything to do with the application of the rules or with the running of the society's activities in general and can impose on members and their legal representatives any rule which is thought to be in the interests of the society, as long as these do not conflict with the legal and statutory regulations.

Appendix 3: Note from FEBECOOP on the possible foundation of a  
Co-operative Development Fund

Because of their legal structure, co-operatives in Belgium find it difficult to obtain any of the various kinds of State aid. They are also hampered by the fact that they are variable-capital societies which have never gained easy access to the money market and which need to have large amounts of risk capital at their disposal.

This risk capital can never come in sufficiently large amounts from individual members.

State intervention in favour of co-operatives should therefore take place. In order to encourage this we ought to look into the possibility of setting up a co-operative development fund along the lines of that already in existence in Quebec.

Here is a summary of the form this development fund could take:

Kinds of Aid

- providing risk capital through investment in co-operatives
- loans to co-operatives
- standing guarantor for the repayment of loans
- grant aid, which could take the form of paying for technical assistance

Risk Capital: Aid could be limited to 3 times the paid-up capital plus 3 times the reserves.

The co-operative movement could be allowed to buy-up the government shares.

Loans: The maximum amount could be reviewed each year according to the society's financial situation, size and sector of activity.

Guarantees: The fund's share in the guarantee, which should not exceed 10% of the value of the society's assets, would be 50%.

Technical assistance: Improvement in the choice of investments and investigation of holdings, a training programme for employees and an advisory service for the managers of firms in difficulty.

Entitlement

Those entitled to access to the fund would be:

- co-operatives licensed by the National Council for Co-operation
- co-operatives formed by transformations of limited companies into co-operative societies
- newly founded or recently founded co-operatives who fulfill the conditions for registration by the National Council for Co-operation

Necessary financial input

The state, by means of financial organs such as the CGER or the SNGI could contribute an amount of money 10 times the contribution planned by the co-operative movement.

Structure of the Fund

The State and the co-operative movement could name an equal number of administrators, the president being a co-operative member named by the State.

The National Council for Co-operation could nominate the representatives of the co-operative movement.

The State could nominate representatives from economic, financial and regional bodies and eventually representatives from the CGER or SNCI.

EUROPEAN CO-OPERATIVES  
Perspectives from France

Hugues Sibille and Jean-Louis Ruatti

TEN, Co-opérative de Conseils, Paris

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We would like to thank all those who helped us in the compilation of this report, in particular M. Anthony, president of the National Council for Co-operation; M. Espagne, Secretary General to the Federation of Producer Co-operatives and M. Shaffran, head of the Federation's statistical department; M. Bellevillé, Secretary General to the National Council for Co-operation; M. Vienney from the Co-operative College and finally, M. Pfeiffer, President of G.F.E.

## 1. GENERAL INTRODUCTION TO THE CO-OPERATIVE MOVEMENT IN FRANCE

### 1.1 Typology of co-operatives

The co-operative sector in France has diversified considerably in the course of its history and is now distinctly heterogeneous. Indeed, some of the organisations involved have little in common except that they meet the following definition of a co-operative business: 'An economic entity owned jointly by its members, who participate in its management on a democratic basis and share the profits according to the extent to which they use the services of the organisation or participate in its activities rather than in proportion to capital contributed'. There is thus no single co-operative sector in the economic sense but rather a collection of co-operative businesses which, though varying widely in size and sectors of activity, all apply certain common rules:

- no restriction on access to, or withdrawal from membership (open door policy);
- democratic management (one man, one vote);
- profits distributed in proportion to involvement in the activities of the organisation;
- reserves indivisible.

It is thus in its aims and method of operation that the special character of the co-operative sector lies and it is in these that co-operatives differ from private firms of a capitalistic type and State undertakings.

Aside from this, the term 'co-operative sector' as applied to France is little more than a common label covering undertakings, associations, etc., from a wide range of radically different sectors of economic activity:

- production co-operatives whose members may, depending on the activity, be either farmers, fishermen, factory workers or independent craftsmen;
- user co-operatives whose aim is to supply their members with the services they require: consumer co-operatives, distribution co-operatives, housing co-operatives, etc.;
- co-operative savings banks: Credit Mutuel, Credit Agricole, Credit Co-operatif and people's co-operative banks ('banques populaires').

This preliminary breakdown is very rough and the categories distinguished by no means represent homogeneous groups of co-operatives. A distinction should, for instance, be made within the category 'production co-operatives' between

those where members are independent entrepreneurs (craftsmen, farmers or tradesmen) and those where members are employees (worker co-operatives). These two types of co-operatives are intended to fulfil quite different roles and they frequently differ from one another both in philosophy and method of operation. Similarly, even the term 'worker co-operative' can cover organisations as diverse as a glass manufacturing firm, a theatrical company and a data-processing consultancy service.

This economic diversity is paralleled by extreme diversity in the legal form of co-operatives and the rules to which they are subject. The law of September 1947 provides for so many exceptions that its claim to lay down general rules for co-operative societies in France is scarcely justified. Depending on their legal form, co-operatives may be subject either to the general company legislation and/or to special provisions (1972 law on agricultural co-operatives, 1978 law on worker co-operatives, 1917 law on consumer co-operatives, etc.).

The co-operative sector in France is thus better defined by reference to certain broad co-operative principles than by reference to either economic criteria or legal form. It is preferable to talk of the co-operative 'movement' or 'phenomenon'. The statistics given below show that the dimensions and significance of the movement vary widely from one sector to the next.

## 1.2 Social/economic significance of the co-operative movement

COMPARATIVE FIGURES FOR THE CO-OPERATIVE MOVEMENT IN FRANCE  
(1978 FIGURES)

T - Turnover, in millions of  
Francs where applicable

Sector	Membership	Administrators	Number of units	Employees	Other significant figures
WORKER CO-OPERATIVES (PRODUCTION)	15,000	-	573	32,000	T - 4,700
CONSUMER CO-OPERATIVES	2,000,000	3,500	6,589	44,000	T - 17,700
HOUSING CO-OPERATIVES (HLM)	380,000	2,600	275	5,000	350,000 dwellings built since 1945
MARITIME CO-OPERATIVES	23,000	-	111	3,000	T - 800
RETAIL TRADING CO-OPERATIVES	22,500	1,670	60 co-operatives representing a total of approx. 15,000 retail outlets	4,100	T - 25,000
CRAFT CO-OPERATIVES	50,000	3,500	1,200	-	still being evaluated
TRANSPORT CO-OPERATIVES	-	-	17 worker co-ops representing a total of 430 undertakings	2,000	T - 432,000
AGRICULTURAL CO-OPERATIVES	2,000,000	60,000 (not including machinery syndicates)	4,000 7,000 machinery syndicates	125,000	T - 100,000
<b>AGRICULTURAL MUTUAL ASSOCIATIONS</b>					
Mutual insurance societies	80% of farmers	1,300	28,000 (local level)	30,000	Incoming payments and contributions 4,500
Provident funds	8,000,000	152,000 elected delegates 1,571 administrators	85 departmental or regional level		Assets - 47,000

Sector	Membership	Administrators	Number of units	Employees	Other significant figures
CO-OPERATIVE SAVINGS BANKS:					
CREDIT AGRICOLE	3,500,000	40,000	3,00 at local level (9,800 permanent/occasional offices) 94 at regional level	60,000	Consolidated balance: 358,619,000
CREDIT MUTUEL	2,500,000	35,000	3,000 (local level)	14,000	Balance: 53,000
CREDIT CO-OPERATIF	5,000	-	18	800	Consolidated balance: 7,000
GROUPE DES BANQUES POPULAIRES	600,000	460	37 regional banks 1,750 offices	25,000	Consolidated balance: 72,000
CREDIT MARITIME	50,000	-	100 agencies	600	1,700

The picture revealed by these statistics shows that:

- 1) Overall, the movement carries considerable weight in social and economic terms: nearly 20 million members, several hundred thousand employees (350,000 for the activities covered by the table) and a turnover of nearly FF700,000 million (adding together all the turnover figures and consolidated balances given in the table). After all, the Credit Agricole, which forms part of the co-operative movement, is currently the second largest deposit bank in the world.
- 2) The extent of the role played by co-operative undertakings varies widely from sector to sector. Thus the turnover of agricultural co-operatives is 25 times that of worker co-operatives and the consolidated balance of the Credit Agricole is seven times that of the Credit Mutuel. As matters stand, it is undoubtedly in farming and consumer co-operatives that the movement is strongest in France. To take an example, in 1976 40 out of the top 100 undertakings in the agri-foodstuffs sector were co-operative groups. Overall, co-operatives represent more than one quarter of this sector in France.
- 3) Trends are another matter. It is interesting to note, for instance, that the number of agricultural co-operatives is falling whereas the number of worker co-operatives is growing.

	1970	1972	1973	1974	1976	1979
Number of agricultural co-operatives	5,050	4,700	4,600	4,400	4,300	4,000
Number of worker co-operatives	522	540	520	527	559	698

Similarly, looking at membership figures we find that, over the period 1970-1978, the membership of agricultural co-operatives fell from 2.5 million to 2 million, whereas the membership of worker co-operatives rose.

- 4) Given the heterogeneity of the movement in terms of legal form and sector of activity, considerable caution needs to be exercised in using the various indicators of size for comparison. Thus, considering the question in terms of employment, we find that retail trading co-operatives have a turnover nearly six times that of worker co-operatives and yet the latter employ nine times as many people. Then again, the turnover of consumer co-operatives is four times that of worker co-operatives but they employ 20% more people. Labour is clearly less important a factor in businesses involved primarily in distribution than in production undertakings.

Approaching matters from a different tack, the number of members and the ratio of employees:members varies considerably from sector to sector, but membership of a consumer co-operative - which simply entails purchasing goods - calls for a much smaller degree of commitment than is demanded of someone joining a worker co-operative.

- 5) An examination of the history of the co-operative movement in France reveals differences from sector to sector as regards both the pattern and the rate of development. The emergence and development of co-operatives is by no means independent of changes in the structures of production and the general economic climate. It would be unrealistic to expect to identify trends valid for the whole of the co-operative movement when the latter is only united by certain very broad operating rules.

### 1.3 Principal stages in the history

#### 1) 1830 to 1867

Co-operative associations first began to appear in France during the 1830s as a reaction on the part of workers to the concentration of labour and machinery resulting from the industrial revolution. This initiative was backed up by the efforts of a number of thinkers (Fourier, Buchez, Considerant, Louis Blanc) to define the principles of co-operation/free association. These early co-operatives were primarily associations of workers within a single trade (carpenters, shoemakers, printers). A rapid increase in popularity followed the 1848 Revolution - more than 200 new co-operatives were established within a period of a few weeks. But the ground thus gained was lost with the fall of the Republic. Napoleon III dissolved the co-operatives and hounded their members. The first consumer associations began to be formed in 1850 (Boulangerie Societaire de Paris, Travailleurs Unis in Lyons, etc.).

#### 2) 1867 to 1917

Co-operatives flourished during the brief reign of the 'Commune' in Paris and were crushed once again when it fell. They recovered gradually hand-in-hand with the trade union movement, becoming indeed the source of a split within the ranks of trade unionists which is still not totally healed today. On the one side are those who, like Jaures (the founder of the Albi Glassworks co-operative), see worker co-operatives as a way towards socialism; others like Jules Guesde as a reformist illusion which has no real future and is, indeed, a threat to socialism. This controversy has remained alive to the present day in trade union and political circles in France.

In 1884, worker co-operatives banded together to form the Chambre Consultative des Associations Ouvrieres (Joint Consultative Council of Worker Associations), which was later to become the Confederation Generale des SCOP (General Confederation

of Worker Co-operatives). It was also around this time that the first agricultural co-operative began to appear - in 1883 at Chaille the first co-operative butter-dairy and in 1884 the first savings bank. Co-operatives of winegrowers first made their appearance in 1892 and started to become really popular at the beginning of this century. The co-operative banking sector also expanded with the opening of the first offices of the Credit Populaire, the Credit Mutuel and the Credit Maritime, whilst consumer co-operatives banded together in 1912 to form a National Federation. Thanks in large part to the socialist movement and to the revolutionary upheavals during the previous century by 1914 the main types of co-operative had succeeded in establishing themselves in French society.

### 3) 1918 to 1947

The Government in some sense set the seal of approval on this situation in 1918 by creating a national council to promote the development of the co-operative movement. During the years which followed a whole range of legislative provisions were introduced in favour of co-operatives, with different texts for the various sectors. Just at the time when the co-operative movement was beginning to play a major role in French society however, its progress was halted in its tracks by the arrival in power of the Vichy government. The co-operative organisations were swallowed up in the Vichy corporate system under a series of laws and ordinances.

### 4) 1947 to 1980

The post-war period saw the birth of a multiplicity of plans aimed at building a new society, and the corporate movement was actively involved. In 1947 a new national council for the co-operative movement was established and general rules for the operation of co-operative associations were promulgated. The dissipation of the post-liberation impetus for social progress was, however, paralleled by the dissipation of the political support which the co-operative movement had been able to tap. During the next twenty years, progress was confined to limited measures facilitating the development of co-operatives in certain sectors. It was not until 1968 that the campaign to establish a degree of collaboration within the movement at policy level was revived, leading ultimately to the creation of the Groupement National de la Co-operation - National Co-operative League. This campaign was paralleled by efforts in the field of educational collaboration, the fruits of which can be seen in two institutions currently in existence - the College Co-operatif (Co-operative College) and the Institut Francais de la Co-operation (Co-operative Institute). Full collaboration within the co-operative movement in France is still a long way in the future - the defence of sectoral interests continues to take very clear precedence and, whilst contacts undoubtedly exist at policy level between the various sectors, concrete results have hitherto proved difficult to achieve. Nevertheless the present picture of a patchwork of individual co-operatives is very gradually giving way to one of a single co-operative movement with the potential to exert increasing economic and political influence.

Finally, there appears in recent years to have been a resurgence of interest in the co-operative approach in a number of quarters (not excluding the public authorities). Various reasons can be cited:

- The present economic crisis has laid open to question once again the suitability of the large firm as a framework for economic growth and the creation of jobs, bringing to the fore once again the potential value of the co-operative as a tool for defending the interests of workers by keeping plant in operation and thus preserving jobs. Since the LIP case there has been a very substantial increase in the number of ailing businesses which have been restarted as co-operatives (with varying degrees of success, admittedly, but this is another question). In the words of A. Antoni \* : 'When business is good in the capitalist world, worker co-operatives enjoy relatively mediocre results, but when business is bad for the rest it improves for worker co-operatives'.
- Secondly, the current social upheaval has laid open to question the pattern of work and working relations operating in the traditional firm. The result has been the emergence of a new theme - that of 'team work' and the collective creation of businesses and jobs. In this situation, the co-operative has become the framework for social experimentation and is consequently an increasingly common organisational format for businesses in the crafts (both traditional and new), advanced service activities (research, consultancy, data processing, etc.) and the social/cultural sector. The review 'Autrement' summed up the aim here very well - 'if only everyone were to create his own job...'
- The political climate is such that pre-established models are no longer so readily accepted and the co-operative philosophy has consequently regained some of its earlier appeal. Thus, increasing dissatisfaction with the concept of nationalisation has led certain elements of the French trade union movement to look more favourably on the co-operative approach as a means of transforming society. There is evidence of a shift, as yet at the embryonic stage but potentially constituting a major change of strategy, in the attitude of the trades unions (and specifically the CFDT): the union stance is moving from one of opposition to the existing economic system towards one of constructive negotiation. The union wants to influence economic decisions now rather than later and is moving, admittedly with a degree of hesitancy, into involvement in the management of undertakings. The co-operative approach is looked on favourably in this connection since it enables workers to be involved to a greater extent in the running of their firms.

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\* At the time Secretary-General of the Confederation des SCOP and Chairman of the Groupement National de la Co-operation.

#### 1.4 Reasons for choosing worker co-operatives (SCOPs)

Following on this general introduction to the co-operative movement in France, we decided to analyse in detail the situation in one of its constituent parts: worker production co-operatives (Societes Co-operatives Ouvrieres de Production). We have shown, it will be remembered, that the movement is heterogeneous, does not constitute an economic sector in the classic sense and only really has one element in common - the application of certain broad co-operative principles. Against this background a more dynamic picture of the co-operative phenomenon, notably as regards employment prospects, can best be obtained by focusing on worker co-operatives. There are a number of reasons for this choice:

- Whilst worker co-operatives do not constitute the largest sector in absolute terms (their turnover is far below that of either agricultural or consumer co-operatives), they do have the greatest potential for expansion. The number of new worker co-operatives being formed is on the increase, whereas other sectors are either stagnating or declining.
- The organisational format of worker co-operatives can be applied successfully in a variety of sectors of activity - craft undertakings, small scale industry, services; it thus has potential as an agent of innovation in a wide range of different (and important) sectors. The worker co-operative may be the answer both for groups of people wishing to set up their own businesses and for employees wishing to relaunch their firm after it has got into difficulties, and for an owner-manager who wants to ensure that his business carries on after he has gone.
- The worker co-operative is innovatory in terms of its method of operation. It now seems fairly clear that large-scale economic units are no longer capable of acting as the major agents of job creation in countries such as ours and that this role must pass to smaller firms. In France, the organisational format of worker co-operatives is sufficiently novel and attractive to offer scope for a more human, 'participatory' mode of operation which will facilitate a better division of responsibilities, and it thus has potential as a vehicle for social experimentation.

## 2. LEGAL CHARACTERISTICS AND TAX POSITION OF WORKER CO-OPERATIVES

As has already been indicated, the worker production co-operative (SCOP) is first and foremost an organisational format and it is thus vital for two reasons that we start by outlining its legal characteristics:

- Firstly, it needs to be made clear exactly how a co-operative differs from an ordinary business. The avowed goal of worker co-operatives is 'to place capital at the service of labour' within the framework of a democratic mode of operation based on the principle of 'one man, one vote'. What are the implications in terms of legal form of the co-operative's dual position as both an association and a firm?
- Secondly, we need to determine how far the particular legal characteristics of the worker co-operative are likely to act as an incentive/disincentive to choosing this organisational format rather than another when establishing a business. In other words, are the advantages of this format such as to encourage the establishment of new businesses and hence the creation of additional jobs?

Until 1978 the legal position of worker co-operatives derived from the provisions of a number of separate pieces of legislation and coherence was notably lacking. The new law of July 1978 establishing rules for the operation of worker co-operatives endeavoured to adapt the original principles to the present-day situation, facilitate the task of obtaining finance, restrict the influence exercised by animosities amongst the membership and encourage the creation of new worker co-operatives. This law broadens both the definition and the stated goal of co-operatives by ensuring that all forms of occupational activity and all categories of worker are covered - hence the possibility of adopting the title of worker co-operative (Societe Co-operative de Travailleurs) as opposed to the more restrictive 'worker production co-operative', which is scarcely suitable for the increasing number of co-operatives which are not involved in manufacturing (consultancy firms, service companies, etc.). The law reiterates as follows the basic principles of the co-operative:

'Worker production co-operatives shall be associations of workers of any category or occupation who have decided to work together within a business managed either directly by themselves or through the intermediary of representatives elected from amongst their number.'

The principle of freedom of association shall apply and all members shall enjoy equal powers, irrespective of their contribution to the capital of the business.'

## 2.1 Legal form

Worker co-operatives are commercial companies subject to all the obligations incumbent upon undertakings in France. Since 1978, they have been able to adopt the form of either a 'Societe Anonyme' (SA - roughly equivalent to a joint stock company) or a 'Societe a Responsabilite Limitee' (SARL - private limited company). The broad principles of company

law are thus applicable to worker co-operatives in the same way as to ordinary companies. The minimum number of members is four in the case of worker co-operatives which take the form of a SARL and seven in the case of those taking the form of an SA. Worker co-operatives have the same status as other commercial companies and the personal liability of their members is the same. Where the form chosen is that of an SA, two possibilities are open under the 1966 Law - either the General Meeting of shareholders elects a Management Board which in turn elects a Chief Executive (President Directeur General - PDG) or the shareholders elect a Supervisory Board and a collegiate executive board. Where the form chosen is that of a SARL, the General Meeting of Shareholders elects one or more managers from amongst its members. Since 1978 it has been relatively easy for a conventional company to convert itself into a worker co-operative since the law now provides that such a step does not involve the creation of a new legal person with the consequence that no transfer duties are payable; the new law has thus removed a major obstacle to the conversion of conventional SAs into worker co-operatives. This may encourage the owners of small firms to decide when they retire to transfer ownership of and responsibility for their firm to the workers by converting it into a co-operative.

The SARL option introduced by the 1978 Law has undoubtedly acted as an incentive to the creation of co-operatives, particularly at the level of the small business, since the SARL is more flexible and less formalistic than the SA (minimum number of members, management structure, non-publication of accounts, etc.). There is, however, the disadvantage that once a SARL has more than 50 employees it will be obliged to convert itself into an SA. Despite the new legislation, the fact remains that worker co-operatives are subject to company law provisions drafted essentially for capital-based undertakings whereas a worker co-operative is by definition based more on people than on capital - in the General Meeting, each member has a single vote irrespective of the volume of shares he holds.

Similarly, the 'Anonyme' (literally 'anonymous') in the title of the SA seems nonsensical in the context of an association of workers who have banded together for the purpose of working in co-operation. What is really needed if the worker co-operative is to preserve its character of an association, is a legal form which is genuinely designed specifically for its needs.

## 2.2 Status of members

The members of a worker co-operative may be either physical or legal persons and, if the former, either employees of the firm or otherwise. This brings us to an important aspect of the functioning of co-operatives. Taking the underlying democratic ideal to its logical extreme, all employees of the business should also be members of the co-operative. This is why the 1978 Law contains provisions regarding the admission of employees to membership either via the general scheme laid down in the Law itself or via

certain special schemes to be introduced by individual co-operatives should they so wish:

General scheme: any person employed for more than a year may apply. Decision by simple majority of the General Meeting.

Special schemes which may be introduced in the articles of association:

- automatic admission;
- compulsory application: any employee refusing, after a certain period, to become a member is deemed to have resigned and his contract is terminated;
- subscription of shares reserved for employees entails automatic admission to membership.

Also relevant, aside from the above, is the provision whereby resignation from membership entails the termination of an employee's contract of employment. It must be said that, whilst the principle that employees and members should be one and the same is in line with co-operative ideals, it can on occasion constitute a brake on expansion, because employees hesitate to 'put their money' into the business.

Finally, one of the essential features of the worker co-operative lies in the fact that its members can elect, and dismiss, the managers of the business at any moment on the basis of one man, one vote. Thus, in principle at least, power lies with the workforce rather than with those who control the firm's capital.

### 2.3 Capital and profits

Worker co-operatives do not dispute the need for adequate capital backing, but they obtain this capital through the savings of their worker-members and the accumulation of indivisible reserves. This means that, in contrast to comparable conventional businesses, they have at their disposal a body of capital which is not transferable.

Admission to membership cannot be made conditional on the purchase of more than one share, but the articles of association may impose on members an obligation to acquire a certain number of shares. Where this is the case, employees must not be required to contribute more than 5% of their wage/salary. In practice, where this restriction constitutes a brake on progress, worker co-operatives have solved the problem by introducing participation fund arrangements as a means of assisting the employees, or simply by increasing wages by 5%.

In order to avoid dangerous imbalances, no member may hold more than a quarter of the total share capital, except during the first ten years of a co-operative's existence, when an employee may hold up to 50%. When an employee leaves, his shares are only reimbursed at face value, however much the business may have prospered.\* In this, his shares differ fundamentally from shares in a conventional capitalist company. Finally, the withdrawal of capital must not result in the total share capital being reduced to less than half its highest level since the formation of the company.

### Profits

Broadly speaking, any profits made by the co-operative are divided into three parts:

- a dividend on capital;
- a bonus to the employees;
- topping up reserves.

- 1) The total amount allocated to capital dividends must be less than that allocated to bonuses for employees - it must not exceed 25% of the net operating surplus. The ceiling on the rate of return on capital, which was previously only 6% for external shareholders, has been raised to facilitate the financing of worker co-operatives and the rate may now be anything up to the average actual yield on bonds issued during the previous half-year (currently around 12%).
- 2) The total amount allocated to bonuses for employees must not be less than a quarter of the net profits, if any. The sums in question may, however, be allocated to a 'workers' participation fund' under a special participation agreement. This is a crucial feature of the legal/tax situation of worker co-operatives in France. Profits allocated to this fund are exempt from both company tax and personal income tax. The sums in question remain in a blocked account, accruing income, for a period of five years. There is an added advantage in that co-operatives establishing a participation fund are authorised to constitute, tax free, an investment reserve equal in amount to the participation fund deposits. These arrangements are highly advantageous in tax terms and should enable worker co-operatives to increase substantially their capital resources.\*\* With a good participation agreement, a worker co-operative need hardly pay any tax (except on profits allocated to capital dividends). This means that instead of paying company tax at the full rate of 50% the co-operative will only pay around 20% overall - thus the

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\* There is thus no possibility of capital appreciation, though the rate of return on capital may nevertheless be high.

\*\* Participation agreements are not confined to worker co-operatives. Nevertheless, though this option is available to all companies, few outside the co-operative sector take advantage of it, largely because of the antagonism between capital and labour. The possibility of constituting an investment reserve, on the other hand, is restricted to worker co-operatives.

State is in a sense subsidising the self-financing of worker co-operatives. Naturally, all worker co-operatives at present in existence exploit this possibility of self-financing 'on the cheap'. It is, however, uncertain whether these tax concessions act as an incentive to the creation of new businesses, since they are not designed to encourage people to invest capital. Where these concessions may have an impact is in the case of a group of people who already support co-operative principles and are not seeking capital growth. They may also tend to encourage the conversion into worker co-operatives of existing companies (including in situations where the major shareholder is withdrawing).

