

# Society for Co-operative Studies

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## Editorial

Our last issue was untypical, because we had to fit in a conference report and an index to the last ten journals. Readers will be reassured that in this issue we return to the usual format, with four short, non-refereed articles, two longer, refereed articles, and some book reviews. We continue the themes of the future of mutuality and the co-operative policies of the new UK Labour Government, with a topical article from Andrew Love MP. After outlining the recent history of building society legislation in the UK, Andy reports on the work of the All-Party Parliamentary Group, who are defending the sector in Parliament, and develops a controversial argument suggesting that the new Labour Government is not doing all it should be to defend mutuality. His article is an excellent follow-up to those by Peter Clarke and Ted Graham (Lord Graham of Edmonton) in the last issue. In future issues, we hope to extend the discussion of mutuality both internationally and in relation to different sectors (such as the potential of mutuals for control of utilities).

Hagen Henry compares labour law and co-operative law and argues controversially that labour law does not apply in worker co-ops. He goes on to argue that, because of fundamental changes that have occurred in the nature of paid work, labour law is no longer able to protect the interests of labour over against those of capital. Co-operatives may be the only way to ensure the protection of workers, in that they merge capital and labour in one person - the worker-member.

Gordon Wilks returns to a debate we had in the Journal around 10 years ago, when the Society for Co-operative Studies sponsored your editor's work on how to save small co-operative stores. He illustrates one argument made familiar recently in defence of the CWS, that co-ops have lower profitability because they refuse to close small community shops in favour of more profitable out-of-town superstores. He shows how local authorities can overlook this and discriminate in planning in favour of the multiple retailers, despite national guidance which endorses the co-operative sector's stand. His conclusion is that the Co-op has to make its ethical commitment much better known. David Clapham and his colleagues have been quietly

researching over several years into one of the most important questions facing the housing co-operative sector - how successful are the co-ops that have taken over some of the most deprived public housing estates in Scotland? The answer is heartening to all those who believe in resident-controlled urban renewal - they are the best alternative, but ought to be given space to operate more widely in meeting the needs of local communities. The question remains - why, in the light of this evidence, are governments in other parts of the UK still insisting on using less accountable forms of organisation to do the same job?

Godfrey Baldacchino reports on the semi-privatisation of public services in Malta to worker co-ops and asks some pertinent questions about whether they are likely to work in practice. If they do, then we have a potent alternative to outright privatisation that will influence government policies in many countries. We will continue to search out examples of the 'co-operatisation' of public services for future articles; this may be one of the growth areas for co-operative development in the future. Finally, Yair Levi asks what are the consequences of having none, one, or more co-ops in a village. The context of local economic development in Third World countries may be unfamiliar to most of our readers, but his case study examples help us to ground the arguments in real situations.

The last issue of the Journal carried an outline of a proposed research project; 'Reasserting the Co-operative Advantage'. This aims quite quickly to identify ways in which consumer co-ops can gain market advantages by emphasising their difference from shareholder companies. It is inspired by the fightback by mutual building societies and made urgent by the recent attempted hostile takeover of Europe's largest consumer co-op, the CWS, by a 'corporate raider'. In the next issue we hope to publish a refereed article by your editor telling the story of that takeover bid, and reporting on what CWS has been doing since then to build up its defences and reassert its 'co-operative advantage'.

# **Building Societies in the UK: A Politician's Perspective**

**Andrew Love**

The first recorded Building Society was formed over 200 years ago in 1775 at Ketley, now a part of Birmingham, England. Almost all the early societies were fully mutual terminating societies; members contributed towards the cost of building houses for all of the members, and when they had been housed the society was wound up. Although the last terminating society was not dissolved until 1980, these early societies were a million miles from the sophisticated movement of today.

The first recognisable development came with the formation of the permanent building societies, which began to appear in the 1830s and 1840s. They had essentially the same characteristics as today's building societies - interest was paid on deposits and housing finance advanced to borrowers with interest charged on the loan - but they were still very different from the societies of today. For example, branch networks only began to be established in the 1930s, and it was not until the 1960s that the major expansion took place. This was followed in the 1970s by a major growth in the number of shareholders. Throughout the period since the war there has been a sustained growth in the numbers of borrowers.

By 1980 it had become clear that the building society movement had vastly outgrown the constraints under which it operated. This is perhaps not surprising when you realise that the main legislative framework for societies during most of this period was the Building Society Act of 1874. Subsequent legislation amending the 1874 Act was passed in 1894, 1939 and 1960 mainly as a response to some supposed failure of the system. All of these Acts were consolidated in 1962 but most of the framework of legislation still derived from the 1874 Act, whose main feature was to: 'Limit Building Societies to building and owning land for the purposes of conducting their business'. Change was long overdue, and it was the building societies themselves that responded. Following the setting up of a working group in 1981, two separate reports were produced, the first - 'The future constitution and powers of Building Societies' in 1983 and a

revised report, 'New legislation for Building Societies' in 1984.

Simultaneously, the movement launched a public relations offensive which included Clive Thornton (the then Chief General Manager of the Abbey National, and a law unto himself) describing the Building Societies on a television chat show as: "the highest form of socialism". Mrs Thatcher responded!

Seriously, the Government did respond to the reports - initially with a Green Paper in 1984 - 'Building Societies: a new framework' and eventually a Building Societies Bill, which received its Royal Assent on the July 25, 1986. The rationale for the legislation, according to the Government, was a combination of 'diversification' and 'deregulation'. Yet whilst the Bill extended the range of activities in which societies could engage, it also remained essentially prescriptive. So much so that the provisions of the Act had to be substantially modified over time, relaxing the controls on societies in recognition of the changes taking place in both the housing and financial services markets. For example in the savings market, societies have faced considerable competition from banks and national savings products over the last 15 years. In response the societies have had to diversify their range of savings products such that, from a position in 1980 where almost 90 per cent of retail deposits were held in ordinary accounts, by 1989 less than 8 per cent were held in these accounts.

Despite the successive relaxation of the 1986 Act, the Government was finally forced, in 1994, to review its working. This included examining deregulatory measures and exploring, in the words of the Minister:

The scope for a further liberalisation of building societies legislation. In considering the issues, we shall pay particular attention to the interest and security of societies' members and investors.

The emphasis on members' rights was an extension of a theme first elaborated in the 1986 Act and highlighted by the Minister in the Second Reading Debate:

The Building Societies Bill therefore contains a series of measures designed to enhance the opportunities for member

participation and to make the mutual system work more efficiently.

After some considerable delay - during which the Building Societies Association and the All Party Group were knocking continuously on the Treasury's door - Angela Knight (who it must be said worked tenaciously behind the scenes to persuade the Government of the need for this Act) finally brought the Bill before Parliament on the March 10 1997. In that opening Debate the Minister was candid as to the reason why this measure was coming forward within days of the announcement of the General Election:

We seek to give Societies a level playing field because, currently, it is tilted against them. The Bill will introduce permissive legislation because none of us can second guess the future, especially in the financial sector, which is a fast moving market.

The rest is history.

The reason I have gone through the recent history in some detail is to illustrate the broad policy themes being pursued by the UK Government in relation to building society legislation:

- 1) The government has responded to changes in the mortgage and savings markets, some of which have been brought about by government deregulation affecting those markets.
- 2) The legislative changes have attempted to create or recreate a level playing field in the market.
- 3) Changes to liberalise the legislation and move from a prescriptive to a permissive regime have been accompanied by attempts to improve the accountability of societies to their members.
- 4) Even accepting that the 1986 and 1997 Acts allowed conversions and takeovers, the overwhelming rationale was to underpin and enhance competition in the marketplace.

Let me illustrate these themes by looking at the two most controversial aspects of the 1997 Act. The decision was made to take away the five-year protection of a converted society when it chooses to acquire other authorised financial institutions. This decision was taken in the context of the market at that time, and with the perception that it disadvantaged some institutions over others. The Minister said:

It quite clearly would be unfair on other financial institutions if one type of institution which is protected is uniquely allowed to go on the acquisition trail.

The decision was also made not to include in the Act a 'two year rule' preventing members from receiving a payout until they had been members for two years. The Minister defended that decision in the following terms:

It would be seen as unfair and incomprehensible by a society's members ...

and as such concluded that.

the government of the day would be under unstoppable pressure to re-instate the current law.

