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Contents

Editorial

Short Articles

Sowing the Seeds of the Future: Japan's Agricultural Co-operatives,
Ja-Zenchu: Japan Central Union of Agricultural Co-operatives, pp. 3-20

Why Did Consumer Co-operative Societies in Britain use Tokens?
Alan Judd, pp. 21-28

Longer Articles

Informal Learning Processes in a Worker Co-operative
Jack Quarter and Harish Midha, pp. 29-49

Renewing the Membership Basis for Raising Investment and Patronage in
Consumer Co-operatives
Akira Kurimoto, p. 50-60

The Contribution of Consumer Co-operatives to British Adult Education
Rita Rhodes, pp. 61-78

Responses to Published Articles

Counter-response to Shann Turnbull (Vol 31 No 2 and Vol 31 No 3).
Guy Major, pp. 79-82

Response to Barbara Blaszak's article A Study in Female Leadership (Vol 31 No 3),
Muriel Russell, p. 83

Editorial

In this issue we continue to explore the theme of co-operation in Japan with a descriptive article on the Japanese agricultural co-operative sector. To call it merely 'descriptive' is to understate its value, because it describes an impressive set of interlocking institutions that have both width - in serving nearly all Japanese farmers - and depth - in providing almost everything that they need. To call it merely a 'sector' is also to understate its significance; while other much more loosely organised co-operative sectors are perhaps over-generously referred to as a co-operative 'movement' this 'sector' must surely deserve the term, catering as it does for the diverse needs of the entire rural population. The change of focus to the next article is as abrupt as one can get; it is a micro-historical study of tokens, a kind of co-operative currency invented by the British co-operative movement in order to pay dividend to members of consumer co-operatives. Alan Judd provides a definitive survey of the subject on two levels: for the avid collectors of co-operative memorabilia he describes the types of tokens, what they were made of and how they were used, and for the historian he describes just how co-operative societies managed to pay a dividend despite having only hand-written accounts and primitive adding machines. Today it is all so much easier because co-operatives can use electronic dividend cards that record every purchase and add up entitlement to dividend instantly. However, the article raises an important question about the meaning of dividend; it is a cost-price mechanism that restores to co-op members the difference between what they paid for the goods and what it cost to provide and distribute them. It is a unique invention for achieving fairness and the elimination of profit. Electronic 'dividend' cards are, in contrast, really just a trade discount. This is a theme we may enlarge on in a future issue.

The refereed section represents good value, because we manage to squeeze in three articles (at the expense of the book review section, which we will save to the next issue). The first is a report on a Canadian research project into how the members of worker co-ops learn about their roles and their place in the democratic running of the co-operative. They find that informal

processes of experience, discussions and questioning are more important than formal learning methods, a point that will not be lost on all those whose job it is to train and educate co-op members. Akira Kurimoto analyses three failed consumer co-operatives, and asks what were the reasons for failure. A traditional academic answer would probably point to the tensions between the business and the association as two aspects of the co-operative form of organisation that are difficult to reconcile. Kurimoto's answer is much more interesting, and potentially more fruitful for the resolution of these tensions. He finds that it is because they neglect the membership base when they undertake business expansion that co-ops fail. He points to the role of the member not only as a participant in the democratic running of the co-op, but as a user of its products and services, and as an investor of capital. In other words, promoting an active membership base is not an addition to an effective business strategy but an integral and indispensable part of it. Finally, Rita Rhodes provides a historical account of the contribution the British consumer co-operative movement has made to adult education, showing how it went through three phases: it helped to meet the need for basic literacy, then complemented and to some extent duplicated provision by local authorities, and then narrowed into the more specialised study of co-operative principles and practices. We will continue to explore the theme of co-operative learning and education in the next few issues.

The next issue of the Journal will also begin a new theme. During the past decade the international co-operative movement has been absorbed with the redefining and reinterpreting of co-operative values and principles. Now the time has come for some analysis of how these are being put into practice, and we hope to publish articles on this theme, some commissioned, some coming out of the annual conference of the UK Society for Co-operative Studies, at which Professor Ian MacPherson will be the keynote speaker.

Ja-Zenchu: Japan Central Union of Agricultural Co-operatives

Sowing the Seeds of the Future: Japan's Agricultural Co-operatives

Japan consists of four major islands - Hokkaido, Honshu, Shikoku and Kyushu - and a number of island chains. The archipelago, lying off the eastern coast of the Asian continent, stretches in an arc 3,800 kilometres long and covers an area of about 370,000 square kilometres. The climate is generally mild and the four seasons are clearly distinct. Rainfall is abundant, ranging from 1,000 to 2,500 millimetres a year. The country is mountainous and arable land very limited; only about 13 percent of Japan is cultivated, and paddy fields occupy 54.2 per cent of this area. Total cultivated land in 1993 was 5,124,000 hectares, making the average Japanese farm only 1.4 hectares in size. Agriculture in Japan is supported by some 3.8 million farming households, representing 8.9 per cent of total Japanese households. The farming population is approximately 10.4 million, making up 10.6 per cent of the total population. The number of farming households, as well as that of the rural population in general, has been steadily declining.

Taking advantage of the country's generally mild climate, Japanese farmers produce a diverse range of agricultural products, along with the staple product, rice. While Japan maintains a national policy that makes self-sufficiency in rice mandatory, beginning in 1995 the country began to accept a set ratio of imported rice. Japanese consumers have traditionally demanded fresh produce and 98 per cent of all egg products, 90 per cent of all vegetables, 77 per cent of milk, 74 per cent of pork, and 60 per cent of all fruit sold in Japan are grown domestically. In 1985, 72 per cent of all beef sold in Japan was raised domestically, but in March 1991 the import quota system was abolished, and by 1993 this ratio had decreased to 52 per cent. In contrast, only 12 per cent of wheat consumption and 2 per cent of livestock feed are produced domestically, leading to a heavy reliance on imports for these products.

The origins of Japanese co-operatives

The origin of co-operatives in Japan can be traced back to credit unions established by farmer-activists before the Meiji Era which began in 1868. These credit unions embodied the spirit of mutual aid at a time when there were no formal co-operative organisations. Then in 1868 Japan underwent a great transformation, after 300 years of isolationist policy opening its doors to join the worldwide family of nations. At the same time it embarked on a course of modernisation and industrialisation, which necessarily led to a situation where traditional small producers were forced to compete with newer, much larger enterprises, creating an urgent demand for co-operative organisations that would bring economies of scale to small farmers. Japan's first modern co-operatives were 'sales unions' (we would now call them marketing co-ops) established to facilitate community trade. Between the late 1870s and the late 1890s, silk and tea producers established co-operatives in Gunma and Shizuoka Prefectures. Seeing the need for a formal mechanism to promote co-operative development, in 1900 the government enacted the Co-operative Society Law. Through the individual efforts of Yajiro Shinagawa, Tosuke Hirata and many others, this law authorised the formation of several types of primary co-operatives (in Japanese - Sangyo Kumiai): credit, marketing, purchasing, and utilisation. Leaders of these single-purpose co-operatives soon realised that purchasing and other activities required strong financial backing. As a result, in 1906 the government amended the law to allow credit co-operatives to undertake other business activities. Japan's present day multipurpose co-operatives grew from this development. In 1910, the Co-operative Society Law established the Central Union of Co-operatives (Sangyo Kumiai Chuokai), which launched an energetic campaign to promote the co-operative movement on a national scale.

After the First World War ended, the Japanese economy entered a severe depression. Farmers were hit by a drastic fall in agricultural commodity prices, and the resulting financial crisis also affected co-operatives to a great extent. Then, in 1925, co-operative leaders initiated a campaign to revitalise the movement, calling on all farming households to become

members. By that time, co-operative members had seen the need to form a new business federation and in 1923 established a National Supply Federation of Co-operatives and a Central Bank for Co-operatives. Various other national federations were established during this period. In 1930, Japan again faced an agricultural depression, and to overcome this crisis co-operatives campaigned, with government support, to establish a co-operative in every town and village in Japan. Such efforts made possible a quick recovery and rapid progress. Although some private merchants campaigned against co-operatives, the strength of the co-operative movement assured its ultimate success. Co-operatives continued to refine their organisation and activities, and many of today's agricultural co-operative organisations originated during this era. The *Ie-No-Hikari* magazine was first published in 1924 for the purpose of educating co-operative members, and in 1933, a National Council of Agricultural Co-operative Youth Associations was founded. Around this time, co-operatives also began to become involved in providing local medical treatment.

Japan had become a member of the ICA in 1923, but had to withdraw before the Second World War. With the beginning of the War, the government reorganised co-operatives and agricultural associations (Nokai, which engaged in extension services), into agricultural societies (Nogyokai) to secure a war-controlled economy.

Post war agricultural co-operatives (1945-1960s)

Land reform carried out with the help of the Occupation Forces between 1947 and 1949 completely abolished the tenant farmer system and gave almost all farmers status as independent farm owners. The Agricultural Co-operative Society Law, enacted in 1947, established agricultural co-operatives (Nokyo) as economic organisations to replace Nogyokai and guaranteed farmers' independence. Consequently, from 1948 to 1949, an increasing number of agricultural co-operatives were established throughout Japan. During this same period, a number of related federations were founded as the Agricultural Co-operative Society Law greatly expanded the activity base of co-operatives. Mutual insurance activities were first established by co-operatives during

this time. However, many of these agricultural co-operatives soon encountered serious financial difficulties because of ongoing changes in the post war economy and the government's deflationary policy. A lack of managerial experience compounded the problem. The government subsequently passed laws to help primary agricultural co-operatives and federations overcome their difficulties, and they drafted plans to revitalise their movement. In 1954 the Agricultural Co-operative Society Law was revised and an apex organisation, the Central Union of Agricultural Co-operatives (JA-ZENCHU) was established to guide and coordinate Japan's agricultural co-operative movement at the national level. Similarly, the Prefectural Central Union of Agricultural Co-operatives was established to carry out the same tasks at the prefectural level. Beginning in 1960, Japanese industries, especially the heavy chemical industry, entered into a period of explosive growth, bolstered by the government's economic policies. However, this led to a serious outflow of rural labour and greatly increased the number of part-time farmers, resulting in decreased production and productivity. The Fundamentals of Agriculture Act was enacted in 1961 to mitigate the situation by bringing farm incomes more in line with those of other industries, selectively expanding production, fostering self-sufficient farming practices, and enhancing agricultural management. Agricultural co-operatives responded by establishing co-operative farming complexes in order to concentrate the functions of co-operatives. Additionally, the Agri-related Association System was introduced to promote co-operative management of agricultural production.

In 1961, the Agricultural Co-operatives Amalgamation Assistance Law was enacted, and by 1965 the number of primary multipurpose agricultural co-operatives decreased by one third. This reduction made it possible to solidify the business and management base, improve facilities, and enter into new fields of activity. Moreover, with an increase in associate membership (non-farmers), agricultural co-operative activities became even more widespread. Agricultural co-operatives began to direct more energy toward international participation, and in 1963 established the Institute for the Development of Agricultural Co-operation in Asia (IDACA). The IDACA was established to train co-operative leaders from developing countries, including those

in Asia. Since then, the IDACA has accepted more than a hundred trainees annually. While agricultural co-operatives have always provided guidance on farm management, during the last decade of this period they aggressively expanded beyond their traditional activities. The involvement of agricultural co-operatives in medical treatment and health care, systematic livelihood improvement, and education and culture expanded significantly during the 1960s. During this time retailing operations were instituted in order to provide daily necessities to rural areas, and supermarkets were opened one after the other. The National Tourism Association of Agricultural Co-operatives was established (1967), and the Central Co-operative College was founded to train officials and employees of agricultural co-operatives (1969).

After the oil price shocks of 1973, the Japanese economy slid quickly into a period of low-growth. Conditions surrounding agriculture changed qualitatively. While a sufficient level of caloric value had been achieved in terms of food supply, a structural surplus of rice, oranges, milk and eggs was causing stagnation in the price of agricultural products. Despite the setbacks caused by the two oil shocks, Japan found such success at exporting manufactured goods that economic friction with various countries increased. Some countries began to strengthen their trade offensives to increase the export of agricultural products to Japan. The size of the agricultural population continued to decrease, and farmers continued to grow older. In addition, less land was cultivated and some was abandoned. At the same time, agricultural co-operatives also faced difficulties in dealing with changing business conditions. Marketing and purchasing were sluggish due to stagnating agricultural production. The deregulation of Japan's financial markets led to a slackening in credit activities, such as savings and loans, which had provided agricultural co-operatives with operating income. Mutual insurance activity also slowed.

From the 1970s onwards, agricultural co-operatives have struggled to deal with these challenges by restructuring their organisation and management in order to revitalise agriculture.

The future of agricultural co-operatives

Although Japan has developed into one of the world's most

dynamic economic powers, Ja-Zenchu (JA), as the representative of Japanese agriculture, is aggressively pursuing reorganisation to cope with the rapidly changing international and domestic economic environments. At the same time, it is promoting activities to further develop Japanese agriculture, increase farming productivity and provide a higher standard of living for its members. JA's commitment is to meet the diversifying needs of its members by strengthening its ties to rural communities, expanding activities to reflect the changing face of its constituency and promoting increased community development in rural areas. Some of JA's new activities include the following:

- **Residential Development and Asset Management** Due to increasing urbanisation, the weakening agricultural economy, the ageing of the farm labour force and the difficulty of finding successors to take over family farms, many farmers are finding it impossible to continue in agriculture. In order to help these farmers, JA is accepting assignment of farmland and assisting farmers to convert their land to residential use.

- **Comprehensive Life and Home Centres** A-COOP stores provide an important source of the goods and services demanded by JA members. The establishment of Comprehensive Life and Home Centres brings needed services, including lifestyle-related consultation services, to rural communities.

- **Public Relations** To increase consumption of domestic agricultural products (primarily rice), JA undertakes publicity campaigns in advertising media including TV and newspapers. To further promote rice consumption, four 'Rice Galleries' have been opened throughout Japan since 1991 and are being actively promoted to urban consumers.

- **Welfare for the Elderly** JA is closely involved in social welfare activities. Since revision of the Agricultural Co-operative Society Law in 1992 enabled it to provide welfare services to the elderly, JA has undertaken a larger role in this area, notably expanding its programme to train home helpers and provide visiting home health services.

- **Organic Agriculture and Consumer Relations** To meet consumer need for fresh and wholesome food, JA initiated direct sales of agricultural products and the production of organic agricultural products.

Its intention is to increase productivity to cope with intensified competition and financial and market deregulation. For this purpose, JA set a goal of reducing the number of primary units (multipurpose agricultural co-operatives) to approximately 570 by the year 2000 through amalgamation. At present, JAs are organised on a three-tier basis encompassing national, prefectural, and city, town and village levels. This system will be reorganised and the three levels will be combined into two. Recently, the simple acronym 'JA', for Japan Agricultural Co-operatives, was adopted to popularise the organisation among Japanese from every walk of life.

In 1992, the Ministry of Agriculture, Forestry, and Fisheries embarked on a new agricultural policy that focused on fostering large-scale farming. With this, Japanese agriculture entered a new age. JA responded by ratifying a new resolution 'Challenge and Reform Toward the 21st Century' that expressed its determination to begin a reformation of the Japanese agricultural industry, while reaffirming its commitment to the revitalisation of rural communities. JA is committed to continuing its efforts to protect Japanese agriculture and bring new life to rural communities.