The problem raised here is one to which we shall return at a later point - the difficulty of finding and attracting capital for the creation of worker co-operatives. This explains why worker co-operatives tend most frequently to be established in those sectors which are not capital intensive (the building industry and the services sector).\*

- 3) The final part of the profits - at least 15% - is used to top up the company's reserves. In a worker co-operative these effectively play the same role as the capital of a conventional company - representing, for example, a genuine guarantee for bankers. The indivisibility of the reserves and the fact that they are the collective property of the business are features which distinguish the co-operative sharply from 'capitalist' undertakings. This money earned by the co-operative as a unit reverts to the co-operative as a unit and is in no sense the property of the workers - the latter merely have the right to enjoy the benefits deriving from its use. In the event of the business going into liquidation, what remains of the reserves will be paid either to a charity or to the Confederation Generale des SCOP. The major difference between a worker co-operative and a conventional company is thus that there is no possibility of appreciation in the capital value of the business, a fact which makes it difficult to transfer the ownership of worker co-operatives.

### 3. ECONOMIC AND SOCIAL ASPECTS OF WORKER CO-OPERATIVES

#### 3.1 Economic significance of the worker co-operative movement in France

##### 1) Number of co-operatives

Some 726 worker co-operatives were affiliated to the national confederation on 18th April 1980. From tax returns

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\* Assuming an equal level of performance, a worker co-operative will tend to do very much better in terms of self-financing than an ordinary company. Thus the cash-flow situation of a high performance co-operative, such as Acome in the cables sector, can be very healthy.

it would appear that there are in fact between 850 and 900 such co-operatives in France at the present time.

The number has been rising steadily over the past five years:

Year	Number of worker co-operatives affiliated to the Confederation	Index
1970	522	100
1971	531	101.7
1972	540	103.4
1973	520	99.6
1974	527	101.0
1975	545	104.4
1976	559	107.1
1977	552	105.7
1978	573	109.8
1979	698	133.7

In 10 years, the number of worker co-operatives has gone up by some 33%.

2) Distribution by origin

Of the 726 worker co-operatives in existence on 18th April 1980:

- 525, or 72%, were set up from scratch;
- 123, or 17%, were formed by taking over ailing businesses;
- 78, or 11%, were formed by the conversion of conventional firms into co-operatives.

Thus the majority of present-day worker co-operatives were set up as completely new businesses.

3) The distribution of worker co-operatives by size of business is as follows:

Number of employees	Number of worker co-operatives	%	
1 - 10	301	41%	} 84%
11 - 30	223	31%	
31 - 50	87	12%	
51 - 100	59	8%	
101 - 200	29	4%	
201 - 500	20	3%	
500	7	1%	
<b>Total</b>	<b>726</b>	<b>100%</b>	

Worker co-operatives are thus small firms bordering on self-employed craft businesses, since 40% of them have under 10 employees and 84% employ less than 50.

There are nevertheless a few workforces of over 1,000:

- AOIP (Association Ouvriere en Instruments de Precision, Paris) which is in the telephone, measuring instrument and automated tool sectors and at present has a staff of 1,500; two years ago it employed over 5,000 before running into financial difficulties;
- ACOME (Paris, Montain) in the power transmission cable business, employing 1,000; this venture has had a striking financial success.
- HIRONDELLE (Paris) and AVENIR (Lyons) in the building industry, each with workforces of about 1,000.

#### 4) Broad economic and financial aggregates of worker co-operatives

- In 1979 worker co-operatives achieved a pre-tax turnover of roughly FF 5,000 million, a very small figure compared with the total French gross national product.
- They employed altogether 32,000 people and had 15,000 members, or 47% of the workforce.
- On the financial side, an extrapolation of the data obtained from a sample of 507 co-operatives gives the following figures for the 573 worker co-operatives then in existence:

in FF millions - 31 December 1978

	Total	Average per co-operative
Turnover	4,700	8.3
Capital and reserves	634	1.1
of which share capital	169	0.3
Total long-term funds	1,228	2.1
Net fixed assets	700	1.2
Net profit or loss after tax	134	0.2

5) The distribution by sector of activity is as follows:

Sector	Number of co-operatives	%	Number of employees	%	Average size of co-operatives
Building, civil engineering and allied industries	292	40	14,539	45	50 employees
Printing and publishing	84	12	2,176	7	26 employees
Engineering, metal working, electrical	86	12	7,902	24	92 employees
Wood, furniture and glass	31	4	1,973	6	64 employees
Food and agriculture	20	3	404	1	20 employees
Leather and textiles	29	4	1,524	5	53 employees
Professional and cultural services	127	17	1,206	4	9 employees
General services	57	8	2,794	9	49 employees
Total	726	100	32,518	100	

- The most strongly represented sectors are:
  - . construction and allied industries, with 40% of all co-operatives;
  - . professional and cultural services, with 17%;
  - . printing and publishing, with 12% and
  - . engineering, metal working and electrical, with 12%.
- In the building and civil engineering fields co-operatives are to be found in all trades:
  - . structural (masonry, etc.);
  - . and fitting-out (carpentry and joinery, plumbing, electricity, etc.)

Among the most well-known are HIRONDELLE (structural building work, Paris), AVENIR (structural building work, Lyons), UNION TRAVAUX (civil engineering, Paris), CHANTIERS DE ROCHEBRUNNE (carpentry and joinery, Paris), LA FRATERNELLE (carpentry and joinery, Saint Lô).

- The co-operatives in the professional and cultural services sector include:
  - . specialist consultancy services in the building sector (engineers, surveyors, planners, architects, etc.);
  - . business and other consultants;
  - . theatrical companies, of which the most well-known is perhaps the 'Troupe de Soleil'.
- In the printing and publishing sector co-operatives are found in all branches of the trade such as photo-typesetting, photo-engraving, book-printing, newspapers, etc. Special mention can be made of the Paris book-printers EMANCIPATRICE and the two provincial newspapers 'Yonne republicaine' and 'Courrier Picard'.
- In the engineering, metal working and electrical sector, many of the co-operatives are small firms carrying out sub-contracting work. But this group also includes the two big enterprises already mentioned.

6) Geographical distribution of worker co-operatives is as follows:

Area Association	Number of co-operatives	%	Number of employees
Paris	223	31	15,420
North	51	7	2,021
Bourgogne	22	3	702
East	13	2	982
Champagne	5	0.7	120
South-East	89	12	2,708
Provence	79	11	1,681
South West	52	7	1,596
Centre	36	5	1,263
Atlantic	37	5	1,162
West	119	16	4,863
Total	726	100	32,518

Some 70% of co-operatives are located in only three areas, namely

- Paris,
- greater South Eastern area, and
- West.

### 7) Conclusions

The conclusions which emerge from this brief survey are as follows:

- a) Worker co-operatives are predominantly small firms:
  - . 84% employ less than 50 people;
  - . only 56 of them employ over 100.
- b) Worker co-operatives are to be found in all economic sectors except distribution and commerce. Almost half (45%) are in the construction industry; and three sectors (construction, printing in the wide sense and professional and cultural services) account for 77% of the total.
- c) Participants in worker co-operatives tend to be highly skilled; there are few worker co-operatives of semi-skilled workers.
- d) The co-operative movement is growing rapidly. In 10 years the number of worker co-operatives has risen by approximately one third.

### 3.2 The innovative features of worker co-operatives as forms of business organisation

Listed below are the main points which distinguish worker co-operatives from conventional businesses and which we regard as innovative.

- 1) The legal form of the worker co-operative (SCOP) is a rather loose framework which allows those who wish to do so to experiment with types of business organisation different from the prevailing pattern.

It allows the employees to be closely associated in the running of the business.

Of all the attempts to introduce self-management, it is the sole concrete and working example of such a system at the level of the undertaking in France at the present time.

- 2) Without going back over the details of the legal form which have been set out above, we would refer to a few features which, in our opinion, are innovatory and distinctive:

- a) In worker co-operatives the workers have formal control over the firm. They choose their managers on a 'one man, one vote' basis and can remove them if they see fit. This formal control of management is actually exercised in some cases, but in others it remains purely on paper.
  - b) The profits of the business accrue to those working in it and not to anonymous outside shareholders. The profits are distributed among the workers either in proportion to wages, in equal shares, or by a combination of the two systems.
  - c) Finally, the effect of non-distributable reserves is that the productive assets of the business are collectively owned in the sense that the workers have possession and use but not full rights of ownership, and so not obtain capital gains if the business ceases trading.
- 3) Owing to a lack of sufficiently accurate means of measurement and analysis, it is hard to say whether worker co-operatives perform in economic and social terms better or worse than capitalistic enterprises of comparable size in similar lines of business.

However, it is safe to say that the social aspect has always been a dominant concern in worker co-operatives. The 'Social Balance Sheet' was introduced in them 15 years ago, whereas it has only just been generally introduced in France for firms employing over 300 persons. In general, social inequality tends to diminish in co-operatives. The differences in pay are smaller than in conventional firms: the earnings of the lowest and highest paid members of co-operatives vary by a factor of 1 : 5, whereas in capitalist firms this range is often as much as 1 : 15.

Furthermore, sociological surveys conducted in co-operatives have repeatedly found that by comparison with conventional firms:

- workers in co-operatives feel more sense of responsibility, take a more active part, are better informed and more involved in their work;
  - the working atmosphere is better;
  - there is more freedom of expression;
  - the workers have a much greater sense of belonging to the firm.
- 4) On the whole, worker co-operatives can be said to be, however imperfectly, places of
- advancement for the workers involved;
  - initiation in the exercise of authority and responsibility;
  - training in the chosen trade or occupation, and also in management, teamwork and democracy.

### 3.3 The weak points of worker co-operatives

The weaknesses of worker co-operatives seem to us to lie in the following points:

- 1) Democracy is often more formal than real. The workers often do not really control management.
- 2) The workers' participation in decision-making and in running the business is often inadequate, especially as the size of the firm increases.
- 3) The rate of membership is still too low; only 47% of employees are members. This is mainly due to the fact that a large proportion of the jobs in worker co-operatives are in the construction industry, where the membership rate is low because of high staff turnover.

In sectors such as printing the membership rate is higher and in fact approaches 100%.

- 4) Worker co-operatives have not significantly questioned the pattern of work organisation imposed by the surrounding economic system. In many cases they simply reproduce conventional organisation patterns.
- 5) Members of co-operatives lack management and commercial skills. Co-operatives are pervaded by the spirit of the producer rather than the salesman; they are slow to adapt to market changes.

In management and marketing, co-operatives often show a lack of imagination, creativeness and readiness to innovate, and dynamism. This is no doubt connected with the fact that co-operatives have hitherto been, and still are, relatively closed to the idea of introducing professional managers into their team. The small groups of able professionals who set up co-operatives are very inward-looking and find it hard to accept outsiders being brought in, particularly when these are managers who are perceived as different from themselves.

- 6) Worker co-operatives are sometimes financially vulnerable, especially during the initial starting-up period. This is due to the fact that the members of co-operatives have limited financial resources and in some cases may prefer to share out any profits immediately instead of thereby improving the financial soundness of the undertaking.
- 7) Trade unions often have difficulty establishing themselves in co-operatives. Unlike the situation in other firms, workers in co-operatives have other means of expressing their views than through trade unions. This may reduce the appeal of the unions.

4. TRENDS IN THE DEVELOPMENT OF CO-OPERATIVES AND CREATION OF JOBS4.1 The formation of co-operatives1) In 1979

a) 119 worker co-operatives were formed, providing a total of 1,448 jobs, an average of 12 jobs per co-operative.

b) Of this number:

- 80 co-operatives, or 67%, were set up from scratch. These provided 536 jobs, an average of seven per co-operative.

This type of co-operative is set up by groups of people who enter into partnership jointly to carry on a business in a non-conventional legal framework and with a different kind of labour relationship from that found in conventional firms.

Since the new law of July 1978 the majority of worker co-operatives set up by this route have taken the legal form of SARL (private limited company).

- Twelve co-operatives, or 10% of the total, were formed by conversion from traditional SAs (public companies). These provided 295 jobs, an average of 25 per co-operative. This type of case arises when the owner of a business is without a successor to ensure the continuation of his business, and therefore offers his staff the chance of taking it over on their own account.

- Some 27 worker co-operatives, or 23% were formed out of ailing businesses which were taken over by their staff. These provided a total of 617 jobs, an average of 23 per co-operative. The usual pattern of events in this case is that a firm, or part of it, is taken over by its workforce after it has filed its petition in bankruptcy and no new potential shareholders have come forward.

Co-operatives formed by the latter two routes could be described as 'defensive', as opposed to the first type of 'offensive' venture, since they are set up to save an existing business. Together they accounted for one third of co-operative formations in 1979.

c) The co-operatives formed in 1979 were mainly in two traditional sectors for worker co-operatives, namely:

- building, civil engineering and allied industries, with 32% of total formations, and
- professional services, with 22%.

d) In their geographical distribution, too, formations were most common in the areas in which co-operatives are already most widespread, namely the Paris area, Provence and the West.

GEOGRAPHICAL DISTRIBUTION OF WORKER CO-OPERATIVES  
FORMED IN 1979

Area	Number of worker co-operatives formed	Percentage (%)
Paris Area Association	31	28
North Area Association	10	8
Bourgogne Area Association	3	3
East Area Association	4	3
Champagne Area Association	1	1
South-East Area Association	13	11
Provence Area Association	21	18
South-West Area Association	7	6
Centre Area Association	6	5
Atlantic Area Association	7	6
West Area Association	16	13
<b>TOTAL</b>	<b>119</b>	<b>100</b>

- 2) An examination of formations of worker co-operatives over a longer period reveals the following facts:
- a) The number of formations has accelerated since 1975. From 20 formations a year from 1970 to 1974 which were still surviving on 31 December 1979, there were 31 formations in 1975 that were still surviving at that date and 119 formations in 1979.

## ANNUAL TREND OF FORMATIONS OF WORKER CO-OPERATIVES

1970 - 1979

Year	Number of worker co-operatives formed still surviving on 31 December 1979
1970	22
1971	22
1972	13
1973	14
1974	15
1975	31
1976	41
1977	67
1978	78
1979	119

- b) The figures for the total worker co-operative formations in 1975-1977, including those which subsequently collapsed, are as follows:

Year	Number of formations	Number of jobs created	Number of co-operatives which had ceased trading by 31 December 1979
1975	51	1,095	20
1976	42	1,184	1
1977	76	1,200	9

A comparison of the last two tables shows that there is a high rate of early failure among worker co-operatives, and that such failures usually occur within three years of formation. About 20 - 30% of co-operatives collapse in this way.

- c) An analysis of formations by sector of activity gives similar results to those for 1979.

Statistics on formations in 1975, 1976, 1977 and part of 1978 reveal that four sectors (construction, professional and general services, and printing) alone accounted for 86% of the 214 co-operatives formed.

FORMATION OF WORKER CO-OPERATIVES BY SECTOR  
IN 1975, 1976, 1977 AND PART OF 1978

	Number of formations	%
Building and civil engineering	80	37)
Professional services	61	29
Printing and publishing	25	12
General services	18	8
Leather and textiles	12	6
Metals, engineering, electrical and electronics	7	3
Agriculture and food	3	
Glass and pottery	2	
Furniture	1	
Other	5	
TOTAL	214	100

3) Conclusions: current trends in the formation of worker co-operatives

a) There has been a resurgence of interest in the co-operative movement since 1974. The number of worker co-operative formations has been rising steadily for several years:

- from around 20 per year in 1970;
- 30 in 1975;
- the number reached 120 in 1979.

This growth is probably connected with:

- the recession, in the case of 'defensive' formation;
  - the emergence of new attitudes to work, in the case of the 'offensive' formations.
- b) The number of jobs created by the formation of worker co-operatives is growing steadily year by year, but is still quite modest: 1,500 in 1979.
- c) Worker co-operatives are formed by three routes: namely from scratch, by rescuing ailing firms and by conversion of conventional businesses into co-operatives. Contrary to what might be assumed, the most common type of formation is from scratch; this type accounts for over half of new co-operatives.

Whilst takeovers of ailing firms by worker co-operatives have received a lot of publicity, which has sometimes helped to give co-operatives a bad name, the actual number of co-operatives formed by this route is relatively small: under a quarter of all formations. The same applies to conversion of conventional businesses.

The two latter types of formation tend to be small-scale enterprises, involving on average around 25 persons.

- d) The vast majority of formations are in the four traditional sectors for co-operatives, namely:
- construction and allied trades (a sector which has been in recession in France since 1974);
  - professional and cultural services: specialist consultancy offices, firms of consultant engineers, theatrical companies, etc. Such co-operatives are formed by highly trained staff who join forces in order to work in a different atmosphere from that found in conventional firms;
  - general services: restoration, cleaning, etc.;
  - printing and allied trades.

Features of all types of formation are:

- the workforce tends to be highly skilled;
- the capital-intensiveness of the enterprises created is relatively low, in keeping with the limited financial resources of the promoters. However, there are some exceptions, particularly where ailing firms have been taken over or existing businesses converted into co-operatives;
- the new ventures are based not on a product, or an idea for a product, but on knowhow. The labour factor is generally predominant.

- e) The early failure rate is still high (20-39% of formations), despite the advisory services and assistance provided by the Confederation of Worker Co-operatives.

It is difficult to assess the significance of this figure owing to the lack of comparable figures for conventional firms.

- f) Co-operatives are being set up throughout France, in both urban and rural areas, but with a tendency to concentrate in areas where worker co-operatives are already well-established.

#### 4.2 Analysis of the different types of formation

In this section we will analyse in more detail the circumstances surrounding the formation of co-operatives by the three routes described.

##### 1) Formation from scratch

- a) This type of formation concerns groups of individuals, in 'intellectual' occupations or otherwise, who join together to pool their skills and practise their trade or occupation in a framework different from that obtaining in the traditional company setting. They are motivated by the desire for a pleasanter, less hierarchical and more egalitarian and participative working environment and for a different quality of human relations.
- b) The problems the group faces in setting up the co-operative are the same as those encountered by any entrepreneur, except that they do not face them alone:
- formulation of the business plan;
  - drawing up the statutes of the company;
  - completion of the legal formalities;
  - raising finance;
  - problems regarding premises and materials;
  - winning the first orders.
- c) The Confederation lends its assistance at every stage of the project, especially with drawing up the business plan and the statutes and completing the legal formalities. Through the co-operative development fund it can even grant unsecured loans, where the project is considered viable, up to the same amount as is subscribed by the members.

The Confederation receives a total of 900 - 1,000 enquiries each year in connection with the three types

of formation, 300 of which lead to some form of assistance being rendered on its part varying in duration from half a day to 10 days. Some of the enquiries are requests for information, while others involve more or less definite plans for setting up co-operatives.

- d) The biggest headache among all the problems encountered by prospective co-operatives appears to be financing. The financial resources available to a small group of individuals wishing to found a co-operative is relatively limited, a fact which virtually restricts co-operatives to activities in the service industries which are not capital-intensive. French banks, even the co-operative banks, are reluctant or refuse completely to lend to people starting up businesses. They often demand physical security - real property for example, which members of the prospective co-operative cannot provide.

## 2) Takeover of ailing businesses

- Many firms which have gone bankrupt since 1974 have contemplated rescue of the business or part of it by a worker co-operative (Lip, Manuest, Teppaz, Triton, Griffet). The trouble surrounding such cases has brought co-operatives into the public eye and often given them a rather bad name. For a co-operative to succeed in this type of situation the following conditions must be met:
- . the ailing firm must be in a viable market;
  - . the productive apparatus must be sound;
  - . the workforce, or at least a nucleus which is leading the venture must be motivated to take over and run the business on its own account;
  - . finance must be obtained to purchase the business, or what is left of it, and launch the new co-operative;
  - . able managers must be found to take over the running of the business;
  - . finally, the agreement of the receiver to the takeover must be obtained.
- a) In this type of case it is often the workforce, through a member of the works council or a trade union, that alerts the SCOP Confederation. Sometimes a representative of the local authority does so.
- The Confederation or a firm of consultants makes an appraisal of the business's situation and may then draw up a plan for launching the projected co-operative.
- b) Neither the workers themselves, nor the trade unions (CGT, CFDT) are always very enthusiastic about adopting the co-operative approach. It is for them often a last

resort which they will only accept when all else fails. The explanation for this lies in the fact that French unions fight shy of taking on economic responsibilities within the present economic system, and are suspicious of this type of situation where the former owners have failed.

The staff is often faced with very difficult situations, such as the fact of only being able to take on part of the previous workforce, which involves painful choices.

- c) Another difficulty facing the workers is that of gathering together the financial resources necessary to buy up the old enterprise and to start up the new co-operative.

These financial difficulties are generally resolved in the following ways:

- the workforce invests their redundancy pay as the initial capital for the co-operative. They can also appeal to non-salaried shareholders;
- financial assistance can eventually be obtained from the co-operative movement which, thanks to the co-operative expansion fund, can make a 7-year loan. This loan, which is not guaranteed, is never more than the amount invested by the workforce.
- where the rescue plan appears sound, the government will generally subsidise the project through regional development grants based on the number of jobs created and the amount of investment, or long-term loans from the economic and social development fund;
- local authorities may also, under the new law of July 1978, support worker co-operatives with grants. Some authorities have already exercised this right to refloat a number of firms (e.g. PRATIC in the Drôme);
- the banks, whether co-operative (Caisse Centrale de Credit Co-operatif, Banque française de Credit Co-operatif and Banque des Co-operatives de Consommation) or otherwise, may grant medium-term loans.

The biggest difficulty in obtaining finance from the banks is to find solid security. The assets of the business are usually insufficient to secure the loans needed. The problem of security is sometimes solved with the help of the local authorities (town council or department) who may guarantee the loan.

- d) During this time the co-operative must have a management team capable of taking charge of the operation and negotiating with the various parties involved. With small co-operatives, potential managers may be found within the business; in the larger undertakings they must often be brought in from outside.

- e) Finally, once all the material conditions for the rescue have been met, the agreement of the receiver to the purchase of the business, or what remains of it, must be obtained. In most cases the negotiations with the receiver are quite tough owing to his being ill-informed about the co-operative approach, which may appear to him to be suspect.
- f) In view of all these difficulties that have to be overcome under pressure - and as fast as possible to avoid the business's order book vanishing before the venture has got under way - it is easy to imagine the high failure rate in this type of formation and the prodigious effort that goes into establishing such a co-operative on a sound footing. For these reasons the Confederation has become very circumspect towards formations of this type.

We will give an illustration of this type of formation at the end of this report by describing the MANUEST co-operative, which so far appears to be a remarkable success.

### 3) Conversion of companies with a traditional legal form (SARL, SA)

- a) Some small and medium-sized businesses have trouble finding a way to carry on after their owner's departure. Such firms, which are often in the services sector of the building industry and operate over a limited geographical area, tend not to interest the big groups. The owner's children do not always want to take over the business either. In such circumstances some owners, for very different reasons, see the answer to the survival of the business in the worker co-operative arrangement.

In some cases the owner's reasons will be purely economic (to find a way of getting out of the business), while in others there will be a touching idealistic commitment to self-management.

- b) In this type of formation the initiative to convert the business into a co-operative always comes from the owner. After himself making enquiries and reaching the conclusion that conversion is feasible, he then proceeds to involve a nucleus of his workforce in the scheme. At first they are hesitant and mistrustful of the owner's motives. If the conversion is to come about, the workforce must be fully informed and have the plan thoroughly explained to them.
- c) From the financial point of view, by applying the Law on Participation of Employees in Expansion it is possible to effect the conversion, if the business is profitable, over a period of 5-10 years.

This allows the owner to 'sell' the business to his employees over a 5-10 year period without the latter having to put down a large sum of money at the start.

In other words, without going into the complicated financial details, the variability of the capital allows the owner progressively to withdraw from ownership and the employees to take his place.

The only practical snag is that over the intermediate 5-10 year period the owner has no guarantee of getting out the agreed value of the business should, for example, the firm go bankrupt in the meantime. To reduce the danger, the previous owners of such businesses often stay on in a managerial capacity during the intermediate period.

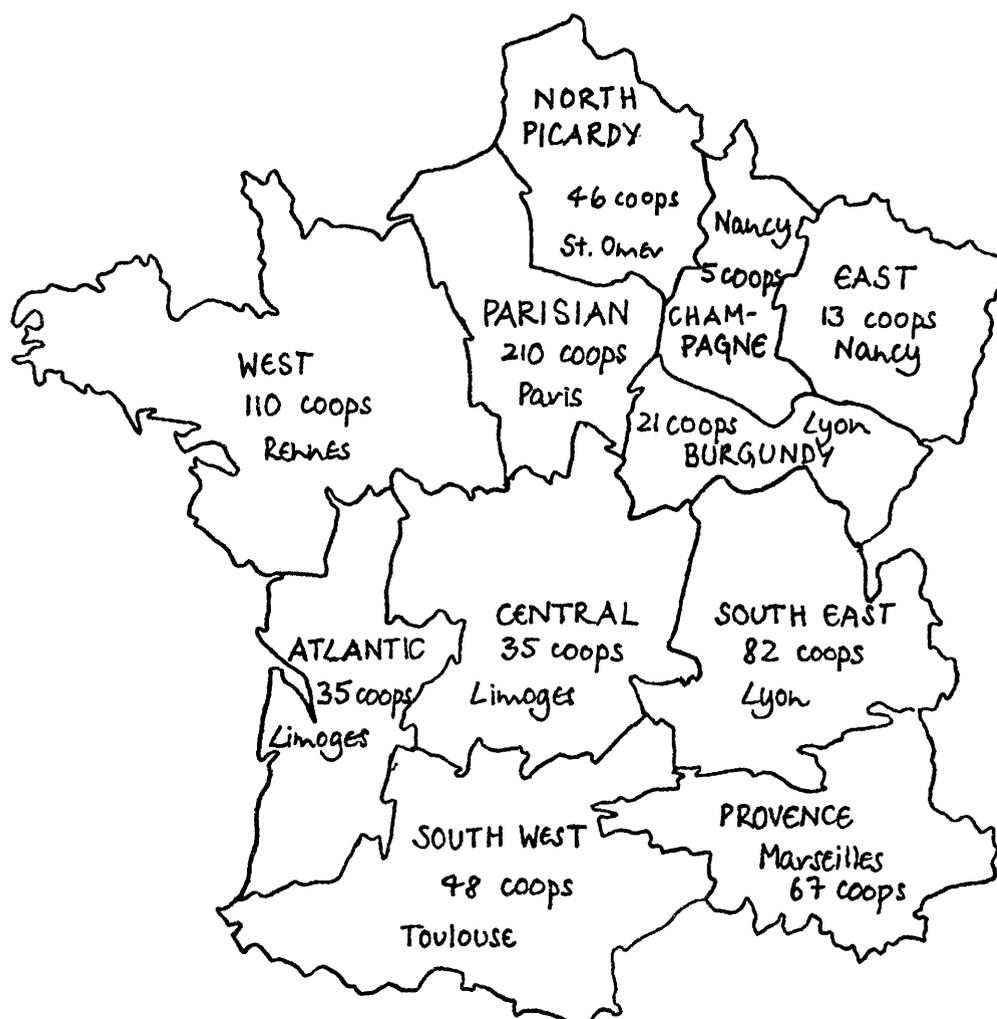
## 5. WORKER CO-OPERATIVES AND THEIR ENVIRONMENT

### 5.1 Structure of the worker co-operative movement

- The General Confederation of Worker Co-operatives (Confederation Generale des SCOP) is the sole organisation representing worker co-operatives in France, which constitutes a fundamental difference from the situation in Italy, for example. Membership is, however, not compulsory and the Confederation consequently does not represent all worker co-operatives. Its aims are:
  - . to spread the principles of the co-operative movement;
  - . to advise member co-operatives on legal, economic and social matters;
  - . to provide training for members of co-operatives;
  - . finally, to represent and defend the interests of member co-operatives.
  