A predictable response? Certainly understandable in the context of the election atmosphere at that time.

What of the prospects post-election? And of the intentions of a new government and one committed to the concept of 'stakeholding' and thought by many to be more sympathetic to the ideals of the mutual movement. Before turning to that let me say a little about the All-Party Group, and my role in it as Chairman.

### **The All-Party Building Society Group**

The rules of Parliament insist that membership of an All-Party Group 'must be open to all members of the House, and that its aims and constitution must be parliamentary in character. It must be composed of a minimum of ten members of the government party together with ten members from the parties in opposition.

Its numbers may include members from the House of Lords. The Group must meet at least annually, and the elections must be announced in advance and publicised by approved means. The All-Party Building Society Group was set up in 1996 in the context of the failure of the Government to bring forward legislation following two years of consultation and numerous draft bills. It played a prominent though perhaps not starring role in getting the Bill on the Statute Book and its chairman, Douglas French, piloted a separate measure through Parliament at the same time. The Group works closely with the Building Societies Association.

Following the general election, the Group reformed on the basis of what it believed to be urgent unfinished business. Within three months, and without any real effort on our part, the All-Party Group already has 60 members, which is double that in the previous Parliament. All Party Groups are often accused of being talking shops and many are. The best contain active and committed members who are experts in their field and recognised as such in the House. And it is that recognition that gives a group whatever influence it can exert on the government.

My own personal involvement with the All-Party Group is as a result of co-operation between different sectors of the social economy. Prior to the General Election, I worked as the Parliamentary Officer of the Co-operative Party supporting a group of 19 members in the Lords and Commons. That group met with representatives of the building societies and gave its support in ensuring the passage of the 1997 Act. At the General Election I stood as a representative of both the Labour Party and the Co-operative Party. The British Co-operative Party is a political party of members of consumer co-operative societies and is organised as a department of the Co-operative Union. The Party issued a manifesto at the General Election, outlining a programme based on its co-operative and consumer philosophy. Included is a commitment of:

Support for building societies and greater accountability for their members so that their long-term interests can be secured against the pressures to convert to a bank.

The Co-operative Party believes in the need to promote the social economy, which would include amongst others mutual building



societies, friendly societies and, of course, co-operatives. But it is not only in defence of our ideals that we need to act together. With the Government currently reviewing much of the provision of the welfare state and indicating that it will be looking to alternative providers, there is vast scope for organisations in the mutual and 'self-help' movement to fill that gap as an ethical alternative to the private sector.

Of course support in Parliament for the retention of a viable mutual movement is not restricted only to members of the All-Party Group or the Co-operative Group. A recent poll carried out by Harris showed that 87 per cent of MPs believe that it is important for the UK to maintain a viable mutual sector and three out of four said that societies wanting to remain mutual should be shielded by legislation. Not only is this a strong endorsement of mutuality but also provides another lever to influence the Government to reflect that support in its actions.

## **The Future of Building Societies**

I now want to comment briefly on the conclusions of the study commissioned by the Building Societies Association on 'The Economics of Mutuality and the Future of Building Societies'.

First, the report talks about two schools of thought regarding mutuality - the philosophical and commercial. Each lies at the polar end of a spectrum of views. It will be on its ability to compete that the future of the mutual society will depend. I say that as someone whose sympathies lie much closer to the philosophical end of that spectrum, but also as an advocate of consumer choice. Retail co-operatives have to compete in an intensely competitive market which, on current form, they do rather less successfully than building societies. But as consumer advocates we would not argue for a lessening of those competitive pressures - only for a level playing field. That is the essence of the Co-operatives Act which the UK Co-operative Council is preparing.

Second, there is a prospect of a systemic failure, as members vote for a windfall in their narrow self interest and ignore the wider consequences that may lead to the disappearance of the mutual sector in the marketplace. If the Government is to be consistent, then it must view this as a public policy issue to which they should have a response. The All-Party Group is

attempting to address the concerns of Government to ensure that decisions are taken in the light of continuing changes in the market and the need to sustain competition for the benefit of consumers. In this regard societies have already taken action to benefit consumers. This was done partly to respond to the obvious attraction to members of the "windfall" profit, but also at the urging of Government who were anxious that societies should show the benefits to consumers of remaining as a mutual. Whilst reaffirming its commitment to the principles of mutuality, the Government has resisted all pressures to take action. I believe there are a number of reasons for this: The General Election on May 1 brought more than a change of Government. Many think that it has brought a sea change in the political climate and exposed the bankruptcy of the Thatcher years. Some interpret the Nationwide Building Society vote in this context. (Members of the society voted against demutualisation.) There are those who believe that public sentiment alone will safeguard the future of the mutual movement. The Government also points to the permissive regime introduced by the 1997 Act and the additional protection against takeover. It is only reasonable, they claim, to give the new legislation an opportunity to bed down and allow the inherent strengths of mutuality to come to the fore.

Of course, the one thing the 1997 Act did not do was to address the confusion that currently exists over the two-year rule (the principle that members should not be eligible for a payout until they have been members for two years). This was an opportunity missed. The new Government complains that to revisit this or to introduce a moratorium on conversions would require primary legislation and precious Parliamentary time. The Government already has a crowded 18 months Parliamentary agenda with a number of prominent manifesto pledges having to be delayed because of a shortage of time. Whether or not we sympathise with the Government's predicament or simply view it as a convenient excuse, I think that it will take a considerable change of circumstances to shift them from this view. In an effort to respond to this concern, the All-Party Group in partnership with the Building Societies Association has brought forward a number of legislative changes that can be dealt with through a delegated procedure that does not take up the time of Parliament. These

have been criticised by Government spokesmen as being contrary to the spirit of the '86 and '97 Acts.

Responding to a debate in the House of Lords, Lord McIntosh of Haringey, on behalf of the Government, said:

we would like proposals from the building societies which will protect mutuality without reducing the rights of members.

Helen Liddell reflected this view in her meeting with the All-Party Group when she expressed concern that the Government did not want *to* be accused of running a 'Nanny State'. Additionally the Government appears to believe that societies can convert without having to pay the price. In a recent adjournment debate on building societies the Postmaster General, Geoffrey Robinson MP, starting from the commitment given by the Halifax and Woolwich that they would not depart from the principles and practice of business that has served them so well in the past, concluded, and I quote:

the purpose of the Debate is to stress how important it is for the inherent advantages and principles of mutual societies to be continued even after conversion.

We have a lot of work to do.

But we already have the arguments and the evidence to counter all of these propositions. The All-Party Group will in the near future be bringing them to the attention of Helen Liddell. One of the many ironies of this situation is that the advantages and principles of mutuals and the rights of members are under far greater threat from the carpetbagger than from any of the suggested options put forward by the Movement. Looking on the brighter side, it may also turn out to be ironical that the very success of the de-mutualisation process will lead to its demise. Recent estimates suggest that of the total windfall this year of around £36 billion, some £6 to £8 billion will be added to consumer expenditure. Uncertainty over the short run effects on domestic demand and ultimately on the level of interest rates is the result. With interest rates already high the Government may not wish to take the risk of further substantial injections of windfall profits in the near future.

Whatever happens, the All-Party Group will be engaging with the Government in an effort to persuade them of the strength of the case. There is a great deal at stake. This is about the future of the building society movement, a movement that by any measure has had a significant impact on British life - both in terms of the unique extent of owner occupation in the UK for which the movement can lay some claim and for the high standard of prudential supervision exercised over members' deposits. It is a record not matched by either the banks or for that matter any other financial institution. And it is that legacy in a modern context that we seek to maintain.

**Andrew Love is MP for Edmonton, and Chair of the All-Party Building Society Group in the UK Parliament.**

# Labour Law and Co-operatives? Co-operative Law and Labour!

**Hagen Henry**

## **I. Introduction**

Traditionally labour movements and co-operative movements in Europe and North America<sup>1</sup> shared a common concern which was to alleviate the social and economic hardships of disadvantaged strata of society. Their approach differed, however. The labour movement sought to rebalance the unequal relationship between capital and labour by a set of protective labour and social security laws. It eventually succeeded. The co-operative movement succeeded in having its claim for self-help recognised by co-operative laws.