The structure of agricultural co-operatives

JA membership is approximately 8,820,000 (as of March 1994), and includes almost all farmers in Japan. A typical co-operative (3,036 members, on average) consists of farmers as regular members and non-farmers as associate members. The terms of membership are stipulated in the articles of association for respective co-operatives, but they generally require farmers to operate farmland of 10 acres or larger and be engaged in farming 90 days or more a year. Agri-related Associations that manage farming operations can also obtain co-operative membership. Citizens residing in the vicinity of respective JA can become an associate member of that JA. Associate members benefit from JA

services, but cannot vote in general meetings or become board members. Use of any JA's services by non-members is limited by law to less than one fifth that of the members. Regular members account for 70 per cent to 80 per cent of total membership in farming regions, but there are co-operatives in urban areas where the ratio of regular members is less than 50 per cent. Investment in multipurpose co-operatives averages ¥140,000 per member. Average investment per co-operative is 427,917 thousand, and total investment is ¥1,243.1 billion.

JA encompasses both multipurpose and single-purpose co-operatives, the difference being determined by the type of farming conducted and services provided. Farmers organise an agricultural co-operative and use its services as well as operate the co-operative. In terms of total membership, multipurpose agricultural co-operatives predominate in Japan. They offer guidance on farming and lifestyle matters, market agricultural products, supply production materials and daily necessities, loan and invest funds, provide insurance against emergencies, and establish facilities for joint use. Multipurpose agricultural co-operatives cover all the cities, towns and villages throughout Japan. At present, there are 2,905 (as of July 1995), but reorganisation is expected to reduce this number to 570 agricultural co-operatives by the year 2000. Single-purpose agricultural co-operatives are organised by farmers who are active in specific areas of production such as dairy farming, raising livestock, sericulture, and other specialised farming. They focus on marketing member farmers' products, supplying production materials, and guidance. Only a few single-purpose agricultural co-operatives manage credit services. There are 3,829 single-purpose agricultural co-operatives throughout Japan (as of March 1994).

Agricultural co-operatives are administered through the prefectural federations of Agricultural Co-operative Associations and the Prefectural Unions of Agricultural Co-operatives. There are several prefectural federations and a single prefectural union in each prefecture. The prefectural federations bring economies of scale to individual co-operatives and serve to coordinate the activities of the co-operatives within their jurisdictions. The prefectural federations provide financial, insurance, marketing and purchasing and welfare services to their member

co-operatives. Prefectural unions coordinate the activities of member prefectural federations and member co-operatives. They provide leadership on issues concerning organisation, services, operations, management, education and research, as well as make recommendations to government agencies. In their role as leaders of JA operations at the prefectural level, prefectural unions are legally bound to oversee and administer the overall activities of affiliated JAs. The prefectural unions are funded through levies imposed on their members.

National federations administer prefectural federations individually and collectively, and through them the agricultural co-operatives that form their membership. The major national organisations of JA are as follows:

- **The Central Union of Agricultural Co-operatives (JA-ZENCHU)** is the apex organisation of JA Group. Its primary objective is to establish management policies for JA and JA federations throughout Japan, disseminate and support JA Group policies and initiatives and maintain the sound development of the co-operative system. JA-ZENCHU conducts many of the same activities as the prefectural unions while, at the same time, providing them with leadership and guidance. It also assists in training JA members, officials and employees. It is represented in international organisations such as the International Co-operative Alliance (ICA) and participates in international co-operative programmes and activities. Prefectural unions and national federations make up JA-ZENCHU's membership. JA-ZENCHU plays a very important role in representing a united JA Group, in furthering JA's goals in Japan and around the world, and in providing leadership in how best to achieve these goals. Its basic policies are decided at the JA national congress, held once every three years.

- **National Federation of Agricultural Co-operative Associations (JA-ZEN-NOH)** Its primary function is to market products produced by JA members to consumers and to provide members with the purchasing and materials necessary for business. In order to maintain stable production levels, JA-ZEN-NOH also carries out nationwide production planning. It provides members with production materials and supplies

(livestock feed, fertilisers, agrochemicals, farming machinery and packaging materials) as well as daily necessities (household goods, gas and oil) purchased in quantity at low prices. Its membership consists of the Prefectural Economic Federations (JA-KEIZAIKEN).

- **National Mutual Insurance Federation of Agricultural Co-operatives (JA-ZENKYOREN)** This federation brings stability to the lives of JA members by providing insurance against sickness and disaster. It offers a full range of insurance services including life insurance and insurance for buildings and automobiles, with high coverage guarantees at low premiums. Besides controlling risk, JA-ZENKYOREN develops overall systems and investment, and lends support to JA and the Prefectural Mutual Insurance Federations.

- **Central Co-operative Bank for Agriculture, Forestry and Fisheries (NORINCHUKIN BANK)** This is a specialised bank for the agriculture, forestry and fisheries industries. Its major investors are JA, fisheries co-operative associations and forestry associations and federations such as the Prefectural Credit Federations of Agricultural Co-operatives. Backed by substantial assets, Norinchukin Bank also extends funds to related industries and local environmental development projects. Norinchukin Bank offers a wide range of services to JA members including savings programmes, foreign exchange services, securities transaction services, international services and the issue of its bank debentures.

- **National Welfare Federation of Agricultural Co-operatives (JA-ZENKOHREN)** This federation and its members, the Prefectural Welfare Federations, oversee health and medical services for JA. Although its medical facilities are available to non-members at no extra charge, JA-ZENKOHREN, in co-operation with JA, conducts its health service, such as group health examinations, to meet the needs of rural communities and JA members. It also provides health-care services and supplies, including medicine, through the Prefectural Welfare Federations.

- **National Press & Information Federation of Agricultural Co-operatives (JA-SHINBUNREN)** This federation publishes the daily *Nihon Nogyo Shimbun* (The Japan Agricultural News), with a circulation of 500,000, and is a member of the Japan Newspaper Publishers and Editors Association. *Nihon Nogyo Shimbun* contains timely articles on a range of topics including political, economic and social trends, written from a viewpoint that takes into account the interests of JA members. It also provides information essential for farmers such as new farming technologies, market conditions, and consumer trends. Additionally, JA-SHINBUNREN also publishes a magazine targeted at consumers, holds seminars to deepen consumer understanding of agriculture, and conducts educational activities such as overseas training seminars.

- **IE-NO-HIKARI** is a best-selling monthly magazine filled with light reading on politics, sports, entertainment, agriculture and JA issues, as well as practical articles on farming and lifestyles. Its circulation is 1.1 million. In addition, the IE-NO-HIKARI Association also publishes a second general-interest monthly magazine *Chijoh*, and *Chagurin*, a monthly magazine for children.

- **NOKYO KANKO** serves as a travel agent for JA members, co-operative officials and employees. It plans group tours (domestic and overseas) and arranges railway and airline tickets for individual tourists. Travel corners have already been established at some JA offices. Nokyo Kanko also sets up mutual exchange programmes through tie-ins with foreign travel agencies.

- **UNICOOPJAPAN** is a trading company established in 1961 through which JA, fishermen's co-operative associations, and forestry associations export products on their own initiative and import necessary raw materials and production materials. It operates seven overseas branches and representative offices (including one in Beijing), and subsidiaries in four countries. UNICOOPJAPAN trades in grains and livestock feed; livestock products; vegetables and fruit; agricultural and marine processed products; agricultural materials, machinery, and facilities; LP gas and fuel oil; chemical fertilisers; agrochemicals; and consumer goods.

- **The Institute for the Development of Agricultural Co-operation in Asia (IDACA)** was established in 1963 to carry out research activities and conduct training seminars for co-operative representatives in developing regions. Every year approximately 100 leaders from co-operatives outside Japan, mainly in Asia, are invited to Japan to learn about Japanese agricultural methods and JA.

- **JA youth and women's associations** can be found within every JA. The JA Youth Association provides young farmers with opportunities to participate in educational activities covering farm operations and management, consumer trends, agricultural issues, and JA policies, as well as exchange programmes among JAs, and cultural and sports pursuits. About 108 thousand young people participate in 1,339 (as of April 1995) youth associations throughout Japan. The JA youth associations are administered by councils at both the prefectural and national levels. JA women's associations count on a membership of approximately 1.81 million women in 2,274 (as of April 1995) women's associations around the country. Members include women who are not only responsible for taking care of household budgets but are also active in farm operations. They join agricultural co-operative women's associations to improve health care, standards of living, and buying power. As with the youth associations, women's associations are also represented through councils at the prefectural and national levels.

The work of the agricultural co-operative sector

Farm guidance is offered to help farmers operate their farms more efficiently. In addition to providing technical advice, agricultural co-operatives help farming groups in rural communities to establish rational agricultural management. There are currently about 19,000 co-operative farm advisors working throughout Japan who, in co-operation with administrative agencies, agricultural research stations, veterinarians and other groups, are helping farmers bring their farms into the 21st century. Guidance in overall agricultural management is available to all JA farmers. Specific guidance is offered in regional

agricultural planning, quality improvement, development of group production systems, lowering production costs through joint use of machinery and facilities and joint purchase of production materials, and regional production and marketing. In recent years, to promote more effective use of farmland, JA has taken the lead in leasing or buying members' farmland to sublease or resell to farmers looking to expand their operations. Many JAs also manage land entrusted by their members, arrange for farms to be worked on a commission basis, and secure needed manpower for member farmers.

In order to create liveable communities and enhance the standard of living of farmers and their families, JA offers comprehensive lifestyle consulting services to members, through around 3,000 better living advisors who are located around the country. Some of the services offered include health checkups for members and their families, consultation about traffic accidents, taxes, housing, pensions and asset management, and guidance in lifestyle design and home budgeting. There are activities to improve living standards including promoting self-sufficiency in agricultural products, joint purchase of fresh foods, and doing surveys on commodity prices. There are cultural activities, including festivals, athletic meets, cooking and folk song classes, and ceremonies. Environmental awareness is enhanced through such activities as recycling, cleaning, and maintaining a safe water supply. There are activities to give purpose to senior citizens, including employment opportunities, home helpers, bathing assistance, meal delivery, and visiting home health-care services.

Agricultural product prices are inherently unstable due to variations in weather conditions, consumer demand, and competition. JA's marketing focus is to increase members' profits by selling their products through joint marketing and distribution. The four basic characteristics of the JA marketing system are: unconditional consignment (farmers consign the marketing of their products to JA without any price, time and destination conditions); commission charges (JA collects commissions that cover personnel, communication and travel expenditures); pooled accounts (farmers pool products of the same quality shipped in the same period and collect a stable income based on price averaging); and full utilisation (farmers gain economies of scale

by taking advantage of JA's mass marketing and distribution system). Although the shipped volume of JA products has been increasing annually, sales volume is stagnant due to declining prices, a result of the strong yen and increased imports. This situation has been worsened by flat rice sales caused by a shift in consumer preferences towards other grains. The utilisation rate for JA's marketing system is more than 90 per cent for rice, and around 50 per cent for vegetables, beef and milk.

Product processing generally falls into two categories: processing of goods for sale to the public and processing of goods for home use. Starch, miso, soy sauce, milk, vegetables, fruit, juice, ham and sausage are all processed for sale to the public at JA plants. Additionally, many JA members use co-operative facilities to process products such as miso and pickles for home use. Although some JAs and prefectural federations have the facilities to process significant volumes of agricultural products, most JAs have comparatively small plants. These plants are used to process products that are for home use or to be marketed within the community. Oita Prefecture's 'one product, one village' offers an excellent example of an alternative use. Special local delicacies were processed and marketed to the general public promoting regional industries and revitalising small communities. With some processed products such as rice cakes, rice crackers and pickles, a common method is to consign processing to private manufacturers in the same region. This system recognises the shortage of JA personnel and processing facilities, while assisting in the development of local industries.

The purchasing service exists to supply JA members with reasonably priced, high-quality production materials and consumer goods. Members place advanced orders that are then pooled together, whereupon goods are purchased in quantity. The foundation of the system is made up of stores located at each JA. As of the end of fiscal year 1993, there were 7,221 JA stores, including 1,668 large A-COOP outlets nationwide. Utilisation of the system has been gradually declining in the face of increased competition from outside retailers and less advantageous terms from affiliated suppliers, particularly those for consumer goods, automobiles, and livestock feed.

Credit activities mainly encompass collection of savings and the extension of loans to members. To recoup the operating

expenses incurred by the need to offer services to all members, JA credit organisations engage in a variety of businesses including discounting of bill, domestic exchange transactions, liability guarantees, loans to non-members, securities transactions, foreign exchange transactions and trust management. Due to recent financial deregulation, competition with ordinary banks and other financial institutions has intensified. In the interest of fair competition, JA has been granted permission to expand its business activities including financial services. Today, JA card holders can perform transactions at almost all financial institutions using the same card, including all JA, ordinary banks and credit unions across Japan. They are also able to pay telephone and electrical bills through an automatic bank transfer system.

The purpose of offering insurance is to have a system that compensates members in times of misfortune, thereby guaranteeing their personal and financial security. Long-term insurance includes endowment and whole life insurance, building endowment insurance, agricultural machinery renewal insurance, pension insurance, and children's insurance. Short-term insurance includes fire Insurance, automobile insurance, and personal accident insurance. Premiums for these types of insurance are lower than those offered by private insurers and a portion of the premiums are rebated to members as mid- or long-term funds. At present, JA's insurance accounts for 39 per cent of total insurance on deposit by farmers. JA does not provide crop insurance that compensates for damages in agricultural products caused by natural disaster.

The purpose of joint-use facilities is to provide members with access to facilities that otherwise would be unavailable for individual use. There are many joint-use facilities, which can be classified into two types: agricultural production facilities and home/life facilities. Agricultural production facilities include rice production facilities, grain elevators, grading and packing plants, plant nurseries and agricultural warehouses. Home/life facilities include A-COOP stores, meeting rooms, home/life centres, ceremonial halls and gas stands.

Health and welfare services protect members from disease by providing medical and health facilities, thereby bringing medical treatment and preventive care within the reach of all JA

members. JA medical facilities are also open to non-members at no extra charge. Treatment is mainly conducted at JA hospitals run by prefectural welfare federations. Preventive health care services are important for maintaining good health and include periodic health check-ups, preventive examinations for geriatric diseases and health consulting services.

With encroaching urbanisation, a significant amount of farmland is being converted to residential use, often leading to inappropriate and uncontrolled development. JA is helping to prevent this by administering the conversion of members' land in a manner that protects their assets, while still permitting controlled residential development that minimises damage to the environment and nearby farms. JAs located in urban areas run co-operative farming and housing complexes and apartments at their own initiative and in a fashion that protects members' assets.

Japanese generally love to travel and JA members are no exception. Travel provides a release from the stress of work and domestic chores and improves health and mental outlook. The Nokyo Tourist Co-operation was established in 1967 to provide domestic and overseas travel services to members. Arranged group tours organised by JA youth and women's associations, business travel and cultural trips are very popular. Recently, the number of JAs travel centres which can arrange railway tickets and hotels reservations is increasing.

Education plays an important role in maintaining the viability of Japanese agriculture and extensive educational programmes are offered to members, officials and employees. Members can enrol in any number of regularly scheduled classes and also attend special educational seminars, training sessions, or international research trips. JA publications, including *Ie-No-Hikari* (The Light of the Home) and the *Nihon Nogyo Shimibun* (The Japan Agricultural News) play a large part in bringing members up-to-date on the latest trends, topics and technology. JA officials undergo continuing education to improve their leadership abilities and JA employees must constantly update their knowledge on business trends and technical innovations. To provide a location where members, executives, senior employees and newcomers can come to take classes and participate in meetings and seminars ranging from farm

management consulting to lifestyle advice, auditing and computer training. Each prefecture and all JA national organisations maintain specialised training facilities.