- Within the Confederation, member co-operatives are grouped on both a geographical and a sectoral basis.
 

In terms of geographical groupings, each member co-operative is required to belong to the Regional Association covering the area in which its headquarters are located. The country is divided into all regions for this purpose - a breakdown imposed by the extreme imbalances between the various parts of the country as regards numbers of worker co-operatives (13 in the Eastern Region as against 210 in the Paris Region) and unfortunately not corresponding to any official administrative breakdown of the country. This creates numerous problems in connection with assistance and development.

Regional Associations

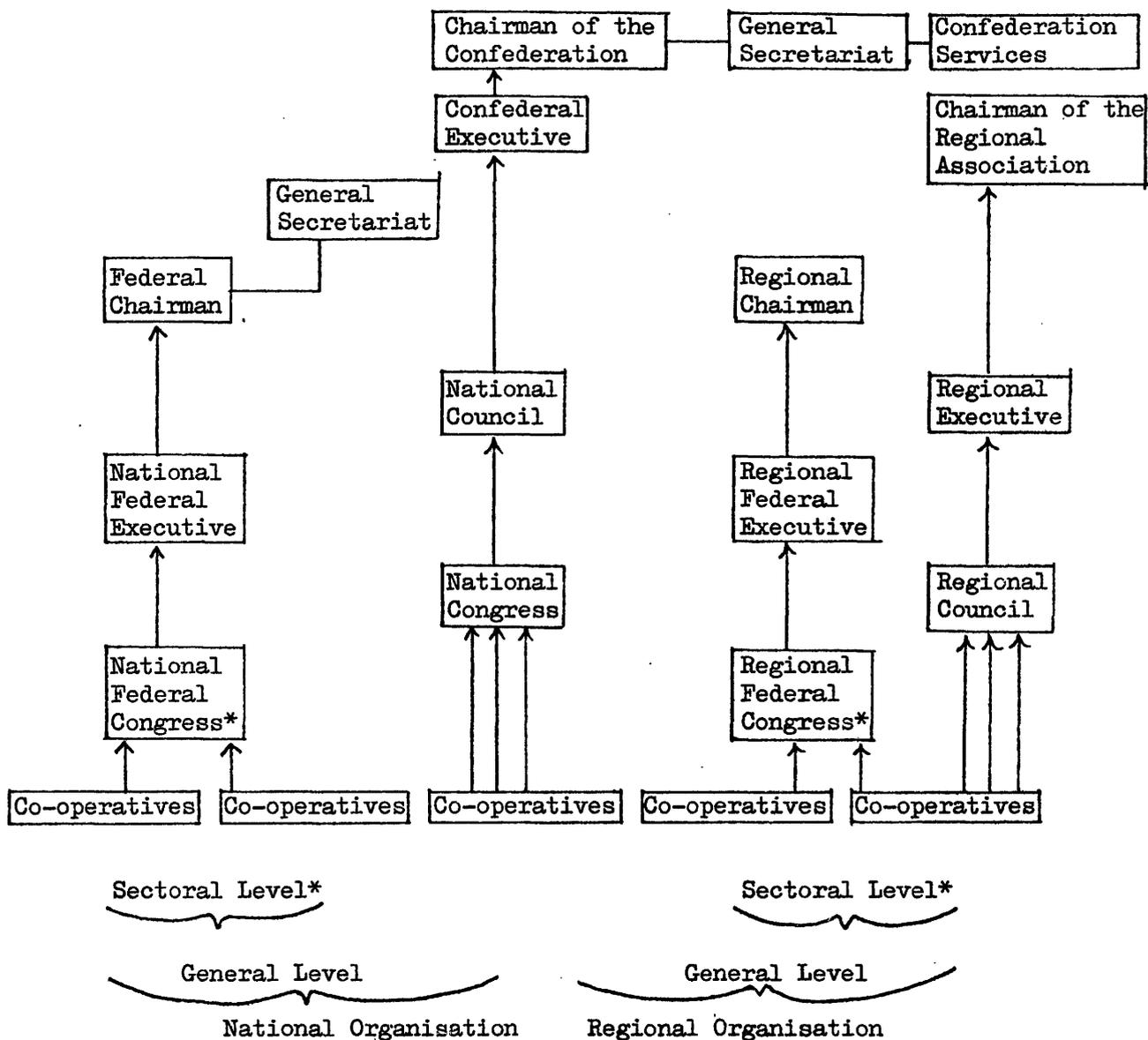


The function of these associations is to represent the interests of worker co-operatives at a regional level and participate in the activities of the regional leagues. The Confederation Generale makes their operation possible by financing regional offices whose task is to provide any assistance, training etc. that the associations require.

As far as sectoral groupings within the Confederation are concerned, the majority one is the powerful Federation des SCOP du Batiment et des Travaux Publics (Federation of worker co-operatives in the building and public works sector), which accounted for 40% of all worker co-operatives on 1 November 1979. Apart from this, there is a federation representing all worker co-operatives in the printing and allied trades.

Apart from these two industries, where worker co-operatives are numerous, there is no formal representation at sectoral level. Co-operatives in the clothing and metal working industries have admittedly established informal bodies for the exchange of commercial and technical information, but elsewhere worker co-operatives are isolated in the sense that there are no sectoral bodies whatsoever.

Structure of the Worker Co-operatives' Representative Bodies



\* Federation des SCOP du Batiment  
 \* Federation des SCOP du Livre

Financing is by contributions from member co-operatives calculated in proportion to their turnover. The rate is currently 3%, of which 2% covers the operating expenses of the Confederation and 1% is allocated to a special Confederation Expansion Fund which is administered by a separate body (SOCODEN) and has the task of assisting individual co-operatives by financing either the creation of new co-operatives or the expansion plans of existing co-operatives. Finally, a mutual association has been set up with a view to providing certain social benefits for the members of co-operatives over and above their statutory entitlement.

The Confederation represents co-operatives which vary very widely in size, type and sometimes ideology, with the result that it finds itself faced with situations where there is an internal conflict of interest and has difficulty on occasion in defining its strategy. In contrast to the situation in Italy, for example, the Confederation has no power of compulsion over member co-operatives and can thus do no more than advise and assist.

## 5.2 Collaboration between co-operatives

Close collaboration both between individual co-operatives and between the various sectors in which the latter are active is desirable if a new balance is to be achieved between producers and consumers. Taken to its logical extreme, this collaboration could lead to the emergence of a new co-operative model for the organisation of society as a whole rivalling the models of liberal capitalism.

- 1) Political collaboration: this refers to efforts on the part of sectoral co-operative institutions to establish bodies of a federal or confederal character with a view to acting together to influence the public authorities. There are currently two institutions in France designed to act as a framework for political collaboration: the first - the Groupement National de la Co-operation (National Co-operative League) - draws its membership exclusively from the co-operative movement. The GNC was set up in 1968 as the outcome of a long historical process to act as the organ for political collaboration within the movement as a whole. It brings together all the bodies representing the various sectors - farming, consumers, credit institutions, housing, fishing, producers and craftsmen. Its role is to act as a forum for consultation and the furthering of the co-operative ideal through joint action.

The other institution, already mentioned earlier, is the Conseil Supérieur de la Co-operation (National Co-operative Council). The membership of this body is mixed and it works hand-in-hand with the authorities.

The practical results of these attempts at political collaboration have remained very limited for two main reasons. Firstly, the co-operative movement has not yet been able to agree on a joint policy programme which will be practicable in terms of mobilising support and exercising influence on the surrounding environment. Secondly, the existing structures and the level of resources are inadequate for real effectiveness (the GNC, for instance, has only a single full-time official and operates on a very restricted budget).

- 2) Educational collaboration: this refers to efforts to implement a common information/training policy aimed at providing educational facilities for the members of co-operatives and teaching the basic principles of the movement (the 'co-operative spirit'). The two instruments of this policy are the Institut Francais de la Co-operation (Co-operative Institute) and the College Co-operatif (Co-operative College). The role of the former is to initiate, promote and publicise the results of studies aimed at encouraging the spread of co-operative principles. To this end, it has set up a number of working parties and produces a review of co-operative studies (first published in 1921). The College Co-operatif is responsible for collaboration with academics on the one hand and the developing countries on the other. It receives some 150 students a year and provides supervision for university theses and diploma work. Exactly how much has been achieved in the field of educational collaboration is not absolutely clear but the answer on the whole would seem to be relatively little: training and information activities are expensive and only pay off in the long term, added to which each sector of the co-operative movement has, over the years, built up its own instruments for training/information (sectoral press) and is reluctant to hand over its responsibilities in this area.
- 3) Social collaboration: this could take the form of devising and implementing a common social policy for all co-operative undertakings but practically nothing is being done in this field at present. To take an example, the 'social budget' instituted over 10 years ago by the worker co-operatives long remained secret and has not been taken up by the rest of the movement.
- 4) Economic collaboration: the creation of direct economic links between co-operatives is a field where a number of concrete experiments have been and continue to be carried out. Both links have long existed between agricultural co-operatives and consumer co-operatives and are now being tried in other areas: worker co-operatives/housing co-operatives, maritime co-operatives, consumer co-operatives, etc. These are, however, essentially bilateral links. Experiments involving multilateral links (e.g. building industry worker co-operative/housing co-operative/savings co-operative) or links within a particular sector (e.g. agreement between several agricultural co-operatives) are still relatively rare. Attempts at economic collaboration are severely handicapped by the problems associated with the conflict of interests between producers and consumers

and the law of competition. It is by no means rare, for instance, to find two or more co-operatives within a particular sector engaged in cut-throat competition with each other.

- 5) International collaboration: this brings together co-operative organisations from different countries and different economic systems. The International Co-operative Alliance (ICA) has been in existence since 1895 and now has 165 member organisations from 65 countries. Consumer co-operatives predominate, followed by farmers' savings banks, etc. The ICA claims to represent some 326,000,000 individual members of co-operatives. It has established a number of auxiliary committees and advisory groups. The headquarters of the Alliance are in London and its current President is French. Whilst the Alliance maintains links with international organisations such as UNESCO, it remains relatively powerless and the number of co-operative members it 'represents' has no great significance.

Looking at the various aspects of collaboration within the co-operative movement, the overall picture emerging is thus one of comparatively little progress - the potential has not been fulfilled. The reasons may lie either within the co-operative movement (sectoral tradition, importance of existing sectoral institutions, lack of political will, lack of resources) or elsewhere (disparate and contradictory legislation, the law of competition, the conflict of interests between producers and consumers, resistance on the part of the authorities, etc.).

### 5.3 Worker co-operatives and the public authorities

The attitude of the public authorities towards production co-operatives has clearly changed over the course of their history. Whilst there have been times when the State has impeded or indeed actively combatted the expansion of the co-operative movement because of its links with socialism, in recent years the attitude of the authorities towards the movement has been essentially neutral. This avoidance of both hostility and any attempt to favour/foster the expansion of the movement is reflected in the activities of the Conseil Supérieur de la Co-operation. This body is made up of representatives of the Government, Parliament and the movement itself, with the Prime Minister in the chair, and has the task of monitoring and fostering the development of the co-operative movement. Since 1976, it has delivered opinions on a range of legislative texts and undertaken a number of studies. In practice, the Conseil Supérieur has proved to have hardly any power (or resources) and the authorities have paid little attention to it.

Government assistance for production co-operatives boils down to two pieces of legislation which entail no financial commitment on the part of the State but can nevertheless be regarded in some sense as incentives.

1) Worker co-operatives and public contracts

The first of these pieces of legislation - dating back as far as 1931 - relates to public contracts and provides that, where tenders are called for, preference must be given, price being equal, to those submitted by worker co-operatives. It further provides that, where possible, the contracting authority (State, local authority or public service) should break the work, services or goods it requires down into lots, a quarter of which should then be assigned to worker co-operatives at the average price. The opportunities opened up to worker co-operatives by these rules are considerable, but their significance must not be exaggerated. To begin with, only worker co-operatives entered on a list drawn up annually by the Ministry of Labour are entitled to benefit. Secondly, contracting authorities do not always apply the provisions which favour worker co-operatives - either they proceed by private contract rather than by tender, thus cutting out worker co-operatives, or there is no worker co-operative of sufficient size in the region. For their part, worker co-operatives often prefer not to take orders on an average price basis because this can prove dangerous in terms of the financial viability of the operation. Nevertheless, these rules in connection with the awarding of public contracts have helped to foster the expansion of production co-operatives, particularly in the building industry.

- 2) The second facet of support for worker co-operatives on the part of the public authorities is contained in the 1978 Law which provides that local authorities (communes, departments and regions) may grant direct subsidies to worker production co-operatives. This represents an exception to the general rule whereby local authorities are prohibited from contributing directly in any form towards the capital of a private undertaking. The theoretical justification for this exception lies in the fact that that part of a worker co-operative's net assets which can be regarded as equivalent to reserves is deemed to be indivisible, with the consequence that, in the event of the dissolution of the co-operative, no private individual can appropriate these sums.

This statutory right to grant direct loans has primarily been exercised by local authorities with a view to facilitating the relaunching of ailing businesses as co-operatives. In 1977, for example, the Conseil General de la Drôme (Departmental Council) bought up a shoe manufacturers, turned it over to a co-operative formed by the employees and granted a subsidy of FF 300,000. In 1980, the Etablissement Public Regional de Bretagne (regional authority) granted a subsidy of FF 100,000 to the Regional Association of Worker Co-operatives for the purpose of carrying out studies.

Local authorities have made little use of this opportunity to subsidise worker co-operatives or their associations. Where they have done so, it has been essentially with a view to safeguarding employment when there is no other way of saving a firm in difficulty. There are, however, signs of a change of attitude here. Local elected representatives are increasingly having to face up to the problems of employment, with the result that they are beginning to show interest in the worker co-operative as a possible means of creating small firms which will generate employment and integrate readily into the fabric of local economic life. The Confederation Generale des SCOP looks to local authorities to finance the necessary studies prior to the creation of new co-operatives and then to provide support for one or two years at least in order to maximise their chances of success. It has also suggested that certain municipal services should be organised as worker co-operatives rather than along 'Regie' (Public undertaking) lines as at present. At least in some cases - public transport, refuse disposal, etc. - this would present no great difficulty. Some local authorities already operate, independently of the one-quarter rule mentioned earlier, a policy of according preference to co-operative undertakings in the award of certain contracts.

#### 5.4 Role of the banking sector

The role of the banking sector in the financing of worker co-operatives is a major factor, given that worker co-operatives encounter difficulties (as has already been mentioned) in finding funds. The picture differs somewhat depending on whether one is considering the financing of new co-operatives or the provision of additional funds for existing businesses.

- 1) In the case of financing the establishment of worker co-operatives the conventional (i.e. non-co-operative) banking sector plays scarcely any role as regards the provision of either equity capital or long-term debt funds. This can be explained by the fact that, as we have already mentioned, there can be no capital appreciation in worker co-operatives, with the result that they are of no interest to bankers. Three types of banking institution are, however, involved in financing new worker co-operatives:
  - certain State banking institutions such as the Economic and Social Development Fund (or the Credit National), which do not apply the same criteria as conventional banks. The Societes de Developpement Regional (Regional Development Corporations) have hitherto played little role;

- the Credit Co-operatif, or more specifically its Caisse Centrale (which specialises in medium and long-term loans), the Banque Francaise de Credit Co-operatif (Co-operative Credit Bank), which is a subsidiary of the Caisse Centrale specialising in short-term loans, and finally the Banque Centrale des Co-operatives et des Mutuelles (Central Bank for Co-operatives and Mutual Associations). These are all small banks which have only a few offices. This in turn means that their deposit funds and financial capabilities are limited. They are, nevertheless, quite frequently involved in the creation of worker co-operatives;
- the Confederation Expansion Fund, which is financed from the contributions paid to the Confederation Generale des SCOP by its member co-operatives and supports the launching of new co-operatives and the expansion plans of existing ones within the limits of its resources.

2) The situation is rather different as regards the financing of existing co-operatives insofar as the loans granted by banks can be guaranteed. Ordinary banks provide finance on the same basis as they do to other types of business - i.e. according to conventional profitability criteria. There is thus no problem as long as the co-operative remains healthy. If the situation deteriorates, however, the ordinary banks withdraw and the co-operative has to fall back on the co-operative savings banks. The latter will support a worker co-operative which is in difficulty subject to one main condition - namely that it must have the backing of the movement to which it belongs and more specifically of the Confederation Generale which provides moral, technical and possibly financial support, and vouches for the reliability of the co-operative concerned.

To conclude this review of the banking sector's role vis-a-vis worker co-operatives, it is worth stressing two points:

- firstly that there is no financial institution with sufficient strength to play the role of an investment bank for worker co-operatives;
- secondly that the criteria applied by banks are primarily geared to the conventional type of business and hence unsuited to worker co-operatives.

## CONCLUSIONS

### Obstacles to the creation and expansion of co-operatives in France

We will now attempt, by way of conclusion, to list what we regard as the main factors currently hindering the development of production co-operatives in France.

- 1) An underlying problem is the fact that the cultural and economic environment in France is hostile to collective approaches to the creation and operation of businesses.

From the earliest age, children are taught to work individually at school. Later, they find the same pattern continued in almost all undertakings. Team work and collective patterns of decision making/operation are very much neglected.

These principles are, however, the very essence of co-operatives and the extent to which they are neglected helps to explain why people setting up businesses are so strongly individualistic in France and rarely choose the co-operative option.

- 2) The unions whose co-operation is vital to the creation of worker co-operatives have hitherto tended to adopt an oppositional approach to relations within the firm, refusing, with the exception of the Force Ouvriere, to participate in the management of undertakings within the existing economic system.

Their attitude towards co-operatives has in general been neutral - certainly not encouraging.

There are, however, now signs that unions such as the CFDT are beginning to adopt a more favourable attitude towards worker co-operatives.

- 3) Though the Confederation Generale has stepped up its efforts in this connection, there continue to be definite shortcomings as regards training in the management and marketing functions. The number of competent managerial and marketing staff in worker co-operatives remains low.

Whilst co-operatives are generally capable of producing good work in technical terms, they often fail to grasp valuable markets at the right moment or to innovate/adapt to changes in market conditions sufficiently quickly, a weakness which frequently hampers their development.

- 4) The launching of new co-operatives is in many cases hindered by the fact that the persons concerned have only limited funds. Bankers - even co-operative bankers - almost invariably think in terms of real security for loans, which has the effect of

reducing the number of co-operatives which can be set up or restricting the establishment of new co-operatives to sectors where the capital requirements are low.

A 'co-operative investment bank' would help to remove these hindrances to the formation and expansion of co-operatives.

Attempts to take over an ailing business, or even simply to convert a healthy company into a co-operative, frequently fail because the workers are unable to obtain the relatively modest sums required for planning and formally establishing a co-operative.

- 5) Finally, the rate of 'infant mortality' amongst co-operatives which have existed for less than three years remains excessively high. Though the Confederation Generale has taken steps to combat this phenomenon, it still has insufficient resources to provide the proper back-up for new worker co-operatives in their early years.

There would seem to be a need for close support on a regular basis at this stage and in particular for the provision of management guidance in the broadest sense and of training in management techniques. This places heavy demands on those involved in terms of both time and resources.

APPENDIX: Case Study on Manuest

Manuest was a company employing 600 people in a rural area in the Vosges. They manufactured kitchen and bathroom furniture and went into liquidation in 1974. The company was operating in a viable market which had been growing in previous years. But bad management forced the enterprise to close its doors.

The workers, heavily unionised in the CFDT, occupied the factory and sought ways to take it over. They were visited by industrialists who were interested in buying up the company and at the same time got in touch with the SCOP confederation with a view to taking it over themselves and running it as a co-op. The Confederation seconded two 'experts' who went carefully through the books, pronounced the business economically viable and gave the opinion that it would be possible to get the company back on its feet given the high motivation of the men on the spot. An offer was made for the shares at the same time as the industrialists put in their offer and the Commercial Tribunal eventually decided that the co-operative's offer was more credible than that of the other interested parties and accepted their offer.

While these legal steps were being taken, a financial package was being put together:

- the workers put up their own capital to the tune of FF 600,000 (£60,000);
- the Co-operative Expansion Fund made a loan of £50,000 over 7 years;
- the Furniture Makers Union gave a grant of FF 2.5 M;
- through the Regional Development Grants the State made grants of FF 2 M spread over 3 years and a long term loan of FF 3 M from the Social and Development Fund;
- two banks put up long-term loans of about FF 2M both guaranteed by the Regional Authority.

So the workers succeeded, thanks to the base they established with their own capital of 600,000F, in mobilising FF12.5M altogether from the State, their union, banks and the local authority. This was sufficient to enable them to buy up the shares of the old company, to invest in new machinery and to provide for working capital. The group of workers which had organised the take-over formed a Supervisory Council and asked the two experts from the Confederation to become the Directors who would manage the enterprise.

The new company started business on 1st April 1975 with 80 employees. Of the original 600 workers, 300 had found another job and did not want to take part and 220 remained unemployed for a year for financial reasons. Today the MANUEST co-operative employs 350 people and all the people from the original company who wanted to work in the co-operative have gone back there. The co-operative is flourishing and making substantial profits.

EUROPEAN CO-OPERATIVES  
Perspectives from West Germany

TEN, Cooperative de Conseils, Paris  
&  
Franco-German Institute, Ludwigsburg

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## 1. Introduction

### (a) Goal of the study

The study on workers' producer co-operatives in West Germany has been produced under the direction of TEN, in close co-operation with the Franco-German Institute in Ludwigsburg. The procedure adopted has been slightly modified, compared with the French and Italian studies, to take into account the peculiarities of the situation in Germany.

The study had as its goal to:

- describe the co-operative movement in West Germany in its historical evolution and to give an insight into its present-day structures;
- provide the beginnings of an explanation of the weakness of workers' producer co-operatives in West Germany;
- introduce, in addition, new forms of production like, for example, those which have been created within the framework of the so-called 'alternative' movement, whilst studying the relationship which exists between them and the workers' producer co-operatives, the central theme of this study-project.

From a general point of view, the study was to examine the obstacles which explain the weak development of workers' producer co-operatives in West Germany, and to suggest, wherever possible, ways of removing these obstacles.

### (b) Problems in producing the study

As in other projects of comparative research, it has once again proved difficult to take account simultaneously of the general theme of the project and the national reality of West Germany. The general theme in this case was the development potential of workers' producer co-operatives, a particular type of co-operative and company which in France and Italy, for example, has perhaps a limited, but no less real, existence and whose importance could eventually grow in this period of economic and social crisis (a safeguard for jobs, a reply to the new needs of the collective organisation of labour, etc. Cf. report on France, p. ).

In West Germany, on the contrary, one notes the absence of an analogous structured movement at the heart of the co-operative system. We have therefore made every effort to include in this report other types of enterprise which are quite close to the idea of the workers' producer co-operative:

- enterprises which, in the form of limited companies or limited liability companies, attempt to share the capital and the decision-making power with the wage-earners;
- enterprises of the 'alternative' movement in the German cities, especially in Berlin.

This step was most certainly necessary, for the validity of the comparison, because it is true that certain phenomena which in France, for example, are linked to the development of workers' producer co-operatives, seem, in West Germany, to have taken other forms, outside the co-operative movement. But we had, in our report, to study three domains very different from each other, each having its own roots, its own motivations, and its own dynamic: the co-operative movement, a movement of 'social' ownership in small and medium-sized undertakings, and the 'alternative' movement. It was extremely difficult to integrate these three domains, so diversely orientated with the general theme of the project.

To this problem was added another, linked with the first, namely the lack of in-depth empirical studies and general information on workers' producer co-operatives and on the other domains we examined. This explains the occasionally fragmentary nature of our report, as in no case did we have the means to go on to detailed empirical studies as we did in the French or Italian reports.

What remains, therefore, is the attempt to present the inherent logic of the domains studied, and to place them within the political, social and economic framework which has been shaped by the history of West Germany. For it is here, no doubt, that one must seek the deep reason for such an unequal development of workers' producer co-operatives from one country to another.

#### (c) Main sources used

##### Chapter 1 (the co-operative movement):

- Handwörterbuch des Genossenschaftswesens (HOG)
- Annual reports and publications of the co-operative federations, particularly the statistics of the D.G. Bank (German Co-operative Bank)
- Interviews with the director of the DGRV (German Federation of Co-operatives and 'Raiffeisen'), Mr. Metz, and also with Mr. Müller-Bardoff, director with the Union of the Raiffeisen/Schulze-Delitzsch Co-operative from Wurtemberg to Stuttgart.