At times these sets of laws meet. The dominant strategy to solve conflicts between the two is to give labour law precedence over co-operative law. In this paper I shall argue in favour of considering co-operative principles when looking for ways to surmount labour law problems which stem from a fundamental change of the factors that gave rise to modern labour laws some 150 years ago. There is no hint in the literature on labour law reforms about such considerations.

Through its Meeting of Experts on Co-operative Law in 1995 the ILO revived interest in the subject of labour law in co-operatives.<sup>2</sup> The meeting revealed a pronounced interest in the subject in countries where workers' co-operatives have had a solid tradition. In other countries lawyers tend to neglect the subject. This is rather peculiar since the answer to the question of whether, and to what extent, labour law is to apply to work relationships in co-operatives can hardly be disputed: labour law applies, at varying degrees, to work relationships in all types of co-operatives except workers' co-operatives. Labour law is not the only set of rules which effectively deal with work relationships. Yet debaters on labour law reforms seem to ignore that aspect of co-operative law.<sup>3</sup> The fact that co-operative law also regulates work relationships means one can also look for solutions there when discussing labour law reforms.

After having summarised the reasons why co-operative law does not leave any room for labour law in workers' co-operatives, I shall try and highlight the main developments which might induce labour law reforms. In the last part I shall suggest the use of co-operative principles in rethinking labour law. In judging what follows a number of constraints should be borne in mind. The ideas are based on the assumption that, despite all differences, there is a common understanding in Europe and North America on what co-operative principles and labour law are. The intention is to think about trends without concern for the immediate applicability of the proposals to labour law reform; whether these trends will gain impetus, stagnate or be reversed is not the author's to know.

### **Labour Law in Co-operatives**

Contrary to many an author's assumption<sup>4</sup>, an analysis of the relationship between labour law and co-operative law reveals there to be little conflict. The conclusions are that:<sup>5</sup>

- labour law is applicable to a work relationship between a co-operative and a non-member. This statement might seem self evident in the countries under consideration.
- labour law is applicable to a work relationship between a co-operative member and any type of co-operative, including integrated and market linkage co-operatives, but with the exception of workers' co-operatives.

Doubts about the latter point are mainly based on the co-operative principle of identity (i.e. members are co-financiers, co-owners, co-directors, co-users, and co-controllers of their co-operative). It is argued that there are not two distinct partners to a labour contract. Those in favour of employment contracts in workers' co-operatives object that modern management patterns of co-operatives are similar to those in other types of business organisation: response to competition; technological changes; specialisation (with subsequent division of labour and hierarchies); structural constraints linked to the size of membership; financing requirements; non-member business and

investments; non-members sitting and voting on the board of directors (or in the supervisory council by virtue of co-determination law etc<sup>6</sup>); have led to a growing independence and professionalisation of the management and ever less active participation of the members reducing their relationship with the co-operative to that of a pure client. These developments do not, however, abrogate the principle of identity, since self-management is just one element of this principle. Ultimately, the manager is not independent.

This position is a false one. Co-operatives are legal persons. As such they may conclude contracts with any other person, including their own members, and they do it on numerous occasions. The question is rather whether the co-operative membership agreement leaves room for an additional employment contract. The answer presupposes a definition<sup>7</sup> of an employment contract. The essence of an employment<sup>8</sup> contract is that the employee seeks remuneration for his or her labour, the employer seeks remuneration for the capital invested. In order to secure the latter two things are necessary: The employer must gain a share in the employee's right, as a person, to dispose of his capacity to work (time) and he must seek to obtain title over the result of the work. Civil laws generally confer an exclusive title over the result of the work relating to tangible things upon the one who performed it.<sup>9</sup> This state of law did not suit work organisation as it developed during industrialisation. The solution found was to redefine the notion of "producer" so as to include the one on behalf and account of whom somebody else works. The legal device is used fictitiously to anticipate the transfer of title over the result of the work from the employee to the employer by virtue of the employment contract. Salary and other advantages represent consideration for this loss of title.

In workers' co-operatives, the object of the membership agreement is to "co-operativise" the members' work. The title over the result of that work belongs to the co-operative by virtue of the co-operative principle of identity enshrined in the membership agreement. Therefore, workers' co-operatives are the model case where there is neither room nor need for an employment contract in addition to the membership agreement. The membership agreement fulfils the objectives of a potential employment contract and regulates the conditions for the

performance of work according to co-operative principles. This neither prevents co-operators from including labour law elements, on a voluntary basis, in their statutes, nor does it preempt the obligation to develop alternative social security and work safety arrangements, which are generally treated as if they were part of labour law. The application of compulsory labour law to work relationships in workers' co-operatives would amount to denying the freedom to associate in the form and for the purpose of workers' co-operatives. The members want to constitute their earnings through a return on labour and capital at the same time.

In all other types of co-operative an employment contract may be concluded in addition to the membership agreement since the object of the membership agreement does not relate to the work the members perform for their co-operative and hence there is no identity of the objects of the two contracts. The double status of member and employee resulting therefrom may lead to conflicts between co-operative law and labour law. Conflicts may arise over the question of whether the contracts are genetically linked, thus sharing the same fate as far as their conclusion, performance and ending are concerned.<sup>10</sup> Since these contracts relate to different objectives it is, however, hardly conceivable that conflicts concerning their contents arise. Even in integrated and in market linkage co-operatives the object of the membership agreement does not relate to the work of the members but to the management of their enterprise.

The effective organisation of work relationships according to co-operative principles justifies the approach of looking for solutions to labour law problems in the realm of co-operatives. Should an analysis of the reasons behind labour law reforms reveal aspirations similar to those which motivate co-operators, then the ground for reciprocal borrowing is prepared.

## **Tendencies in Labour Law Reforms**

A report by the International Labour Office in 1996<sup>11</sup> analysed changes in the nature of work and concluded that " ... the slight changes recorded so far do not support the view that the 'job for life' (the model underlying labour law) has ceased to exist ... ". Though it is pertinent as far as global quantitative



trends are concerned, this report does not reflect on the qualitative change of work, nor on debate on labour law reform which might change the legal qualification of work relationships and lead us away from labour law. In the United States of America<sup>12</sup> an increasing number of workers are changing status on a continuance from life-time employee to temporary and part-time employee, to service supplier, to sub-contractor, to nominal (pseudo) and to real self-employed worker. The nature of the contract these workers have resembles, accordingly, more and more that of a commercial contract. In Europe, a similar trend may be observed. In addition to what is being practised in the USA new forms of co-determination and models of result-oriented remuneration of employees are being tested.<sup>13</sup> The trend is towards closer association of capital and labour instead of conflict resolution and co-operation. Two material factors have driven these developments, to which labour law cannot respond: changing technologies and international economic integration.<sup>14</sup>

## **Changing technologies**

New technologies have not only changed work content and thus workers' qualification requirements, but they have also shifted the weights in the production processes from goods and services to knowledge. The driving force in the economy is not any more the production of goods and services but rather the production of knowledge and 'know-how'. Work organisation as it underlies labour law is still necessary, but it is losing its importance and adequacy. This work organisation obeys, like a 17th century drama, the rule of unity of time, place and action in the production process,<sup>15</sup> whereas new technologies allow for, and sometimes even require, diffused and decentralised production where subordinating command structures are neither possible nor necessary. Instead of performing (repetitive) tasks, workers are more and more confronted by having to solve unplanned or unforeseeable problems in the production process. Blue-collar workers disappear. Their skills and qualifications differ from those of their predecessors. On the other hand, their role becomes less central. They are needed in fewer numbers, and they are becoming increasingly and more easily interchangeable.

The relative weight the production of knowledge is gaining

weakens the very basis of labour law which consists, in essence, in a compensation for the fictitiously transferred title over the result of the work to the employer. In a system of knowledge production, the title over the end-product, obtained through an application of that knowledge, is of minor importance compared to the title over the knowledge itself. Labour has no share in this title. Its attribution to the capital owner involves no transfer of title between employee and employer by which a compensatory labour law could be justified. This attribution of title is assumed to be the only just way of remunerating the high capital-intensive investments in knowledge production. Thus, in a reciprocal process of changing technologies and knowledge production, labour diminishes in quantity and value as compared to that of capital. The current focus on capital in economics is a result of this development.