Public relations provides a vital connection between JA organisations, their members and the general public. Internal public relations help build solidarity among members while external public relations help educate the public and disseminate JA views and policies. Public relations directed at co-operative members consist primarily of print media, including pamphlets and leaflets, but also includes some TV utilisation, mainly through small cable channels. JA federations publish newspapers and magazines and JA-ZENCHU publishes a monthly bulletin targeted to officials and employees of JA Group. The importance of external public relations is increasing. In light of recent overseas trade conflicts, the main impetus is to educate the public on the essential role that agriculture and farming communities play in society and emphasise the importance of maintaining a safe and stable food supply. The primary vehicles for disseminating external public relations remain the mass media including newspapers, magazines, TV and radio, along with various special events such as fairs and JA festivals.

JA engages in lobbying as a means to promote specific policies. It lobbies at all levels of government to press members' interests on policies concerning land use, production, pricing, distribution, budgets, taxes, social security and the environment. Lobbying methods range from simple request submissions to major public demonstrations. On important issues, lobbying efforts are mainly spearheaded by the prefectural and national unions.

Democratic control and management

Federations and central unions are governed under the Agricultural Co-operative Society Law, as follows. The annual General Meeting is the supreme decision-making body of JA. At the General Meeting, changes in the Articles of Association are resolved, the year's business plan is approved and officers elected. Resolutions are usually passed by a majority vote of the attending members. However, important resolutions on changes in the Articles of Association and resolutions regarding co-operative

mergers, for example, must be approved by at least a two-thirds vote of the attending members. Large co-operatives with many members (more than 500 regular members) may organise a representatives' meeting with decision-making authority. A quorum for the representatives' meeting is at least one fifth of the total number of regular members. Directors enact business according to policies adopted at the General Meeting. Auditors review business performance and submit this review at the General Meeting. Directors and auditors serve for not more than three years with the President being elected from among directors by director's mutual vote. Recently with the ongoing mergers among multipurpose co-operatives, the number of full-time officers is decreasing. JA employees provide the energy that keeps this vast organisation functioning and on track. Their ability to coordinate their efforts within the organisation is a key element in maintaining the smooth operation of JA. The total number of JA employees, including those of federations, is approximately 400,000. The government audits national and prefectural federations and central unions, while prefectural governments audit JAs within respective prefectures. The government may issue necessary orders to carry out the sound management of JA.

JA's principles are derived from the Agricultural Co-operative Society Law, and govern the day-to-day management of the organisation. Becoming a member of, and resigning from, JA has to be of one's own free will. Elections are determined by 'one regular member, one vote'. JA is a non-profit organisation whose mission is to protect and enhance Japanese agriculture and improve the standard of living of agricultural workers. For this reason, dividend is limited to not more than 7 per cent for multipurpose JAs and not more than 8 per cent for federations. Concerning the settlement of the surplus, in case a loss happens this surplus is allocated to cover this loss. And after funds for JA business development and those to be carried forward are deducted, surplus shall be paid to co-operative members in the proportion to which they utilise the co-operative. In order that training programmes for new members be adequately financed, not less than one twentieth of a co-operative's surplus must be carried forward to the next fiscal year.

Why did Consumer Co-operative Societies in Britain Use Tokens?

Alan Judd

Tokens are basically a working class phenomenon. At the many times in history when British governments have issued insufficient small change, or have failed to strike denominations small enough to enable the poor to make purchases, tokens have appeared. Most have been of small face value, and issued without the authority of 'the Crown' or Government. Usually they have been made of base metal or occasionally more ephemeral material such as leather. They often, but not always, carried marks that identified the issuer. Although not usually legally sanctioned, token issuers have rarely been prosecuted.

From 1577 to 1583¹, during the reign of Elizabeth, the city of Bristol issued square copper farthings which were authorised by the Crown to circulate in Bristol and within a radius of ten miles. Later, during the uncertainty of the civil war and the Commonwealth, many thousands of different unauthorised issues were made by cities, towns, merchants and innkeepers throughout England and (to a lesser extent) Wales and Ireland². There were further large issues starting in Scotland in 1780, moving to Wales in 1787 and extending throughout industrial and urban England and Ireland³. A final large series, including for the first time quantities of silver six pence and one shilling pieces, appeared at the beginning of the nineteenth century⁴. The need for change came as workers moved from the land, where they may have had no use for cash, to the towns and cities of the industrial revolution. Ironically, the demand for small change greatly increased at a time when the Government totally abrogated their responsibility to meet that demand.

While some token manufacturers may have had the best of motives, many others were able to take advantage of a vulnerable public by issuing poor quality pieces that were irredeemable. Many other tokens were used for 'truck' payments, whereby a worker would be employed on what appeared to be reasonable wages but, come pay day, would receive not official 'regal' money

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but tokens struck for, and issued by, the employers. These tokens could often only be spent in the company shop where prices were high and goods adulterated. Truck Acts were passed to attempt to prevent this practice⁵. There were exceptions where tokens were worth their full face value, and some early socialists and co-operators such as Thomas Spence were involved in token issues⁶. Good value silver countermarked Spanish dollars were issued by Arkwright at Cromford Mills, and by Robert Owen at New Lanark⁷. One thing, however, epitomised most pre Co-op token issues - fraud.

In view of this inauspicious past, how was it that consumer co-operative societies in Britain came to use so many tokens? Although I have studied tokens for some 20 years I have never before addressed this apparently simple question. Throughout the early history of money, there were issues not officially sanctioned which were accepted as money. Usually they were made to meet a need for small change but, as we shall see from a study of co-operative issues, this was not always the case. Co-operative dividend can be defined as a distribution of surplus profits in direct proportion to the amount spent by the customer-member during the dividend period. This has to be explained because, firstly younger co-operators may never have encountered dividend, and secondly, because dividend is not a fixed amount decided in advance⁸. Dividends were paid by societies as early as Lennoxton in Scotland in 1812⁹, but after the Rochdale Pioneers set up their famous society in 1844 more and more consumer co-operatives adopted the system. The question arose at once of how to pay dividends economically and equitably. A number of systems were tried, but for many co-operative societies from the 1850s onwards the answer was to have metal checks made, with the value of the purchase and the name of the society stamped on them.

Most societies used metal checks, but Scottish societies also issued them using early forms of plastic¹⁰. This was the age of the metal ticket, with a proliferation of the 'die sinkers' on which they were cast. Metal tickets were advertised as being cheaper than the calling cards that were de rigueur in Victorian society. For example, the firm of E Cottrill in Birmingham issued a small copper token bearing the words 'Cottrill's embossing press and die complete, 12/6d - medals - like this cheaper than cards'. The

cost of manufacture was of the order of a half to a quarter penny each, plus ten shillings for the die. Plymouth Co-operative Society, for example, in 1862 purchased 14,000 checks in ten values up to £1, for a total cost of £9¹¹. Checks were issued for all sums from a quarter pence (rarely), half pence, one pence in series up to 11 pence, one shilling (equivalent to 12 pence) in series up to ten shillings (this value often appearing as a 'half sovereign'), £1 and later £5. The lower value pieces tended to be bracteates (struck on one side only) like the foil covering chocolate money, but somewhat thicker. They were usually of plated iron, occasionally of copper or brass. Higher values were often struck on both sides like ordinary coinage, in copper or brass, and sometimes in zinc. The checks could be obtained at very short notice from manufacturers such as Hinks, Iliffe, Smith and Leonard of Birmingham, Ardill of Leeds (a most prolific manufacturer), and Gill of Sheffield¹². There was great competition, and co-operative societies changed suppliers in exchange for reduced prices. It seems that most manufacturers were prepared to work for co-operative societies, though Pope of Birmingham, one of the largest firms at the time, is absent from co-operative order books; perhaps there were political objections on one side or the other. These checks were unlike any coin-like object previously issued, in that their stated value was not their face value. If a customer purchased one shilling's worth of goods he or she received a token marked with the value 'one shilling'. No doubt even at this early stage unscrupulous people would have been trying to pass the pieces as if they were money. Some high value checks featured symbols of labour such as sheaves, beehives or farming implements. A large proportion of co-operative societies chose metal checks, and it is worth noting that the Rochdale Conservative Society also issued dividend checks¹³.

What led consumer co-operative societies to choose metal checks? In 1861, Derby Co-operative Society¹⁴ introduced a system of paper receipts, with counterfoils but without members' numbers and with the amount of purchase written on by the cashier. So if, for example, you spent a shilling you would receive a paper check to this amount with your purchases. But, on one 'divi day' a woman walked in who had changed the 'one shilling' on her ticket to 'eleven shillings', and tried to claim the higher

dividend. She was arrested, but the forgery charge was dismissed by the judge who ruled that she had not committed an offence. Metal checks were cheap to use, fairly indestructible, incapable of alteration and difficult to forge. Not surprisingly, soon after this incident the Derby co-op turned to issuing metal tokens.

Following a purchase, tokens to the equivalent value of the goods would be handed over, with no record having to be made of the member's share number. Over time, small value checks would be exchanged and dividend was usually only paid on checks of one shilling or more. Come divi day, customer-members would return their checks, where they would be counted and the relevant dividend paid. This system is known as an 'onus' system, because it is up to the customer to retain the checks and later claim the dividend. The system was in principle cheap to run, though divi days were labour intensive, with many checks to be counted and entitlements to be calculated. Often in those days dividend was quite high, and members might receive two shillings and six pence (2/6d) for each £1 of checks. What may surprise some is that non-members also received checks with purchases but, come divi day, they received a reduced dividend of around one shilling and ten pence (1/10d). There was a drawback to this. As no record was kept of individual purchases, non-members could sell their checks to members, at a price that was in between the value of the checks to each of them. This was to their mutual benefit, but in the long-run to the detriment of their co-operative society. Differentials in dividends did not apply just to members and non-members; sometimes a society's trading departments paid different dividends using separate 'departmental checks'. Wealthy members would, on occasion, take advantage of more impecunious members who would sell their checks at a discount if financial problems prevented them waiting for the six monthly or annual dividend. So early on in their issue it was made a rule that checks were not transferable. A wonderful reference in Leeman's study of co-operation in Nottingham records that in 1865 a 'black sheep had entered the fold' and that 'some members had been trafficking in non-members' checks to the detriment of the society'¹⁵. (Nowadays we associate 'trafficking' with more serious offences!). In 1900 a member was thrown out of the Rugby Society for 'serious check irregularities'.

There were other drawbacks to metal checks. In 1866, Lincoln Society was surprised to receive more checks at divi day than had been issued. Someone had counterfeited several thousand pounds worth of checks, or more likely had got hold of the original dies. The checks were all called in and buried in the co-operative society's farm - they have never been found. In another incident a man called Clark was arrested and charged with attempting to obtain money by deception when claiming dividend from a Huddersfield society. When police visited his home they found dies for eleven co-operative societies' checks, probably obtained from the manufacturers or stolen from the societies. He was sentenced to 15 months hard labour (so it seems the woman from Derby had got off light!). Paying dividend was labour intensive. Even though only high value checks were used, they still needed to be counted. No-one knew how many would be returned, and some would no doubt be mislaid or stolen, to the good of other members (who then had more of a surplus for distribution), but to the detriment of the individual member and the spirit of co-operation. Also, members could choose when to cash in their checks; if a low dividend was expected, members could withhold their checks until the next divi day. However, some societies paid their dividend on the basis of how many checks were redeemed, sharing a fixed surplus among those who applied. If a low dividend were expected by the members, few checks would be returned but those who did return them would receive a higher dividend, then the next year there would have been many outstanding checks and perhaps a very low dividend. Most co-operative societies realised eventually that, in spite of their initial attractiveness, metal checks had a great many drawbacks including encouraging un-co-operative actions by members! Slowly, societies introduced paper systems that allowed records to be kept of members' purchases, and their entitlement to dividend. The 'onus' had switched to the society and, subject only to recording and accounting errors, the correct dividend was paid at the appropriate time to all members. By the turn of the nineteenth century, few societies were still using a metal check system; the Royal Arsenal Society was unusual in continuing it right up to the 1960s.

But this was certainly not the end of tokens. A second usage was for pre-payment of delivered goods such as bread, milk,

coal and oil. Checks were bought in advance, sometimes at a discount, and left out for, or handed to, the delivery person. If dividend checks were being used, they could also be used to buy pre-payment tokens (a case of members buying tokens with tokens!). This system avoided the need for deliverers to collect money each week, and was almost certainly encouraged by the societies for both practical and security reasons. The system continued until recently, and may well be still in operation somewhere in Britain. Bread was sold in 'quartern' or 'half quartern' loaves, so you can find tokens that say 'bread' on one side and 'quart' on the other (which may well lead some to conclude wrongly that a check could be used both for bread and milk). Tokens for milk included gill, half pint, pint and quart sizes, with some having details of the type of milk required, such as sterilised or pasteurised. Coal tokens might detail the amount, type of coal, and occasionally the price. Early checks were made in copper, later aluminium, and finally most turned to plastic or pressed fibre. When the price of the goods changed, the colour of plastic tokens was changed. (Presumably the old colours became obsolete¹⁶).

The third and final type of token was the 'mutuality issue'. During the depression of the 1920s, many people turned to obtaining goods 'on tick' from door to door salespersons known as 'tallymen'. This system was full of abuse, with poor quality goods and exorbitant rates of interest. In 1923, co-operators in London devised a system which led, against the Rochdale principles (which insisted on cash trading) but for the best of reasons, to the Co-op becoming a money lender. Members could obtain small loans to buy goods at the Co-op, the usual practice being to borrow £1 and pay back a shilling a week for 21 weeks. This seems quite generous, but it represents an annual percentage rate of around 12.5 per cent! Some members were borrowing money and then spending it at non co-operative stores, and so mutuality checks were devised. These, unlike dividend checks, had a face value equal to their purchasing power. A member would receive a loan in checks which could only be exchanged for goods at the Co-op, with change also being given in checks.

Now most co-operative society tokens have gone, but in their time more than 10,000 different types of check have been issued by hundreds of co-operative societies¹⁷. As the UK

consumer co-operative sector contracts, with mergers of smaller societies into ever large regional and national societies, we can at least remember these smaller, locally based societies from the tokens that they issued.

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- ¹ Rudding, R (1840) *Annals of the Coinage of Great Britain*, London p348 (where the date is given as 1574. Wilson, P C (1970) *English Copper, Tin and Bronze Coins in the British Museum, 1558-1958*, London, p10 (where the date is given as 'probably January 1577')
- ² Williamson, G C (1967) *Trade Tokens Issued in the Seventeenth Century*, London
- ³ Dalton, R and Hamer, S H (1977) *The Provincial Token-Coinage of the Eighteenth Century*, Massachusetts
- ⁴ Davis, W J (1904) *The Nineteenth Century Token Coinage*, London
- ⁵ The Truck Acts were repealed in the 1980s by the Conservative Government led by Margaret Thatcher
- ⁶ *British Numismatic Journal* (1969) Vol 38; Thompson, R H (?) *The Dies of Thomas Spence, 1750-1814*, pp126-162
- ⁷ Seaby (1984) *British Tokens and Their Values*, London, P140, 144
- ⁸ The issue of 'reward' cards is not the same thing - it is a trade discount, fixed in advance
- ⁹ Bailey, J (1955) *The British Co-operative Movement*, London, p12
- ¹⁰ Briscoe, R (1960) *Centenary History: the story of the Plymouth Co-operative Society 1860-1960*, p15
- ¹¹ I have a £2 check from this period, so the record may not be entirely accurate
- ¹² Hawkins, R N P (1989) *A Dictionary of makers of British metallic tickets, checks, medalets, tallies and counters, 1788-1910*, London
- ¹³ Rains, D R (1997) *Catalogue of Co-op Checks & Tokens*, Beeston.
- ¹⁴ Unsworth, W L (1927) *Seventy-five Years Co-operation in Derby*, Manchester
- ¹⁵ Leeman, F W (1963?) *Co-operation in Nottingham, 1863-1963*, Manchester

¹⁶ Rains, *ibid* lists 6,500

¹⁷ Some older British readers of this article may be able to provide more information on this point, and are invited to do so by writing to the author care of the editor.