##### Chapter 2 (undertakings independent of the co-operative movement):

- Newspaper articles
- Diverse publications of the AGP (work group for the association of partners in the economy)
- Interview with the director of the AGP in Cassel, Mr. Lezius.

##### Chapter 3 (alternative movement):

This chapter relies primarily on the numerous publications of Joseph Huber, who is without doubt the great expert on forms of alternative production, notably:

- HUBER, Josef: Wer soll das alles ändern. Die alternativen der Alternativbewegung - Berlin: Rotbuch 1980, p 143.
- HOLLSTEIN, Walter/PENTH, Boris: Alternativprojekte - Reinbeck: Rowohlt 1980, p 458.
- Zur Alternativen Ökonomie, volumes 1 a 3 (Materialen der AG SPAK M 19, M 29 & M 35).
- press articles.

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## 2. The Co-operative Movement in West Germany

### 2.1. The historical stages of the co-operative movement

It was in the era of industrialisation, when the middle-classes of craftsmen and small businessmen saw their livelihood threatened, that the idea of co-operatives started to emerge in Germany, inspired by experiments carried out in France and England. But whereas England had developed above all the consumer co-operatives and France was inventing the workers' producer co-operative, the co-operative movement in Germany was primarily characterised by its support from the middle-classes.

Co-operatives were created to protect the independent middle-classes: on the one hand to protect the craftsmen and small industries against the effects of free enterprise and the resultant economic concentration; on the other, to better the situation of the peasants who, freed by the Stein and Hardenburg reforms, now had to foot the bill of this new-found independence and were heavily in debt.

The creation of consumer co-operatives was a lot slower in taking off. But they too were primarily supported by the middle-classes. In the 1860s this movement made some definitive progress with the creation of workers' consumer co-operatives but, generally, the movement came up against certain reservations on the part of social democracy. In the following decades the squabbles between the liberal elements in the middle-classes and the members of consumer co-operatives close to the socialist labour movement, led to divisions within the co-operative organisation.

Although various ideological currents inspired the German co-operative movement, it was characterised by the predominance of liberal and christian tendencies. The two 'founding fathers' of the German co-operative movement, Hermann SCHULZE-DELITZSCH and Friedrich Wilhelm RAIFFEISEN, represent this tradition: Schulze-Delitzsch, a politician and liberal lawyer, defined the aims of his co-operatives as 'Mutual aid - autonomy - responsibility'. He pointedly rejected all state aid. In his agricultural co-operatives, Raiffeisen aimed at, amongst other things, the education of his members on the basis of Christian morality.

The workers' movement and the social democrats at first reacted with scepticism and occasionally even hostility towards the idea of co-operatives. Thus, Marx and Lassalls saw no role for the co-operative movement in the resolution of social problems; in the course of a controversy

in 1863, Lassalls reproached Schulze-Delitzsch with being mistaken as to the differences existing between the situation of the workers and that of the craftsmen. Lassalls was certainly well disposed towards the creation of workers' producer co-operatives, assisted by the state, but this idea was not to result in any practical realisation. It was only later that the attitude of the workers' movement towards the consumer co-operatives was to change and result in close links forming between the unions and a part of the consumer co-operatives.

#### The foundation years (1849 - 1889)

The first phase of co-operative development began simultaneously in the craft industries and in agriculture. Hermann Schulze-Delitzsch inaugurated a wave of crafts co-operatives by creating an association for the supply of raw materials (purchasers' associations) for cabinet makers and shoemakers. To these purchasers' associations were soon added credit co-operatives to provide finance to the craftsmen. The first central co-operative bank was not set up until 1864. Schulze-Delitzsch was also responsible for the creation of a common federation of the General Federation which took all the co-operatives under its umbrella. Despite the existence of a certain number of rival federations and some division within itself, the General Federation established itself successfully.

In 1848 the first agricultural assistance and benefit association was created by F. W. Raiffeisen. Under the influence of Schulze-Delitzsch, Raiffeisen's associations would later be orientated towards the principle of mutual aid. The very rapid development of the agricultural co-operatives was marked by the links between purchasers' associations and credit co-operatives. In this sector also federations began to appear. In 1883 a rival federation (founded by W. HAAS) appeared as competition to the co-operatives organised by Raiffeisen. It was not until 1905 that a single confederation of the agricultural co-operatives was created.

#### Boom after the co-operatives law (1889 - 1914)

Schulze-Delitzsch is generally considered the creator of German co-operative law. He strongly influenced the first law on co-operatives in Prussia in 1867, and the law of the Reich of May 1st, 1889 which was inspired by the first one. This law, which remains in essence today, lent great impetus to the co-operative movement. It facilitated the creation of co-operatives by limiting their civil responsibility, assured solid management for the co-operatives thanks to the institution of compulsory inspection by controlling bodies, but also introduced restrictions with respect to operations carried out with non-members.

The decades which followed were characterised by a broadening of the co-operative movement and by a dramatic increase in the number of its members. It was also during this period that the consumer and liaising co-operatives underwent their most dramatic development.

Another characteristic trait of this period was the start of state aid, especially in the sectors of housing construction and credit (1895: creation of the central co-operative bank of Prussia by the state), whereas during the foundation phase, Schulze-Delitzsch in particular had categorically rejected any intervention of this kind.

Finally it is to this period of heavy economic concentration that we can trace the creation of certain large central co-operative organisations, such as the establishment by the consumer co-operatives of a wholesale purchasing company.

#### From World War I to the slump (1914 - 1945)

In this phase, characterised by a war economy and a number of economic crises, two important changes took place:

- there was a wave of rationalisation in the twenties including the merger of co-operative federations which had hitherto been rivals, the financial reorganisation of the co-operative credit institutions and the creation of new groupings of purchasing associations at the national level;
- the reining-in of the co-operative movement under national socialism: some co-operative organisations were integrated into other bodies; others, such as the consumer co-operatives, were suppressed completely. Legislative reforms in 1933 and 1934, however, helped to improve their lot.

#### Reconstruction after 1945

The reconstruction of the co-operative movement after the war was able to draw strength from the existing infrastructure. Development during the following decades was characterised by urgent rationalisation as a response to economic constraints: modernisation, centralisation and concentration of the co-operative bodies on a huge scale, in order to ensure their competitiveness in the West German economy. Although this development strengthened the co-operative movement in some ways, increasing the number of members and improving the performance of co-operatives in the national economy, almost certainly weakened it in others, notably by increasing the sense of 'loss of identity'. The credit co-operatives became a modern banking group which differs hardly at all from the other banks; rationalisation and decentralisation in the retail co-operatives, the decrease in membership and in share of the market, forced consumer co-operatives to accept a partial transformation of their movement into traditional limited companies.

The co-operative movement is still faced with the problem of how to reconcile this increasingly marked tendency towards specialised, professionalised enterprise orientated towards efficiency, rationalisation and profitability, with the founding principles which had presided over the birth of the movement: vocation of the promotion of the activities of the members, local structure of manageable dimensions and democratic decision-making by the members.

## 2.2. The Co-operative Movement Today

### 2.2.1. Definitions and legal framework

#### (a) Definition of the co-operative

The following four traits characterise the co-operative and serve to differentiate it from other forms of socio-economic organisations:

- "1. It is an association of individuals linked by at least one common interest (co-operative group); 2. The members of the co-operative group wish to attain their ends by commercial action assisting each other by amelioration of their financial situation (mutual aid within the group); 3. They are a commercial enterprise created to this effect (co-operative enterprise); 4. The aim of the enterprise is to meet the economic needs of the members (promotional relation)."

#### (b) Kinds of co-operative

Firstly, it is important to draw a distinction between workers' co-operatives and the rest. The former are 'total' co-operatives (Vollgenossenschaften), where the professional activity of the members takes place wholly within the co-operative; that is to say, where the members are also the wage-earners. This type of co-operative, very rare in West Germany, corresponds to the workers' producer co-operatives which are the main theme of this study. All the other co-operatives are, on the contrary, 'Assistance' co-operatives (Hilfsgenossenschaften) or 'co-operatives for the furtherment of the membership' (Förderungsgenossenschaften). In this type of co-operative assistance and aid for the professional life or economic activity of its members has only a secondary function. The members, at the same time, are clients or suppliers of the co-operative.

A second distinction can be drawn between the different levels of organisation in the co-operative movement as a whole. One distinguishes between:

The primary co-operative (Primärgenossenschaften): This is the individual co-operative which functions at a local level and whose members are individuals.

The secondary co-operative (Sekundärgenossenschaft): This is a union of several primary co-operatives (we are therefore no longer talking in terms of individuals) into a central co-operative (Zentralgenossenschaft) whose activity is on a regional level. It offers certain services, financial administrative and purchasing, which the primary co-operatives are unable to effectively manage themselves. The central co-operatives do not always have the legal form of a co-operative; they can also be limited companies.

The central federal co-operative (Genossenschaftliche Bundeszentrale): This is an enterprise based on the central regional co-operatives. It acts at national level (sometimes also under the non-co-operative form of a limited company).

The collaboration between co-operative enterprises at these three levels, called 'co-operative liaison' (Genossenschaftlicher Verbund), is characterised by close co-operation, but also by the autonomy of all of the economic units concerned.

Finally, there is one more important distinction with regard to workers' producer co-operatives. German usage distinguishes between 'Produktivgenossenschaften' (workers' producer co-operatives) and 'Produktionsgenossenschaften' (producer co-operatives). The latter also have a producing function, but they are 'assistance' co-operatives; the wage-earners who work in these co-operatives are not the members.

### (c) Legal framework

Legal basis: the essential basis, valid for all types of co-operative, is the law on producer and consumer co-operatives which dates back to 1889 and which was most recently updated in 1973.

Commitment to promotion (Förderungsantrag): the central idea of the concept of a co-operative in the eyes of the law is the definition of a promotional objective (promotion of the professional and financial activity of the members) as the unique objective of the co-operative from the legal point of view. This promotional objective distinguishes co-operatives from other enterprises; should a co-operative pursue other objectives, it may be officially dissolved.

The creation of a co-operative: seven people are required to found a co-operative. The co-operative must register itself on the co-operatives register at the local court. The advice of the Co-operative Federation (the controlling body) plays an important role in the recognition of the new co-operative. The co-operative is designated by the formular 'registered co-operative' (eingetragene Genossenschaft).

Membership: each member contributes to the capital of the co-operative by purchasing at least one share, although it is possible, in certain cases, to hold several. He has the right to use the facilities and plant of the co-operative and takes part in all decisions (in particular by attending the General Meeting). The profits and losses of the co-operative are shared amongst the members. The articles of the co-operative may decide to what extent surpluses are deposited in reserve funds or shared amongst members at the discretion of the General Meeting. But, by the same token, the members are bound over to make supplementary payments in the event of losses or bankruptcy.

Organs: each co-operative must have three organs. The board of direction is the directing organ and represents the co-operative to the outside world; the board of supervision controls the activity of the board of direction; the general meeting of members (in the large co-operatives: the representatives' meeting) has the final say on questions of policy and constitution.

Obligatory control: there is no direct state control of the co-operatives, but the law stipulates that each co-operative be affiliated to a control body (there are co-operative federations to which the competent authorities of the 'Land' have delegated the right of control). The controlling bodies must inspect the balance sheet and management of all the co-operatives every two years (every year for the large co-operatives). The law has thus, to a large extent, delegated control to the co-operative movement itself.

The fiscal regime:

- The income of co-operatives as legal persons (companies) is subject to corporation tax;

- by virtue of their legal status their industrial and trading profit and their working capital are subject to taxation;

- their wealth is subject to wealth tax.

In principle, co-operatives are liable to the same taxation as ordinary companies, but there are a few exceptions, for example, agricultural co-operatives which do not trade with non-members, are exempt from company and direct general tax. There has been a general tendency towards phasing out the tax privileges enjoyed by co-operatives up until now. In 1981 it is expected that the reduced rate applied to the tax on companies and credit co-operatives will be abandoned.

Co-operatives and other legal forms: the co-operative has the character of a commercial company. There is no double status like that of workers' producer co-operatives in France (a combination of the status of co-operative and that of limited liability company or limited company). In any case, co-operatives which function at a regional or national level often do not take the legal form of a co-operative but rather that of a limited company or limited liability company. In the case of the limited company co-operative, for example, the shareholders are the primary co-operatives. It is also possible for co-operatives to create auxiliary undertakings in the form of limited companies (e.g. processing factories for the purchasing associations).

### 2.2.2. General View

West Germany has a highly developed co-operative movement which is rich in tradition. The importance of the co-operative movement in West Germany can be highlighted by the following figures:

- more than 12,000 co-operatives
- more than 13,000,000 members
- approximately 350,000 employees
- approximately 20 billion DM in actual capital

The power of the German co-operatives is doubtless not as great as that of their French and Italian counterparts but it is nevertheless still quite considerable; one adult in four, approximately, is a co-operative member.

TABLE 1 GENERAL STATISTICS ON THE CO-OPERATIVE SECTOR FROM 1960 - 1979

	1960	1970	1976	1977	1978	1979
Number of Co-operatives	27,140	18,611	13,505	12,982	12,504	12,125
Membership (in millions)	9,907	12,094	12,906	12,918	13,080	13,392
Average number of members per co-operative Actual Resources (in millions of DM)						
- Primary Co-operatives	3,351	8,916	14,166	13,155	14,267	15,527
- Central Co-operatives	733	2,330	2,861	3,289	3,589	3,834
Gross Investments in Equipment in millions of DM (Financial Investments and Stock)						
- Credit Co-operatives	228	596	..	510	513	578
- Agricultural goods and services co-operatives	445	737	913	940	994	1,039
- Transport Co-operatives	..	15	13	9	9	9
- Housing Co-operatives	1,000	1,218	1,788	1,751	1,516	1,871

.. No figures available

Source: DG Bank

The main trend is towards progressive concentration due to the enormous measures of financial rationalisation intended to improve performance. This process, noticeable as early as 1930, has caused the number of co-operatives to decline over the past 20 years. The membership, however, has doubled over the last 30 years.

Clearly ahead in terms of numbers and membership are the credit co-operatives (the popular and Raiffeisen Banks) and the agricultural goods and services co-operatives. These two sectors are probably also those which have the greatest economic weight within the co-operative movement.

### 2.2.3. The Sectors

#### (a) Banks (Credit Co-operatives)

This sector is mainly comprised of the Popular Banks and the Raiffeisen Banks (the latter in the agricultural sector), separate until 1972, but since amalgamated. This banking group has the densest network of branches in Europe; almost one branch in two in West Germany is a Popular Bank or a Raiffeisen Bank. Their central bank, the DG Bank (German Co-operative Bank) is the ninth largest in Germany. Amongst the specialised institutions, one finds one of the largest 'building societies' (caisse d'epargne-logement) in Germany.

The Popular Banks and the Raiffeisen Banks have undergone a particularly dynamic development which has increased their importance in the German banking system. They have remained faithful to their traditional aim of promoting the independent middle-classes (the liberal professions, small businessmen, farmers) even though they number today amongst their members more wage-earners (1979: 60%; 1960: 46%) than self-employed workers (1979: 20%; 1960: 47%). The credit institute originally designed for the middle-classes has become a general bank.

#### (b) Agriculture (Agricultural goods and services co-operatives)

This sector comprises goods and services co-operatives which supply their farmer members with working plant, collect their produce, process and market this produce, and finally, provide a certain number of common services. There did exist, in addition, the traditionally important branch of the Raiffeisen credit co-operatives which operated generally according to the 'multiservice' principle; that is to say, which carried out both credit (banking) and commercial transactions. The agricultural credit co-operatives merged in 1972, and from that date are numbered statistically amongst the credit co-operatives. It is, however, important to note that there still exist today more than 2,750 'mixed' credit and goods co-operatives in agriculture, especially in under-developed regions.

Today, according to the statistic of mean, every farmer is a member of a co-operative. Since 1949, the size of membership in goods co-operatives has dropped; it has greatly increased in 'mixed' goods and credit co-operatives, and only slightly increased in service co-operatives.

TABLE 2: General view of the Co-operative Sector in West Germany (end 1979)

Totally co-operative enterprises			12,505
Co-operative Banks			4,643
*Credit co-operatives		4,625	
Popular banks, Raiffeisen banks	4,566		
Officials' banks	4		
Railway credit and savings banks	16		
Post office credit and savings association	21		
Consumer credit banks	18		
*Central banks and the DG Bank (German co-op bank)		10	
Central agricultural banks	3		
Central industrial and commercial banks	2		
Central communal banks	4		
DG Bank (German co-operative bank)	1		
*Specialised institutes		8	
Goods and Services Co-operatives			6,459
*Agricultural goods co-operatives		4,025	
Sale and purchase co-operatives	1,149		
Dairy co-operatives	1,709		
Viticultural co-operatives	349		
Meat and livestock co-operatives	253		
Fruit and vegetable co-operatives	156		
Vine graft and planting co-operatives	161		
Egg distribution co-operatives	16		
Flour-milling co-operatives	18		
Maritime co-operatives (fishing and fish processing)	34		
Other goods co-operatives	180		
*Agricultural services co-operatives		1,539	
Threshers and agricultural machinery co-operatives	100		
Refrigerated storage co-operatives	223		
Irrigation co-operatives	252		
Electricity co-operatives	91		
Breeding co-operatives	74		
Grazing co-operatives	103		
Distillery, apple and earth drying and starch manufacturing co-operatives	159		
Co-operatives for the drying of green fodder	53		
Other agricultural services co-operatives	484		
*Central Agricultural Co-operatives		66	
General co-operatives	12		
Dairy centres	13		
Meat and livestock centres	9		
Central wine cellars	6		
Egg distribution centres	2		
Other centres	19		
Federal centres	5		

TABLE 2 (CONT.)

FRG 13

*Industrial and Commercial Co-operatives per products and services		811	
Purchasing associations for retailers	132		
Purchasing associations for craftsmen	371		
Purchasing associations for other professional branches	62		
Workers' producer co-operatives	31		
Production co-operatives	16		
Other different and various sale and purchase co-operatives	199		
*Central Industrial and commercial co-operatives		18	
In trade	5		
In 'craft' industries	12		
Others	1		
Transport Co-operatives			70
Primary Co-operatives	68		
Central Co-operatives	2		
The Co-operative Group			98
Consumer Co-operatives	67		
Centres	31		
Housing Co-operatives			1,235

(c) Tradesmen and craftsmen (Industrial and commercial co-operatives of goods and services)

This sector comprises some 230,000 retail and crafts businesses which have formed themselves into purchasing associations. The most important domain is that of retail supply with the EDEKA group (around 22,000 concerns) and the REWE group. In the crafts (skilled labour) the supply sector is also important, especially in bakery and butchery.

(d) Transport

This sector comprises, above all, enterprises for the transportation of merchandise (17 haulage co-operatives), passenger transport (25 taxi and 2 bus co-operatives) and inland waterway navigation (15 co-operatives).

(e) Consumer co-operatives (COOP group)

This sector has undergone considerable change since 1845. Consumer co-operatives, re-established after the war, lost more and more ground in the following years because they had not taken enough account of the structural changes which affected small business (concentration, growth of retail markets), and because they encountered difficulties in amassing capital. At the start of the 1970s, therefore, a process of transformation took place, during the course of which numerous consumer co-operatives merged and turned into limited companies or limited liability companies. At the same time the COOP group of enterprises was being formed with a capital coming not only from German and European consumer co-operatives, but also from the 'Bank für Gemeinwirtschaft', belonging to the German trades unions. Only a small number of these enterprises retained the legal form of the co-operative. In fact, they are so few in number that the consumer sector has to a great extent lost its co-operative character.

(f) House-building

The majority are co-operatives which build houses for their members. Housing co-operatives underwent their most rapid development in the post-war years, when they made an important contribution towards resolving the housing problems. The number of dwellings constructed by these co-operatives tripled between 1950 (370,000) and 1981 (approximately 1 million). Almost all the housing co-operatives are involved in public building enterprises but they have lost ground in this sector in recent years, mainly through lack of capital. At the present time, co-operative construction enterprises build between 10,000 and 12,000 dwellings a year (i.e. approximately one quarter of municipal dwellings and one thirtieth of the annual total of dwellings constructed).

(g) Insurance (not counted in the statistics)

Finally, there are a few insurance groups which, although not co-operatives themselves, are financed by co-operatives and work in liaison with them. The most important of these groups is the R & V insurance group. As the Life Assurance Company "Volksfürsorge", it was founded jointly by the co-operatives and the unions and was also financed by them, but its chief source of finance today is the trade unions' Bank für Gemeinwirtschaft.

TABLE 3: The Sectors of the Co-operative Movement: Statistical Data

	No. of Co-ops	No. of Members	Av. no. Members	Resources (company holdings + reserves) Millions of DM	Investments in equipment (gross)	No. of wage-earners	Significant Dimensions
1. Co-operative Banks	4,485	8,845	1,080	9,689	578	106,000	<u>Total balance 1979:</u> 393.9 billion DM
(a) Credit Co-operatives	4,467					100,000	<u>Importance in the banking sector 1979:</u> total balance: 20.3% (1960: 14.29%) Savings deposits: 29.7% (19%)
(b) Central banks and DG Bank	10					6,000	Credit with non-banking organs 28.7% (9.6%)
(c) Specialised Institutes	8						Approx. 19,600 banks and subsidiaries (44% of all banking subsidiaries in W. Germany)
2. Agricultural Co-operatives of goods and services	5,430	1,606	299	3,906	1,039	147,000	<u>Share in agricultural market 5%</u>
(a) Primary Co-operatives	5,370			2,982		107,000	<u>Turnover 1979:</u> 68.6 billion DM
(b) Central Co-operatives	60			974		40,000	<u>Turnover 1979:</u> 36.9 billion DM <u>Turnover 1979:</u> 31.7 billion DM

TABLE 3 (CONT.)

	No. of Co-ops	No. of Members	Av. no. Members	Resources (company holdings + reserves)	Investments in equipment (gross)	No. of wage-earners	Significant Dimensions
				Millions of DM	Millions of DM		Billions of DM
3. Industrial & Commercial Co-operatives of goods & services	812	240	302				
(a) Primary Co-operatives	795						<u>Turnover 1979</u> : 58.8
(b) Central Co-operatives	17						<u>Turnover 1979</u> : 42.0
4. Transport Co-operatives	68	14	212		9	2,300	<u>Turnover 1979</u> : 16.8
(a) Primary Co-operatives	66						Road transport co-operatives: Freight in 1979: 6.81. Share of long-distance haulage market: 87.8%
(b) Central Co-operatives	2						
5. Coop Group (Consumer Co-operative)	102	1,087	15,310			55,000	<u>Number of concerns</u> : 3,561
(a) Retailing	71						<u>Turnover 1979</u> : 12.8
(b) Central	31						Share in retail market 1977: 3.1 (8.9% of retail supply)
6. Housing Co-operatives	1,228	1,600	1,303	3,833	1,871	12,000	<u>Dwellings built since 1950</u> : 1.2 million. No of dwellings in comparison with total of construction enterprises in the public sector (1978): 29.6%
(a) Primary Co-operatives							
(b) Central Co-operatives							
TOTAL	12,125	13,392	1,116	15,527		approx. 350,000	

#### 2.2.4. The co-operative federations

The history of the co-operative federations is characterised by diversity and rivalry between the different federations. In particular, the dualism between the Raiffeisen agricultural federation and the trades and crafts co-operatives inspired by Schulze-Delitzsch, continued right into the years following the Second World War. These two federations were re-established respectively in 1948 and 1949. But in the 1950s a dialogue was established between them in order to ensure closer co-operation and to re-unite these two federations.

- Firstly, the hitherto useful distinction between agricultural and urban co-operatives no longer appeared to be necessary, especially in the domain of banking.

- Secondly, economic development and competition from the non-co-operative sector obliged the co-operatives to multiply their efforts of rationalisation and concentration.

These considerations accelerated the amalgamation of the federations. In 1972, with the 'Deutscher Genossenschafts- und Raiffeisenverband' (the German Co-operative and Raiffeisen Federation) a unified confederation was created which groups together the vast majority of German co-operatives.

Today, the system of co-operative federations has the following configuration:

There are three great national confederations:

- (a) The 'Revisionsverband deutscher Konsumgenossenschaften' (Federation of Consumer Co-operatives)
- (b) The 'Gesamtverband gemeinnütziger Wohnungsunternehmen' (General Federation of Construction Companies of public interest, of which one peculiarity is that it represents not only co-operative building enterprises, but also all other construction enterprises of public interest).
- (c) The 'Deutscher Genossenschafts- und Raiffeisenverband' (DGRV)

These three federations co-operate within the framework of a common commission, the 'Freier Ausschuss der deutschen Genossenschaftsverbände'.

The following remarks concern the DGRV which is far and away the most important of these federations.

The federation has a dual function:

- (a) as a supreme control body, it assures a public function in taking upon itself the regular monitoring, as laid down by the law, of the management of the co-operatives that are affiliated to it;
- (b) as a group of interests, it represents the interests of the intermediary organisations and co-operatives that are affiliated to it.