### **International Economic Integration**

Furthermore, the characteristics of capital suit the second material factor inducing labour law reforms, namely international economic integration, better than do those of labour. Trade, the exchange of nationally produced goods and services, is no longer the essential element of world economy. Production itself has become international. Neither can labour equal the mobility of capital in order to match the trend, nor can national labour law effectively regulate this state of affairs. In addition, the production of knowledge requires large amounts of capital which can only be generated in an international system.

The trend towards regulating work relationships on the lines of commercial and association law is an adequate response to the new material needs in the production processes. It satisfies appeals for deregulation and flexibilisation of labour law, which leaves little room for tailor-made solutions. Individualised, commercialised capital/labour relationships allow for quicker reactions to diffused and decentralised production patterns with irregular and particularised demand structures and low-cost production possibilities world-wide. But what about the immaterial needs of those not holding a share in the capital? No doubt, up to now the development of labour law constituted a regression in labour history. 'Not because social security, health,

safety and rules on the protection of certain categories of workers, were impossible to implement in the absence of labour law, but because these trends do not take note of the human being behind labour. Traditional labour lawyers consciously separated work from the worker as a person in order to avoid him being made the object of the labour contract. The feasibility of such a separation has always been denied.<sup>16</sup> The humanisation of labour relations through labour law was to partly restore the dignity<sup>17</sup> lost through the separation.

The unity of time, place, and action in production, without which industrialisation would not have taken place the way it did, presupposed this separation in order to be able to subordinate the worker under the command of the employer. Changed work conditions and the new skills and qualifications of workers, which relate rather to their pains than to their muscles, are gaining such force in demonstrating the impossibility of separating work from the person who performs it that a labour law centred on the human being (and not only on his ability to work) becomes imperative. While new associative forms of organisation between capital and labour further rebalance the existing difference between the two, without radically bridging the gap, the commercialisation of work relationships further cements the exclusion of any non-market values such as free time, training, social identification, self-fulfilment, personal freedom). For reasons of marketability work continues to be considered as something separate from the person of the worker. The current gain by capital, and losses to labour through unemployment, are the very negation of human rights in labour law because the human right to work is denied. None of the new trends in labour law addresses this aspect of the changes in production. Over the past 150 years labour law has been generated by the conflict between labour and capital. Its historically unique achievements are the result of a positive exploitation of this conflict for the benefit of both parties and societies at large. This was possible since organised labour, through the weight it carried in the production process, had its claim for equality recognised.

This kind of labour law is inoperational in a situation

- where the weight of labour withers away

- where the opposite poles are not capital and labour anymore, but rather capital and not-capital
- where the individualisation of work relationships completely annihilates the bargaining power of those who have nothing to offer.<sup>18</sup>

## **Co-operative Principles, Human Rights and Labour Law**

Labour law not only humanised work relations, it also enhanced human rights and democracy. Decent living conditions are a pre-requisite for the ability to make meaningful use of human rights. The central role of labour in the production process in the past gave substance to participation as an instrument of democracy. To quote a study by the FAO:<sup>19</sup> "Participation of people in institutions and systems which govern their lives is a basic human right and also essential in the realignment of political power for disadvantaged groups and for social and economic development." The marginal role labour tends to play in new production processes deprives workers of their means of participation.

Participation is more than participation in consumption. It is more than participation in distribution. It is more than consultation in the production process. Participation is, above all, power sharing in decision making processes that matter. Unless a new labour law offers a way to access the decision making concerning the use of capital it will fall short of guaranteeing democracy and human rights.<sup>20</sup>

Partant<sup>21</sup> replied to this question years ago: "La démocratie (and that means participation) commence dans l'entreprise et n'existe pas si elle n'est pas organisée d'abord sur les lieux de travail ...".

Co-operative law, based on co-operative principles, is centred on the members as persons and it de-emphasises the role of capital. The principle of identity means equal participation of all members (through their activity and not through their share in the capital) in decision making concerning the use of capital. Hence it offers access to what matters in the new production processes. This kind of organised democracy<sup>22</sup> at the enterprise level, with profits produced and shared by those who take the risk of owning the enterprise they are working for and by doing

so secure their freedom, cannot be the result of measures aiming at compensating the difference between labour and capital, however perfect they might be, because the decisive power is the power to decide on de-investments. This kind of democracy can only be achieved through a merger of capital and labour in one and the same person.<sup>23</sup>

## **Conclusion**

The neglect of co-operative principles in the debate on labour law reforms is noteworthy. For those who built their world-view around the dichotomy of capital and labour a lot is at stake'. They see workers' participation rather as an infringement upon employers' rights. than as the realisation of human rights and democracy.<sup>24</sup> To speak in favour of co-operative principles in labour law in times of labour's declining value and an unrealistic valuation of capital might be against the trend. It is even out of touch with reality since co-operatives have been assimilated with other forms of business organisations through legal, administrative, and other means, including the application of labour law in co-operatives. Furthermore, it is doubtful whether there is any potential for self-organisation and self-responsibility left. The more a society transforms personal risks into collective risk through labour and social security law, the more it must build into the system mechanisms which reduce the expenditures incurred. This, in turn, requires an ever increasing degree of intervention into the labour market, into ways of practising self-responsibility, eventually annihilating the ability to solve problems on a self-organised basis.<sup>25</sup> State responsibility to protect the weak turns, into the refusal to let the weak protect themselves. Once society has provided for basic social protection, private risk-taking, by individual persons or jointly by groups like co-operatives, is a constituent of freedom and, hence, of democracy. For that sake it might be worthwhile to be against the trend and out of touch with reality!

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## Notes

1. The paper is based on Western European experiences with some outlooks across the Atlantic Ocean. This limitation should be taken as a sign of humbleness rather than one of disdain. I do not pretend to express universal ideas, nor do I deny being misguided by my own legal culture.
2. Cf Meeting of Experts on Co-operative Law, Geneva, 22-26 May 1995, Final Report, Geneva: ILO 1996; Labour Law and Co-operatives. Experiences from Argentina, Costa Rica, France, Israel, Italy, Peru, Spain, and Turkey, Geneva: ILO 1995.
3. Cf discussions on proposals to shift from employment to activity contracts (cf Boissonnat, Jean, Combating unemployment, restructuring work: Reflections on a French study, in: International Labour Review 1996, pp5 seq; Perspectives, in: International Labour Review 1996, pp93 seq; Blardone, Gilbert, Chômage, déficit extérieur, inflation ... Comment en sortir?, Paris: Cerf 1981) and to organise work relationships on the lines of commercial and association law (cf Krause, Helmut, Die Mitarbeitergesellschaft - Modell mit Zukunft, in: Arbeit und Arbeitsrecht 1997, pp222 seq)
4. Literature abounds.
5. Widely shared by the participants in the Meeting of Experts on Co-operative Law above mentioned.
6. For more details cf Münkner, Hans-H., Background paper No. 3a: Western Europe, in: Structural changes in Co-operative movements and consequences for co-operative legislation in different regions of the world, Geneva: ILO 1993, pp57 seq:
7. This essence of a labour contract is not to be confused with those criteria of a labour contract which distinguish such a contract from other types of contracts, and which rather describe the rights and duties of the parties, like, e.g., regular remuneration, subordination etc.

