

# Workers Co-operatives — Some Prospects. Rescue for Small Co-op Shops

R. Johnston Birchall

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Over the past three years the Co-op has closed over 2000 shops: many of which have served their community for years. Many of the closures — especially in the North-West, where the movement started, have aroused considerable anger, and even led to speculation that the Co-op is fast becoming the shop of the past (BBC TV interview with Lloyd Wilkinson, chief executive of the Co-operative Union, October 1983).

The relentless closure of small Co-op shops is not only bad press for the consumer co-operative movement, and the loss of a valuable social service to the most disadvantaged (because least mobile) of customers; it is also ultimately bad for business, since the loss of so many retail outlets lowers the movement's market share, strips it of its assets, and from the CWS's point of view, marks a potentially dangerous decline in the demand for Co-op brand goods. And as there are about 3000 shops of less than 4000 sq. ft. still open, it puts at risk the jobs of around 10,000 Co-op employees.

## Causes of the Closures

What are the causes of these closures? Regionalisation and takeovers by Co-operative Retail Services (CRS) have not, as some critics of these policies suggest, caused the decline, they have merely accelerated it; embattled individual societies have also had to close unprofitable shops in order to stave off a feared takeover or merger. One general cause is located in the structure of the local societies, which in contrast to their competitors are organised along geographical rather than functional lines, and in trying to provide a total 'cradle to grave' service have stretched their financial and management assets to the very limit.

More specific causes of the unprofitability of small shops include demographic changes, increased mobility, the growth of superstores and so on, but in particular their inability to compete successfully with their local competitors, the private general stores, which out-perform them on five out of six points: flexible opening hours, responsiveness to individual consumer preferences, personal and friendly service, social or community focus, and local delivery service; leaving to the Co-op only the fixed advantage of all neighbourhood or village shops, handy location. Small shop-keeping is a skilled operation requiring staff with high motivation, local knowledge and wide-ranging social and business skills acquired more through experience than training.

## Conversion to Worker Co-operatives?

It is precisely these kinds of advantages and skills which the conversion of the small shops to worker co-operatives can bring. In particular, they are more flexible on opening hours, and being self-managing can meet consumer preferences through detailed knowledge of local markets. They have low overheads, and can therefore operate with finer profit-margins, and they seem to have the ability to generate enormous dedication and responsibility in their members. They share in fact, several of the features which made the Rochdale Pioneers so successful.

Now, it is to be anticipated that this kind of statement will meet with resistance from many consumer co-operators, for one or other of perhaps three reasons. First we have a lingering

loyalty to the consumer 'commonwealth', perhaps remembering Charles Gide's (1921) inspiring utopia, the 'Co operative Republic', in which it is consumer co-operators who gradually buy out capitalism, and not worker co-operatives. The intellectual elegance of his scheme cannot however mask its present impracticability. Secondly, we might remember Mrs Webb's (nee Potter) objections to worker co-operatives, that they will not succeed because inherently weak on two points: shortage of capital, and lack of strong management (Potter, 1891). These objections rebound however, on the critic, since they apply equally to the contemporary consumer movement. Yet we must bear them in mind when formulating a plan for the conversion of the shops. Thirdly, there is that defensive strategy brought on by a hostile environment, which leads decision-makers in consumer societies to put organisation-maintenance in the short term above the common goals of co-operation. But this is not an objection, more a state of mind which may impede the conversion plan in practice, while offering no feasible alternative.

## **A Strategy for Conversion**

In formulating a strategy for small shop conversions, one's mind initially ranges far and wide; there are several types of co-operative which may be tried, (worker, community, neighbourhood co-operatives, buying clubs, service-fee retail co-operatives etc) and among these at least three models of worker co-operatives, (ICOM, CDA and JOL).<sup>1</sup> The variety of financial arrangements, marketing strategies and management structures is almost infinite. Yet there is merit in the kind of simple, highly replicable package deal which is instanced by the 'Instant Muscle' co-operatives.<sup>2</sup> These are spreading at a phenomenal rate, because of the simplicity and uniformity of their operating procedures, and the support given by a central service organisation to autonomous local groups. A correspondingly simple blueprint for the small shop conversions may be required.

Secondly, who is best suited to do the job? Again a host of options present themselves: local CDAs for development, Beechwood College<sup>3</sup> for training, various government schemes for finance, and so on. Yet one must confess a certain chauvinism at this point, in favour of the consumer movement itself. All the resources are there: the CWS Retail Planning Services for consultancy, the Co-operative Bank for finance, the Co-operative College, and local education or member relations committees for training, and all the support which the local society directors and officers can give.