TABLE 4: General View: Confederation in the Co-operative Sector in West Germany

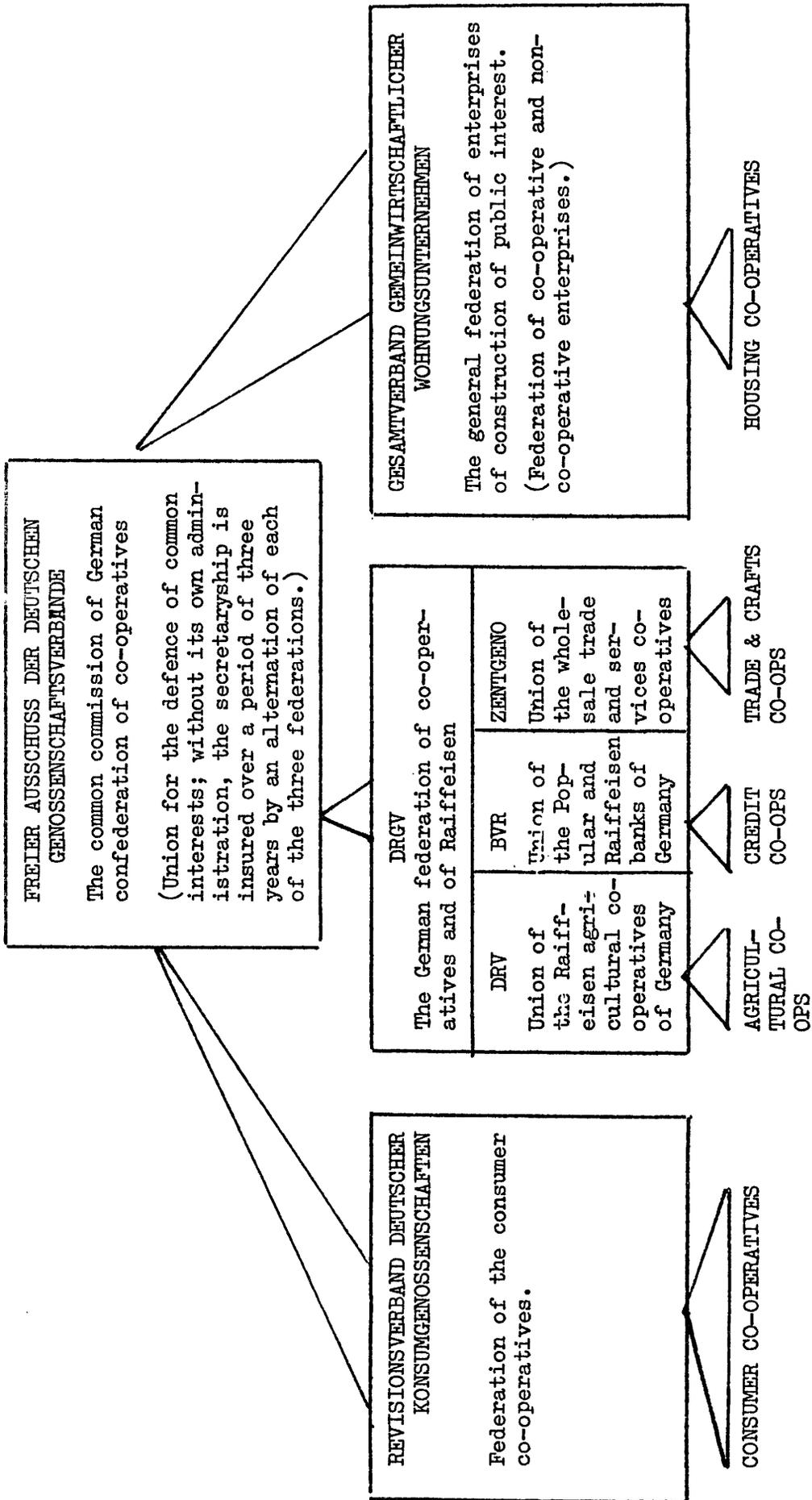


TABLE 5: Organisation of the Co-operative Sector

	DGRV = The German federation of co-operatives and of 'Raiffeisen'		
NATIONAL LEVEL	DRV Union of Raiffeisen agricultural co-ops of Germany	BVR Union of popular and Raiffeisen banks of Germany	ZENTGENO Union of wholesale trades and services co-ops
	6 controlling bodies		
	35 central federal co-operatives and specialised institutions		
	14 REGIONAL UNIONS		
REGIONAL LEVEL	55 'Raiffeisen' sale and purchase agricultural centres	9 Central banks	18 Commercial and in- dustrial sale and purchase centres
	A total of 82 central business institutions		
	14 REGIONAL UNIONS		
LOCAL LEVEL	8,124 Raiffeisen agricultural goods, working and ser- vices co-operatives  Incl. 2,754 practising financial transactions	4,448 Popular and Raiffeisen banks (with 19,600 subsidiaries)  Incl. 2,754 practising goods traffic  35 other credit co-ops*	863 Industrial and commer- cial goods and services co-operatives
	A total of 10,681 primary co-operatives**		
	14 REGIONAL UNIONS		

\* Not included in the total figure

\*\* Sometimes active also in the regional or  
national level

The monitoring takes place on two levels: the DGRV, as a confederation, inspects and controls the federal centres, the institutes and the associations; these in turn (regional controlling bodies or specialists in one field) are responsible for inspecting the different co-operatives. The inspection of the co-operatives is much fuller than that provided for in law for limited companies or the large limited liability companies. The inspection is not only formal, but material and amongst other things extends to the structure, wealth, management economic situation and movement of members of the co-operatives. This permits the controlling bodies to exercise considerable influence on the economic policy of the co-operatives which are affiliated to them. The reason for this method of in-depth monitoring is that it is in the interests of the federation to see that the co-operatives affiliated to it have a healthy and solid base from which to work. This is why, in practice, the inspections are considered by the federation to be advisory activities. On this front they are complemented by a huge consultative activity, coupled with assistance and personnel training for the co-operative members.

One must, finally, underline the fact that, as in other economic and social areas, the state does not itself take on this public function (obligatory inspection), rather it delegates this task to the federation concerned and contents itself with exercising a generalised legal control.

Table 5 shows the organisation of the co-operative movement with its three levels:

- the primary co-operatives are grafted at the local level;
- at the regional level one finds on the one hand the central co-operatives, and on the other hand the 14 regional federations of the DGRV;
- finally, on the national level the three specialised federations, DRV (agriculture), BVR (banks) and ZENTGENO (trades and crafts) united by the DGRV, as well as the specialised institutes, the federal centres and the control bodies which exist only at the federal level.

## 2.3. The Weakness of the Workers' Producer Co-operatives Movement

### 2.3.1. General

It is not by chance that the workers' producer co-operatives have not yet appeared in this survey of the West German co-operatives. The explanation is simple: unlike in France and Italy, this type of co-operative plays virtually no role at all in West Germany. This is the reason why the available information on workers' producer co-operatives is very limited, a fact which, of necessity, imparts a fragmentary nature to this chapter.

The number of workers' producer co-operatives has been in continuous decline for a century. In 1885, approximately 150 co-operatives of this kind were registered; in 1925, during a particularly difficult economic period, there were 565. There were 112 workers' producer co-operatives in

1949 (29 in the construction sector, 9 in the timber industry and, in addition, 29 disabled persons co-operatives). But this figure has dropped steadily ever since: 72 in 1958, 31 according to the latest statistics which date from 1978.

Of the two opposing concepts of the co-operative in the 19th Century, it is clearly the liberal concept, orientated towards the independent middle classes, that has won the day; it continues to characterise the image of co-operatives in West Germany: a means of helping small businesses in sale and purchase, and of providing them with service and credit facilities. The idea of workers' producer co-operatives, originally frowned upon by the socialists, has continued to find difficulty in imposing itself. The unanimous opinion of experts in the co-operative movement is that it has not been able to 'prove itself in practice' apart from during certain exceptional times of hardship and catastrophe. This is also the reason why the German labour movement has lost interest in this concept. Today, neither the social democrats, nor the unions, nor the co-operative movement itself show any interest in the promotion of workers' producer co-operatives.

We have not found it possible to draw up a full inventory of the small number of workers' producer co-operatives which still exist today. Judging by the incomplete information we have received from the Baden-Wuerttemberg Land, they operate in varying fields (in this Land there exist: a shepherd's co-operative, two printing co-operatives, a technical translation co-operative and a co-operative of blind people).

There are no particular legal statutes governing the workers' producer co-operatives; they are subject to the co-operatives law of 1898 in its updated version. Although proposals have been made that workers' co-operatives should be given a special legal status, actual legislation has not taken them into account. Paragraph 1 of the Co-operatives Law contains a list of the type of co-operatives in which the workers' producer co-operative is defined as 'An association for the manufacture of objects and for the sale of same on common account (workers' producer co-operatives)'. Though the workers' producer co-operatives are characterised by the fact that the employees are also the members, they are, in law, lumped together with the various other types of co-operative.

Because of their ever falling numbers, the workers' producer co-operatives do not have their own federation as they do in France. Rather they represent a marginal grouping within the DGRV. The federation itself has so far not taken any initiative to strengthen workers' producer co-operatives. It sees no need to do so since, as far as it is concerned they have not proved themselves in practice.

Up until a few years ago, DGRV did have a committee specifically for workers' producer co-operatives and their development potential. But the efforts of this committee petered out and came to no concrete conclusion.

As far as other forms of non-co-operative production are concerned, notably in the alternative movement, the DGRV has so far adopted an attitude of cautious interest.

### 2.3.2. The reasons for the weakness of workers' producer co-operatives

Researchers, like experts working in the field, have put forward a number of reasons - on which they are generally agreed - for the failure of workers' producer co-operatives to prosper in Germany. Some are ideological, some based on empirical observations. In the pages which follow we have given a resume of the main arguments invoked.

#### (a) Financial reasons

The reasons put forward here may be split into two groups: The first is the problem the worker co-operatives have in building their own capital, given that the members are normally only able to contribute modest sums to new co-operatives, and that the principle of one man one vote may deter them from making larger capital investments. Being unable to provide sufficient guarantees, the co-operatives therefore have difficulty in obtaining credit and are then forced to appeal, as a last resort, for state aid. The second reason is that, apart from these initial difficulties, there is often a tendency on the part of members to draw abundantly on profits for immediate personal use, rather than putting them into reserves for their future capital needs.

#### (b) Legal reasons

Although the transformation of a classical commercial company into a co-operative can be effected without any difficulty, the same is not true of the transformation of a limited company into a co-operative (a gap in the law which the DGRV is attempting to get filled). One may still wonder, however, whether this argument reflects a real obstacle to the development of workers' producer co-operatives. It seems that another fact is more significant: present-day co-operative law, which stems largely from the Reich law of 1889, is relevant above all for the problems of goods and services co-operatives and does not constitute a favourable framework for workers' producer co-operatives. In 1958, a reform commission proposed certain modifications to make the co-operatives law better suited for workers' producer co-operatives:

'- Extension of the powers and authority of the board of directors regarding members at the general meeting, in matters pertaining to general policy and management .

- Provisions concerning the distribution of profits, notably that a considerable proportion of profits should be allocated to reserves.

- Allocation to the members of a dividend calculated on the number of hours worked.

- Provision for more than one vote for those members who have subscribed more than the minimum share capital, or by virtue of seniority.\*

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\* Hans H. Mttner

Two modifications following the general line of these proposals were taken up in the 1973 amendment of the co-operative law: the board of directors has greater autonomy, and the plural vote is henceforth possible for those members contributing capital in excess of the prescribed amount (a maximum of 3 votes per member).

(c) The structural problems of this type of organisation

The main problem raised here is the fundamental conflict of identity which affects co-operative members: as members, their relations with one another are governed by the principle of equality and democracy; as workers and colleagues they are linked by a hierarchised business structure.

The following particular trends have also been observed:

The group of original members tends to close in on itself and becomes reluctant to accept new members because 'old' members fear for their jobs. Once new members have been accepted it is very difficult to dismiss them.

In order to be able to react with the necessary flexibility to changes in the market, it is considered preferable to appoint managers who are not members.

Profit-sharing can also cause problems; for example, when the question of what to do with surpluses comes up and the 'old' members are reluctant to share profits resulting from previous years with new members.

There is, therefore, considerable division: between old and new members, between member and non-member employees, between management and shop floor within the co-operative itself.

Failure or the degeneration of the co-operative into a classical type of enterprise seems inevitable, except where the members are bound together by motives of solidarity. What most often seems to happen is that they succumb to what Franz Oppenheimer described at the turn of the century as 'Law of Transformation'. According to this law, workers' producer co-operatives, if they do not wish to fail, must by necessity, transform themselves into capital companies. This thesis of Oppenheimer's is still considered valid today.

Two examples of reconversion of workers' producer co-operatives in the Bade-Wurtemberg region have been reported to us:

- The Zeppelin works at Constance: a part of the old Zeppelin factories had been reconverted in 1945 to a workers' producer co-operative (oxygen plant) by the occupying French forces in order to safeguard jobs. Although the enterprise was functioning satisfactorily, it was eventually transformed into a limited liability company, possibly because of the conflicts of problems linked with the increase in the value of the members' shares.

- The FERMO enterprise at Murr: this subsidiary of a struggling family business (involved in the construction of 'prefabs') was transformed into a workers' producer co-operative by the 30 or 40 employees

when the mother-company got into difficulties and the jobs at this financially healthy subsidiary were threatened. Despite manifest financial success, the experiment in this case also, ended in a re-conversion to a limited company: the staff accepted the (relatively tempting) offer from the ex-owner to buy back the business, thus preferring the financial gain represented by this offer to the continuation of the co-operative experiment.

#### (d) Ideological reasons

The possible reasons we have just outlined are not sufficient in themselves to explain the lack of success of workers' producer co-operatives in West Germany. In fact, apart from the legal reasons, all of the reasons given above are to do with the actual type of organisation, and are not peculiar to West Germany: if they are at play in this country then they should also be at play in France or Italy, but in these two countries a significant workers' producer co-operative movement exists. We are therefore more inclined to ascribe this failure to a complex 'ideological' context embracing historical, social and political conditions unique to West Germany.

In this country, where the principle of 'social market economy' dominates (i.e. private property moderated by a social element, and a market economy, even if the state does intervene with general guidance), the workers' producer co-operative, based on the idea of collective property, constitutes from the start a foreign body regarded with a good deal of scepticism. Moreover, there exists no social group in West Germany, nor any other organisation, predisposed to workers' producer co-operatives. Neither the co-operative federations themselves, nor the unions, nor the social democrats, show the slightest interest in them. Thus, the workers' producer co-operatives which exist today constitute a form of enterprise which is isolated, and which enjoys the support of nobody.

That is not to say, however, that there are not groups of people in West Germany who are questioning the traditional structures by creating new kinds of co-operative or community enterprises. But although these groups have much in common with the workers' producer co-operatives, they do not by and large take any account of the existing co-operative movement.

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### 3. Models of Enterprises Independent of the Co-operative Movement

We would like to deal in this chapter with certain forms of enterprises in which the employees are also the co-owners and/or share, with full rights, in the decision-making at the enterprise. As in workers' producer co-operatives, there exists the formula 'employee = member'; there exists in these enterprises an equation 'employee = owner' (certain of these enterprises have the name 'workers' enterprises': 'Mitarbeiter Unternehmen'). These kinds of enterprise, apart from their method of functioning, can therefore be compared to workers' producer co-operatives, even if they are not part of the co-operative movement, and if they have

different legal forms. Moreover, they are characterised by extreme diversity. They do not constitute a structured movement (apart from the fact that a certain number of them are members of a labour group, The AGP). There is very little reliable statistical information on enterprises of this kind, and this chapter - drawn largely from press articles and documents of the AGP - will be confined to a general description.

Workers' enterprises created ex nihilo are rare; we have no information on this subject. By the same token, there are very few enterprises resulting from 'salvage operations' of firms threatened by crisis, although the few cases there have been have aroused considerable publicity. In the majority of cases it is firms of long standing and which are functioning well which have chosen this new form of business for social and political reasons.

### 3.1. Salvage operations of failing enterprises

As in other countries, there have been a few cases in which the workers of an enterprise threatened with bankruptcy, have tried to save the enterprise to safeguard their jobs. These have resulted in a new structure of enterprise in which the workers hold part of the capital and have some rights in decision-making. It is impossible to give an accurate estimate of the number of such salvage operations, but we know of between 30 and 40 cases of this type (out of approximately 9,000 annual failures) over the past few years. These have been small or medium-sized enterprises in different branches of industry. The initiative generally comes from a group of workers sometimes from particularly committed managers, but occasionally from the union whose members are affected by the failure. In general, though, the unions react with scepticism, and sometimes even hostility, even though their members may be actively involved in the attempted takeover. It is often difficult to find the necessary capital to refloat and revitalise the enterprise, because the banks are generally reluctant to become involved.

With one exception (FERMO) the legal form of a workers' producer co-operative has not been chosen for these new enterprises, but rather diverse new, and sometimes original, forms on the legal basis of traditional companies (most often a limited liability company).

It is difficult to estimate the success rate. Leaving aside attempts which failed from the word go, it is estimated that about half of the salvage operations failed within a short time, whilst the other half succeeded in establishing themselves. But success was often achieved only by such draconian measures as reduction of the workforce. The most frequent problems seem to be adapting to the new system of democratic decision-making, overcoming the suspicions of neighbouring enterprises, and the perennial problem of raising capital.

The major advantage is that the workforce, once they have been given greater responsibility, nearly always feel more motivated - even to the point, sometimes, of accepting financial sacrifice.

This is what happened in the case of two enterprises threatened with failure:

(a) Stüssmuth Glassworks: This is without doubt the oldest and best known example of a successful salvage operation. This family business (founded in 1946) was on the verge of bankruptcy in 1970. It had not succeeded in making the investments necessary for much-needed modernisation and was

heavily in debt. Its owner, a man of seventy, could find no buyer for his business. The project was then conceived, and realised, to have the enterprise taken over by its staff, to safeguard jobs and to convert it into a model enterprise based on workers' self-management.

Despite some difficulty, the initiators of this project (one of whom was a union member) managed to raise enough money from the bank to get it off the ground. The legal form chosen was that of a limited liability company with share capital owned by the workforce which formed itself into a registered association. From this association ten members were elected to the board of directors and were made partners in the limited liability company. Sufficient funds were raised to enable the necessary modernisation to go ahead, but only at the cost of a drastic reduction in jobs, from 280 to 180. In 1977, the structure of the company was once more changed. The share capital was transferred into an indivisible fund set up by the staff to ensure that it remained in the enterprise on a long-term basis. To further reinforce its financial strength and so as to avoid the danger of adopting 'short-sighted' policies, the enterprise merged with a management company which henceforth held 50% of the shares.

(b) Winterberg and Streng, Mannheim: This family business (manufacturing bottling, and bottle-washing machines, 450 employees) had gone bankrupt in 1878 due to bad management. It was the union, this time, which took the initiative. It began with just a handful of workers who managed to pay off the bankruptcy debts by fulfilling the outstanding orders of the old company. When that had been done a new limited liability company was set up. The state banks refused to give the new company support. 20% of the start-up capital was put up by the workforce which had by then been reduced to 200 from the previous level of 450, but the bulk came from three individuals, one of them the new company's director. He promised to see to it that the workforce would in due course become the major shareholder. In the meantime they are represented on the 4-man board by one of their number.

### 3.2. Conversions for political and social motives

More than 90% of the kinds of enterprises dealt with in this chapter are companies converted by their owners for political or social reasons. The main thing which these diverse experiments have in common is the promotion of association between the partners in a business. This is intended to overcome the antagonism between 'bosses and workers' and thereby defeat the 'outmoded spirit of the class struggle'. This idea is supported by a relatively small number of employers with social, occasionally paternalist, ideals. It is received with lukewarm enthusiasm by the employers' organisations and usually comes up against the open opposition of the unions. This is because the unions regard the association of social partners in enterprises as a play designed to alienate the workers from the unions, and to divert attention from their demands for co-management. Overall, the philosophy of association of partners in enterprise is quite close to the French idea of 'participation'.

The 'Work group for the promotion of the association of partners in the economy' (AGP) is the organisation to which some of these enterprises belong. The AGP pursues a number of activities designed to propagate the idea of participation in public opinion and in the economy (seminars, congresses, research projects, etc.). It also has a representative and propagandist function through which it endeavours to persuade government of the need for legislative reform to make participation in enterprise more easily attainable. It also advises businesses which want to adopt this sort of structure how to go about it.

### 3.3. The importance of enterprises of participation

It is very difficult to make an accurate estimate of the number of enterprises of participation. The data of the AGP cover a vast range of businesses which have introduced, in one form or another, the participation of their workers in the capital and/or decision-making, with no account taken of the degree of participation allowed. According to these statistics, there are around 800 enterprises with capital participation and around 200 where the employees have a greater than usual degree of participation in decision-making. All in all, these enterprises employ approximately 1 million workers. One must take into account, however, the fact that the great majority of these enterprises grant their workers only limited participation, and that only in a tiny minority do the workers occupy a position comparable to that which exists in workers' producer co-operatives. Thus, according to the figures of the AGP, small and medium-sized businesses functioning with capital participation, attain the following degrees of participation: In 42.6% of businesses, the workers hold less than 10% of actual capital; in 25.5% of businesses the share of capital held by the workforce is between 10% and 20%. In 6.4% of cases only do the workers have a majority share (over 50%) of the capital of their enterprise; amongst these enterprises many have been converted following a 'salvage operation'. These figures show that there are at the very most 50 enterprises which, as far as participation in shareholding is concerned, come close to being workers' producer co-operatives; but that is not to say that they do so when it comes to participation in decision-making. The AGP does, however, stress that these experiments in participation are only a beginning: this step-by-step policy should progressively bring about an ever-increasing degree of participation in capital and power of decision, the final, long-term goal being to reach an association analogous to the workers' producer co-operatives. From this point of view, the AGP estimates (perhaps over-optimistically) that 300 to 400 enterprises are today at a sort of 'pre-stage' on the road to the workers' producer co-operative.

Nevertheless, as we have said, the number of enterprises actually comparable to workers' producer co-operatives is minimal (around 10 or 20). The great majority of these are to be found amongst small and medium-sized enterprises. The majority of them are to be found in the industrial sector, whilst in the services sector, they are predominantly to be found in 'intellectual' services such as management advisors, consultant engineers, legal services, where all the employees have, in any case, jobs which are on roughly the same level.

### 3.4. Legal forms

These models of enterprises of participation have adopted various legal forms, according to what was best suited to their own respective cases. In making this choice the tax regime and the difficulties of raising capital from outside and the necessity to retain their own

capital, all have to be taken into account. But different views of what such an enterprise should be like have also played a role.

The most common legal forms employed are those of the sleeping partnership (KG) and the limited liability company (GmbH), sometimes partnered with a trust fund. As they are nearly all small and medium-sized enterprises, and the law of equities is designed for large enterprises, the limited company is scarcely ever considered even though it would in fact be well-suited as a legal form for these enterprises of worker participation. Here are a few typical forms of enterprise as an example:

(a) Participation co-operatives (sharing co-operatives): in the Kuppermühle enterprise (a GmbH and Co. KG: a limited liability company associated with a silent partner; ceramics factory, 70 employees), the somewhat unusual form of a participation co-operative has been chosen, in which all the workers are members and which, as first sleeping partner, holds 50% of the capital of the enterprise. At the general meeting of the enterprise, the workers' participation co-operative controls 50% of the vote; by an additional convention, the participation co-operative has been granted quite extensive rights of participation (more extensive than those normally enjoyed by sleeping partners). The form of a participation co-operative (a 'real' registered co-operative) allows the employees to exert an equalising influence on company policy.

The main reason why this enterprise was driven to choose the path of the co-operative was the need to ensure, in the long term, the enterprise's supply of separate capital, and to prevent the loss of capital in the case of the departure of members. For the detailed debate within this enterprise on the advantages and disadvantages of the different legal solutions, see the Appendix.

(b) Fund: a certain number of enterprises (especially those close to the anthroposophical movement) have chosen the path of 'neutralisation' of capital in the form of a fund. It was in this way, for example, that the Opel Hoppmann family business (motor car sales, approximately 250 employees) was transformed into a limited liability company in 1973 and 98.5% of its wealth transferred to a public fund, called 'Demokratie im Alltag' (Daily Democracy). The assets of the enterprise are thus neutralised and, at the same time, secured in the long term. Moreover, the enterprise practises financial participation in profits, co-determination within the enterprise on problems of employment in the form of 20 working groups, and joint business management thanks to a financial parity board (comprising an equal number of representatives of workers and management) which takes important decisions in the enterprise.

(c) A total (100%) workers company: the PSI (180 employees, consultant engineers) as a limited liability company all of whose capital is in the hands of the staff. Only employees may acquire shares in the enterprise (a maximum of 5 per person); 99 of the employees are members and hold the capital of 1.8 million DM. The employees who are not members may exert their influence within the framework of the general meeting of all staff. The general meeting elects 3 out of the 6 members of the supervisory council. Management posts are of a 2-year duration and must be ratified by subordinate members.

(d) 'Workers' Enterprise': the PhotoPorst group of companies (1,700 employees) is one of the most interesting experiments. This model business, initiated in 1972 by a rather original owner, gives its employees the opportunity to be money-lenders of a holding company. This company holds, today, around 80% of the separate capital of the Porst group. Moreover, all employees elect a consultative council (in fact a supervisory council) made up of 5 employees, 2 employees of the holding company and 2 representatives of the Porst family. In addition, the employees enjoy an extensive right of co-determination within the enterprise. This model has had to come through several crises in the course of the years, and has had to undergo some transformations. Originally it functioned without a works committee and without unions. Under union pressure a works committee was introduced in 1976 with wide-ranging powers.

### 3.5. Future prospects for participative enterprises

We have seen that there are very few enterprises (30 to 40) which, by their structure, really resemble workers' producer co-operatives. We doubt whether their numbers will increase in the coming years for they clearly play only a modest role in the group of 1,000 enterprises orientated towards participation: the principle motivations of most of these 1,000 enterprises are the amelioration of the social climate, the suppression of antagonism, occasionally also to provide a defence against the influence of the unions or an attempt to deflect the legal rulings of co-determination by establishing, in the enterprise, systems of 'participation' (a greater say on the part of employees in decision-making, but above all participation in profits (profit-sharing) and capital), whilst at the same time retaining a classical structure in the enterprise. In the majority of cases, it is not predicted that these enterprises will be transformed into workers' producer co-operatives or related kinds of company. In the employers' camp today, there are fears of 'insidious expropriation' (i.e. acquisition by the employees of a capital majority) precisely by the use of such models of financial participation, though, as we have seen, most of these models of participative enterprises only allow their employees to share in a minute part of their working capital.