- <sup>8</sup> It is important to note that there is a difference between employment and work. Work may be performed for many reasons, mainly for subsistence reasons. Cf for that distinction the works by André Gorz (recently: *Fondements pour une morale and Métamorphose du travail*).
- <sup>9</sup> Cf eg, articles 565 seq of the French Code civil and §§ 946 seq of the German BGB.
- <sup>10</sup> Cf e.g., report on the situation in France, in: *Labour Law and Co-operatives*, op cit, pp25 seq.
- <sup>11</sup> ILC, 83rd session, 1996, Report V: Employment policies in a global context, Geneva: ILO 1996, p25; cf also Boissonnat, op cit, p10.
- <sup>12</sup> Cf Boissonnat, op cit, p9.
- <sup>13</sup> Cf krause, op cit.
- <sup>14</sup> Cf perspectives, op cit, p103.
- <sup>15</sup> Idea borrowed from perspectives, op cit, p102.
- <sup>16</sup> Cf Olea, Manuel Alonso, *De la servidumbre al contrato de trabajo*, Madrid: Tecnos 1979; Mengoni, cited by Treu/Napli, *Dalle ragioni del diritto del lavoro ad un diritto del lavoro ragionevole. Riflessioni sul pensiero di L. Mengoni*, in: *JUS. Rivista di scienze giuridiche* 1996, pp107 seq (107).
- <sup>17</sup> Cf for a philosophical founding of dignity in this context: Roos, Lothar, *Dignidad y valor del trabajo en Laborem Exercens*, in: *La Dignidad del trabajo. Un diálogo sobre la Enciclica Laborem Exercens*, ed by Konrad Adenauer Stiftung, Mainz: v. Hase & Köhler 1985, pp35 seq.
- <sup>18</sup> The fact that social organisation lags behind technological progress leads periodically to crises. Cf Bartlone, Gilbert, *Analyse du modèle de référence socioculturel des pays*

industrialises d' accident, in: *Pour une gestion solidaire des sociétés africaines: inquiétudes et certitudes*, Genève: OIT 1984, pp41 seq (45seq); Anders, Gunther, *Die Antiquiertheit des Menschen*, 7th ed, München: Beck 1987. Lama de Espinosa (Emilio, *Sociedades de cultura, sociedades de ciencia*, ed Nobel 1996) points to differences in societal projects (in time and space) relating to technological progress and social organisation. Despite crises experience industrialised countries have not developed prevention mechanisms. Labour law, thus, never covered unemployment issues.

- <sup>19</sup> Cited by Hill, Dilys, *Human Rights and "Participatory Development"*, London: Commonwealth Secretariat 1989, p14. Cf also UN Report "Popular Participation in Decision Making for Development", 1975, p4. For further details and sources cf Henry, *Co-operative Law, and Human Rights*, in: *The relationship between the state and co-operatives in co-operative legislation*, Genève: ILO 1994, pp21 seq.
- <sup>20</sup> This is what Mückenberger (Ulrich, *Towards a new definition of the employment relationship*, in: *International Labour Review* 1996, pp685, 689 seq) calls citizenship.
- <sup>21</sup> Partant, Francois, *La guerilla économique. Les conditions du développement*, Paris: Seuil 1976, p155.
- <sup>22</sup> Cf *Democracy and the ILO*, Report of the Director-General, Part I, ILC, 79th session 1992.
- <sup>23</sup> Cf Olea, *op cit*; Hegel, *Rechtsphilosophie*.
- <sup>24</sup> Cf e.g., Kraft, Alfons, *Arbeitsrecht in einer sozialen Marktwirtschaft*, in: *Zeitschrift Für Arbeitsrecht* 1995, pp419 seq (426).
- <sup>25</sup> For more details cf Henry, *Labour law and co-operatives: General observations*, in: *Labour Law and Co-operatives*, *op cit*, pp3 seq(20); Kraft, *op cit*.



# Retail Planning and Co-operatives in Scotland

**Gordon Wilks**

Shopping is one of the most important elements of modern life, food shopping especially so. In Britain it is an enormous market worth an estimated £67 billion each year. It is intensely competitive and has witnessed massive change over the past thirty years. Large supermarkets and superstores have superseded the plethora of small corner shops and town centre specialists which used to dominate the market place. Growth in car ownership and the range of food products now available has stimulated large store development, away from congested towns or cramped suburban streets, eroding the viability of traditional towns and neighbourhood shopping centres.

Against this background Scottish planning policy seeks to sustain and enhance town centres and to safeguard and support smaller community orientated shops, while maintaining a balance with the need to encourage fair competition and customer choice. Accordingly national planning policy guidance stipulates that local authorities should show preference for town centre food retail development, followed by edge of centre locations, and only then consider out of town sites if no other options exist. Only if it can be demonstrated that all town centre possibilities have been thoroughly addressed and ruled out should peripheral locations come into play. Policy specifically rules that planners should take into account the potential impact of large store development on convenience facilities in nearby smaller town centres or settlements and should not be allowed where this is likely to lead to a reduction in the range of local facilities in neighbouring towns and villages.

It is in this context that the Lothian & Borders Co-operative Society, an autonomous Co-op with twenty-nine food stores, strives to maintain a mix of large stores and small community shops tailored to the potential and circumstances of the various Scottish Borders towns and villages. The article which follows shows how little knowledge and appreciation there is for our trading policy. The lesson for the Co-op is that unless we communicate our role and values, no-one will know how or why they should support us.

## Aspects of Development in the Borders

Earlier this year I was asked by one of our Directors to prepare a short presentation on "development" for the Co-operative Union Sectional Board Meeting, scheduled for March in Galashiels. While researching my talk it struck me that aspects of our approach to development were typically Co-op in nature and different from the likely situation had we just been an ordinary company. Coincidentally my presentation occurred around the time of the CWS/Regan affair (an attempted takeover of a Co-operative by a corporate raider). It also coincides with a battle we at the Lothian & Borders Co-operative Society are having in Galashiels with the local authority. Both situations highlight the need for the Co-op as a whole to communicate its value to the community more effectively. From press coverage of the Regan affair, and certainly from the actions of some of our local councillors in connection with Galashiels, it is clear that there is a lack of appreciation of the Co-op. Here at any rate, there seems to be little idea of the role of our company in the local economy or of the benefits of our development policy to the community.

In 1995 at Galashiels the Lothian & Borders Co-operative Society extended and relaunched a 25,000 square feet superstore. The new store is extremely successful and demonstrably retains the lion's share of trade in the town. A smaller Somerfield and various specialist shops take the rest. There is little or no measurable outflow of food expenditure from the town. In the same year, after a substantial public consultation period, the local authority published its Local Plan. This supported town centre development (like our superstore), identified a possible further town centre superstore site, and declared its backing for policies to help maintain food shopping facilities in the smaller towns and communities in the Borders. To our satisfaction the local authority ideal seemed to mirror our own policy: investment in small rural shops and judicious development of town centre superstores in key population centres. National Planning Policy Guidelines (NPPGs) issued by the government also seemed to endorse our views on food retailing. In particular, the draft revisal of NPPG8 on Retailing issued in March 1997 reaffirmed the government's commitment to the town centre and support for

shops and services in smaller towns and villages in the catchment area.

Imagine our dismay when the Council Convenor and former Chairman of Planning announced at a press conference on 3 July 1996 that he had been negotiating for the last two years (during the public consultation period leading to the publication of his own Local Plan) to establish an out of centre superstore for Galashiels that conflicts with the Local Plan. Needless to say, that while the new superstore runs contrary to policy, it also brings with it a number of benefits, notably over £1 million worth of road improvements to a cash strapped local authority. Meanwhile, the planning department had summoned the Co-op to a meeting at the nearby small town of Melrose to discuss the colour of window treatment applied to its newly refurbished community shop. The Co-op had just finished investing £150,000 here and at the Co-op Foodstore in the neighbouring settlement of St Boswells to consolidate its convenience store service to these small rural communities. The Council were unhappy with the colour of the windows!

I duly went to Melrose to meet the planning officer involved and the local councillor who also happens to sit on the Planning Committee. After some brief and positive discussion proposals were agreed. I then took the opportunity to discuss what the Co-op considered to be more important issues, at Galashiels. In particular I observed that while there was evidently much interest among multiple retailers in the out of centre superstore opportunity, I had not noticed any of the same multiples clamouring to open small shops at Melrose or St Boswells. On the contrary, they have policies of closing small stores. Had the council been talking to a representative of the multiples the only window treatment at Melrose would have been whitewash while they closed the shop. What value the Co-op?

Looking further back in my notes to prepare my talk I came across the redevelopment of our Innerleithen store, refitted in 1993. Here, up until April of that year, stood the dilapidated central premises of the former Innerleithen Co-operative Society, occupied by a small food branch but for the most part lying empty. In a joint development project with the former Tweeddale District Council Housing Department, the Co-op sold the redundant upper floors to be converted into sheltered housing for single parent families. The receipts from the sale were invested

in the community to create, in tandem with the housing development, a new 2,000 square feet Co-op Foodstore throughout the whole of the ground floor.