Erratum appears in Vol 32 No 2, p. 146

"In copy editing Alan Judd's article on 'Co-operative tokens' so that it was understandable to our international readership, we inadvertently allowed some errors which need correcting:

Page 22 ""with a proliferation of the 'die sinkers' on which they were cast"" should read ""This was the age of the metal ticket with a proliferation of die sinkers"".

Page 23 ""the cost of manufacture was of the order of half to a quarter penny"" should read ""the cost of manufacture was of the order of $\frac{1}{2} \times \frac{1}{4}d$ each plus 10/- for the die.

Page 26 ""This seems quite generous - but represents an annual percentage rate of around 12.5 per cent!"" should say ""25 per cent""."

Informal Learning Processes in a Worker Co-operative

Jack Quarter and Harish Midha

Abstract

The objective of this study is to understand the informal learning processes of the members of a worker co-operative. Eight members with central roles in a natural food retailer in the east end of Toronto were interviewed. In addition, the researchers had access to key documents and other writings on the co-operative. The data indicate that members of the co-operative acquire the knowledge that is needed to perform their roles using informal learning processes. The informal processes that seemed most important were: learning from experience, that is, by doing; discussions, either one-on-one or during meetings; and questions to internal experts and other members.

A series of propositions are put forward as an explanatory framework for informal learning. These propositions could be tested through comparisons between informal learning in worker co-operatives and conventionally structured businesses.

Introduction

The purpose of this study is to explore the informal learning processes by members of a worker co-operative. This study will provide the opportunity for comparisons of informal learning in more conventionally structured businesses using research that is also being conducted as part of the Network for New Approaches to Lifelong Learning (NALL).

With the emphasis on formal schooling in our society, there has been a tendency to underestimate the importance of other types of learning¹. Howe² estimates that at least 80 per cent of learning occurs outside the formal classroom. Although one might question the accuracy of such estimates and their generalisability across all types of organisations, it is clear that there is a need both to better understand the extent of education beyond formal schooling and how it is manifest in particular organisational settings.

Garrick³ refers to informal learning as consisting of such processes as: "mentoring, networking, working in teams (for example, with other people in the organisation), receiving

feedback and trial and error." This definition also covers learning through experience and task-based learning, which is also identified as incidental learning. Informal learning may also include other self-directed activities to gather knowledge outside formal education settings, for example, at home, the workplace, libraries and through the mass media. Informal learning is distinct from but also related to non-formal learning, which Garrick⁴ defines as "any organisational activity outside of the established formal (school) system ... that is intended to serve identifiable learning clienteles and learning objectives." While Garrick's intent to differentiate formal organisational training from formal scholastic education is well taken, his label 'non-formal' is confusing. Therefore, this study uses the label semi-formal for organisational training programmes. While the focus of the study is informal learning, reference will also be made to semi-formal organisational training (both in-house and involving outside professional courses) and formal scholastic education (the latter as a point of contrast).

A worker co-operative is a useful context for addressing informal learning in that the members of its governance are also employees who are generally lacking in formal training for the governing role. As such, they must acquire the skills that are needed to properly perform their duties in the governance. For many other types of co-operatives (for example, credit unions, farm marketing co-operatives, housing co-operatives), there are courses for board members when they assume their duties. These courses are normally given through second tier organisations (for example, provincial credit union centrals) to which the primary co-operatives belong. There is even an association of educators in co-operatives (ACE) that meets annually. Indeed, education of members is one of the seven principles of the International Co-operative Alliance, the apex organisation for co-operatives internationally. This emphasis on member education dates back to the first formulation of the guiding principles for co-operatives in Rochdale, England, in 1844⁵, and has been included in every revision of the co-operative principles, including the most recent in 1995 in Manchester, England⁶.

Although there is a central organisation for worker co-operatives both in Canada and in Ontario, that organisation lacks the resources of the centrals for more established forms of

co-operatives. The worker co-operative is the least well developed form of co-operative in Canada as well as in other countries⁷. It is estimated that there are about 300 worker co-operatives in Canada, most being micro enterprises and located in either Quebec or Nova Scotia. As such the worker co-operative sector has not developed the training programmes for board members in the same manner as other types of co-operatives.

The worker co-operative that was the subject of this study is the Big Carrot, a natural foods retailer in the east end of Toronto with 75 employees. The Big Carrot is more successful than the typical worker co-operative in Canada in that it is the largest single retailer of natural foods in the country with annual sales in 1997 of \$8 million and has been consistently profitable over the past three years. The firm was started by eight people in 1983 as a small market; four years later it purchased space across the street and expanded into a supermarket that was the centrepiece of a mall called Carrot Common, of which the Big Carrot owned 35 per cent⁸.

The Big Carrot, like worker co-operatives in general, is an example of a democratic workplace in that each member has one vote at general meetings and in electing the co-operative's directors⁹. The five-member Board of Directors meets every two weeks, with the general manager participating as a non-voting member. During its 15 years, the co-operative has experimented with different management structures, at times relying upon members and at other times hiring a professional from outside. The manager at the time of the study falls into the latter category.

Consensus is the dominant approach to decision making in the co-operative. This process can transcend to the routine and operational matters as well. The long and lively member meetings are scheduled biweekly as are the board meetings. Thus a member of the co-operative who is also on the board spends around two hours every week in these meetings.

The Big Carrot was inspired by the Mondragon experiment in the Basque region of Spain, a highly successful system of worker co-operatives that includes Spain's largest manufacturer of household appliances¹⁰. The Big Carrot's Mission Statement reflects some of the Mondragon ideals:

In our co-op, each worker is eligible to become a member and each member has one vote in our meetings. By making a financial investment, every member accepts a personal responsibility for the success or failure of the business. ... Financial success means paying our workers wages and benefits comparable with industry standards, while maintaining competitive prices. Each member receives a share of the profits commensurate with the time she/he has worked. We direct a share of our profits ... to other co-ops, agricultural and humanitarian groups¹¹.

The only people who are eligible for membership of the Big Carrot are full-time employees. Currently 35 of the 75 employees are members; with a few exceptions, those who are not members are part-timers, defined as working fewer than 30 hours per week. Membership of the co-operative has to be approved by a majority of the 'current members'. Each member makes an investment of \$5,000 that is kept in an account and is paid back along with interest and cumulative labour dividends (the member's share of the annual net income) upon departure from the co-operative. In contrast to a conventional business, the size of a member's investment bears no relationship to voting rights. To protect itself from external control, employees who leave the co-operative forego their voting rights. Through these practices, the Big Carrot associates voting rights with labour rather than capital, as is the case in a capitalist corporation. Through working at least 30 hours per week, employees of the co-operative become eligible for membership and the associated right to vote in the governance.

Methodology

The research methodology involved a combination of semi-structured interviews of key participants conducted by the authors and the analysis of background documents including previous research on the co-operative¹². Jack Quarter had met with the founding group prior to the formation of the business and has followed the progress of the co-operative since its inception. The data for the study was conducted by the authors during the fall of 1997.

In selecting interviewees, two criteria were taken into consideration: first, they served in key roles in the governance (that is, the Board of Directors and important committees); and second, they were willing to participate. Seven people were selected in this manner — the five members of the Board of Directors and two additional members, one of whom was on the Co-op Education Committee and another from the Standards and Ethics Committee. Members of the Board of Directors also served on these other committees. In effect, the interviews covered the entire membership of the Board of Directors and the two aforementioned committees. In addition, the co-operative's general manager since the fall of 1996, a non-member, was interviewed.

The research participants are identified as P1 to P8 in this paper. Four are men and four are women. They range in age from 20 to 40 and have from two to ten years of experience in the co-operative. Their formal schooling also varies from those who are high school graduates to those with BAs and one with graduate school experience. They also represent a variety of ethno-cultural backgrounds.

Interview Procedure

But for one participant, all were interviewed jointly by both the researchers in a seminar room at the Big Carrot. The interviews ranged from 45 minutes to about 1.25 hours and were audiotaped and transcribed. The interviews explored how the members of the co-operative acquire the knowledge that they require in order to perform their role in the governance. The following topics were explored: 1) learning about one's own job; 2) selection and training of employees - hiring, firing and other personnel matters; 3) planning and forecasting - projecting sales and sales forecasts; 4) financial statements; 5) co-op working and policies; and 6) knowledge of the natural food industry and trends.

**TABLE 1: LEARNING PROCESSES & CONTEXTS -
FREQUENCY OF OCCURRENCE**
(Based on coding of Interview - Transcripts of Eight Research Participants)

CODE: CATEGORIES / PARTICIPANT	P1	P2	P3	P4	P5	P6	P7	P8	Total
CDT: Company Documents	3	3	1	-	1	-	-	-	8
COM: Committees	5	1	-	2	1	-	3	-	12
DEM: Democratic Processes - voting	-	-	4	2	4	2	-	1	13
<i>DIS: Discussions</i>	8	2	3	9	2	2	-	-	26
EDT: External Documents eg Govt.	-	1	-	-	-	-	-	-	1
EVL: Employee Evaluation/Appraisal	1	2	-	-	-	-	-	-	3
EXC: External Courses	-	-	-	3	-	-	-	-	3
EXP: External Experts	2	3	1	2	1	3	1	-	13
INC: Internal Courses/Orientation	1	-	1	3	1	-	1	-	7
INT: Internal Networks	1	1	2	1	-	1	1	-	7
IXP: Internal Experts	1	7	6	4	4	1	5	5	33
JDS: Job Description	3	-	-	-	-	-	-	-	3
MBR: Other Members/Peers	2	2	3	2	1	6	4	-	20
MTR: Mentors/Role Models	-	-	-	-	5	-	-	-	5
MTG: Meetings	-	1	4	2	6	3	-	-	16
OTD: Oral Tradition	2	-	2	-	-	-	-	-	4
<i>OTJ: On the Job - Learning by Doing</i>	8	11	6	1	4	2	3	1	36
PRD: Personal Reading	-	1	1	1	1	3	-	-	7
QST: Questions/Personal Enquiry	1	-	2	3	2	3	-	1	12
WIN: Other Written Information	-	-	-	2	-	-	-	-	2
TOTAL	38	35	36	37	33	26	18	8	231

Results

Table 1 presents a summary of the detailed coding of the interview data. The left-hand column indicates the processes and forums in which learning takes place, including related acronyms (for example: company documents will be referred to as CDT). For each of these processes and forums, the table shows the number of references to learning by each of the eight participants; in the right-hand column the totals are presented for each process and forum. For example, the process mentioned most frequently in the interviews was: learning from experience, that is, learning by working on-the-job (Category OTJ): 36). This category was referred to 36 times in the interviews. Other processes and forums for learning that are referred to frequently are: questions to internal experts (IXP: 33); discussions with fellow members and experts (DIS: 26). It should be noted that the informal processes were used almost exclusively within the

co-operative. There was some reference to orientation sessions prior to the presentation of the financial statements (INC: 7) and a few of the members partook of outside courses (EXC: 3). The board meetings (MTG: 16) and committees (COM: 12) emerged as important forums of learning. As for sources, the highest ranking were internal experts (INT: 33), members and peers (MBR: 20) and external experts (EXP: 13). The very democratic culture of the co-op with participative decision-making was also identified as a significant contributor to the learning process (DEM: 13).

These informal learning processes, along with the associated contexts, are explored in greater detail following presentation of Table 1. The discussion is organised around the six topics that were explored in the interviews. For each topic, selected excerpts from the interviews are presented to highlight the primary themes.

1. Learning about one's own job/trade

The dominant process involved here was learning on the job (OTJ). Also called learning through experience or learning by doing, it is the backbone of experiential learning and may involve some trial and error. More than half of the 36 OTJ instances coded in the transcripts were in the context of learning about one's own job and related technical skills. Here are a couple of typical comments from the research participants:

P2 (A buying manager in the grocery area):

No, I just learned it 'on-the-job'. Before I came here, I managed smaller stores where I bought for the whole store; things like gift baskets at a deli, candies, etc. Buying is perhaps the easiest part of the job. You just watch what you sold last week and you replace it. As for suppliers, you basically stick with them, unless somebody offers you a better deal. I also found out (from experience) that it is not worth switching, until there is something wrong with the one you have.

P3 (commenting on learning about new systems):

I had used various accounting programs before similar to

that and it was not that difficult to learn the system here. ... And I had already done the payroll at other companies. So it was learning by doing mostly ... If there is any person who taught me really here, it was Bob (the previous accountant) ... He tended to take a sink-or-swim method; he told you once and then kind of pushed you in. It usually worked out OK.

Even when a mentor was involved, most of the in-depth learning really took place through experience on the job, that is, learning by doing.

2. Personnel - supervisory responsibilities

This area covers selection and training of employees. Most of the interviewees had supervisory responsibilities and became involved not only in hiring decisions but also in such mundane tasks as preparing and updating job descriptions and conducting employee appraisals. Here again learning on the job (OTJ) figured highly, followed by learning from internal or external experts through personal one-on-one questioning (QST) and discussions in groups (DIS).

P1 (a board member commenting on selection of the general manager):

There was no training or formal guidelines; but board members went over the resumes together and noted down the interesting points and what questions to ask. So the questions were mostly based on the resumes.

P1 (on contract for the new general manager):

I had some questions about the terminology; none about the terms of the contract. The form was fairly straightforward (roughly four pages) with some legal terminology which was explained by Brian (our lawyer).

P2 (on hiring and firing):

Well, being managers, we have been given a copy of the

regulations for hiring and firing. If I have any doubts or questions, Heather (being the president) helps. She usually does the payroll and is well-versed in rules and regulations. She fills out papers for hiring and terminations and is more up on this.

P2 (on selection):

I think once I was involved in interviewing a candidate. ... I haven't taken any training; it is just based on experience.

P2 (on updating job descriptions):

Yes, before the new general manager started, we had to revise all the job descriptions. We had to make up job descriptions in cases where there were none. The policy manual does not help much; but we go by our current experience and practice.

P2 (on employee appraisals):

We have annual evaluations. On the job practice and reading of a few articles have helped me. ... I am evaluated by the general manager and he gets input on me from three people in my department as well. ... I don't feel uncomfortable with this process. ... It is pretty much standard for all departments and proforma; it is designed and updated by the evaluation committee.

P7 (a recent member and a newly promoted manager):

We have standard evaluation forms. When we hire a new person in my department, we evaluate after three months; after that, it is once a year. For members it is four-pages long; but for part-timers, only a few questions apply. When I evaluate somebody, I also get feedback from other employees in the department. So in a way people are evaluating each other, though I have the ultimate 'say'. I have one full-time person who is my assistant and the rest are part-timers. ... As for training, Derryn (the general manager) did go over it (the evaluation) in a department meeting. He went over the form and explained each question.

As noted in these excerpts, experiential learning predominates and is reinforced by easy accessibility to 'knowledgeable' people — the internal and the external experts — and through discussion with other members. There may be meetings to go over evaluation forms, but there were no formal training sessions using outside professionals.