There are two groups of obstacles which block the path towards an even greater development of the models of participative enterprises:

- legal framework: the legal form of the limited company is conceived, in German equities law, for large enterprises. It would, however, constitute an ideal legal form for a large number of participative enterprises. The AGP is calling for a reform of the equities law which would allow for the creation of a 'small limited company' as a form of company for small and medium-sized enterprises and, for their participative models, the creation of a 'limited company with worker participation'. On the European level, the AGP is following with some concern, the moves to create a European equities law; fearing that the German law, which is only practicable for large enterprises, be extended to the rest of Europe.

- fiscal prescriptions: for the AGP, fiscal law contains a great number of provisions which complicate, and even sometimes 'punish' the material participation of workers (e.g. workers which benefit from it are considered, from an income tax point of view, as owners). The AGP has put forward propositions aiming at a reform of certain of these provisions of fiscal law.

It is surely not the lack of financial success that explains the overall lack of success of enterprises resembling workers' producer co-operatives. In fact, it is nearly always a case of enterprises which are functioning well. A study carried out by the International Institute of Management in Berlin reached the conclusion that businesses guaranteeing a high degree of participation for their staff all have superior productivity and better capital return than other enterprises. From an employer's point of view increased motivation and commitment on the part of the staff are counted as positive factors, along with the relative absence of conflicts, increased liquidity and better division of risks. All of these observations are, naturally, relevant for the enterprises being treated in this study. There have, of course, been some teething problems; this explains a certain number of modifications and reforms which characterise the history of some of these enterprises. It is, however, interesting to note that some of the arguments put forward by the specialists on the co-operative movement in chapter 2.3. to explain the failure of workers' producer co-operatives ('identity conflict', lack of capital, etc.) are not confirmed, necessarily, by the experience of the participative enterprises.

We are therefore tempted to conclude from this, as in the case of workers' producer co-operatives, that the slight importance and limited future prospects of the models of participative enterprises not belonging to the co-operative movement are due to reasons of an ideological order. In any case, there is no political or social movement prepared to commit itself to support or promote these models.

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#### 4. The Projects of the 'Alternative' Movement

Like the enterprises studied in the last chapter, the 'alternative' movement itself also attempts, through business projects outside the co-operative movement, to put into practice principles which are shared by workers' producer co-operatives, collective ownership, democratic management, creative communal work where everybody enjoys the same rights, there are the objectives pursued by the alternative economy, and which have seen a political rebirth in recent years thanks to the alternative movement. The alternative movement emerged from the protest movements of the 60s (student movement, beatniks, hippies, etc.) which had refused from the start the capitalist consumer society and defended the idea of the personal realisation of the individual, the reorganisation of social relationships and counter-culture; the new modes of action and thinking tried out by this movement in oppositional political formations, new journals, communes self-managed kindergartens and citizens advice bureaux have spread into vast sectors of society.

The alternative movement, which seeks to develop a new form of society, is not a homogenous movement; on the contrary, it is characterised by an extreme diversity of political and ideological views and forms of organisation. Without embracing, let alone unifying, all of them, it has implanted itself in a multiplicity of political groups (left, extreme left, 'spontaneist'), organisations uniting certain groups in society (young people, women, homosexuals, old people), political movements (anti-nuclear movement, the peace movement, movement for the Third World, ecologists, defenders of the environment, initiatives against professional discrimination), mutual aid associations, religions or psychotherapeutical groups, traditionalist or conservative movements (traditional protection

of the environment, movements of reform in our way of life (Lebensreform), people's health, the protection of animals). It is noticeable that the majority of adherents are young people, teachers, high-school pupils and students, as well as a contingent in excess of the sociological average of young people from the upper middle class.

Among this mass of organised groups, those which practise alternative modes of social life, by working in a self-organised manner, count themselves as members of the so-called 'alternative' movement. One calls 'alternative projects' (it is interesting to note that the term 'enterprise' is only infrequently employed or not at all) the work of groups which:

"- seek to establish relationships of production which do not aim at making a profit but which make possible the fulfilment of the capabilities and the needs of each individual and which aim at the suppression of hierarchy and the rigid correlation between concrete activity and qualification;

- manufacture products which are more respectful of nature and of human life;

- work, by communal life, towards the suppression of rivalry, fear, the sense of ownership and sexual repression;

- exercise an informational counter-force designed to enlighten their fellow citizens, and attack, by means of recreational programmes, the exploitation of man and nature by man, and offer an alternative to established social relationships."\*

Within the framework of these objectives, alternative projects must have the following characteristics (according to Huber):

- they must do work useful to society;

- they must be run autonomously and collectively managed;

- no-one must be able to own property for his personal use;

- they must guarantee an income equivalent to the general level of wages, but equal, and ensure working conditions in accordance with labour and social law;

- they must guarantee working conditions worthy of man and having a social nature (freedom to choose working-hours and employment, a climate of co-operation, suppression of physical and moral constraints and time constraints);

- they must take into account the principles of efficiency and economy (no time-wasting, no wasting of energy or materials);

- their relationship with other alternative projects must be characterised by co-operation and not by rivalry (co-operation within communal sale and purchase organisations, the constitution of communal funds).

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\* Hollstein/Penth

The principle vocation of these projects is still, however, that they constitute the original cell of a new social existence and of a new working world in which new inter-personal and social relationships would obtain; the members of these projects must therefore accomplish their work with this essential duty constantly in their minds. This is also the reason why the conversion of a (bankrupt) classic business into a self-managed concern (e.g. Stüssmuth) does not constitute an alternative enterprise; for this conversion does not imply a change in the mentality of the persons concerned, who continue to work in a business where legal form is certainly new, but whose economic objectives remain traditional. From this point of view, there therefore exists an essential difference from the models of business studied in Chapter 3.

#### 4.1. The number and distribution of alternative projects

Inasmuch as they are experiments in counter-society, the alternative projects tend to develop in rather unorthodox areas of society which do not attract much attention. This is why one is reduced to making estimates when it comes to calculating the importance of these projects. They are not included in the statistics, given this frequently unorthodox nature and their uncertain duration, sometimes very short, this kind of statistic would not, in any case, be of much use.

The estimates are very vague:

	Minimum number	Probable number	Maximum number
Projects	6,000	11,500	15,000
Members	30,000	80,000	135,000
The whole of the movement, including sympathisers	150,000	350,000	750,000

Quantitatively, the alternative projects carry little weight within society as a whole. Even when one includes in their number sympathisers, they only take in, at the very most, a little over 1% of the total population.

One may build up a relatively accurate picture of the alternative projects by making detailed use of the available information. (Table 7).

Alternative projects cover a very wide and varied field of activities if one bears in mind that they are obliged to interest themselves in neglected regions of the established economic system or enter into competition with other enterprises.

Taking agriculture into account, only 12% of the projects work in the sector of production; close to 90% offer services of all kinds or devote themselves to political work.

If one compares the distribution of the alternative projects with that of the economy as a whole, one notices the differences in priorities. For 12% of alternative projects in the sector of production, there are

30% within the economy as a whole. The imbalance is even more marked in the transport and commerce sector (9% against 37%). The alternative projects clearly put the emphasis on the domain of media and information (27% against 8% in the economy as a whole), on social services and recreation (29% against 20%) and, above all, on political work properly speaking (23% against 4%), with the result that more than 60% of alternative projects are devoted to the diffusion of alternative ideas and to political commitment.

This explains the important part played by projects concerned with the alternative movement, whether ideological work or work orientated according to the movement's own needs (e.g. parent-child groups, purchasing associations). It is estimated that only 7% of the projects are aimed at the outside market (newspapers, books, food, therapies).

#### 4.2. The economic importance of the alternative projects

It is clear that the contribution of the alternative projects to the economy as a whole is minimal. But its real importance is also very difficult to assess. The 'economic' aspect is not always at the centre of activities: the experimentation and trial of new forms of social relation, life and work are often considered to be just as important as the manufacture of products or the provision of services. But even in the case where, whilst keeping in mind the 'alternative' principles, one works to enable members to earn their living one regularly sees the appearance of problems which may not always be resolved, even by more intense working and voluntarily accepting sacrifices: chronic lack of capital; insufficient equipment; frequent lack of professional qualifications which must be acquired in the course of work, and which, necessarily slow down the work, etc.

There are a few alternative enterprises which function well, often, moreover, by contravening the alternative principles (hierarchised decision-making structures, the beginnings of wage-labour, poor working conditions), but the vast majority of enterprises either survive with difficulty or disappear quickly.

The enterprises which are geared to the market are not only situated in the sectors of production and agriculture. There are also food shops and book shops, cafes and newspapers, and also therapeutic services, which are frequently able to provide their members with a living. The projects can be aimed at three markets:

(a) The market of the established economic system: 7% of the projects only are able to withstand the competition in this market with their products, especially the printers, health-food shops, publishing, and community services;

(b) The market of sympathisers: this is constituted from a quite small number of relatively wealthy customers, working in normal professions, but who feel in some way attached to the alternative movement. They are prepared to pay higher prices for goods of lower quality because they consider their purchase as a gesture of support for the alternative projects. By this fact alone, they constitute the most significant clientele of the projects. "Without the sympathisers' market, everything would collapse."\*

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\* Huber

TABLE 7: Self-run Projects and Mutual Aid Networks

PROD- UCTION 12%		AGRICULTURAL PRODUCTION 4%	4% agriculture, horticulture, breeding
		CRAFT MANUFACTURE 8%	1% printing houses
			5% production and repairing (motor garages, batteries, car- pentry, floor-layers, wool-weaving)
			0.5% alternative technologies (bicycles, recycling, insulation, solar heating)
		1.5% art workshops	
HARDWARE  LABOUR 29%	CIRCULATION 9%	1.5% transportation (taxis, house- clearing collectives, house-movers, street cleaning)	
		4.5% commerce (food stores, co-ops, second-hand shops, travel agents, kiosks)	
		3% bookshops (delivery & distribu- tion included)	
SOFTWARE  LABOUR 71%	RECREATIONAL INFRA-STRUCTURE 9%	4% cafes, restaurants, bars	
		4% holiday rest homes, meeting halls, community centres	
		1% cinemas, art galleries	
	INFORMATION AND PUBLICATION 17%	3% media (cinema, video)	
		1% photos, graphics (typed work included)	
		9% papers, reviews and other pub- lications (like calendars, semin- ars, congress reports)	
		4% publishing houses	
	(SELF) ADMINIS- TRATION SERVICES 5%	5% projects of co-ordination and organisation (advice bureaux, pro- ject associations, networks)	
	SOCIAL AID PROGRAMMES 22%	7% children (children's shops, parent-child groups, creches, child-minding)	
		3% schools (parallel primary schools, adult education, further education, 'free universities')	
1% medical groups			
		11% therapeutic projects, socio- pedagogical, social help for adolescents	

TABLE 7 (Cont.)

POLIT- ICAL WORK 18%	SOFTWARE LABOUR 71%	CULTURE	8% art, sport, science (theatre, circus, music, dance, aikido, karate etc.)
		POLITICAL WORK 18%	8% civil rights defence movements (against job discrimination, tenants' associations, foreigners' associations)
			9% environmental defence movements (neighbourhood committees and community development projects included)
			1% groupings, like electoral lists, or groupings in parties and unions established as having an 'alternative identity'.

SOURCE: from Futuribles No. 40, January 1981

(c) The internal market: a part of the products and services remains within the alternative movement itself; these products and services go to other projects (0.5% of the projects manufacture, for example, means of production for other projects) or to the members of other projects (bakeries, repair workshops, cafes). In the large cities, a veritable parallel market has developed which permits other projects to establish themselves. In West Berlin, for example, it is possible to satisfy all one's personal needs on the alternative market: from food and clothing, passing through social aid, to the organisation of leisure and holidays.

But only 40% of the projects in all are able to ensure a separate fund for themselves by channelling the produce of their activities into one of these three markets; only one member of an alternative project in four is able to meet his own needs in this fashion.

The remainder of the projects (60%) live from other financial resources: subsidies from the state or the churches, gifts from various associations, appropriation of part of the income of members or sympathisers; a fair proportion (75%) of the members of alternative projects do not live from the resources produced by the project, but with help from friends, parents, spouses, social assistance, state or private grants. Some of the members work in established professions (teachers, doctors) either full or part time; inasmuch as they are also members of a project, not only do they live off their other profession, but they also, in part, finance the project.

One should not, however, underestimate the contribution of the alternative projects. Indeed they have created many jobs; in Berlin alone, their number is estimated at 3,000 to 5,000. The existence is sometimes pointed out of a 'grey zone' between the conventional economy and the alternative economy, wherein 'new independent workers' earn their living by self-supply, casual labour and black-market labour, thus fuzzing the boundaries of the alternative economy. But it is quite certain that

the alternative projects have given work to a great many unemployed, to marginals who had never succeeded in entering active economic life, to young people who had turned their backs on society, and that they have thus played (perhaps involuntarily) an important part in unburdening the 'welfare state'.

#### 4.3. Organisation and legal form of the Alternative Projects

In general, the alternative projects are new creations. What counts above all is not so much to create a business as to create a collective. Self-management is more important than the economic character. The problem of the legal situation is, if anything, regarded as an obstacle in the path of development of new human relations within the self-managed enterprise. In principle, the projects are therefore opposed to any legal form. They would prefer to retain this fluid, informal character, wherein there is no place for contracts. Only very rarely do projects attain the size of a medium business. They remain small, rarely having more than 20 members. However, these members change frequently and the lifespan of the projects is often very modest.

But as soon as the projects begin to enter into the open market, they are inevitably confronted with the necessity to define their legal form. In a way, it is the market which, in the long run, decides their form of organisation for them.

- 40% of projects are established in an informal sector and generally have no legal form whatsoever, only occasionally adopting the form of a registered association. In this domain, where the work is unpaid, and where one lives off the income of another profession, for example, one finds most often projects centred upon personal needs, communities, social aid services, etc.

- 25% of the projects are situated in the institutional sector of the established economic system. For example, agricultural or craft enterprises and services which rely on the open market to place their products. These projects have an organised legal form.

- The rest of the projects are situated simultaneously in the informal and the institutional sectors, for we are dealing, in this case, with projects working for the market and, at the same time, for the satisfaction of their own needs.

It is probably above all because of this hostility to all legal forms that one is often not at all sure, in the alternative movement, exactly which legal forms would be the best adapted and most suited to the alternative projects. Only vague outlines of arguments, to recommend such and such a form of company, exist.

It is necessary to take this step and to choose a form of company because the risks run by the different members of a project in an enterprise, which one would prefer to have no legal form, are too great. As the members normally have at their disposal only a very limited capital, and the risk of financial disaster, on the other hand, is very great, one of the essential - and perhaps decisive - aspects in the choice of a form of company, is to seek to limit as far as possible, the personal liability of the individual.

Very little used and equally little-recommended are the partnership firm (Offene Handelsgesellschaft - OHa), in which all the members are liable, even with their own possessions, for the debts of the company, and the sleeping partnership (Kommanditgesellschaft - KG), in which one member is still liable on his own goods and the other partners liable on their invested capital.

The capital association in the form of a limited liability company (Gesellschaft mit beschränkter Haftung--GmbH) is very often the legal form chosen by the alternative projects. Liability is limited in this case to the starting capital, which need not be more than 20,000 DM (minimum). The limited company (Aktiengesellschaft - AG) whose starting capital must be at least 100,000 DM, does not enter into consideration for the alternative enterprises which are, for the most part, very small. However, in certain cases the formula 'GmbH and Co. KG' is adopted: a mongrel form, halfway between a sleeping partnership and a limited liability company.

The most frequent choice, apart from the limited liability company, is that of the registered association (eingetragener Verein - e.V. analogous to the 1901 association in France), which is easy to create (7 members, statutes and registrations on the company register), does not necessitate any capital, and allows for savings on tax. The limited liability company and the registered association are also, for this reason, the company forms which are most often recommended. One cannot, however, choose the form of the registered association if the priority objective of the enterprise is not of a financial nature and centred on profit. The daily alternative 'Die Tageszeitung', the alternative company for cinematographic distribution in Hamburg, the mutual aid network 'Netzwerk Selbsthilfe' (a fund designed to provide help for alternative projects) have both adopted the form of the registered association.

One finds much less frequently the form of the co-operative (e.g. the shepherds' co-operative of Finkhof) even though its original vocation would seem to make it the obvious choice. Ideological arguments are brought to bear against the co-operatives: the co-operative movement is accused of having abandoned its initial objective, which was to create a 'counter-economy', and of having integrated itself into the capitalist economy; on the other hand, the co-op movement is reproached with having adopted the maxims of industrial society (growth, maximisation of profit, centralisation) and is thus no use to the alternative projects.

The real reasons must, however, be sought elsewhere. The pragmatic relations which the alternative movement has with other forms of companies, even less in tune with its own conceptions, allow one to suppose that it is more considerate of a practical order which explains the view they adopt of co-operative law.

However, we are not ignorant of the fact that a certain risk is involved in using traditional bourgeois legal forms: co-members leaving the collective may take their financial means with them; the personnel may divide into co-members and 'contracted workers', etc. This is why thought is given to the establishment of a 'capital neutralisation' model. All the capital is payed into a common fund, so that there no

longer exists any capital in personal property. To do this, there is the legal form of the fund, which is nevertheless not generally envisaged for alternative projects under German law. It will, therefore, be necessary to find other solutions in order to realise this 'ideal' form - of capital neutralisation in the alternative movement.

#### 4.4. Finance of the alternative projects

The alternative projects suffer from permanent financial debilitation. The project members themselves possess very little money; neither do they have guarantees to offer which means that they are rarely able to borrow the necessary means for investment on the money market - leaving aside the fact that, for ideological reasons, the alternative movements do not appeal to the money market for help.

Because of this financial weakness, the financing of the projects is often reduced to merely ensuring the means of existence for project members. The finances of the alternative projects is supplied from various sources:

A very small part is forthcoming from income from the sale of produce and services. Only a third of the projects have resources of this kind, and a quarter only of their members are just able to live off them.

One of the financiers, if not the most important, is the 'welfare state'.\* Its help may be sought by projects which provide social services which are in any case provided for by law (help for old people, the sick, handicapped people, children, special homes, psycho-social services); and on the other hand, numerous project members draw, themselves on social security, rent allowances, unemployment benefit, grants, etc. which play the role, indirectly, of subsidies for the alternative projects.

Sympathisers with the alternative movement also constitute an important source of finance, as do friends, parents, spouses and benefactors who sometimes buy the products and services of the alternative projects, or who subsidise directly or indirectly their projects by donations given directly to the projects themselves or to members.

One must finally mention the direct or indirect contribution made by project members who earn their living, full or part-time, in a 'normal' profession, and who support or assist these projects. One can also economise by supplying a very intensified labour, which can even lead in some cases to physical and mental exhaustion, or by not contributing to social security and unemployment and sickness benefits, etc. (These phenomena are referred to, in the alternative movement, as 'self-exploitation'.) These savings can help to overcome difficult periods; they are even sometimes the very condition for the survival as well as possible, of a project.

By creating the 'Netzwerk Selbsthilfe' (mutual aid network), an original means of remedying this lack of money has been found. This network (which was originally to be an insurance for persons, victims

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\* No exact translation is available for the term 'etat providence' which is itself an approximate translation from the German.

of a professional ban) was founded in 1978 in Berlin as a 'fund for alternative and political projects'. By April 1979, it had approximately 2,900 members, more than 8,000 by January 1981. The fund is made up from monthly contributions from its members, the average sum being in the region of 15 DM. Thus, it receives around 120,000 DM every month; that is to say, about 1.5 million DM every year, which it distributes among the alternative projects in the form of investment. The network itself is organised as an alternative project comprising numerous regional networks, and constituting a sort of highly decentralised co-ordination of the projects. A meeting of the Netzwerk decides the distribution of funds. It is made up of 6 elected individuals, 6 members drawn by lot, 8 representatives of the projects and 7 members of the board of directors. With the creation of the Netzwerk, a means has been found for raising the necessary resources for the development of the projects, but also a form of capital neutralisation which rules out all right to individual property. In the course of its three-year existence, the Netzwerk has already seen lively controversy as to its organisation and its representational forms. However, it does function in a satisfactory manner and certainly constitutes one of the most promising projects.

#### 4.5. The alternative projects and the state

Despite their heterogenous structure, the alternative projects and the alternative movement, on the whole, tend to be situated rather to the left of the political spectrum, although they do have significant reservations with regard to the traditional left.

The alternative movement considers that industrial society as it exists today has already endangered, if not completely destroyed, communal forms of life and the principle of self-sufficiency. They believe that centralisation, the hold of society on the economy, the growing independence of the individual on favours from the state and other people, have brought about a disintegration of social life (the consequences of which are an increase in mental illnesses, drug addiction, alcoholism, crime, political extremism, etc.) and an economic division: besides the prosperous sector, in which people are sheltered by the right to work and social rights, new seekers of poverty are emerging which draw their recruits from increasingly numerous marginal groups.

The conservative model of social capitalism (less state, but more market) and the development of the 'welfare state' encouraged by the social democrats and the unions, are both responsible for unbridled industrial growth. The alternative movement rejects these two models in the same fashion. This is why even joint management does not strike the alternative movement as in any way a means of increasing the autonomy of the individual but, on the contrary, much more like a form of collaboration and reconciliation between the industrialism of the employers and that of the unions.

There does, however, exist amongst trade-unionists and social democrats, an active minority which feels close to the alternative movement and which attempts to introduce alternative ideas into the programmes of these organisations. But the attitude of the unions towards the alternative economic projects is characterised by a reticence verging on hostility and by neutrality. Virtually the same

thing can be said of the political parties, even if certain projects (e.g. assistance for the aged and the handicapped) are considered favourably even by the conservatives, since they contribute to taking the load off the 'welfare state'.

There are, to a very small extent, initiatives on the part of the state to develop open relations with the alternative movement, and even to subsidise certain projects from public funds. Thus, the Berlin government finances, for example, the project of the 'women's university'; a Berlin minister is pleading in favour of a subsidy for certain projects which would thus contribute to the strengthening of subventionism; the secretary general of the SPO is proposing the creation of a public fund of between 1 and 2 million DM which would serve to subsidise alternative projects; the federal minister of education has commissioned a study of those alternative projects which would warrant encouragement in order to allot subsidies to them.

The alternative movement is no doubt correct in estimating that these overtures and this tolerance on the part of established society regarding the alternative projects are dependent on developments in the home and international climate and that, in the eventuality of a crisis, the trend would turn against them. The alternative projects are in a precarious situation, and not only from a financial viewpoint. Not everybody regards their right to exist as self-evident. Their surest protection remains success and continued existence on the market.

#### 4.6. Resumé

From the financial point of view, the enterprises of the alternative movement play a very modest role. Joseph Huber, who is certainly the greatest specialist on alternative economy in West Germany and who, moreover, was one of the co-founders of the 'Netzwerk Selbsthilfe', expresses his opinion in the following way:

The alternative projects, inasmuch as one may judge in the short term, do not constitute an alternative economy. Their enterprises, thus far, have fallen far short of providing models which could be generalised on the scale of society or which would deserve to be followed. This conception of the 'oil-spot' strategy which consists in creating an archipelago of economic units ('to become more and more numerous'), is not an appropriate procedure for transforming the structures of the economy as a whole. On the contrary, the end result is often quite the reverse of what was being sought, that is to say, a strengthening of the system by double economy, and even an extension of the system by the economy of services. In other words, in the domain of the economy, these projects, as they have been conceived until now, scarcely have any role to play at all.

The economic weight of the alternative projects is very limited; moreover, they often depend, directly or indirectly, on public subsidies. Of course, there do exist certain very rare projects which

work well, which are holed-up in relatively unexplored niches of the economy, and which are therefore able to place their products. But even in these cases, one is allowed to wonder to what extent it is not the benevolent clientele of sympathisers which creates these favourable market conditions. By their work, the alternative projects contribute on the whole towards the unburdening and the reinforcement of the 'welfare state', and - in the sectors where they function really well - towards the creation of a double economy: a bare survival economy for groups of marginals and outcasts, often at the very limit of a decent living wage, by the side of the rich and prosperous established economy.

As the alternative projects have only existed for a very few years and have not yet proved themselves, it is not possible to make serious forecasts regarding their development potential. One may have the impression, today, that the alternative movement reached its zenith in 1977 - 1978. Specialists confirm the fact that new projects are only rarely created nowadays: the initial euphoria has faded, many illusions have been shattered, and the results obtained do not always encourage the continuation of the experiment. The alternative projects appear to find themselves, today, at a crossroads: the movement may fall apart because of its disappointing experiences; but it is conceivable also that the remaining projects will gain strength and learn from their experiences and improve their economic foundations, thus lending impetus to the creation of new projects.

But neither should the capacity of the alternative projects to create new jobs be overestimated, if one works on the supposition that a job should be able to ensure a livelihood at a level corresponding to the general mean. Most of the jobs created by the alternative projects - in any case, a very limited number - do not meet this criterion. By their own admission, rather than real jobs, it is often more a case of finding 'constructive occupation'\* for people who are unemployed, who have failed to gain access to a 'proper' job or who have turned their backs on the consumer society. The alternative projects, havens for marginal groups and drop-outs from society, only regard economic viability as a secondary goal. They consider themselves at least as much, to be models designed to test out self-governed economy and new social relationships.

One of the external obstacles to the development of alternative projects is without any doubt their chronic lack of financial means to make the necessary investments. But there are also other causes which must be sought within the projects themselves: often, for example, the initial economic vocation of the enterprise is neglected compared with other objectives; the projects are too poorly adapted to the necessities of profitability and management to be able to maintain themselves on the market; the organisation of labour, which often corresponds to the whims of the individual, has shown itself, at the same time, to be negative from an economic standpoint; the missing professional qualifications, sometimes have to be acquired in the course of actually doing the job.

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\* Huber

One of the only facets which is favourable to the creation of new projects, is that they represent a hope for those who have more or less radically broken with society or who - without having burnt their bridges - see in these projects the seed of a new, more humane society.

\* \* \*

## 5. Conclusion

To conclude, we would like to present some of the conclusions we can draw from the study of these three very disparate domains.