The project was horrendous: working to a strict timescale in a confined space. The result however is a highly profitable and popular store with results that would not embarrass the best Sainsbury or Tesco accounts. At the same time, the Society has achieved a development with a social purpose and one which has retained a historic building at the heart of the town. Proper food shopping facilities are now maintained in a location that would otherwise be left with highly priced, limited scope corner shops or nothing save superstores a car journey away in Peebles or Galashiels.

The Society does not just focus on small shops though. We recognise that in today's competitive environment not all small shops can perform as well as Innerleithen. We know from experience that appropriately located larger stores benefitting from economies of scale can produce proportionately better results. The difference at the Co-op - and it is a difference which I think is not communicated and not therefore realised by many planning authorities - is that the Co-op shares the profits from its larger stores to help support the retention and redevelopment of smaller shops, to the benefit of the community as a whole. Of course, this impacts on our overall profitability. It is also one reason why sections of the press sometimes wrongly accuse the Co-op of under performance. We could show the same level of net profit as Tesco, but there would be no Melrose Co-op, or St Boswells or Selkirk or Earlston or Newtown, and so on.

As for recognition, ask a member of the public or the press here about the value of the Co-op and they might be hard pressed - to identify a single benefit. Suggest we close the local shop, and half the population of the town would be out for our blood. As for larger stores, the Society recognises the need to build them to meet member and customer expectations. Where possible our larger developments focus on the town centre, or edge of centre, so that they can benefit from good road access, but also so that they cater for pedestrian shoppers and support traditional town centre functions. All our customers want good, first class modern facilities with a full range of food products. This does not conflict with our small shop development policy; it complements it and where the population justifies development we endeavour to

provide it with larger stores: at Jedburgh, for example.

Jedburgh Co-op is, in our view, a particularly fine example of a modern town centre superstore development tailored to local circumstances. The store is considerably smaller than the Institute of Grocery Distribution standard superstore, but it functions as such in the context of the limited catchment. The design of the store is also special, as befits a town of the historic stature of Jedburgh. Its architecture (Cameron Associates, Galashiels) won accolades from the Royal Fine Arts Commission for Scotland; its stonework and slates sit comfortably amongst buildings hundreds of years older, yet selective use of these expensive materials has restricted the cost of this development to no more than the norm. In the car park, where the Society development adjoins an ancient friary site, the Co-op has financed archaeological research, and where the car park impinges on remains underground, lines of coloured block pavers reflect the structures beneath.

Schemes such as this cement local relationships and can show that the Co-op, with limited resources, is still in touch with the community. But local authorities can have short memories, and we need constantly to push our case. Our commitment to town centre development and Local Plan policy can be soon forgotten if convenient. The development of town centre superstores has substantial economic advantages. They cater for all elements of the community: old people, shoppers with young children, pedestrian shoppers. They reduce dependency on the car yet if correctly sited can be equally attractive to the highly desirable high spending car borne customer. At Jedburgh, the new superstore has revitalised a declining High Street, to the advantage of all shops and services. Before, in a regional council survey, 55 per cent of food expenditure left the town. Now, the Co-op Superstore accounts for more than 75 per cent of the food expenditure of every man, woman, and child in Jedburgh, despite the availability of a 25,000 square feet Safeway fifteen minutes drive away in the town of Hawick.

It is amusing to recollect that before we got our consent we had a protester chained to the railings in the street outside. He said to me afterwards that "he hadn't realised it would be as good - he was just worried it would be like our old shops on the High Street". It is a fact that we suffer from association with the worst of our stores. It is our job now to ensure that the legacy of our past does not shackle our future. We must make public

our virtues and show that we still pay dividends, to the community if not the individual. If the local authority for Galashiels recognised this I am sure they would be less inclined to establish a case for the sort of predatory off-centre superstore they are looking at now, jeopardising our business for the sake of short term "planning gain".

Perhaps, the Co-operative Union might be able to influence decision makers at government level and we ourselves might, through more aggressive public relations, improve our own prospects when crucial planning issues are at stake.

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# **Sustainability and Maturity of Community Based Housing Organisations**

**David Clapham, Keith Kintrea and Helen Kay**

A project by David Clapham at the University of Wales, Cardiff and Keith Kintrea and Helen Kay at the University of Glasgow examined Community Ownership schemes in Glasgow. These are small housing co-operatives or community-based housing associations run by local people and formed by the transfer of housing from the local council. The current project was the third phase of a research programme and was designed to assess the sustainability of the organisations over the eight years or so of their existence, and to look at their position in the system of urban governance. The study found:

- The quality of service provided by the Community Ownership associations was perceived as very high by residents and had increased as the associations had matured.
- Resident support for the associations was strong but over a third had never attended a meeting.
- Residents place more trust in the associations than in the local council or in central government.
- Tenants were satisfied they could easily contact the association, and their views were listened to and taken into account.
- The associations operate within a tight regulatory regime operated by Scottish Homes and have been relatively unsuccessful responding to local needs by widening their spheres of operation beyond housing.

## **Origins of Community Ownership**

The community-based housing organisations (CBHOs) which were the focus of this study emerged in the mid 1980s from the reactions of tenants and housing officials in Glasgow to trends in council housing. Two main sets of actors were important.

First, local residents' groups who were campaigning to improve their housing conditions and wanted more influence over housing in their areas. Second, Glasgow City Council wanted to find a way of injecting funding into poor quality housing while increasing residents' control. The Council devised a scheme known as Community Ownership which proposed transferring the ownership of small areas of council housing to par-value housing co-operatives. After lengthy political negotiations, during which the Council's financial proposals were rejected by the Scottish Office in favour of conventional housing associations grant funding, the first transfers of houses in three areas took place in 1986. A further three schemes were set up in 1987, this time using the Council's original financial mechanism.

In the late 1980s Community Ownership became a national (Scottish) policy under Scottish Homes. Now there are over 40 housing associations and co-operatives under community control created in areas of former council housing across the central belt of Scotland. However, Community Ownership has not been adopted in England or Wales.

The six 'original' organisations were subject to extensive evaluation in the period 1988-91 in a project sponsored by the Scottish Office which concluded that, at least in the short term, the CBHOs were largely very successful as housing developers and housing managers and were effective at generating resident involvement. The evaluation also noted that the scheme had a very positive impact on the feelings of the community in the areas in which they operated, and that their committees were keen on using the basis of the CBHO to address problems other than housing which were prevalent in their areas, such as lack of employment and a lack of facilities. Some organisations had made some limited progress on those social, economic, and environmental issues.

The ESRC Local Government programme offered an opportunity to revisit the CBHOs which had been the subject of the earlier evaluation and to consider their medium-term success as a new form of governance.

## **Service Delivery**

With the exception of one organisation, in general the quality of



the service provided was regarded by tenants as having improved since the previous survey in 1989. Across all four CBHOs, 40 per cent of tenants said they thought service was improving and only six per cent said it was getting worse. From the interviews with the staff and committee members it was evident that over the years since the previous evaluation the associations had developed their housing management systems and adopted a more professional approach while retaining the community involvement and accountability which was identified as a key element of their success in the earlier study. The CBHOs are seen by tenants to be responding to the needs of the areas through the service they provide.

The evidence emerging from the research suggests that small, locally based, and resident-controlled housing organisations can provide an effective service and, crucially, can sustain this over a considerable period of time. This finding has important implications for the delivery of housing services in the future.

### **Direct Democracy**

As well as a means of delivering a housing service, the Community Ownership associations have been seen as a potential vehicle for transforming democracy by giving local residents a direct say in what happens in their area. This is one of a number of mechanisms in Glasgow supported by the City Council including Community Councils, tenant management co-operatives, area committees of the City Council, and local estate initiatives.

Recently there has been a wide debate over the need to re-invigorate local democracy. The argument is that a strong local government is needed to balance central government power, to mobilise local knowledge, to meet local needs and preferences, and to allow greater ease of access to the political process. However, it is often argued that traditional local government is not sufficient to achieve these ends, and that more direct or participative forms of democracy are needed. Two arguments have been put forward to justify this view:

- Participation helps to correct imbalances of power. By participating, people gain experience and confidence which enables them to challenge existing power structures.

- Participation changes people's attitudes and leads them to consider not only their own self interest but also wider common concerns.