3. Planning and forecasting

This area may involve inventory management and sales projections. Here again, experience and learning on the job (OTJ) seemed to be the dominant mode.

P1:

Every pay period (two weeks) department heads prepare forecasts for their areas. These forecasts are based on the 'time of the year', for example, volume during the same period last year and sales in the previous pay-period. The general manager reviews these forecasts, but the board gets only the annual projections. The forecast for 1997-98 fiscal year has already been presented by the general manager to the board.

P2 (on inventory management):

I follow rule-of-thumb. If some grocery item can't be turned over in two or three months, we don't get it again. It is not worth having it on shelf if we order six units of grocery and we can't sell them in three months. Rules would be different for 'produce' (for which there is a separate manager). I just do packaged goods.

Here again, learning by doing is predominant; neither of these two managers (P1 and P2) had taken any formal business management courses.

4. Financial statements

The financial statements involve technical materials for which the members of the co-operative have minimal training. While a few members took accounting courses or did some personal reading, that was not the norm. Therefore, the members depend

heavily on experts such as their accountant who go over financial statements periodically and are also available for any questions (QST).

P2 (on financial statements):

Usually, Nora would go over the statements with the board. With some it is just that big fear about maths and numbers and a course may not help much. I find it pretty basic. Nora is happy to explain, where we get on any specific category or item.

P4 (on financial statements):

Well, Nora, one of our accountants, had a little seminar, and she went through them step-by-step, and then also (our external auditor) ... Doug, the accountant who comes once a year to do year-end totals and things, he came in and did a whole kind of seminar with the board. So that helped a lot.

P5 (on budgets):

Well, we're lucky to have here Nora, a first-rate accountant who knows everything there would be to know about numbers; we don't hesitate at all to use her. We would go first probably to our General Manager, Derryn, who has a fairly good head for figures and our other resource would be Nora, our accountant.

P7 (on comfort level with financial statements):

I could not explain them. Nora works with the accountant and she went over it quite a bit yesterday at a members' meeting. If anyone has any questions, they go to her. She could give an explanation for almost anything. As for my department, if I have any questions I go to Derryn.

Although the members express varying degrees of comfort in dealing with the financial statements, there is a lot of reliance on the general manager (Derryn) and the company accountant

(Nora) on budgetary matters and interpretation of financial statements. Even though Nora and Derryn represent the senior management of the co-operative, the other members trust the information they provide. There is no indication in the interviews of a lack of trust. This trust is critical to the informal learning processes and particularly the willingness of the members of the co-operative to turn to internal experts.

5. Co-operative philosophy and corporate knowledge

The oral tradition whereby knowledge is passed from the older to the newer members was important in transmitting the co-operative's philosophy and background knowledge.

P1 (on passing of knowledge with board changes):

For one thing, the board doesn't change all at once. Out of the five members, three of us are at least into our second year or more. The other two have recently been voted in. There is an opportunity for the relatively new members to absorb in what the others have learned.

P1 (on the company philosophy of not exceeding a three to one pay ratio between highest and lowest):

That I believe was passed on verbally.

P4 (on co-op working):

I guess talking to people; there's one person here, Fernando, and he's actually the only person who took me aside and says, oh, do you know what a co-op is and what it means to be a co-op member? So that was good, but he was just doing that, you know, not on behalf of the co-op, but just on his own.

P7 (on becoming a co-op member in 1996):

At that time, we didn't have any formal document (reference to the Mission Statement). Heather, a board member, talked to me about the responsibilities and implications of becoming

a member. Of course, people are given a Policy Manual when they join (even part-timers). When you decide to apply as a member, they give you a financial report as well, so that you know what you are getting into.

The membership has increased rapidly over the past few years and a newly formed Co-op Education Committee has taken a leading role in orienting new members as well promoting a greater degree of awareness of the co-operative's ideals. P7 describes the processes that have been initiated:

I feel when I joined as a member, I was not given enough information. So I wanted to help upcoming members and came on this committee. We set up orientation meetings with the upcoming members; three meetings typically - one every week. In one meeting, we give history of the Big Carrot; another one is on the financial aspects and the last one is on any questions that they might have. ... Each of these meetings take about one to two hours. All committee members may not attend all of these meetings. Usually two or three might attend, depending on their strengths. Heather is good at financials; I put together an evaluation form for the upcoming members as to how they will be evaluated. Initially, all of us took projects; Damion and Fredrico took upon the history; we had a video on the Big Carrot which they edited ... so that people can view it; they show it to the prospective members.

This effort, mostly sponsored by members with strong commitment to the co-operative's ideology, is more structured than many other learning activities at the Big Carrot. Nevertheless, it is an informal orientation organised by veteran members rather than a formal programme conducted by professional trainers.

6. Knowledge of natural food industry and trends

Although the incoming members of the Big Carrot tend to have a minimal understanding of a worker co-operative when they start, there is a relatively strong commitment to natural foods and their efficacy in promoting a healthy lifestyle. Nevertheless,

within the membership there are differing points of view on this philosophy and particularly what types of products are consistent with it. The members of the co-operative have held vigorous debates on these issues and to this day these discussions continue at the membership meetings. The Standards and Ethics Committee was set up by the members to establish guidelines that would serve as a framework for product purchases. Again, self-education is salient in how both the members of this committee and general membership acquire information and develop policies, but outside training also is taken. Several members, who serve as internal experts to whom others will turn for advice, have made an effort to acquire the necessary education in order serve that role for the co-operative:

P4 (a member working in Vitamin & Supplements):

I'm a chartered herbalist and I'm now getting a Bachelor of Science degree in applied nutrition ... through an American school via a correspondence course.

P6 (another member working in Vitamin & Supplements):

I deal with nutrition. I have been studying nutrition for 16 years.

P7 (manager in Health & Beauty):

We have a number of seminars given by the product suppliers which my people and I attend. I do plan to take a herbalist course, since a lot of our products use natural oils. I want to know what their properties are. Then I want to take a few specialised courses on skin care, etc. ... I do believe in natural foods a lot. ... So I have grown up around the idea of a healthy lifestyle, natural healing and organic foods. ... I do believe in natural healing and eating proper foods. ... and the co-op too. I feel very strongly about it since every one can help each other. It makes you care about your job and it makes you work harder when it belongs to you.

The members of the co-operative are not simply acquiring this

expertise for its own sake, but because they see them serving a higher purpose of promoting the ideals of a healthier lifestyle. As P7 states:

In the health food industry, you are not just working to make money but you are also trying to heal people.

Although informal processes are the predominant mode for acquiring the necessary expertise, the members recognise the importance of semi-formal training programmes and of using the co-operative's resources to fund them. P4 emphasises this point:

I was on the committee (Co-op Education Committee) to devise a plan on how to fund people's education; say you wanted to take a course that's related to your job, then we will pay 80 per cent of that.

This plan was put in place during this past year.

Additional Comments

The co-operative does not have a training department and formal training courses as is the case with most conventional companies. The general manager, who had extensive experience with conventional food retailers before coming to the Big Carrot, makes that point:

P8:

It is much less formalised and regimented here as compared with a chain store. We don't have experts and trainers like the ones we had at Miracle. ... At the Big Carrot, it is not possible; I can't pick up the telephone and call the head office as I used to at the Miracle. So whenever a problem comes up, we try to find out if we have local expertise available. If we can locate somebody here, we ask that person to teach others. If we don't have it, we look outside for what resources are available. ... I look to this position here as a place where I have to be far more creative than a chain store.

Nevertheless, the co-operative is expanding and there is a feeling of discomfort among people in senior positions that the current processes for self-education might be inadequate. The chairwoman of the Board of Directors voiced this viewpoint:

P3 (on selecting a new general manager):

I didn't feel it then; I feel it now. It was hit-and-miss at that time (for me). ... I don't think that we are making mistakes business-wise. But I don't think we (at the board level) are doing what we are supposed to be doing. Up until two or three years ago, management set up the agenda for the board meetings and practically ran them. The board, for a lot of years, was very ineffectual. I feel we still have a long way to go in learning what, at the board level, we should really be doing. What we have learned so far is by a hit-and-miss process ... It will be nice to be doing something by knowing beforehand what we ought to be doing rather than by struggling and questioning.

The general manager expressed similar concerns from a different perspective:

P8:

As it stands now at the Big Carrot, the informal learning processes far outweigh the formal learning processes (as means to acquire job related knowledge). I would say that 70 to 30 percent would be a fair estimate. What I think will be the optimal is that it should be half and half. So I will like the balance shifted a bit the other way.

This feeling of discomfort and uncertainty, the 'we may not be covering all the bases' for lack of professional knowledge and management training was shared by a number of other interviewees. There was a concern that the Big Carrot might not be able to withstand the competition from large US natural foods chains that are poised to expand into the Canadian market. The issue of expansion has been discussed by the co-operative during the past ten years, but it has not been acted on. Therefore, even

though the Big Carrot has been relatively successful in the competitive natural foods market using largely informal learning processes, there is an uneasiness about the adequacy of these processes and steps are being put in place for a greater emphasis on formal training involving outside expertise. Indeed, the general manager's role might be viewed as a bridging mechanism between the informal learning processes of the co-operative and external expertise. Although he is an insider, he was not hired as a member and therefore has a relationship to the co-operative that differs from the other members. It would be inaccurate to describe him as an external expert, but for some functions he behaves in that manner and is encouraging of the co-operative introducing greater external expertise. The general manager's estimate that 70 per cent of the current learning is informal appears somewhat higher than is borne out by the data from the interviews. The formal processes are strikingly minimal. However, it does appear that the co-operative is attempting to change that balance by increasing its investment in formal programmes mounted by external experts.

Discussion

The main findings are summarised below:

1. The predominant mode of job-related learning among members of the co-operative, which represents a successful business in a highly competitive retail food market, is through informal processes rather than semi-formal training either in-house or outside courses.
2. Of these informal processes, the most important were:
 - a) Learning from experience, that is, learning by doing.
 - b) Discussions: one-on-one or during committees and board meetings.
 - c) Questions to internal and external experts and other members.
3. The very democratic structure of Big Carrot, underscored by a strong participative culture, stimulates discussions at various

levels and in different forums like board meetings and promotes learning through informal processes.

4. Written documents like the Policy Manual and the Co-op Mission Statement were used as reference material. The knowledge of personnel matters came primarily through experience (learning by doing) while the co-op philosophy was passed on orally through interaction with other members.

5. The board, member and other committee meetings served as important vehicles for spreading job-related knowledge through discussions and question/answer sessions.

6. The internal networks, organised either socially or on a departmental basis, also served as subsidiary vehicles for dissemination of job-related knowledge.

7. The orientation sessions put in place lately by the Co-op Education Committee for newly inducted members also were informal, but nevertheless were important to the education of incoming members.

Given the predominance of informal processes at the Big Carrot, one might speculate on the reasons why they are so salient and, notwithstanding the questioning of their adequacy, appear to serve the co-operative relatively well. These theoretical speculations might be useful in drawing comparisons with conventionally structured organisations.

First, for informal learning to be effective the participants must have the opportunities to interact both internally and externally to their workplace. At the Big Carrot, such opportunities are available in the many meetings, departmental interactions, and through social networks outside the workplace. It is proposed that 'efficiency' (as reflected in the effort by organisations to eliminate down time) might work against informal learning.

Second, the willingness to interact informally is also a function of the cohesiveness of social relations and the trust that employees have of each other. Where employees feel comfortable with each other, they are more likely to interact informally.

Putnam¹³ uses the term social capital to describe the trust that is needed for a community to function properly. It is suggested that this same concept can be applied to the workplace as an explanatory variable for informal learning.

Third, the Big Carrot involves an unusual relationship between expertise and hierarchy. In most organisations, there is a positive correlation between hierarchy and expertise in that those at the top of the hierarchy tend to have specialised forms of expertise that are generally inaccessible to those at the lower levels. Within the Big Carrot, the relationship between expertise and hierarchy is less striking. Rather it appears that there are experts at all levels of the hierarchy who serve to educate other members. It is proposed that this lack of correlation between expertise and hierarchy might serve to promote informal learning.

Fourth, where there are forms of technical expertise that are located in particular positions, such as general manager and accountant, it is proposed that the relatively flat structure of the worker co-operative (for example, as reflected in the arrangement that the general manager is hired by and accountable to a board consisting of employees) encourages those who are in positions at the top of the hierarchy to share their expertise more than would be the case in a conventionally structured organisation.

Fifth, it is proposed that the ownership arrangements of the Big Carrot, which involves members making a \$5,000 investment and also receiving labour dividends (as a portion of the net income that may be retained on account) motivates members to be self-directed in learning the skills that are needed to function to a high degree of efficiency. It is proposed that employees of a conventionally-owned business would be less self-directed in their learning activities.

Sixth, it is proposed that the democratic milieu of the Big Carrot encourages the sharing of ideas that are critical to informal learning. In other words, through participating in meetings where differing points of view are discussed, members of the co-operative acquire essential knowledge both for their jobs and for participating in the governance.

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Renewing the Membership Basis for Raising Investment and Patronage in Consumer Co-operatives

Akira Kurimoto

Introduction

These decades we have witnessed the repeated failures of the outstanding consumer co-ops which had been seen as the viable models in North America, Europe and Japan. The Consumers' Co-op of Berkeley had been renowned as the most innovative and the largest co-op in the United States, but degraded in the 1980s and finally collapsed in 1988. Coop Dortmund resisted the move towards transformation to a joint stock company and maintained a co-operative status, but could not sustain itself in the intensified competition accelerated by a depressed economy. Co-op Sapporo, the second largest co-op in Japan, which had weathered the crisis of 1970, is facing financial difficulty again.

This paper considers various reasons for these failures. The board and the management are responsible for its decision-making and execution. It argues that business expansion, without a consolidated members' base, is one of the most important reasons. Members are perceived to be the principal stakeholders of the co-operative and hold the functions of investors, users and administrators (the principle of identity). Members' participation in the administration through voting and representative bodies has been the central issue in democratic control, however more attention should be given to their roles as the capital provider and the main user. Members' potential in these fields should be thoroughly explored. Finally this paper describes some attempts to renew the members' base; re-registering and communicating with members; recruiting and educating young members; listening to members and involving them in business planning and operations. We should identify good practices, analyse and disseminate them.

From glory to disaster

These failures of outstanding consumer co-ops are a series
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setback. They had been not only the leading co-ops in terms of membership and turnover but also were playing the major roles in advancing the co-op movement in each country. Although it looked like they suddenly fell from glory to disaster, there existed a series of factors leading to the failures.

The Consumers' Co-operative of Berkeley was set up by church and university people and the Finnish community in 1937-38 to improve their living conditions under the Depression. It had started to grow in the 1950s and became the largest co-op in the United States with more than 100,000 members, US\$ 84 million sales and 12 supermarkets and a hardware/variety store in 1980. The Berkeley Co-op has been serving as a hub of multifaceted co-operative endeavours including an arts and crafts co-op, a co-op bookstore, a co-op burial society, a student housing co-op, a credit union etc. The Co-op had taken a progressive stance in its business operations and initiated a variety of innovations such as natural foods, nutritional labelling and environmental care. It pioneered numerous consumer reforms in the state government legislation, and offered home economists stationing at stores, monthly newspaper, consumer advocacy, legal services and 'kiddies corrals' etc. So it had been renowned as the most innovative retailer and consumer organisation, and attracted thousands of visitors from the US and all over the world. But it started degrading in the 1980s, losing members and sales, accumulating losses, creating conflicts with its co-op wholesale supplier and finally petitioning for bankruptcy, closing the three remaining stores in 1988.