(a) The weakness of workers' producer co-operatives in comparison with models of enterprises having other legal forms.

Despite the lack of reliable data, one can affirm that there are more models of businesses resembling co-operative societies outside the co-operative movement than inside it. It has been noted that groups and enterprises which want to break with traditional forms of society and seek collective forms of property and decision-making, prefer in general not to found co-operatives (as one would be tempted to suppose), and choose, rather, diverse other legal forms (limited companies, limited liability companies, etc.) This observation holds good for both 'normal' enterprises and alternative projects.

What are the reasons for the lack of appeal of the co-operative?

For a start, it is no doubt due to the co-operative movement itself which offers no welcoming structure for this kind of enterprise and clearly feels not the slightest inclination to do so. As for the co-operative federations, orientated essentially towards economic efficiency, the idea of the co-operative society is moribund because the latter 'have not proved themselves in practice'. One could certainly add: because this form of business does not arouse the slightest feeling of sympathy in the federations.

As for the alternative enterprises and projects themselves, they also seem to prefer different legal forms, either due to ideological reservations regarding the German co-operative movement, or to the unsuitability of the legal framework of the co-operative. It is significant that thus far there exists practically no contact between the three domains studied here.

(b) The weakness of all enterprises of the co-operative society type, in comparison with France and Italy.

The second observation one can make is that, even if one defines the notion of 'co-operative society' in very broad terms, this type of enterprise plays scarcely more than a marginal role in West Germany.

Not only do the co-operative societies themselves carry very little weight within the co-operative movement, but those enterprises which are related to them within the partners' association movement are also exceptional, if not marginal, cases.

At the very most, one can estimate the number of enterprises of this kind in both domains at about 80; they are quite possibly even

less numerous than this. Moreover, nothing leads one to believe that this number might rise significantly in the coming years. Even since the start of the economic crisis, even leaving aside the rare cases of salvage operations of failing businesses, the co-operative societies (in the broad sense) have still not taken off significantly.

The projects of the alternative movement are a case apart. On the one hand, this movement has probably given rise to more initiatives than the other two domains put together, and a certain number of new needs which have appeared in recent years (the relaunching of associative life, the search for alternative and decentralised forms of labour organisation, etc.) have initiated the birth of more concrete projects in the alternative movement than elsewhere. On the other hand, with a few exceptions, most of these projects can hardly be regarded as enterprises, in the economic sense of the word, capable of establishing and maintaining themselves on the market. This is why one may suppose that the future prospects of the alternative enterprises are very limited, even if some of them really do accept the constraints of an enterprise. Today, the alternative projects whose economic base is generally very weak, run the risk rather of reinforcing even more the trend towards the formation of a dual economy, instead of representing a dynamic pole of alternative economy. The real importance and function of the alternative projects are, if anything, those of a social movement situated on the fringe of the 'welfare state'.

Thus, on the whole, the enterprises which function according to the co-operative society principle are not only weak numerically, but they are also very disparate and have no organisational or ideological cohesion.

What are the reasons that account for this development, which is so much weaker than in Italy or France?

The doubts which are frequently expressed as to the economic viability of this type of enterprise do not appear, to us, very convincing, since the enterprises studied in Chapter 3 do not confirm these doubts in a decisive way. We believe that the reasons are rather to be found in the lack of ideological foundation and encouragement of this type of enterprise in West Germany.

(c) The enterprises of the co-operative society type and the state.

None of the three movements studied asks the state for direct subsidies to promote their particular type of enterprise. In this, they are guided by the principle of mutual aid, of free enterprise and market economy, but also by an attitude of ideological refusal.

However, they do express other wishes and make other claims of the state, which vary greatly from one movement to another.

The co-operative federations are, in principle, quite satisfied with German co-operative law. The suggestions which they do make to the legislature, concern provisions which they believe would facilitate practical procedures and suppress certain fiscal disadvantages. Thus,

in German equities law, it is very easy to convert co-operatives into joint stock companies, but the inverse procedure - transformation of a limited company into a co-operative - requires the previous liquidation of the limited company and the creation of a new co-operative, which gives rise to practically insurmountable fiscal difficulties.

There exists no legislative initiative for the promotion of co-operative societies.

The demands of the AGP, a less well 'established' and powerful federation, are already more important. They deal with promoting the development of the idea of participation in West German enterprises: the suppression of a great many bureaucratic obstacles, the extension of the legal framework by the creation of the 'small limited company', and fiscal reforms.

Finally, the alternative movement hardly ever makes concrete proposals for reform to the state to further the development of its projects. It remains to be seen to what extent the 'green' \* M.P.s, who have got into certain regional parliaments, will make proposals of this sort. Moreover, the relationship of the alternative projects to the state is ambiguous: at odds with their principle, which is to represent or to build an alternative, autonomous economy, most of these projects are in reality dependent on support from the 'welfare state'; only a very small number of projects are capable of surviving without this kind of support.

(d) Practical suggestions on the level of the E.E.C.

It seems to us very difficult, indeed impossible, to say which initiatives, on the scale of the E.E.C., would be desirable to promote and reinforce the co-operative society movement. The federations we have spoken to certainly maintain international contacts with corresponding bodies abroad, and they also see the impact on their own work of decisions taken at the level of the Community. However, scepticism is prevalent concerning the efficacy of community initiatives.

The attitude of the co-operatives' federation is symptomatic: it underlines the enormous differences which exist between the national co-operative movements, in terms of ideology, structure, and legal framework. Regarding European initiatives to promote the co-operative movement, it adopts, in principle, a positive attitude, but in fact a rather reserved one, for it expects, sooner, disadvantages to accrue rather than a promotion of the interests of the German co-operatives. At the forefront of its preoccupations, the federation places the defence of German co-operative law, regarded as highly advantageous, against the weakening which might result from harmonisation on a European scale. This defensive conduct is translated by a certain suspicion regarding the initiatives of the other European partners. Independently of these st of the federation, the possible E.E.C. initiatives to promote co-operative societies seem to us to be of little use from a German standpoint, even for the simple reason that they would meet with practically no response in West Germany. The real reasons for the weakness of the co-operative societies movement, as we have already seen on several occasions, are located at a much deeper level.

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\* On an ecologist ticket (translator)

EUROPEAN CO-OPERATIVES  
Perspectives from Italy

Jean-Louis Ruatti

TEN, Co-opérative de Conseils, Paris

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The information contained in this report was provided by the Italian Ministry of Labour (Co-operation Department) and by the three organisations representing Italy's co-operatives. We should like to express our thanks to them.

All co-operatives in Italy are registered with the Ministry of Labour. When a co-operative fails it is automatically struck of the register. The Lega, Associazione and the Confederazione are the representative bodies for the Italian co-operative movement. Membership is voluntary and indicates a commitment to be active in the co-operative movement and to respect its ideals. There are other co-operatives which are perfectly successful in economic terms, but which are not members of any national organisation. This explains the discrepancy which appears between the Ministry of Labour statistics and those supplied by the support organisations.



## 1. General Description

1.1 According to the Ministry of Labour, Italy had 119,000 co-operatives on 31 December 1979, broken down as follows:

Table 1

-	consumer co-operatives	7,780
-	production and service co-operatives	16,126
-	transport co-operatives	1,746
-	agricultural co-operatives	18,493
-	fishery co-operatives	1,065
-	housing co-operatives	65,573
-	credit co-operatives	1,082
-	miscellaneous co-operatives	7,650
	Total	<u>119,495</u>

Of these, 66% were entered in the prefectural registers, which entitles them to certain tax and banking advantages. Almost all co-operatives represented by the three national organisations are entered in the prefectural registers.

Table 2

Co-operatives entered in the prefectural registers at 31 December 1979

-	consumer co-operatives	4,690
-	production and service co-operatives	9,055
-	transport co-operatives	877
-	agricultural co-operatives	13,313
-	fishery co-operatives	636
-	housing co-operatives	44,971
-	credit co-operatives	824
-	miscellaneous co-operatives	4,608
	Total	<u>78,974</u>

1.2 Of the co-operatives thus registered:

- 30,000 are in Northern Italy (38% of the total);
- 20,000 are in Central Italy (26% of the total);
- 18,000 are in Southern Italy (23% of the total) and
- 11,000 are in the Italian islands (14% of the total).

The areas with a high density of co-operatives are: Latium, Lombardy, Sicily, Campania, Emilia Romagna and Apulia.

Table 3 provides a detailed analysis of the number of registered

co-operatives, with a breakdown by type and region.

1.3 The Italian co-operative movement is expanding rapidly, since 48,000 registered co-operatives were recorded in 1970 and 79,000 in 1979 (ie. 63% more). This expansion, furthermore, has come about since 1974 with the outbreak of the economic crisis (see Table 4; Trends in the number of co-operatives since 1970). The co-operative sectors which have developed most are:

- mixed co-operatives;
- production and service co-operatives;
- housing co-operatives;
- agricultural co-operatives.

The number of consumer co-operatives, on the other hand, has remained more or less the same.

1.4 The various forms of co-operatives are grouped into three representative organisations:

- The Lega;
- The Confederazione;
- The Associazione.

Some 35,000 co-operatives belong to a representative body, according to the Ministry of Labour. This figure represents 29% of the total number of co-operatives known to the Ministry of Labour.

This figure of 35,000 also represents the co-operatives actually functioning and probably reflects the most accurately the true state of affairs as regards the Italian co-operative movement.

These 35,000 co-operatives can be broken down as follows:

- consumer co-operatives	4,027
- production and service co-operatives	5,204
- transport co-operatives	479
- agricultural co-operatives	8,423
- fishery co-operatives	13,296
- mixed co-operatives	2,616
	<hr/>
Total	34,604
	<hr/>

1.5 In view of the diversity of these co-operatives, we concentrated our research - as we did in France, on production and service co-operatives, which seem to be the most interesting sector from the employment point of view.

TABLE 2

Co-operatives entered in the prefectoral registers : 31 December 1979

REGIONS	SECTIONS							TOTAL	
	1	2	3	4	5	6	7		
	Consumer	Production	Agricultural	Housing	Transport	Fishery	Mixed		Credit
PIEDMONT	422	303	489	2,110	22	2	268	19	3,635
VAL D'AOSTA	4	4	43	51	1	-	8	-	111
LOMBARDY	1,516	778	842	6,336	57	22	795	111	10,557
TRENTINO ALTO ADIGE	322	90	399	545	1	-	147	188	1,692
VENETO	323	528	1,088	1,648	57	47	147	85	3,843
FRIULI	167	191	558	495	7	12	131	38	1,599
LIGURIA	111	261	150	1,119	13	26	94	1	1,775
EMILIA ROMAGNA	520	963	2,542	1,672	90	17	916	61	6,781
<u>NORTHERN ITALY</u>	3,385	3,118	6,031	13,976	248	126	2,506	503	29,893
TUSCANY	459	743	474	3,159	45	18	364	51	5,313
UMBRIA	72	184	245	458	17	12	44	8	1,040
MARCHES	116	167	431	1,015	13	32	174	27	1,975
LATIUM	153	553	613	9,985	86	35	377	45	11,847
<u>CENTRAL ITALY</u>	800	1,647	1,763	14,617	161	97	959	131	20,175
ABRUZZI	37	166	318	1,089	17	13	92	17	1,749
MOLISE	7	26	104	195	2	1	11	3	349
APULIA	81	473	902	3,177	103	75	213	46	5,070
CAMPANIA	76	1,637	789	4,876	80	73	214	20	7,765
BASILICATA	14	133	205	583	16	-	43	8	1,002
CALABRIA	33	145	303	1,319	2	50	60	29	1,941
<u>SOUTHERN ITALY</u>	248	2,580	2,621	11,239	220	212	633	123	17,876
SICILY	205	1,145	2,160	3,846	214	127	455	66	8,218
SARDINIA	52	565	738	1,293	34	74	55	1	2,812
<u>ISLANDS</u>	257	1,710	2,898	5,139	248	201	510	67	11,030
<u>ALL ITALY</u>	4,690	9,055	13,313	44,971	877	636	4,608	824	78,974

TABLE 4.

Rise in the number of

Co-operatives entered in the prefectural registers from 1970 to 1979

YEAR	SECTIONS							TOTAL
	1 Consumer	2 Production	3 Agricultural	4 Housing	5 Transport	6 Fisheries	7 Mixed	
	N U M B E R O F C O O P E R A T I V E S							
1970	4,334	4,370	8,943	27,717	433	491	2,009	48,297
1971	4,423	4,370	8,282	28,983	458	494	2,066	50,332
1972	4,015	4,139	8,932	28,578	494	492	1,923	48,573
1973	4,073	4,420	9,532	30,552	610	507	2,103	51,797
1974	4,076	4,860	10,079	33,415	663	526	2,336	55,985
1975	4,171	5,377	10,725	36,361	691	534	2,667	60,526
1976	4,212	5,893	11,287	38,684	732	564	2,980	64,352
1977	4,397	6,696	11,618	39,964	760	568	3,988	67,991
1978	4,592	7,854	12,527	42,424	820	599	4,771	73,587
1979	4,690	9,055	13,313	44,971	877	636	5,432	78,974
	I N D E X (base 1970 = 100)							
1970	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1971	102.2	105.8	103.7	104.5	105.7	100.6	102.8	104.2
1972	92.6	94.7	99.8	103.1	114.0	100.2	95.7	100.5
1973	93.9	101.1	106.5	110.2	140.8	103.2	104.6	107.2
1974	94.0	111.2	112.7	120.5	153.1	107.1	117.7	115.9
1975	96.4	123.0	119.9	131.1	159.5	108.7	132.7	125.3
1976	97.1	134.8	126.2	139.5	169.0	114.8	148.3	133.2
1977	101.4	153.2	129.9	144.1	175.5	115.6	198.5	140.7
1978	105.9	179.7	140.0	153.0	189.3	121.9	237.4	152.3
1979	108.2	207.2	148.8	162.2	202.5	129.5	270.3	163.5

Source : Ministry of Labour

The Italian production co-operative movement differs from that in France for the following reasons:

- the Italian co-operative movement is far more highly developed than the French: simply counting up the co-operatives belonging to a representative organisation shows that there are some 5,000 production co-operatives, ie. about seven times as many as in France;
- the co-operative movement in Italy is represented by three national organisations:
  - . the Lega Nazionale delle Cooperative e Mutue;
  - . the Confederazione delle Cooperative Italiane;
  - . the Associazione Generale delle Cooperative Italiane.

The three organisations pursue different economic and social policies and have different concepts of what the role of co-operation in Italian society should be. The three organisations are not organised ideologically; they are secular and are independent of all political parties and trade unions. The membership of each organisation is shown in Table 5.

The three organisations include all types of co-operative (consumer, agricultural, producer, etc.) - which obviously facilitates trade between co-operatives.

The co-operatives are also organised in unions - known as Consorzi - with local, regional, national or international responsibilities, which play a fundamental part in the Italian co-operative movement and its development. These Consorzi provide the co-operatives with services of a very varied nature or raise funds which the co-operatives could not obtain on their own.

After a brief review of the legal and fiscal regulations in respect of production co-operatives, we shall pursue our analysis of these co-operatives within the three representative organisations.

\*                    \*                    \*

## 2. Legal and Fiscal Framework of the Worker Co-operative

We do not intend to deal with the principles of the co-operative movement, which are the same in Italy as in France; we shall simply underline the distinctive characteristics of Italian legislation in respect of co-operatives.

2.1 To set up a production co-operative in Italy, at least nine members are required. In the case of craft co-operatives, there must be no fewer than nine members to acquire the status of production co-operative and no more than ten to continue enjoying the advantages granted to craft workers.

To be able to tender for public contracts, co-operatives must have no fewer than 25 members. They must also have a number of members greater than, or at least equal to, the number of non-member workers.

Table 5

Production and Service Co-operatives in Italy at 31.12.1979

	Figures provided by the Ministry of Labour	Figures provided by the representative organisations
Total number of production co-operatives	17,872 (100%)	
Total number of co-operatives entered in the prefectoral registers	9,932 (56%)	
Number of co-operatives belonging to a representa- tive organisation	5,683 (32%)	5,053
<u>Confederazione members</u> including:	2,145 (12%)	1,632
1. building co-operatives		752
2. industrial co-operatives		276
3. service co-operatives		448
4. craft co-operatives		116
<u>Lega members</u> including:	2,795 (16%)	2,421
1. building co-operatives		807
2. industrial co-operatives		391
3. service co-operatives		1,223
<u>Associazione members</u> including:	743 (4%)	1,000
1. building co-operatives		170
2. industrial co-operatives		200
3. service co-operatives		630

Furthermore, in a production co-operative those directly engaged in the production process must be no fewer than 88% of the total number of members, while those indirectly engaged in the production process must be no more than 12%.

2.2 To set up a service consorzio, an association of five co-operatives is sufficient. In this case, the formalities for setting up the consorzio are relatively simple.

On the other hand, consorzi which are meant to tender for public contracts must be made up of no fewer than five co-operatives with more than 25 members each and must, in addition, go through approval formalities which take three to four years. This involves approval by the Head of State and the three Ministries concerned: Public Works, Labour and Finance.

2.3 Capital is limited to a maximum of 4 million lire per person (2 million in the case of service co-operatives), a very small sum. Furthermore, the loans which members may make to the co-operative are in practice limited to 10 million lire, in view of the remuneration provisions laid down by the law.

For capital formation, the co-operative associations generally make personal loans to members who apply for them.

2.4 The profits are divided into three portions:

- at least 20% are fed into the reserve fund;
- a portion is used to pay back the members' capital with the two following limitations:
  - . interest is limited to a maximum of 5% of the capital freed;
  - . the total of the dividends distributed must be less than half the profits made;
- the third portion is divided among the workers.

2.5 To retain co-operative status, co-operatives are subject to revision every two years. This is carried out by the representative organisations or - if the co-operatives in question do not belong to such an organisation - by officials of the Ministry of Labour.

2.6 In the legislative sector, Law 285 of 1 June 1977 on the employment of unemployed persons between the ages of 15 and 29 favours the setting up of agricultural and service co-operatives by subsidising the jobs thus created and by facilitating access to public contracts.

As a result, the period from 1 June 1977 to 31 December 1979 saw the setting up of:

- 590 service co-operatives with a total of 7,837 members;
- 315 agricultural co-operatives with a total of 4,119 members;
- 1,248 co-operatives in all, with a total of 16,203 members.

2.7 Co-operatives are exempt from taxes on legal persons and local taxes, if the total remuneration of the members is more than 60% of the other costs making up the added value of the undertaking.

If this is between 40 and 60%, the tax is half that to which a conventional type of company would be liable.

2.8 The Banca Nazionale di Lavoro has a co-operative fund of 100 thousand million lire for the financing of co-operatives. With a maximum of 35 million lire, this fund will finance up to 70% of the investment required at a reduced interest rate (4.5%); above 35 million lire the interest is charged at the going market rate.

\* \* \*

### 3. Co-operatives affiliated to the Lega

#### 3.1 General description of the Lega

- a) The Lega is the oldest and most representative of the co-operative organisations, as far as production co-operatives are concerned: it was formed in 1886 and, according to the Ministry of Labour, had a membership of 13,000 co-operatives on 31 December 1979, including 2,795 production, labour and transport co-operatives.
- b) From a numerical point of view, co-operatives which are members of the Lega are spread almost uniformly over the whole national territory. However:
  - in terms of turnover and economic weight the co-operatives situated in the north are of greater importance than those in the south
  - 71% of co-operatives created in recent years in the productive and service sector are situated in the south of Italy.
- c) Table 6 gives a specific breakdown by location and type of co-operative. There is a discrepancy between the figures provided by the Ministry of Labour and those given by the Lega itself, the Ministry quoting 2,795 production and transport co-operatives as belonging to the Lega and the Lega claiming only 2,400.
- d) Organisation of the Lega (See table 7)

As stated above, the Lega includes all types of co-operatives. The basic co-operatives are formed into:

- regional and national consorzi;
- regional associations for individual sectors, which in turn form national associations covering specific sectors and regional inter-sectoral federations.

As far as production co-operatives are concerned, there are

TABLE 6 Co-operatives belonging to the Lega Nazionale delle Cooperative e Mutue

REGIONS	S E C T I O N S							TOTAL
	1 Consumer	2 Production	3 Agricultural	4 Housing	5 Transport	6 Fisheries	7 Mixed	
PIEDMONT	316	118	93	296	8	-	55	886
VAL D'AOSTA	1	1	1	-	-	-	1	4
LOMBARDY	785	192	80	509	10	3	217	1,796
TRENTINO ALTO ADIGE	-	1	-	2	-	-	-	3
VENETO	147	210	56	121	17	5	16	572
FRIULI	40	34	32	91	-	2	16	214
LIGURIA	55	130	39	214	5	12	22	477
EMILIA ROMAGNA	275	475	677	357	46	9	241	2,080
NORTHERN ITALY	1,619	1,161	978	1,590	86	31	567	6,032
TUSCANY	339	282	151	633	25	6	86	1,522
UMBRIA	29	96	71	61	6	3	8	274
MARCHES	42	62	67	57	5	12	36	281
LATIUM	36	212	112	394	14	7	115	890
CENTRAL ITALY	446	652	401	1,145	50	28	245	2,967
ABRUZZI	27	49	39	81	-	1	8	205
MOLISE	1	5	9	7	-	-	-	12
CAMPANIA	30	183	141	513	9	4	43	923
APULIA	18	85	125	252	5	12	22	519
BASILICATA	7	27	29	33	1	-	10	107
CALABRIA	14	34	54	126	1	3	8	240
SOUTHERN ITALY	97	383	397	1,012	16	20	91	2,016
SICILY	42	212	322	568	23	14	71	1,252
SARDINIA	24	203	224	324	9	12	17	813
ISLANDS	66	415	546	892	32	26	88	2,065
ALL ITALY	2,888	2,611	2,322	4,639	184	105	991	13,080

Source: Ministry of Labour

two national associations:

- the ANCPL: National association of worker co-operatives, which is itself divided into three main sub-sectors:
  - . building co-operatives
  - . industrial co-operatives
  - . professional and consultancy co-operatives.
- the ANCS: National association of service co-operatives, which covers most service and transport co-operatives. This association was founded in 1975 when a number of co-operatives hived off from the ANCPL.

### 3.2 Co-operatives affiliated to the ANCPL

#### a) Worker co-operatives in general

i) On 31 December 1979, a total of 1321 worker co-operatives with 88,000 members and a total of 159,000 workers were affiliated to the ANCPL. The following is a sector by sector breakdown: (Source: ANCPL)

- building co-operatives	807
- industrial co-operatives	391
- consultancy and research bureaux	111
- electronics and data processing co-operatives	12
	<hr/>
Total	1,321
	<hr/>

ii) The main characteristics of these co-operatives were as follows:

	Total	Average per Co-operative
Number of co-operatives	1,321	
Turnover	1,525 *	1.15 *
Number of members	87,720	66
Non-member workers	71,000	54
Total number of workers	158,720	120
Investments	120 *	90 **

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\* thousand million lire

\*\* million lire

iii) As in France, co-operatives are well represented in the building sector in Italy, particularly in the subsidised and residential housing areas where they account for about 8% of the market. However, Italian co-operatives tend to be larger on average than their French counterparts. Some 140,000 people (an average of 174 per co-operative) are employed by building co-operatives.

iv) The number of co-operatives affiliated to the ANCPL has been rising rapidly for some years (particularly in the wake of the economic crisis): 281 building and industrial co-operatives were set up in three years, ie. an average of 93 per annum.

	Number of co-operatives 31.12.1976	Number of co-operatives 31.12.1979	Change	Annual Average
Building co-operatives	602	807	+205 (+34%)	68
Industrial co-operatives	315	391	+ 76 (+24%)	25

b) Industrial co-operatives

i) On 31 December 1979, the 391 industrial co-operatives affiliated to the ANCPL employed 18,500 workers (an average of 47 per co-operative) with an annual turnover of 625 thousand million lire.