One aim of the research was to examine whether any participatory activity was sustained over time or whether interest and involvement faded. Before examining these factors, it must be stressed that these areas are not typical in any sense. They became part of the initial Community Ownership programme partly because they had strong tenants' organisations which were able to push for improvements to the houses and demand resident involvement.

The original areas had a strong community spirit from the outset and residents were fired by a desire to recreate the sense of community which they felt had been lost as the areas deteriorated. Many of the early committee members had an idealistic view of 'community' and sought to create in their areas the spirit of a 'village' or the spirit of the inner-city tenements in which many of them had grown up.

### **Committee Members**

The key to democracy and accountability in the CBHOs is the role and activities of the committee members, just as in local authorities the role of the councillors is pivotal. In the early evaluation it was shown that the activities of committee members varied considerably, with some spending only a few hours a week on committee business whereas others treated it as a full-time job. The average length of time on committee business was 11 hours a week, with maximum of 48 hours.

Committee members are in charge of a complex enterprise and have to make important decisions with major financial implications. They are in essence the equivalent of non-executive directors of a small company. However, most new committee members have little experience relevant to this position and bring to the association a knowledge of the area rather than any management or technical expertise. Training opportunities are available for committee members and most take advantage of them and find them useful. Nevertheless, the committee relies to a large extent on staff for advice and guidance, just as

councillors are dependent on their officers. The relationship between staff and committee members is difficult to examine from the outside and both committee and staff generally expressed satisfaction with the relationship which existed. It was said to be a partnership in which both sides had a distinctive and useful contribution to make. Committee members were happy that they could exert control over the organisation even though there were only a handful of occasions when committees had overruled staff recommendations.

Committee members mostly reported that they enjoyed their role. Their primary motivation was to achieve improvements in the area, and they saw the association as an effective way of achieving this. Their motives were a mix of altruism and self-interest because improvements to the area directly benefited them, as they did other residents. It was evident from both the interviews and the survey that relatively few people wanted to be committee members. Most of CBHOs had problems in persuading people to stand for election to the committee and some of the committees had spare places to fill. Contested elections were rare.

Committee members were local residents and, as the associations were based in small areas, they were likely to see and be seen by other residents on a regular basis. However, a number of associations had developed rules to prevent committee members being approached in the street to deal with association business. Residents were steered towards the office where staff would deal with their query or complaint. This procedure was justified by reference to the kind of issues raised. Thus, the association often had to deal with difficult, personal, and confidential issues such as neighbour disputes or rent arrears. It was considered necessary to protect committee members from the personal pressures which could result.

This kind of policy may have influenced the level of contact between committee members and residents. In the 1994 survey 53 per cent of residents said they had not spoken to a committee member in the past year. Nevertheless, 72 per cent of tenants said that it was easy or very easy to speak to a committee member. Therefore, there does not seem to be an access problem. Some committee members expressed a feeling that there was some distance between them and other tenants because of the

attitude of tenants to their position. "People think of you differently when they know you are on the committee" and "They think you are out for yourself" were commonly expressed sentiments. However, these views were not reflected in replies to the tenant survey.

### **Tenants' Attitudes and Tenants' Involvement**

Although the CBHOs were founded as co-operatives (in one case a community-based housing association) they were not utopian communities in which all tenants were involved in all decisions and actively worked for the community. In fact, 37 per cent of tenants had never attended a meeting of any kind and, of those that had, 26 per cent had not attended one in the past year and 32 per cent had attended only one in that time. But support for the CBHOs was strong and there was a widely held view that the CBHOs were open to tenant influence and were operating in residents' best interests. For example, 78 per cent said the association cared about its tenants, 77 per cent said that it listened to tenants, 90 per cent said that it kept tenants informed, and 67 per cent said that it took into account tenants' views.

There was less cynicism over the position of committee members than might be expected from the feelings expressed by committee members themselves. Only 20 per cent of tenants said that committee members were 'out for themselves', and 28 per cent said that they lost touch with the tenants. These proportions may seem high, but they are low in comparison with attitudes towards Glasgow City Council and other institutions.

For example, 83 per cent said that local councillors had lost touch and 73 per cent said that they had no say in what the Council did (compared to 35 per cent saying they had no say in the CBHO). Whereas 75 per cent said they trusted the association to do what is right for tenants, only 26 per cent said they trusted the council. Although 58 per cent voted in the local elections and 67 per cent in the last general election, there was little confidence in these kinds of democracy. Only two per cent said they had complete faith in Parliament and four per cent in the Council, compared to 38 per cent in the CBHO.

In summary, tenant involvement in the associations was limited but the majority of tenants were happy with the level of involvement and place trust in committee members and in the association as a whole. Tenants were satisfied that they could easily contact the association if necessary and that their views were listened to and taken into account. Therefore, although not examples of mass, direct democracy, the associations have proved to be a valuable and sustainable addition to democratic mechanisms which has, to some extent, offset the evident lack of trust in local government.

## **Power**

The CBHOs are legally independent, but they are functionally interdependent with a range of other bodies. These include Scottish Homes, the private financial institutions which provide loans and to a lesser extent the local authority. In their local areas, the CBHOs interact with a range of bodies including local economic development and urban regeneration agencies and with other community organisations which compete for resident support and legitimacy. The research tried to ascertain the relationships between the CBHOs and other organisations in the governance network, particularly to see to what extent the CBHOs were able to act independently.

Scottish Homes registers and approves CBHOs and provides them with around 85-90 per cent of their capital funding in the form of Housing Association Grant. It is up to CBHOs to propose a development programme and specific development proposals to Scottish Homes and to bid for funding, but in practice as a condition of funding Scottish Homes steers development programmes and vets proposals in considerable detail. Scottish Homes commonly proposed particular tenure and dwelling mixes as a condition of funding, for example. On individual schemes it scrutinises costs and rent proposals and often insists on changes to minor details such as fittings and specifications for surface finishes. Scottish Homes is also concerned with the overall cost efficiency of CBHOs, as this influences the subsidy that it makes available.

The agency also monitors CBHOs policies and practices and their compliance with guidelines concerning committee control

and conduct. It has the power to make appointments to committees, remove committee members and, in extreme circumstances, to close down CBHOs.

While Scottish Homes holds the power to provide or withhold funding, the CBHOs also hold some power over Scottish Homes. Scottish Homes needs CBHOs to perform in order to deliver local and therefore national objectives and spending targets so in the event of a dispute each player must accommodate the other to some degree.

There were a number of examples of CBHOs deciding not to play the game, by for example refusing to develop particular housing sites, but among our case studies there were no examples of CBHOs challenging the rules. In particular, no significant breakthrough had been achieved into areas beyond the core housing development and management activities, in spite of a view from the majority of tenants that the CBHOs should take on a wider function.

## Conclusions

- The CBHOs are an effective mechanism for undertaking housing rehabilitation and housing management. They show that locally based, resident-controlled organisations can be effective, and present a viable alternative to housing policy which generally encourages large-scale provision of social rented housing.
- Their success is in part due to their direct democratic link with local residents. This gives the CBHOs the ability to tailor provision and deploy resources effectively to meet local needs and demands. The CBHOs also act as a focus for local people, helping to create and sustain a sense of community, and promoting a sense of ownership and control over the local area.
- However, CBHOs operate within a tight regime operated by Scottish Homes, which constrains what they are able to do as the price to pay for strong financial backing. Strong constraint has been evident from the outset of CBHOs by the imposition of the housing association framework, instead of the independent co-ops which were first mooted.

- The CBHOs have been relatively unsuccessful in widening their spheres of operation beyond housing. While their small size gives them advantages in housing administration and community development, it conspires against other activities such as business development and employment projects, which are increasingly taken on by other larger, local organisations. This may prove to be a problem in the longer run as services to meet community needs and aspirations once again became fragmented and run by professionalised bodies.

### **Recommendations**

- The research shows although a major programme in Scotland the approach has not been adopted in England and Wales. The continued success of Community Ownership argues strongly for the model to be adopted more widely.
- The continued success of Community Ownership as trusted and competent local organisations means that they are ideal mechanisms for meeting the wide-ranging needs of local communities. Their potential needs to be recognised by central government and local authorities and the current tight regulatory regime eased to allow them to adopt new responsibilities.