The Coop Dortmund-Kassel Konsumgenossenschaft eG was born in 1902 and reconstructed after the 2nd World War. During the period of reorganisation of German consumer co-ops taking place in the 1970s, Coop Dortmund resisted the move towards transformation to a joint stock company and integration into coop AG, but maintained a co-operative status. By 1988 it had grown to the largest co-op in West Germany with nearly half a million members and 14.2 per cent of the retail market in its area. Coop Dortmund was the only consumer co-op which could pay dividends to members (1.5 per cent for 1988) and promoted contacts between members by offering services and information which meet family needs through a co-operative secretariat manned by full-time staff. Thanks to such advantages, it could

increase membership, attracting new members up until 1995. Therefore, this co-op has been often cited as the most successful consumer co-op in Europe, combining a long-term development strategy and a members' loyalty programme. However it had to fight with increasing financial difficulties; the turnover dropped from DM 3.5 billion in 1993 to DM 2 billion in 1997 because of closure and sales of stores, considerable losses were accumulated and bank debts increased. The situation became even worse, with stagnating consumer demand and intensified competition in the retail trade. Since 1994, a substantial number of members have left the co-op and withdrawn their shares. It has sold most of the remaining stores and will wind up its business operation by the end of this year. It will be dissolved in the coming two to three years.

Co-op Sapporo was created by the initiative of Hokkaido University Co-op in 1965. It took an aggressive store development strategy, following the chain store theory imported from the United States. By 1970 it had opened 33 supermarkets, when it was ranked number two among Japanese co-ops and the largest retailer in Hokkaido. However, the Co-op faced a serious shortage of operating capital and stood on the brink of bankruptcy. It was criticised for taking 'a parachuting strategy' which deployed multiple stores in commercially attractive locations while paying little attention to the membership basis. Based on the reflection of such events, the Congress of the Japanese Consumers' Co-op Union (JCCU) held in Fukushima in 1970 adopted a special resolution urging co-ops to adhere to the membership. Thanks to financial and managerial assistance and advice on member activities from JCCU and other co-ops, Co-op Sapporo weathered the financial crisis. Thereafter, it made steady progress and grew to become the second largest co-op in Japan. By 1996 it had 816,000 members and 166 billion sales. However, the long-standing top management was suddenly sacked by rebelling managers and the co-op's financial difficulty was revealed again. This was coincident with the financial crises of the other two co-ops in Hokkaido. Recognising an urgent need to support Co-op Sapporo's rehabilitation in order to save the whole co-op movement in the island, in March of 1998 the JCCU board decided to launch a rescue operation by giving credit and sending in top management.

Why they failed: expansion without membership basis

These failures could be attributable to various reasons. The board and the management are responsible for its decision-making and execution. In the case of the Berkeley Co-op the board had been split into two factions (reflecting Berkeley city politics) which had never compromised for the common good; the 'moderates' had wished to establish a sound business policy whereas the 'progressives' had sought to implement their own political agenda. The political strife at the board level had kept management in turmoil; with an unending flow of general managers since 1971. Each was recruited at great expense but a year or two later resigned freely or by request. In the final stage, the co-op board and management engaged in open warfare with its wholesale co-op (Associated Co-operatives, Inc) and switched to another supplier, dropping the well-accepted CO-OP label products. The members had been alienated by political infighting at the board, frequent boycotting of products on political grounds and sudden withdrawal of CO-OP labels.

The board and management of Coop Dortmund could not reverse the downward tendency nor control large deficits in the inventory. Finally they decided to enter a strategic alliance with Allkauf chain by creating four joint ventures for store operations, purchasing and logistics based on the recommendations given by a consultation firm and banks. But this collaboration did not work to generate synergy as intended, and soon broke down in mutual reproach.

In the case of Co-op Sapporo, the President/CEO had been dominating the board; he had never been contested by other executives and lay board members in the decision-making and execution for 21 years. He had made the most important decision on investments and the board could do nothing but approve. Recently, he had instructed the manipulation of accounts to hide the accumulated losses, but such practices had never been checked by the board nor the public accountants.

Another important reason for failure, it could be argued, is business expansion without building a consolidated members' base. The board of the Berkeley Co-op decided in secret to purchase five stores from the failing Sid's chain in Berkeley and the surrounding area in 1962. The co-op made a rapid expansion

but member participation steadily decreased. Only one of the stores turned out to be a moneymaker; another four stores were drags on the co-op and eventually discarded after years of losses. In 1974 the co-op repeated the mistake with the purchase of another three stores from the Mayfair chain in Oakland which had no existing base of members. As the co-op expanded outside Berkeley, member patronage continued to decline as a percentage of total sales, which meant it was increasingly dependent on shoppers who were less loyal, less educated and did not buy shares. The more the co-op moved beyond its original purpose of serving members, the more it depended on non-members, the more it resembled its competitors, the less incentive there was to become a member. The final disastrous decision came in 1984, when the board voted to invest in an upgraded new store in Marin County. The elegant store named 'Savories' never acknowledged the fact that it was a co-operative. There was no significant member participation in the planning and decision and it was beyond the level of appeal for the members in that area. This venture turned out to generate enormous losses from the start and gave the fatal blow to the co-op, pushing the three remaining stores in Berkeley out of the market.

Coop Dortmund had expanded its operation in the beginning of the 1990s in new areas. The Coop had taken over stores in Hamburg (belonging to the former PRO co-operative) from the bankrupted coop AG at the end of 1990, together with Schleswig-Holstein Coop in Kiel. But this venture was not successful in terms of profit; at no time were figures in the black. It had also invested in East Germany since 1990; it worked closely with the local consumer co-ops of Zwickau, Leipzig, North Saxony and Gera in extensive store development, and established joint logistics operations with them. However, their supermarkets were invariably in the red and the logistic costs proved to be too expensive. Owing to considerable involvement in these new areas, the modernisation of the original store network was neglected, which caused a fall in profitability as well as market share. After all, the Co-op could not build a solid membership basis outside its home ground.

In the case of Co-op Sapporo there existed members, since that is required by the Consumer Co-operative Law which outlaws non-member transactions. However, in the earlier crisis

it had been pointed out members' activities had been neglected. In the current crisis it was observed that the co-op could not attract the young generation who had often seen it as an old fashioned business and drifted to the fashionable modern outlets of competitors. The co-op had also invested in the larger stores but largely neglected to renew the existing ones. In both cases it did not listen to the members' voice. Although there was a core of very loyal members as lay board members, delegates and committee members, they were generally ageing and could not reflect effectively consumers' changing demands to the management. The members' capital was unequally held; the co-op had been dependent on a small number of large investors and had to pay dividends in spite of the deficit. This was why the management manipulated the co-op accounts and did not disclose the real financial situation to the members. In a sense, membership basis was eroding with a smaller input of new energy.

Members as investors and users in co-ops

Thus far I have used the term 'membership basis' without definition. It means the co-op has, both quantitatively and qualitatively, a most reliable resource - its members. The co-op should have a certain number of members to sustain its business. The increased dependence on non-members may weaken the co-operative identity but also the advantage with which it will be able to compete in the market. The co-op will succeed if it can mobilise members' financial and economic contribution that is their capital and patronage. Theoretically, co-op members are perceived to be the principal stakeholders of the co-operative and hold three dimensions as investors, users and administrators (the principle of identity). Members' participation in the administration through voting and representative bodies has been the central issue in democratic control, however more attention should be given to their roles as the capital provider and the main user. Members' potential in these fields should be thoroughly explored.

Members' role as the capital provider is rightly placed as the Economic Participation Principle in the ICA Statement on the Co-operative Identity adopted in its Centennial Congress in

1995. This inclusion was of great importance in the history of the international co-operative movement. Prof MacPherson has described its implication and the ways this principle can be applied and has recommended special appeals to members for further investment, but the practice seems to be very limited. In Europe, many consumer co-ops have given up raising members' share capital on the ground that members have shown little interest in the investment and there exist substantial reserves and/or own financial sources such as co-operative banks and insurance societies. The Japanese co-ops have made steady efforts to raise members' capital for decades, partly because they are not allowed to do banking business. Members have to pay circa US\$ 40 to enter the co-ops and continue to invest in shares by monthly instalments or regular contribution of a portion of dividends. As a result the average member's investment amounts to nearly US\$ 200 and the aggregate equity capital constitutes circa 40 per cent of the total assets. Out of this, 28 per cent comes from members' shares while 12 per cent comes from reserves.

Members are users who patronise their co-operative, constructively suggest how it might be improved, and appreciate the benefits that patronage brings. But this dimension has been paid even lower attention in the consumer co-ops in comparison with the producer co-ops in which it is easier to recognise the linkage between members' patronage and the benefits they can enjoy. The larger co-ops have grown, the more decisions have been made by the professionals and the less members' voices as users have been heard. Since the traditional dividend has been dropped, there hardly exists the difference giving tangible rewards to members' patronage. Today many companies seek to organise users, aiming at adding a competitive edge and incorporating loyal customers by giving some rewards through frequent flyers programmes or loyalty card schemes. It is ironical the CWS started a nationwide dividend card scheme from this year after looking at the enormous success of Tesco's Club Card. But co-ops could do more by combining the investor and user dimensions of membership.

Attempts to renew the membership basis

Recent years have witnessed some attempts to renew the

membership basis. For example, the CWS has run a campaign for registering members since the existing members' register was completely out of date. It registered nearly 30,000 members in 1994 to whom the CWS distributed monthly magazines and a calendar with discount coupons. Interviews with some of these improved communication with members. Swedish and Norwegian consumer co-ops have succeeded in recruiting young members by issuing members' cards and magazines targeted to them. The Italian consumer co-ops have placed special emphasis on involving and educating young consumers as future members. We should identify the good practices, analyse and disseminate them. At this point I would like to introduce the efforts being made in Japan; listening to members and involving them in business planning and operations.

Under the lingering recession accelerated by the austere economic policy of these last few years shrinking consumer expenditure has resulted in lowering sales and margins of retailers. The total turnover of consumer co-ops has also stagnated in spite of increasing membership and selling space; therefore sales per member have been declining since 1991. It is now a shared view among co-op leaders that co-ops could not effectively match the members' changing lifestyle and needs. It is assumed members move to 'exit' since their 'voice' is not heard. So, a number of co-ops have undertaken activities for listening to members' voices aiming at better responding to them. Miyazaki Co-op in Kyushu pioneered the change of organisational culture from top down to bottom up since the 1980s. It meant a shift of emphasis in member relations from giving information and instruction to listening to members. The members were encouraged to submit opinion cards once a month when they received delivery at Han groups. They could evaluate, complain and make requests about the products and operations. The co-op collected 3,380 cards in 1992, and 4,780 cards in 1993 which were sent to branches and head office departments. The responses to these cards were returned to Han members within two weeks, taking the reverse route. This practice necessitated special efforts in the co-op but brought an invaluable source of information to improve products and operations. It also facilitated live two-way communication between the co-op and members, and raised morale among employees. The co-op also used other channels of

communication; Han meeting reports and district committee reports were collected and answered, members questionnaires and sampling of products and so on. These efforts resulted in the development of the best selling CO-OP products and increasing per capita sales in the early 1990s, in contrast with the declining national average. Following these experiences, Chiba Co-op (located next to Tokyo) has made similar organisational reforms. In 1993 it also collected members voice to formulate its mission statement. More than 8,800 members expressed their concerns and expectations, which were translated into the co-op's mission 'to create living together'. In 1994 circa 20,000 suggestion cards were received and answered within 3 weeks. The co-op has also listened to a randomly selected 400 members' opinions every week. Such efforts have resulted in better performance in spite of the adverse economic climate.

The natural next step from listening to members' voices is to involve them in business planning and operations. In the Japanese movement, member participation in the product development process has been sought since the 1970s, but in many cases it became the routine of the selected monitors and had reduced relevance in reflecting real and varying needs. Co-op Kobe has renewed this process systematically as a part of its Creative Reconstruction policy from the earthquake disaster in 1995. It invited members to form teams for product development. 62 teams were formed to make proposals for developing new products or improving the existing ones. 4,200 members took part, discussing among themselves and with co-op buyers, testing samples and so on. During two years, 112 items of the CO-OP products were developed or improved, mainly in the food and delicatessen sector but including some textiles, shoes and so on. These products stand for 5 per cent of the sales of the whole CO-OP brand in the first half of 1997, which means they are well accepted. For the members, it gave an opportunity to learn about the product itself and how products were developed, but also to enhance self-fulfilment. For the co-op, it brought the invaluable input of users' points of view which was made effective use of for product development. The employees as buyers also learned the importance of responsiveness to the members' voice. At the same time, there are some problems; longer lead time for development, bias in

product categories, insufficient information given to, and low recognition among, other members and so on. The co-op intends to solve these problems and enlarge members' involvement.

Conclusion

We have witnessed the repeated failures of co-operatives which have eroded their membership basis. We have to draw lessons from them and identify the good practices undertaken in many parts of the world. Under the current socio-economic environment, the pace of change is so fast that co-ops should watch carefully the changing lifestyle and needs of members, otherwise they will be swallowed by the tide of change.

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The Contribution of Consumer Co-operatives to British Adult Education

Rita Rhodes

Introduction

This paper examines, from a historical perspective, the contribution of consumer co-operatives to British adult education from around 1844, when the Rochdale Society of Equitable Pioneers was established, to the present. Within this time-scale there appear to be three distinct periods, although continuities can be observed in each.

The first lasted from the middle years of the 19th century until the 1890s. During that time education in co-operatives was mainly concerned with basic literacy and numeracy, as well as the holding of lectures and discussion groups. These activities were largely conducted within co-operative societies' premises, particularly in their newsrooms and libraries.

From around the 1890s, when primary education became compulsory, responsibility for basic literacy and numeracy shifted to local authorities. This marks the beginning of the second period which lasted until approximately the Second World War. During this time considerable complementarity developed between co-operative educational provisions made by local societies and those at national level. The latter included the founding of the British Co-operative College in 1919. During this time the costs of co-operative education were largely met by the Movement. An important characteristic of this period was the heavy emphasis that was laid on the teaching of co-operative ideas, organisation and history, together with the development of co-operative managerial capabilities.

The third period began about the end of the Second World War and lasts until the present. During it there has been a reduced emphasis on distinctive co-operative education in favour of nationally recognised qualifications, particularly in staff and management training. This shift has been against a background of changing trading conditions. These have prompted

considerable rationalisation within British consumer Co-operation. Primary societies have amalgamated to become large regional businesses while the two wholesale societies have merged and changed functions. Such developments have inevitably led to changes in the organisation and content of co-operative education.

At the outset we could perhaps note the view expressed by Dr. Alex Laidlaw in the paper that he presented to the Congress of the International Co-operative Alliance in Moscow in 1980. The paper was entitled *Co-operatives in the Year 2000* and in it Laidlaw observed that co-operatives appear to experience three crises. The first concerned establishing their credibility, the second developing a managerial capacity, and the third overcoming the ideological crisis that might emerge from solutions to the second crisis.¹ Obviously each crisis requires a number of responses. It is likely, however, that they would include education and training but that the form and content of these would change with each crisis. For example, during the first crisis it is likely that emphasis would have to be placed on persuading people that co-operatives could work. Towards that end there would need to be a growing number of viable societies and, on the education front, engagement in informal education through literature and discussion or study groups. The second crisis, namely that of management, would require more formal education including the designing of syllabi, qualifications and classes aimed at assisting the supply and quality of co-operative managers. In Britain we are still learning what the third crisis involves. However, it appears to necessitate reiteration of basic co-operative values and thus, a renewed understanding of co-operative theories and ideas. In addition there appears to be a need to train co-operative members and managers in skills of leadership, innovation and adaptation.