## **One Blueprint**

Here then is one blueprint.

1. Locate a suitable shop; it must be genuinely non-viable as part of a consumer society, yet there must be time before it is closed, in which alternative plans can be worked out. If possible, the worker co-operative should be synergistic, that is, should try to build on the strengths that are there, preserving the valuable parts of the business, particularly the staff and customers.
2. Negotiate with all concerned: the society, employees and trade union, so as to give first option of membership to those currently employed. They may of course be waiting to retire, or daunted by the responsibility of membership in a self-managing business, in which case new members have to be recruited.
3. If at this stage, the conversion is still feasible, put together a business plan, defining:
  - a) A marketing strategy.  
This might include a franchise from CWS to sell Co-op brand goods, leaving room also for local products, such as wholefoods, a cafe, handicrafts, books, a bakery, bicycle repair, and so on; a core Co-op product is enhanced by its juxtaposition with products or services tailored to a distinctive local market.

b) A financial package.

This might include leasing of the building and fixtures from the local society, a start-up loan from the Co-operative Bank, (perhaps the current small business loan scheme, backed by government guarantee) and credit from CWS. The package would vary, depending on whether prospective members have money to invest (perhaps from redundancy payments), and whether the local society prefers (or needs) to sell the property.

c) A training scheme for members.

This might include residential and correspondence courses organised by the Co-operative College, and local education committees. A micro-computer package should be offered, to simplify stock control, accounting, cash flow forecasting, and budgetary control.

Registration of the co-operative could be on CDA model rules, which allow both for a personal stake in share capital by the members (who may have redundancy money to invest), and for membership of outsiders, such as the local co-operative society, trade union branch or local consumers. Thus, both worker control and consumer participation are built in to the co-operative's structure. Continuing management consultancy could be given by CWS Retail Planning Group. Advertising could be offered in the form of a local publicity kit, and then, as a network of worker co-operatives is built up, via national advertising and a distinctive 'logo'.

## A Central Co-ordinator?

Who then is to co-ordinate the conversion process? As franchisee, CWS might do it, since its officers would want to insist on certain management disciplines in return for a guarantee of the financial package, and subsequent support. The co-operatives would lose some autonomy, but would also avoid most of the trauma and uncertainty usually associated with starting up a new worker co-operative. The consequences for the consumer movement could be dramatic; not only the saving of jobs, of our reputation for caring, of market share, and so on, but also an influx of new co-operators, who would be federated to the movement, and who in their practice of direct democracy and local control would perhaps become the inheritors not of the letter, but of the spirit, of Rochdale.

## References

- Gide, C. (1921). *Consumer co-operative societies*. (Trans. The staff of the Co-operative Reference Library). T.Fisher Unwin/ Co-operative Union Limited.
- Potter, B. (1891). *The Co-operative movement in Great Britain*. Swan Sonnenschein.

## Notes

1. ICOM — the Industrial Common Ownership Movement, set up in 1971 was the umbrella organisation for worker co-operatives and produced model rules for co-operatives. ICOM merged with the Co-operative Union in 2001 to become Co-operatives UK. CDA — the national Co-operative Development Agency, started in 1978, under the Industrial Common Ownership Act, 1976 (<https://www.legislation.gov.uk/ukpga/1976/78/contents>). JOL — Job Ownership Limited was formed in 1979 as a consultancy to advise on industrial co-operatives and conversion to employee ownership. In 2006, it became the Employee Ownership Association.
2. Instant Muscle co-operatives were part of the UK government's regional and rural development initiatives, including tackling youth unemployment in the early 1980s. In the UK, they were nationally supported and offered opportunities for (predominantly young) people to set up their own businesses offering, initially, a range of 'odd jobs'. Later, some moved towards more specialist services (see Briscoe, 1989). They did grow quickly in numbers but many experienced organisational and financial difficulties as well as problems of working in a volatile sector (Tarrant, 2006), and were not seen as embodying the principle of being substantially employee controlled (Hobbs & Jefferis, 1990).

3. Beechwood Training College, Leeds was established by ICOM and offered training and conference facilities in the 1980s.

### **References included in Notes**

- Briscoe, R. (1989). How young people can create their own jobs. *Directions: Journal of Educational Studies*, 11(2), 3-11
- Hobbs, P. & Jefferis, K. (1990). So how many so-operatives are there? A critical note on co-operative statistics. In G. Jenkins & M. Poole (Eds.), *New forms of ownership: Management and employment* (pp. 289-302). Routledge.
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