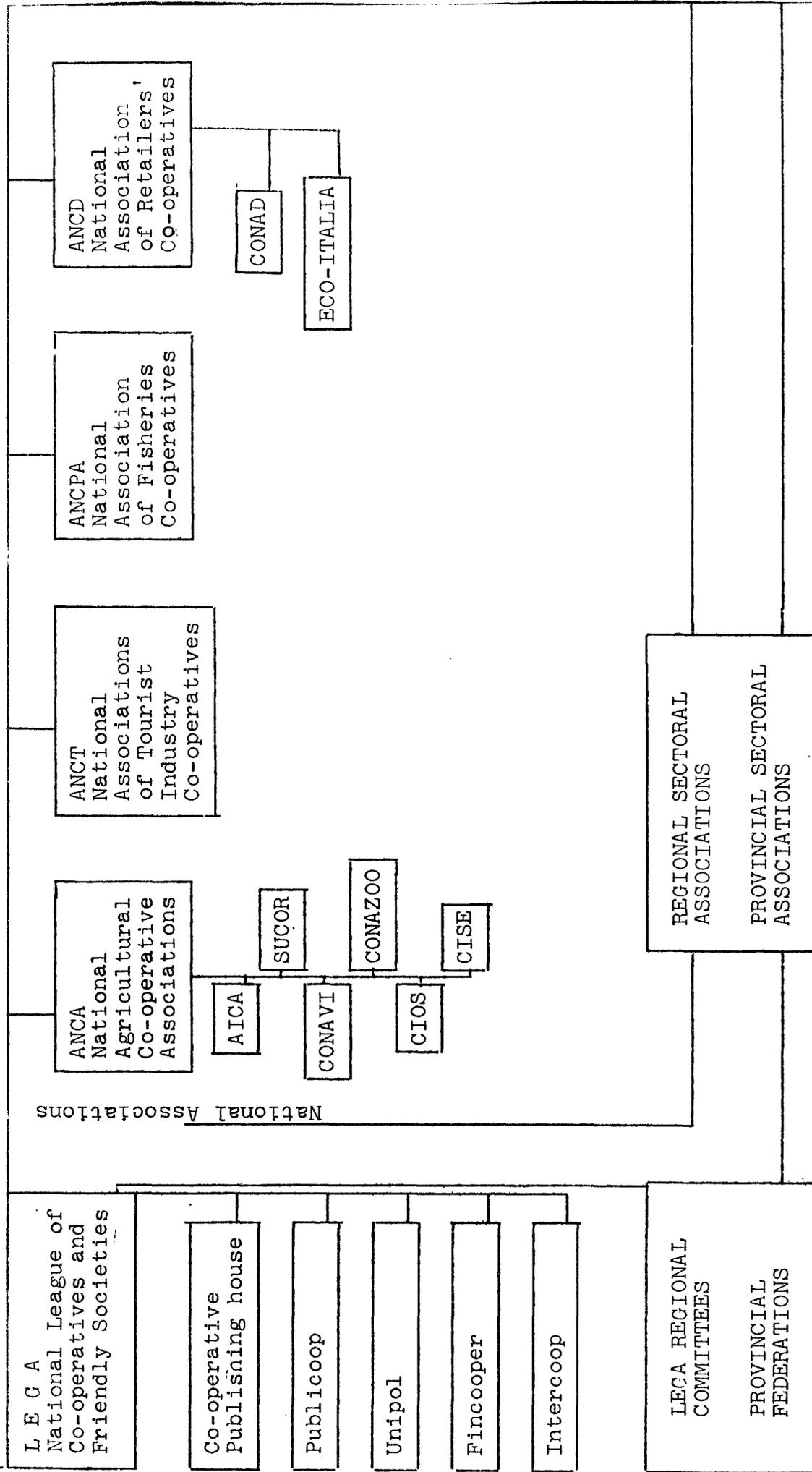
ii) These co-operatives are to be found chiefly in the following sectors:

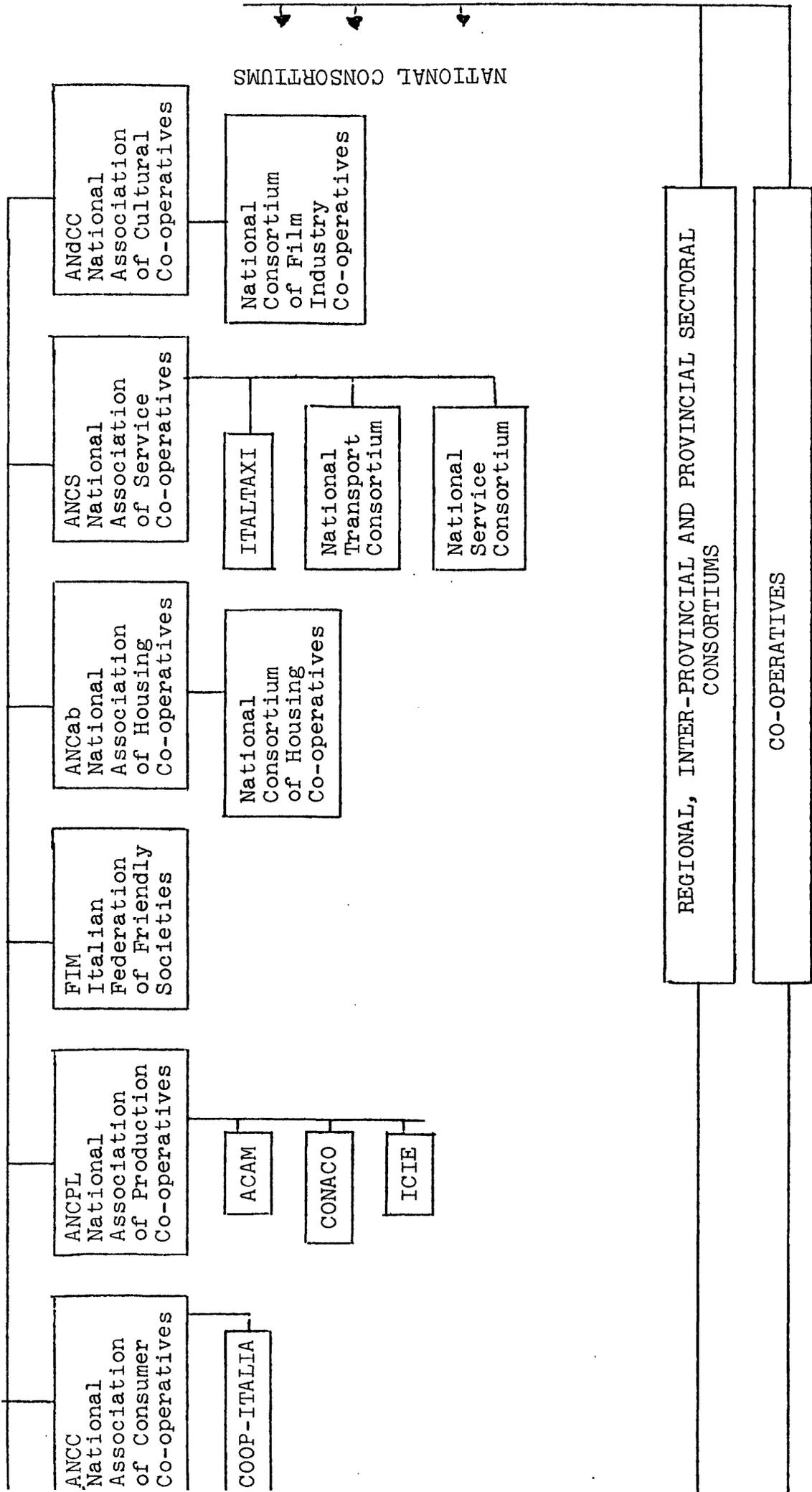
- . building materials, tiles, bricks
- . woodwork finishings
- . ceramics

In these sectors the co-operatives constitute a significant force in the Italian economy. The following figures produced by the Lega give an indication of their importance:

prefabricated concrete products	24% of the national market
woodwork finishings	17% of the national market
marble	4.5% of the national market
road laying, water supply networks	6.5% of the national market

TABLE 7. ORGANISATION OF THE LEGA NAZIONALE DELLE COOPERATIVE E MUTUE





NATIONAL CONSORTIUMS

The following is a sector by sector breakdown:

Production of building materials	78 co-operatives
Installation of water supply networks	44
Production of woodwork and metal finishings	34
Decoration, furniture	34
Shipbuilding and repair	13
Clothing	59
Metal structural work	22
Printing	25
Glass making	18
Smelting	5
Engineering	27
Miscellaneous	35
Total	<u>391 co-operatives</u>

iii) The number of industrial co-operatives affiliated to the ANCPL has more than doubled in 9 years, rising from 185 on 31 December 1970 to 391 on 31 December 1979; a total of 8,400 jobs were created in this period, an average of 1,100 per year.

	31.12.70	Growth Index	31.12.75	Growth Index	31.12.79	Growth Index
Number of industrial co-ops	185	100	179	151	391	211
Turnover (thousand million lire)	52		250		625	
Number of workers	8400	100	13000	155	18500	220
Average per co-op	45		47		47	
Investments (thousand million)	12.5		30		55	

iv) Historically, the industrial co-operatives experienced rapid growth in the following periods:

- in the early 20th century, with the creation of industrial co-operatives in northern Italy in glass making, printing and engineering as a reaction to capitalistic practices;
- during the period of reconstruction following the Second World War, when co-operatives sprang up all over the country;
- since the 1973 economic crisis workers have seen co-operatives as a means of safeguarding their jobs.

At present industrial co-operatives are being formed mainly to

take over businesses in financial difficulties: over the last 3 years, an average of 25 industrial co-operatives were formed each year.

The following are typical cases:

- take-over of the WMT (formerly Walfat) in Turin, which produces machine tools for the automobile industry and employs 50 workers;
- take-over of the ICEL (name unchanged) at Lugo (Ravenna), which manufactures electric conductors and employs 110 workers.

c) The ANCPL consorzi

i) The consorzi play a central role within the Lega. Their two main objectives are:

- to provide technical, commercial and financial services to the individual co-operatives;
- to promote co-operation between the various co-operatives and encourage them to pool their economic potential.

They operate at local, regional, national and international level.

The consorzi provide a variety of services, including:

- procuring orders;
- exports;
- collective purchases;
- conducting technical research and experiments in the building sector.

The consorzi play a vital role in the development of the co-operatives by providing the kind of collective services to the individual co-operatives that none of them could provide for themselves.

ii) The most important consorzi at national level are:

- ACAM: group purchases (materials and services) with 14 regional offices
- CONACO: whose task is to frame and implement a joint policy in the building sector. This organisation operates in a wide variety of fields:
  - . co-ordination of the co-operatives' local operations;
  - . productive investment policy;
  - . specialisation among the co-operatives;
  - . trade promotion;
  - . exports;
  - . technology and technological research;

- . financial planning.

- ICIE: concentrates on industrialisation problems in the building sector.
- MULTICOOP: assists industrial co-operatives in securing a foothold in foreign markets and provides them with logistic support for exports.

d) The ANCPL's strategy

The organisation's strategy is as follows:

- i) To maintain its position in the building sector, where the co-operatives are already firmly established.
- ii) To mobilise all the resources necessary to develop industrial co-operatives. Priority development sectors include:
  - key sectors of the economy:
    - . agriculture
    - . transport
    - . energy
    - . construction
  - sectors in which the Italian balance of trade is in deficit and in which Italy has considerable export potential.
- iii) Developing the industrial co-operative movement entails creating new businesses and taking over conventional businesses in financial difficulties. These efforts are focused on regions with weak economies, ie. the South of Italy. As for setting up co-operatives on the basis of businesses in financial difficulties, the ANCPL rejects the idea that co-operatives should be seen as a last resort solution and has no desire to play the role of crisis manager for the capitalist system.
 

In order to clear any obstacles to the creation of co-operatives in such situations, the ANCPL has called for a reform of the system of financing co-operatives and for special financial support from the authorities to facilitate the take-over of businesses in financial difficulty.
- iv) Generally speaking, the ANCPL wishes to encourage co-operatives or their consorzi to attain the economic scale best suited to their activities. Its aim is to make a success of a number of significant and economically viable experiments in certain sectors so that the experience and knowledge gained can be applied throughout Italy.
- v) The ANCPL facilitates, via FINCOOPER, the creation of co-operatives by lending the necessary funds for the supply of their initial capital.

The following contributions are made to the ANCPL budget:

- the individual co-operatives and the consorzi contribute 4.5% of their turnover;
- the service consorzi contribute 3% of their turnover.

The resulting funds are distributed as follows:

- the regional or local associations of the production co-operative sector receive 50%;
- the regional inter-co-operative bodies receive 25%;
- the national association receives 25%.

### 3.3 Service co-operatives affiliated to the ANCS

a) The ANCS was set up as a separate organisation in 1975 comprising the majority of the service co-operatives affiliated to the Lega. Some 1,100 co-operatives employing 55,000 workers (about 55 on average per co-operative) now belong to the ANCS, which has an annual turnover of 420,000 million lire.

b) Service co-operatives affiliated to the Lega have been formed in the sectors listed below and some of them are major undertakings in their field, employing several hundred workers:

- Goods and passenger transport (taxis, transport of children, driving schools, etc.)
- Industrial cleaning and maintenance (eg. Manutencoop, with 800 workers in Bologna)
- Communal catering services, an expanding sector (eg. CAMST, with 650 workers in Bologna)
- Station porters and various maintenance and warehousing services (loading, unloading at markets, depots)
- Newspaper distribution (eg. COVES and COGIT, large-scale co-operatives)
- Social services (child-minding, help for the disabled, old people, etc.) This sector is expanding rapidly with the help of the municipalities eg. CADIAI, a multi-service co-operative with 200 employees in Bologna
- Professional services (interpreters, data processing specialists, cultural services etc. There are about fifty co-operatives in this sector)

These co-operatives belong, by and large, to three different consorzi:

- CNCT in the transport sector
- CNS in the industrial cleaning and maintenance sector
- Italtaxi in the passenger transport sector

### c) Expansion of service co-operatives

i) About 100 to 150 service co-operatives are now being formed every year. At the end of 1976, there were 758 and by the end of 1979 there were 1,100 of these co-operatives, an increase

of 342 in three years.

At the end of 1976, the service co-operatives employed 31,000 workers and by the end of 1979 the total had risen to 55,000, a total of 24,000 new jobs in three years.

ii) The service co-operatives therefore constitute a dynamic force in the Italian economy.

Their growth can be attributed to several factors:

- close links between youth and women's movements and the co-operative movement;
- development of the services sector in Italy in general;
- good relations with the municipalities;
- the high rate of unemployment, which is conducive to the creation of service undertakings;
- worker co-operatives can be set up with a relatively modest capital sum;
- Law no. 285 has facilitated the setting up of co-operatives.

\* \* \*

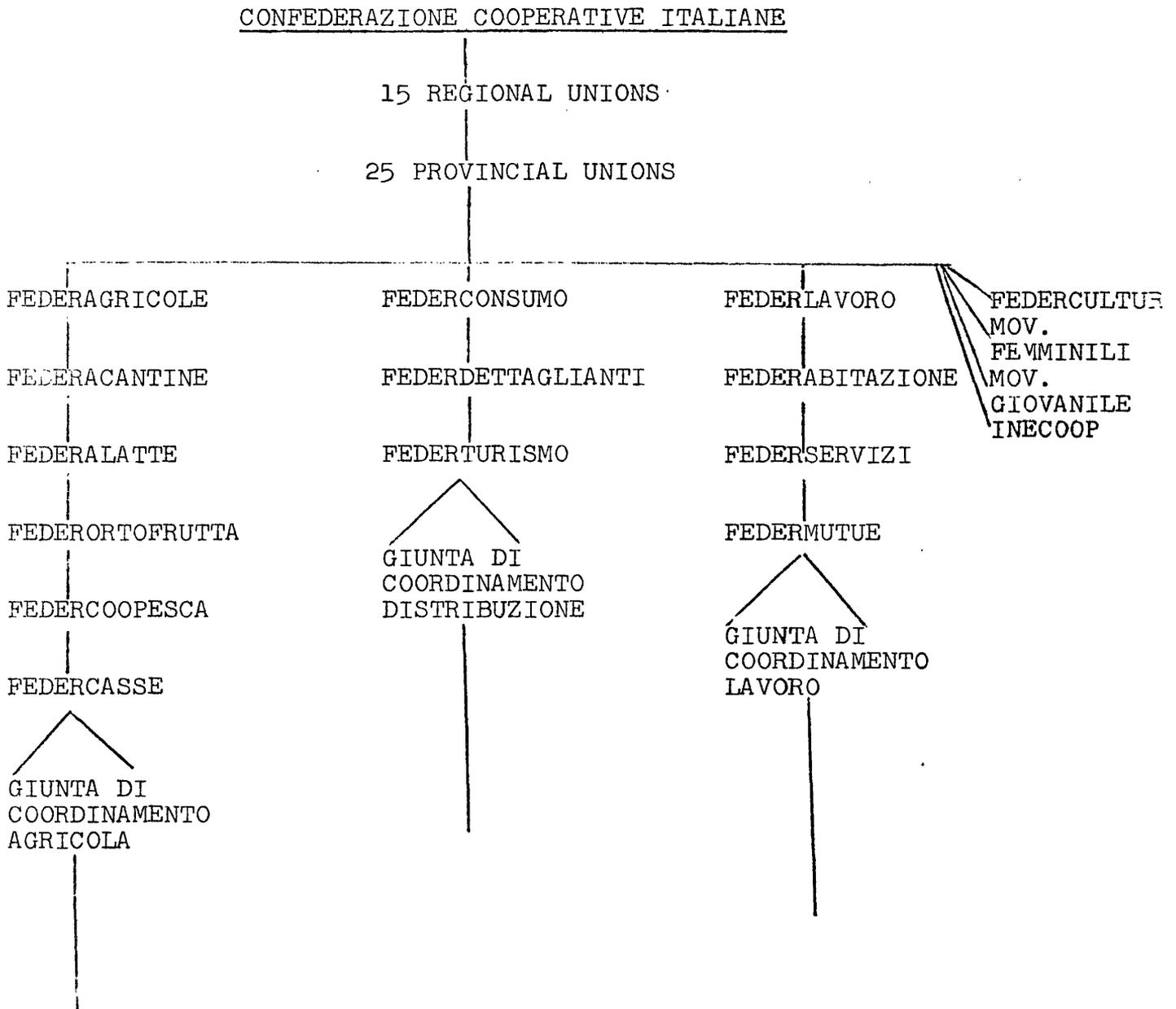
#### 4. Co-operatives affiliated to the Confederazione

##### 4.1 General description

- a) The Confederazione, which was founded in 1919, has progressive Christian leanings. Disbanded under fascism, it started up again after the war.
- b) Ministry of Labour statistics (see Table no. 8) make it the most representative central organisation in terms of members, particularly in the agricultural and housing sectors: at the end of 1979, some 18,000 co-operatives belonged to the Confederazione. Its members are to be found mainly in northern and central Italy, but it has a firmer foothold in the south than the Lega. This is true in particular of production co-operatives, whose members in the south of Italy account for 55% of the total.
- c) The CCI (see table no. 9) is organised along similar lines to the Lega:
  - an inter-co-operative national conference;
  - national federations for each sector (production co-operatives come under the Federlavoro);
  - each sector has its own regional association and at inter-co-operative level the various sectors are organised on a regional basis.

REGIONS	S E C T I O N S							TOTAL
	1 Consumer	2 Production	3 Agricultural	4 Housing	5 Transport	6 Fisheries	7 Mixed	
PIEDMONT	61	41	146	215	5	2	39	509
VAL D'AOSTA	3	2	36	18	1	-	3	63
LOMBARDY	592	156	439	1,118	8	16	212	2,541
TRENTINO ALTO ADIGE	261	37	301	1,112	-	-	206	2,917
VENETIO	153	121	522	443	21	38	79	1,377
FRIULI	102	55	473	149	6	6	69	860
LIGURIA	29	49	49	338	3	13	14	495
EMILIA ROMAGNA	79	161	1,126	407	7	6	214	2,000
<u>NORTHERN ITALY</u>	1,280	622	3,092	2,800	51	81	836	8,762
TUSCANY	74	97	174	601	3	13	81	1,043
UMBRIA	15	23	72	94	2	9	9	224
MARCHES	28	23	165	145	-	6	57	424
LATIUM	39	106	263	646	10	24	103	1,191
<u>CENTRAL ITALY</u>	156	249	674	1,486	15	52	250	2,882
ABRUZZI	16	18	39	49	2	5	15	144
MOLISE	6	7	31	25	1	1	3	74
APULIA	18	90	159	208	18	53	51	597
CAMPANIA	29	279	209	618	5	35	64	1,239
BASILICATA	8	21	48	91	2	-	14	184
CALABRIA	5	25	47	168	-	47	22	314
<u>SOUTHERN ITALY</u>	82	440	533	1,159	28	141	169	2,552
SICILY	79	336	852	601	86	55	154	2,163
SARDINIA	34	288	394	716	30	65	30	1,557
<u>ISLANDS</u>	113	624	1,246	1,317	116	120	184	3,720
<u>ALL ITALY</u>	1,635	1,935	5,545	6,762	210	394	1,439	17,916

STRUCTURE OF THE CONFEDERAZIONE COOPERATIVE ITALIANE



#### 4.2 Production co-operatives affiliated to the Federlavoro

a) On 31 December 1979, there were 1,632 production co-operatives with 40,000 members and a total of 70,000 to 80,000 workers. The four main categories are as follows:

- building co-operatives	752
- industrial co-operatives	276
- service co-operatives	488
- craft co-operatives	116
	<hr/>
Total	1,632
	<hr/>

b) The Federlavoro co-operatives tend to be smaller than those affiliated to the Lega. Although they are represented in all sectors of the economy, the bulk of them are to be found in the building sector.

There are fewer social service co-operatives in the Federlavoro than in the Lega.

Craft co-operatives, which tend to be on the small side (9 to 10 persons) and produce objets d'art, are well represented, especially in Sicily and Sardinia.

#### 4.3 Development trends (Table 10)

a) The total number of co-operatives rose from 905 in 1974 to 1,632 in 1979, an increase of 80% in five years. On average, 145 co-operatives were formed and 5,000 new jobs were created each year.

b) Growth was most marked among industrial and service co-operatives:

- the number of industrial co-operatives rose from 105 in 1974 to 276 in 1979, ie. by a factor of 2.6;
- the number of service co-operatives rose from 182 in 1974 to 488 in 1979, ie. by a factor of 2.7.

Over the same period, the number of building co-operatives increased by 50%, whereas the number of craft co-operatives has remained more or less constant.

c) 80% of the new industrial co-operatives were formed on the basis of small or medium-sized businesses in financial difficulties (with fewer than 100 employees), whereas the bulk of the building and service co-operatives were created from scratch.

The problems encountered in setting up co-operatives on the basis of private undertakings in financial difficulties were identical to those encountered in France: unwillingness on the part of the staff to take on the business, lack of competent management, financial problems etc.

TABLE 10

THE GROWTH OF PRODUCTION CO-OPERATIVES AFFILIATED  
TO THE CCI (1974 to 1979)

	Building		Industrial		Services		Craft		TOTAL	
	74	79 Var. (1)	74	79 Var.	74	79 Var.	74	79 Var.	74	79 Var.
Northern Italy	128	212 +66%	54	134 +148%	66	226 +242%	25	27 +8%	273	599 +119%
Central Italy	44	58 +32%	19	50 +163%	14	81 +479%	5	15 +200%	82	204 +149%
Southern Italy	345	482 +40%	32	92 +188%	102	181 +177%	71	74 +4%	550	829 +51%
TOTAL	517	752 +45%	105	276 +163%	182	488 +168%	101	116 +15%	905	1,632 +80%

SOURCE: CCI

(1) Variation

- d) At regional level, expansion has been most marked in northern and central Italy. On the other hand, industrial co-operatives have grown most rapidly in southern Italy, although there were fewer co-operatives in this part of the country to begin with.

#### 4.4 The Federlavoro's strategy

- a) The Federlavoro aims to achieve a balanced growth throughout the whole of Italy.
- b) It is characterised by its flexibility and lack of bureaucracy, although perhaps it lacks economic efficiency.
- c) The Federlavoro has sought to promote co-operatives of a more modest size than those belonging to Lega: building co-operatives tend to employ 30 to 60 people, while a maximum of 200 to 300 workers are employed in the industrial co-operatives. This would seem to make for greater democracy within the Federlavoro.

\* \* \*

### 5. Co-operatives affiliated to the Associazione Generale delle cooperative Italiane

#### 5.1 General description of the Associazione

- a) Its membership is far smaller than that of the other associations: 3,600 members in all (see Table no. 11).
- b) It was founded in 1956.
- c) It is active mainly in the housing co-operative sector and in Southern Italy, particularly in production co-operatives, for three quarters of the production co-operatives belonging to this association are to be found in Southern Italy.
- d) With far smaller funds at its disposal, it is less well organised than the others.

#### 5.2 Production co-operatives affiliated to the Associazione

We have far less information on the co-operatives affiliated to this organisation.

In April 1980, 1,000 co-operatives were recorded as belonging to this organisation, broken down as follows:

- production co-operatives: some 170;
- industrial co-operatives: some 200;
- service co-operatives: some 630 (of which 230 were transport co-operatives)

The service sector, particularly in Southern Italy, is the one most heavily represented.

- the number of salaried employees is, in all, some 50,000.

TABLE 11 Co-operatives belonging to the Associazione delle Cooperative Italiane

REGIONS	S E C T I O N S							TOTAL
	1 Consumer	2 Production	3 Agricultural	4 Housing	5 Transport	6 Fisheries	7 Mixed	
PIEDMONT	2	12	-	103	1	-	1	119
VAL D'AOSTA	-	-	-	-	-	-	-	-
LOMBARDY	6	12	1	181	3	2	10	215
TRENTINO ALTO ADIGE	-	-	-	-	-	-	-	-
VENETO	2	4	8	52	-	3	4	73
FRIULI	1	9	6	40	-	1	3	60
LIGURIA	2	10	3	56	-	-	1	72
EMILIA ROMAGNA	96	40	132	147	2	-	75	492
<u>NORTHERN ITALY</u>	109	87	150	579	6	6	94	1,031
TUSCANY	9	26	8	163	2	-	5	213
UMBRIA	-	2	-	14	-	-	1	17
MARCHES	14	8	26	58	-	2	11	119
LATIIUM	9	44	34	368	9	-	21	485
<u>CENTRAL ITALY</u>	32	80	68	603	11	2	38	834
ABRUZZI	-	7	22	24	-	1	5	59
MOLISE	-	1	-	7	-	-	-	8
CAMPANIA	3	324	42	241	10	20	8	648
APULIA	5	50	29	139	33	11	5	272
BASILICATA	1	6	4	31	3	-	2	47
CALABRIA	2	3	9	29	-	1	1	45
<u>SOUTHERN ITALY</u>	11	391	106	471	46	33	21	1,079
SICILY	13	87	212	195	22	16	33	578
SARDINIA	3	13	19	46	-	3	-	84
<u>ISLANDS</u>	16	100	231	241	22	19	33	668
<u>ALL ITALY</u>	168	658	555	1,894	85	60	186	3,606

Source: Ministry of Labour



- b) The co-operatives set up were essentially of two origins:
- co-operatives set up from scratch - most service and building co-operatives were of this type;
  - rescue operations on conventional undertakings in difficulty - most industrial co-operatives were of this type.

6.3 We do not propose to go into detail on the obstacles in the way of the development of co-operatives, since these are more or less the same as those encountered in France:

- financial problems encountered in launching, or the acquisition of undertakings in difficulty; inadequacy of funds at the disposal of the co-operative fund of the Banca Nazionale de Lavoro;
- difficulties in financing feasibility studies;
- cultural obstacles to the setting up of this kind of undertaking;
- inadequate training of management personnel;
- problems with relations with the trade unions, which often regard the co-operative as a last chance solution;
- inappropriate legislation in respect of co-operatives;
  - . limited capital
  - . limited loans by members
  - . over long approval procedure required for consorzi tendering for public contracts.

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