Much of the history of the British Co-operative Movement tends to bear out Laidlaw's thesis. There also appears to be a marked correlation between it and the three periods of British co-operative education identified above.

British co-operative education from 1840s to 1890s

It is impossible to talk about British Co-operation, or its

educational and training provisions, without reference to the important and fundamental influences of Robert Owen and the Rochdale Pioneers. Robert Owen (1771-1858) is often referred to as the 'Father of Co-operation', although we should acknowledge that he also helped shape British socialism, trades unionism and education. All the Rochdale Pioneers were active Owenites and, like Owen, they placed considerable emphasis on education as a means of achieving a new moral order.

Owen was the theorist, the Rochdale Pioneers were practical men. Their influence was extended by a proliferation of contemporary co-operative newspapers and journals disseminating co-operative ideas, including those of Dr William King. Given the importance of the spread of ideas at this time it is perhaps not surprising that the Rochdale Pioneers developed the practice of meeting after work to read and debate the latest news. Even before they could establish an Education Committee, or allocate an educational grant, they bought newspapers for society members to read. Then, when the upper floors of their first store became vacant, the Pioneers created a newsroom and a library. In 1849 they elected their first Educational Committee and levied a charge of 2 (old) pence per month for use of the newsroom.

The enactment of the first Industrial and Provident Societies legislation in 1852 enabled the Pioneers to pass a rule under which they could allocate 2.5 per cent of their trading surplus to 'education'. This practice was copied by other consumer societies that were set up according to the Rochdale precepts.²

Although the Pioneers conducted a school for children between 1850 - 1855, their main interest was in adult education. In addition to their newsroom and library, they also held lectures on subjects such as political economy, mathematics and French. Classes in historical subjects also proved popular and led to another educational innovation, namely University Extension Classes. The first of these was held under the auspices of the Rochdale Pioneers. Of this it was later recorded:

It was at Rochdale that Professor Stuart invented 'The Class,' the period of conversational teaching, enlivened by brisk periods of 'heckling' which has ever since been an important feature of the University Extension System.³

The system grew and by the 1870s, Oxford, Cambridge and London Universities were providing university teachers for working class gatherings, including co-operatives.

As far as the British Co-operative Movement was concerned, its growth continued and by 1884 some 1,128 societies were in being with a combined membership of almost 700,000.⁴ Most of these co-operatives attached the same importance to education as Rochdale, electing Educational Committees and setting aside 2.5 per cent of their trading surplus for educational purposes. Like Rochdale, they also engaged in extensive informal education through support for co-operative journals and the newly established Co-operative Women's Guild, cultural activities, and the provision of reading rooms, and libraries.

More formal co-operative education was soon to develop. As the century neared its end co-operators began to query whether their education should not be more co-operative in content. It had been found that many societies were organising classes in 'scientific, technological, art, commercial and general subjects'⁵ subjects, which it was now felt, could be left to other providers. These included local authorities who, with primary education becoming compulsory, were now providing literacy and numeracy. In adult education other providers included the growing University Extension Movement and the Mechanics' Institutes. The latter had grown from the 1840s onwards, mainly in industrialised areas and with an emphasis on technical education. There were also Working Men's Institutes which provided less advanced lectures and entertainments⁶. Co-operators began to feel that they need not duplicate such provisions. At the same time there was a growing feeling that there should be an increased emphasis on training members and managers to manage the growing Co-operative Movement, besides propagating co-operative ideas among non-members. The result was a shift in direction.

This shift was also shaped by the growth in the number of societies and the creation of a co-operative infrastructure. In 1863 the Co-operative Wholesale Society was established to supply consumer co-operatives in England and Wales. Five years later the Scottish Co-operative Wholesale Society was formed to perform a similar function for Scottish societies. Both wholesales began by buying in bulk and distributing goods to their member-

societies but later moved into production and agriculture. In 1869 the Co-operative Union was established and comprised primary co-operatives and their two Wholesales. It became, in effect, the Movement's parliament, as well as the vehicle for encouraging, and later organising, more distinctive forms of co-operative education.

A move in this direction began when the Union invited Arnold Toynbee, then a tutor at Balliol College, Oxford, to address the 1882 Congress. His speech prompted the setting up of a Committee which was charged with making proposals and reporting back to the 1884 Congress. It then urged 'the development of some system of education in CO-OPERATION', which should be designed to give co-operative members a stronger grasp of the purposes and social ideals of co-operation. The Co-operative Union responded by creating a new Committee of its Central Board to promote co-operative education.

By 1887 the Co-operative Union was drawing up class syllabi and outline lessons in Co-operative Book-keeping and Auditing, and other co-operative subjects for use by local societies' education committees. Within a few more years it had also introduced correspondence courses, as well as having instituted its own examinations in co-operation and co-operative trading techniques.⁷

A parallel development was the creation of geographic sectional organisations within the Co-operative Union. These also undertook some educational work and thus provided an intermediary link between the Union and its local member-societies. In all these developments there was a growing emphasis on co-operative education both for members and managers. This shift of direction marks the beginning of the second period in British co-operative education which is in line with Laidlaw's second phase, namely the need to develop a managerial capacity.

British co-operative education from the 1890s to 1939

British co-operative education was not only affected by the growing size of the Movement but also by another important factor. At the Co-operative Union's Congress in Edinburgh in 1923 a notable visitor was Anders Orne, a leading Swedish co-operator. When talking with Will Watkins, then a Tutor at

the British Co-operative College, but Orne (later Director of the International Co-operative Alliance) asked, 'When did the British Co-operative Movement stop thinking?' Watkins replied, 'In 1895'.⁸

Besides illustrating the adage that 'brevity is the soul of wit', Watkins's reply reflected a turning point in British Co-operation. This had occurred in the last years of the 19th century when there was a culmination in the struggle between the proponents of consumer co-operation and those of producer co-operation. The former argued that, through their creation of second and third level co-operatives, retail societies could achieve such economies of scale that their membership and trade would go on increasing. The result would be a gradual transformation of large swathes of private enterprise into Co-operative social ownership. Against this the supporters of producer co-operation argued that such a system worked to the disadvantage of the producer co-operatives already existing in some trades and in agriculture. One of their strongest supporters, Edward Vansittart Neale (1810-1892) had been General Secretary of the Co-operative Union since 1872. He believed that the Union should bring together all types of co-operative and act as their agency in marrying the demands of retail societies with the supplies of producers' co-operatives.

The main reason why Neale's arguments failed, along with those of the supporters of producer co-operation, was the growing success of the Co-operative Wholesale Society which had quickly become the major competitor to existing producer co-operatives. In 1874 J.T.W. Mitchell (1828-1895) had become the Chairman of the CWS and thus Neale's main protagonist. Their bitter dispute has been well documented in the book by Philip N. Backstrom, *Victorian Socialism and Co-operation*.⁹

The obvious success of the CWS contributed significantly to the triumph of the consumer theory of co-operation which had also gained intellectual support from a number of eminent thinkers, including Beatrice Webb and Prof Charles Gide. The latter went so far as to argue that consumer co-operation could form the basis of a new economic system capable of superseding capitalism by competition rather than by expropriation and the heavy costs of purchase and compensation.¹⁰ Gide was also one of the earliest economists to argue the importance of consumers

within modern economies. He believed that consumer co-operatives could enhance their economic power, particularly where their societies created wholesales and entered production. Gide's views held considerable sway not only in Britain but in the International Co-operative Alliance (ICA). Between the two World Wars the ICA spent much time in trying to bring national co-operative wholesale societies together into an International Co-operative Wholesale Society, but was unsuccessful.¹¹

The significance of the success of the consumer theory of co-operation was that it set the course of British consumer co-operation for the next seventy years. It also set the course of British co-operative education which it affected in two main ways. First, the vindication of consumer co-operation encouraged greater propaganda about the Rochdale Principles on which it was based. Secondly, as we have already seen, the accelerating growth of the consumer Co-operative Movement necessitated the increased training of officials and managers. The Co-operative Union helped to meet both needs. During the inter-war years it had both Propaganda and Education Departments. It also played a prominent role in the setting up of the Co-operative College.

The idea for a Co-operative College dated back to Robert Owen. It had also been raised at many Congresses from 1870 onwards. In 1914 a conference of national co-operative organisations, including the Co-operative Union, the two wholesales, and the Co-operative Productive Federation, proposed the founding of a college. The First World War delayed this and no progress could be made until the 1919 Co-operative Congress approved a resolution calling for the College to be set up.¹² In its early years the College was housed in the headquarters of the Co-operative Union at Holyoake House in Manchester. Classes were held there and students, financed by scholarships from local societies and the two wholesales, had access to the Union's extensive co-operative library. From 1924 hostel accommodation was provided for students.

The setting up of the Co-operative College completed co-operative education provisions at national level. Complementing them at local level was a growing educational network based on individual consumer societies. In 1919 these numbered 1,357 with a combined membership of 4,131,000. By 1939, and the outbreak of the Second World War, co-operative

membership had more than doubled to 8,643,000 although the number of societies had dropped to 1,077.¹³ The majority of these had Education Committees which were responsible for organising staff and member education, conducting member relations through magazines and cultural activities, and administering an educational grant determined by society rules and a members' vote.

The strength of local provisions can be illustrated by those made by the Royal Arsenal Co-operative Society (RACS) which had been established in 1868. By the late 1920s the Society had over 200,000 members. In his book, *With Light of Knowledge - A Hundred Years of Education in the Royal Arsenal Co-operative Society 1877-1977*, John Attfield wrote:

In the 1928-9 session almost three thousand students attended education classes under the auspices of the RACS. In 1932 it was estimated that fifteen thousand people had been through the various classes during the previous ten years; in 1930 the membership of the 250 auxiliary bodies* associated with the RACS Education Department numbered 7,500, and it increased in subsequent years.¹⁴

* Co-operative Womens, Mens and Mixed Guilds

From this it can be seen that RACS co-operative education was deeply rooted in the community. These roots were strengthened by other activities. RACS members had been prominent in the establishment of the Woodcraft Folk, and the Education Committee also supported other co-operative youth groups, choirs and orchestras. Moreover, the circulation of the Committee's monthly journal, *Comradeship*, reached 20,000 during the inter-war years.

In their book *Consumers' Co-operation in Great Britain*, A.M. Carr-Saunders, P. Sargant Florence and R. Peers estimated that in 1936 British consumer societies collectively spent over £250,000 on education.¹⁵ Their book is important because it provides an interesting overview of the co-operative position in the inter-war years, as well as an illuminating critique of its educational work. For example, the authors suggested that co-operative

education expenditure could be broken down as follows:

	per cent
Social activities and entertainments	26
Hire of rooms	24
Propaganda	20
Literature	10
Administration, salaries, and expenses	11
Formal	9

They believed that the small figure for formal education was misleading because it did not take into account the fact that local Co-operative Education Committees urged co-operative members to use local authority education provisions as these were paid for out of public funds. Co-operative members were also encouraged to take classes in general subjects organised by the Workers' Education Association (WEA) and the National Council of Labour Colleges (NCLC), and these would often be run in conjunction with local Co-operative Education Committees.

However, purely co-operative education was an internal responsibility. One of the merits of the book by Carr-Saunders, Florence and Peers, was that its chapter on Education was based on the survey of ten societies. This revealed that nine of these co-operatives arranged classes in co-operative subjects where the syllabus was drawn up by the Co-operative Union and where the teachers held the Union's certificate. However, the survey revealed that attendance at these courses was often small and a surprising omission was that:

Not one of these societies has arranged a course designed to give members a knowledge of their duties and opportunities as consumers in an organization which they control themselves.

As far as employees' technical education was concerned, the authors found that in every case the Co-operative Union syllabus was used, with a few additional classes on technical subjects being arranged through Local Education Authorities.

Interestingly, between 5 and 25 per cent of employees attended technical classes although the 'average was much nearer the former than the latter figure'. The survey also revealed the popularity of co-operative education amongst young people in the inter-war years. Each of the ten societies surveyed was shown to have arranged classes for young people which were based on a Co-operative Union Syllabus and Examination. One society held as many as 95 of these courses in one year. Their duration of 20 weeks demanded commitment by the young people but their attendance was free if their parents were co-operative members. It is interesting to note that, in contrast with adult classes, attendance at these classes was good. Local provisions were complemented at national level by the provision of syllabi, production of literature and the conduct of examinations. Moreover, the Co-operative Union conducted correspondence courses for students who could not get to local classes. Eventually, responsibility for these was passed to the Co-operative College once that was in being.

Carr-Saunders, Florence and Peers were academics. While this lends credibility and authority to their research, it may have coloured the way in which they saw the Co-operative College. They were critical of it in a number of respects. For example they found that it was financially inadequately equipped to deal with the large volume of work placed upon it, including 'a very large volume of teaching by correspondence.' Despite this, they found its teaching of technical subjects to be good. They thought that this was due to the fact that the Movement had a considerable pool of practical expertise on which to draw to illustrate its teaching. In addition, students benefited from coming from local societies where they had close practical contact with the subjects they studied.

However, the College was thought to be less good in its handling of its social studies courses. One reason was believed to be the fact that only one of the five teachers involved had had a full university training. Another reason was that too little use was made of the assistance that could have been provided by the nearby University of Manchester. A further criticism of the College was that it was too little engaged in research.¹⁶ Many of these criticisms appear to have been taken to heart when the College moved to a new location after the Second World War.

However, the problem of inadequate funding remained.

During the period 1890 to 1939, the main characteristics of British co-operative education were its concentration on purely co-operative subjects, a national spread, a complementarity between national and local provisions, and a high degree of internal funding. The Second World War was to lead to economic and social changes which affected the British consumer Co-operative Movement and the adult education it provided. Moreover, further changes would be brought about by a post-war retailing revolution.

British co-operative education from 1945 to the present

Post-war Great Britain experienced changes in and between classes. One consequence was a greater fluidity in class loyalties which would have implications for an avowedly working class movement such as the Co-operative Movement.

The spread of car ownership also enabled the population to become more physically mobile. This further changed shopping patterns that had already been altered by war damage with housing and shops often in new patterns and locations. Rising costs in the 1950s also encouraged changes in types of shops, as well as in their relations with producers, suppliers and wholesales. Eventually large chains of superstores emerged which created the kind of competition that retail co-operatives had never faced before. The cumulative effect of all these changes was bound to alter the form and nature of co-operative education. We can see this most clearly if we focus on the Co-operative College and local Co-operative Education Committees.

At the beginning of the period the Co-operative College moved from Manchester to Stanford Hall in Loughborough where its intake of students eventually rose from the annual average of 35 in Manchester to around 120. These were divided into four main areas: Co-operative Management; Co-operative Secretarial; Social, Economic and Political Studies; and Overseas Co-operation. This transformation is well described in the *Journal of Co-operative Studies*,¹⁷ which contained a special feature on '50 Years at Stanford Hall, the Co-operative College 1946-96.'

The findings of Carr-Saunders, Florence and Peers appeared to be taken to heart by the College's new Principal, Dr R.L.

Marshall who also became the Chief Education Officer to the Co-operative Union in 1946. Links grew with local Universities. Those with Nottingham University involved the development of an Extra-Mural Diploma in Politics, Economics and Social Studies which replaced the earlier internal Diploma. The new Diploma had strong co-operative content and perhaps I could make a personal grateful acknowledgement that it was this Diploma that set me on the path to my own co-operative career. Links also developed with Loughborough University and centred on the development of courses, both Diploma and Certificate, for overseas co-operative students.

Carr-Saunders, Florence and Peers believed that the College should engage in research. Under Dr Marshall research at the College was encouraged. One form this took was the publication of a series of College Papers on aspects of co-operative management, principles, and history.¹⁸ Another form was the setting up of the Society for Co-operative Studies in 1969: This body aimed to bring together co-operative practitioners and academics, to encourage co-operative research and to produce a periodic journal.

Another area in which Carr-Saunders, Florence and Peers noted deficiencies was consumer education. This also was developed at the College after the war and took a number of forms. These included the appointment of specialist officers and, in conjunction with local Co-operative Education Committees, the organisation of an Annual Consumer Project. Each year three topics of current consumer interest would be studied by local society members for which discussion guides would be produced by the Member Education Section of the Co-operative Union's Education Department based at the College. At the end of the study a national conference would be held and the findings of this, and its recommendations, would be passed on to other consumer bodies of Government Departments. Other developments at the College arose from changes in society rather than from the findings of Carr-Saunders, Sargant and Peers. One was a new need to recruit management students from universities. Before the war potential co-operative managers were invariably drawn from local societies. After the war, though, the young people who might previously have joined co-operative societies on leaving school and then found their way to the

College, benefited from the post-war expansion of the universities. It therefore became clear that Co-operative recruitment needed to include graduates. One response was the College's Management Training Scheme for graduates which was introduced in the 1970s and, with variations, has been in operation ever since.

It was not only courses that changed in the post-war period. Funding of co-operative education also changed. This was less noticeable in the immediate post-war decades at local levels where society education committees continued to be funded by their co-operatives. It became apparent more quickly, however, at the Co-operative College. Dr R.L. Marshall, in his *Journal of Co-operative Studies* paper, noted that :

The general principle of our funding was that we earned what we could from fees and from grants (in particular from the national Ministry of Education and the government's overseas aid programme) and the Union made up the difference between that and our expenditure. In addition there was a special fund contributed by local societies especially for experimental projects ...

Generally speaking the proportion of the College's funding coming from external sources, and including now the European Community, has grown, while that from the Co-operative Union, and local co-operative societies, has declined. Problems of funding became so acute in the early 1990s that there was a danger that the College would have to be moved elsewhere and Stanford Hall sold. The situation has now eased somewhat.

Funding for co-operative education as a whole has been affected by the massive rationalisation which has occurred in the British Co-operative Movement during the final third of the 20th century. This was prompted by the need for the Movement to adapt to a greatly changed retail sector, and has taken the form of massive mergers. These have led to the predominance of two retailing groups, the Co-operative Wholesale Society, and Co-operative Retail Services, together with several large regional societies in Scotland and in the English Midlands and North. One consequence of the emergence of such large societies has

been that it has become more economic for them to provide in-house education, particularly staff training. This has impacted on the Co-operative College and contributed to its deteriorating financial position. Moreover, the rationalisation of primary societies took place against a background of changes in the Co-operative Wholesale Society. That moved away from its earlier functions and now conducts its purchasing and distributive functions through a buying group which it formed with a number of retail societies. The CWS also sold off its productive units and has now moved into direct retailing: In the last two decades a number of earlier independent retail societies, including the Royal Arsenal Co-operative Society, have merged with it and now constitute CWS branches.

One consequence of these changes has been the undermining of the earlier consumer theory of co-operation which provided an important framework for co-operative education. It has not proved to be the vehicle for long term co-operative advance that it was once believed to be. Consequently, British co-operators have had to start thinking again. In Britain in the last 25 years there has been a growing recognition that Co-operative Principles can, and should be applied to other areas of economic and social activity. As far as the consumer Movement is concerned, its need to create ever larger units in order to survive has brought about the third crisis that Laidlaw identified, namely that of ideology.

This can be seen in a number of ways. One has been the weakening of the link between members and the capitalisation of their societies. Earlier reliance on members' share capital had been one means of encouraging member loyalty and participation. That has now changed but at a time when loyalty was already being weakened by the decline in the traditional form of dividend.

Another feature of the ideological crisis has been the decline in co-operative democracy. Concentration on larger, but fewer, stores has meant the closing of smaller shops. There can now be considerable distances between co-operative stores which means that there is no longer the subliminal effect of propinquity. Consequently, members' identification with societies has suffered, and there is also a frequent mismatch between the areas in which co-operative activists live and the sites of co-operative stores. Members can also feel far removed from a regional society's

headquarters and their ability, or wish, to influence their co-operative has been further reduced by the decrease in the number of elected places at Board level. If a regional society comprises 30 earlier and smaller societies, the factor in the reduction of the number of Directors is 30. Larger societies have also demanded greater management expertise on the part of Directors.

Problems of modern co-operative democracy have evoked educational responses. Some twenty years ago these took the form of lay leadership courses. Then, growing concerns about Co-operative governance led in 1987 to the setting up of the Institute of Co-operative Directors. This has become the means of training board members first through a Certificate programme and later through a more advanced Fellowship Certificate course. The Central Executive of the Co-operative Union is the governing body of the ICD although the Co-operative College has been responsible for carrying out the training conducted under it.

Assault on mutuality - implications for adult education

Despite its massive rationalisation the British Co-operative Movement could not prevent a hostile bid being made for the Co-operative Wholesale Society in early 1997. Events surrounding this have been well documented in the *Journal of Co-operative Studies*.¹⁹ Before this attack, Co-operators had been aghast at the number of British Building Societies abandoning their mutual status and becoming investor, rather than member organisations. Such conversions had necessarily involved the agreement of members. The possibility that similar appeals might be made to co-operative members has sharpened focus on the question of co-operative membership.

One response has been the strengthening of societies' rules. Another has been recognition of the need to improve relations with members. An example of both has been given by the Oxford, Swindon and Gloucester Society which has also been described in a recent *Journal of Co-operative Studies*.²⁰ A purely educational response has been the placing of greater emphasis on co-operative values. Graham Melmoth, previously the President of the International Co-operative Alliance, was recently appointed Chief Executive Officer of the Co-operative Wholesale Society. One of

his first moves was to arrange courses on Co-operative Values for CWS officials and managers. The Co-operative College conducts these courses.

Another response has been in the field of research. British consumer societies may be under pressure but they still have many good features which tend to be disregarded in these difficult times. The Society for Co-operative Studies therefore thought it time to 'Reassert the Co-operative Advantage'. It is trying to do this through a research project which it is currently implementing. This includes a survey aimed at identifying the good co-operative practices that go to make up the Co-operative Advantage. The research project is being funded by a number of British retail societies, and its findings should be published in the summer of 1999.

Conclusion

During its long history the British consumer Co-operative Movement has made important contributions to adult education. Because co-operatives have been mass membership organisations, they have had a considerable reach into communities. This has meant that their adult education could be both informal and formal. The informal has been illustrated by co-operative auxiliaries, literature and cultural events. Formal provisions have included the national awards developed by the Co-operative Union, and other educational bodies, through classes and correspondence courses. More recently formal co-operative provisions have included consumer education, lay leadership courses, those for co-operative directors, and the recent courses on Co-operative Values.

The current ideological crisis is now highlighting other educational needs. These include the need for co-operative members and managers to understand the economic, political and social environment in which their co-operatives function. They also need to appreciate that their environment continually changes and to be better equipped at anticipating the form and effect of changes. There is then the need to decide what the co-operative response to future changes could or should be. Within that, it is necessary to develop, through education and training, the abilities to adapt and reinvent co-operatives, as well

as to develop co-operative leadership.

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January 1996

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19. *Journal of Co-operative Studies*: Volume 31 No 2 (No 93), September 1998
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Responses to Published Articles

Guy Major's Counter-response to Shann Turnbull. Journal 31.2 & 31.3

I would like to thank Shann Turnbull, and others for their comments, criticisms and suggestions about NOVARS or Non-Voting Value Added sharing Renewable Shares.

Berle and Means suggested many years ago that de facto separation of ownership and control in large public corporations had left management largely autonomous and unaccountable to their shareholders. This viewpoint is controversial, and I agree that it is an over-simplification, and does not apply to most firms. However, my "reference point" is an attempt to diagnose what is "wrong" with many worker-controlled or employee-owned companies. My aim is to promote work-place democracy, not merely to find alternatives to capitalism. I did define "democratic": one worker one vote, maybe weighted for weekly hours worked. Most ESOPs are not democratic.

I agree that the John Lewis Partnership (JLP) has much to teach us. However, it is not a democratic worker-controlled firm, and it is not a worker co-op - it has a more paternalistic structure. In 1950 JLP's owner Spedan Lewis gave the firm to a trust which is required to run the firm for the benefit of the workers. The chairman of the trust (and company) controls the company and appoints his/her own successor and the management. JLP's "parliament" or "Central Council" is 4/5ths elected by the workers. The Central Council can fire the chairman if s/he is incompetent or acts out of line with the principles of the business. There is also a developed system of management accountability through elected "Committees for Communication" and "Branch Councils" (4/5ths elected), and various in-house journals.

Unfortunately there are very few other cases where an owner has given his/her firm away to its workers or to trustees looking after the workers' interests. JLP is not therefore a general "model" that can be "cloned".

Checks and balances: NOVARS provide them in abundance - shareholders have emergency voting rights, voice and consultation rights, the right to stand for election as a director,

veto rights over rises in minimum wages and excess advances, the right to demand revaluation of any asset, and so on. Many decisions need the consent of all 3 overlapping "primary interest groups" in the firm (the workers, outside NOVARS holders, and workers and their close relatives who own NOVARS), eg the "fair price" at which additional NOVARS are to be issued. Disputes about accounts, share prices, expenses or asset values are to be resolved by independent experts.

I doubt workers would elect the most socially popular person to be their "leader" unless they also believed it was in their long-term interests.

Discounted Cash Flow ("DCF"), or Present Discounted Value (PDV) of future earnings is an accepted standard method for valuation. It is not unrealistic. Shann Turnbull is forgetting about depreciation allowances when he says that no productive investment provides perpetual earnings streams. Depreciation is deducted from earnings, to pay for repair and replacement of equipment as it wears out. In this way, an investment can in principle yield perpetual earnings, at the price of slightly lower earnings every year, without anyone being exploited. In any case, the PDV calculation takes into account how many years the earnings go on for. As I make clear, even with a limited duration earnings stream, the horizon clash problem doesn't go away if different workers expect to stay in the firm different numbers of years. Under-investment relative to a capitalist firm is still likely to occur if the mean expected stay is less than the duration of the earnings.

Shann Turnbull is missing the crux of the problem with capitalism: inequalities in power allow poorly accountable elites to exploit the majority and destroy the world ecosystem.

One reason banks are reluctant to lend to many worker co-ops is their lack of equity collateral. NOVARS attempt to fix that problem, by encouraging such firms to build up their equity base by reinvestment, as well as by attracting in outside investors.

Secondary markets: much of my article was arguing the case for these, to allow individual investors to "exit" from the company while "locking in" the equity capital. In the US, the share buyback requirement of ESOP companies limits their rise in value if they are successful. Their equity is not properly locked in. This in turn can lead to less entrepreneurial behaviour.

Introducing an active secondary market for their shares fixes this problem.

A high degree of separation of ownership and control is a pre-requisite for any combination of work-place democracy with significant outside equity capital. If shareholders have no normal voting rights, they must be protected in other ways, eg by splitting a firm's value added in pre-defined fractions between workers and shareholders, to stop workers voting to rip off investors by raising wages.

NOVARS have been criticised in a number of ways by other people since my original article appeared. The thrust of these criticisms is that the scheme is too complex, and that it still doesn't fully solve the problems of common ownership, because the potentially large future bonus stream is still commonly owned by the workers. Also, NOVARS rely on backward-looking rather than forward-looking performance criteria, and do not take enough account of "intangible assets".

To answer these criticisms, I and a colleague (Gavin Boby) are in the process of designing a "next generation" of NOVARS, called "Profit-Sharing Shares" or PSS. PSSs are freely tradable and work as follows:

1. Pay all workers a fixed minimum wage. Don't raise total minimum wage by more than 10 per cent a year without permission of investors.
2. Split the profit "cake" into a bonus and a dividend. The bonus and dividend "slices" are pre-arranged fractions of the profit (adding to 1). The total bonus equals profit x bonus slice, and the dividend is what remains in the profit and loss account after corporation tax.
3. Loan monthly advances on bonuses to workers to supplement minimum wages, and pay them the balance at the end of the year.
4. If investors and workers agree, change the dividend and bonus slices, either to attract more/better workers or more capital, to optimise the growth rate of the profit "cake". This should make all stakeholders better off even if their relative slice gets smaller,

because their absolute amount of cake will get bigger.

5. Dividends can be reinvested by issuing more shares to investors in lieu of cash (maybe increasing dividend slice a little, if workers agree). The share price is set by negotiation between investors and workers, or by an independent valuer.

6. Bonuses can be reinvested by issuing more shares to workers in lieu of cash (again, maybe increasing dividend slice a little, if everyone agrees). This has huge tax advantages. Also an Inland Revenue Approved Profit Sharing Scheme can act as a mini secondary market for shares.

7. Part of the "commonly owned" future bonus stream can be "individualised" (capitalised), ie be made "individually owned", to stop future workers free-riding on the prodigious efforts, risk-taking and sweat equity of current workers. Free bonus shares can be issued to workers reflecting their relative contributions to the firm. The dividend slice must be increased proportionately, so the change does not affect the share price. The bonus slice is decreased accordingly. This process allows current workers permanently to "capture" part of future bonuses that would otherwise go to future workers. Part of future bonuses would have to be left uncapitalised, in order to preserve incentives and to attract talented workers, essential for generating good profits in the first place. The option of capitalising part of the future bonus stream will improve current workers' incentives to behave in an entrepreneurial fashion, and to "build the firm up" via hard work.

We hope to prepare model rules for PSSs over the next few months. They will be available via the following web-sites:
www.physiol.ox.ac.uk/~gm/coops.html or members.home.net/gmajor/coops.html

Muriel Russell's response to Barbara Blaszak's article 'A Study in Female Leadership', Journal 31.3

I am saddened by the article by Barbara Blaszac in the last issue of the Journal. It is described as a study of "female leadership". I do not object to persons who write about or research the lives of prominent co-operative guildswomen but I take objection to one who titillates her text by half-suggestions that the subject - Margaret Llewelyn Davies - should have her sexual orientation questioned because she looked, to quote, "arrowy and decisive". Whilst it is true the writer does not specifically judge her as a lesbian, her petty references in the article suggest she thinks this is likely to be the case. The fact that on one holiday Margaret, together with Lilian Harris, took a snap of a sculpture of a woman holding a small naked man in her lap really means nothing; they probably had a good giggle, took the photo and later threw it in a drawer. That photos of Margaret herself were sold does not surprise me - few women in those days had personal cameras, besides which this was probably a useful source of funds for the Guild at national level.

Although I did not actually meet Margaret Llewelyn Davies, I grew up among many women who had worked with or been influenced by her. I think of Mabel Ridealgh who won a seat in the 1945 Labour Government and Eleanor Barton, both of whom were successors as national officers. Eleanor Hood, another member of my society, Enfield Highway, had been appointed to sit on a National Commission during the 1914-18 war. All these, besides many others worked close to her and expressed great appreciation of her service; never once did I hear even a hint that she was a lesbian or "a bit queer" as my mother might have said. In a women's organisation it could not have been suppressed.

I think Dr Blaszak's efforts are not only an insult to the memories of both Miss Llewelyn Davies and Miss Harris but also a great dis-service to the Co-operative Women's Guild which has contributed so much to the social history of this country.