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# Humane Privatisation: Worker Co-operative Initiatives in the Public Sector<sup>1</sup>

**Dr Godfrey Baldacchino**

The situation is common in many developing countries. A developing economy, still coming out painfully from the productive limitations of mass agriculture; long years of colonialism or fiscal siphoning off from regional peripheries to cores. Capital investment typically flows away from these territories towards the heartland of North America and Western Europe. Employment is precarious and risk capital hard to come by. The provision of services directly related to one's quality of life - such as energy, telecommunications, water, housing, education, health, and social security - fall also within the ambit of the state, often out of simple default. All this in the context of an expanding population, with many consumer tastes and habits influenced by the Western world.

In these situations, it is inevitable to find the state playing a key role in the development process. The responsibility to provide employment and to create productive investment in the absence of local or foreign capital predisposes the state towards assuming a major role in the economy; one which is broader and wider than that of the stewardship and monitoring effected by states in more developed economies. The outcome is usually a bloated public sector with substantial levels of underemployment, and a sprawling parastatal sector with under-productive or inefficient corporations and utilities whose running expenses and losses are justified on the basis of political and social arguments: jobs, strategic industries, basic needs provision.

Such arguments were seen essentially to be valid for many years, but recently a fundamental reappraisal of their soundness has been under way. A sweeping fiscal reform exercise is now going on in many developing, often debt-ridden states. The discourse has now shifted from one of social justice to economic efficiency; from jobs to value for money; from workfare to downsizing and appropriate manning levels. A combination of factors is to blame for this policy realignment:

- the often-flagrant excesses of existing public enterprises;
- the conditionalities imposed by World Bank structural reform;



- equally strict terms imposed by the liberalisation policy of the European Union and/or the World Trade Organisation;
- the corrupt practices of officials occupying senior posts in organisations which often benefited from artificial prices and privileged monopoly situations;
- the outcry from consumers for reform and client-friendly workplace practices.

The effect has been a strong pressure on governments in developing countries to open the door to privatisation policies. They have been asked to push back the frontiers of the state; to encourage the full and free participation of private capital; to shift underutilised labour into the leading economic sub-sectors where more value added was to be made and where market forces, and not government ministers, would guarantee efficiency. The results have been amply documented, and so many countries today experience the pains of transition towards a more market driven economy.

One sector which has borne the brunt of these changes has been the hard-core public sector. With massive layoffs expected, various governments embarked upon job creation strategies to try to prevent a sudden escalation of unemployment and of the social fragmentation that this brings along with it. These have included:

- new and attractive packages to attract foreign investment;
- extensive human capital formation drives with larger numbers of young people encouraged to consider higher and further education;
- family planning programmes;
- marketing, fiscal, and technical support for small entrepreneurs; and
- new leases of life to micro, small and medium scale enterprises.

The promotion of co-operatives has been a natural component of this strategy: the initiative in favour of self help; the unleashing of entrepreneurship and the idea of industrial democracy enshrined in co-operativism ensure that such a form of organisation appeals to political incumbents from every hue on the political spectrum. In some instances, calls have been made

for preference to be given to co-operatives in the externalisation of public services<sup>2</sup>. However, the formula resorted to has suggested that co-operative members could not continue to remain public servants. Indeed, notions of communal organisation within the public framework fell from favour after the collapse of the Soviet Empire and its economic regime in 1990. Co-operatives were private sector organisations subject to market forces.

I would like to present an alternative model of worker co-operative organisation which is neither wholly private nor wholly public. It is a quasi-co-operative structure which seeks to bring together certain selected principles of public sector employment looked upon favourably by employees - particularly good and secure wages, a reliable career and seniority path, security of tenure - along with the discipline, efficiency, and economy of operating in a free market. It is a scheme built on the recognition that given the right incentive package, the lazy and indifferent public servant can become a highly energetic and industrious worker. Indeed, many public employees have no qualms in shamelessly going about their tasks as self-employed individuals even during their regular hours of paid public sector employment. They are already well versed in the rudiments of costing, obtaining raw materials, maximising returns from equipment; obtaining credit; concealing income from the tax department. Furthermore, the option allows a gradual exposure to competitive pressures and a steady induction to the rigour and demands of the free market.

I have had the opportunity to present details of this pioneering scheme in a number of international fora which have brought together officials involved in the promotion or management of worker co-operatives. It appears that somewhat similar schemes were envisaged in Spain and in various Latin American countries in the early 1980s, but only as part of a gradual transition towards full privatisation. The Malta model, if we may call it so, has, in contrast been pronounced a form of 'humane privatisation'. It is presented as an end in itself and not as part of some dark political ploy to advance towards privatisation. It appears as an original recipe which sets out to reap certain advantages of privatised work - the sense of pride in one's work, the need to follow market prices to secure contracts, and the closer association

between reward and effort, for instance - but without going all the way. Strong trade unions ensure that workers will continue at all costs to enjoy that sacred cow: secure tenure.

Enter the co-operative formula: a formula so simple that many simply cannot understand it. An association of producers which is premised on the democratic principle of one person, one vote. A community of workers who will not sacrifice the basic human quality of control (over one's work, over one's organisation and over one's development) for the sake of satisfying the obvious imperative of earning a living. In the case of public employees hailing from the same department and engaged on a common project, these are, for all intents and purposes, already an "occupational community" with those elements of social cohesion and interaction, leadership, and followership, necessary to establish a sound and effective team.

## **The Two Schemes**

The schemes, which were announced by the former Malta Prime Minister in May 1996, consist of two recipes. Workers may progressively graduate from one to the other as their co-operative experience proves a positive one and as their risk and entrepreneurial orientation matures.

The first option - so called Scheme A - is quite far reaching and provides public employees with the option to take unpaid leave for the period during which they can work in a co-operative framework as if they were independently self-employed.

The second option - Scheme B - encourages public employees to enter into specific arrangements with their respective heads of department in such a way that internal sub-contracting becomes possible. In other words, this allows departmental heads to offer workers internal sub-contracting and its associated possibilities of profit sharing. This without having to devise weird ways of incentivising employees for jobs well done, and on time. The workers concerned continue to receive their usual wage, but this is actually an advance payment on the contract being worked. The Department charges the co-operative a pre-negotiated commission and thus also stands to gain from this arrangement. Both schemes allow a free return of the persons concerned to their respective grades within the public service. Both schemes are operated on a group basis. At least seven public employees

must band together and be registered as a 'provisional co-operative'. Extensive preliminary discussions, the drafting of a statute (in the case of both schemes) and the negotiation and finalisation of detailed costings (in the case of scheme B) are first necessities. Once the co-operative is registered and set into motion, the co-operators are to exercise strict collective decision making and financial management, under the overall supervision and monitoring of the Board of Co-operatives. The allocation of surplus to general reserves, collective reserves, dividends, and patronage refund has to be in accordance to the national co-operative legislation.

Both schemes guarantee to the employees that they are still public employees and as such they continue to enjoy all the rights and conditions of employment that their colleagues enjoy. These include security of tenure, notional increments, seniority and progression in the grade and pensions. These rights and benefits are guaranteed by considering the time that such employees spend in such co-operative conditions as 'leave on grounds of public policy'. Public employees also benefit from current provisions in the local Competition Act by having the option to enjoy the 'right of first refusal' on government tenders, as long as there are clear guarantees that such work will be performed exclusively by state employees. All public employees can apply, except for those above Salary Scale 8 (the Assistant Principal level). This is done to prevent a brain drain from the top ranks of the civil service and to hedge against possible role conflict situations.

## **Background Context**

How such a pioneering scheme came to light is an interesting question and a pertinent one to other countries experiencing similar pressures towards privatisation and liberalisation.

Malta experienced various initiatives in favour of worker participation in the 1970s. The Labour Government of the time was inspired by the self-management experience of the then Yugoslavia and was anxious to embark on a labour policy which secured trade union co-operation and industrial peace in local socio-economic development. Such inroads included the introduction of full worker control into the local ship-repair dockyard, and worker-directors on a number of parastatal

corporations. Once introduced, these initiatives developed their own momentum and the demonstration of support for workplace democracy became an important policy position for all political parties.

As a result, in 1987 the newly elected Nationalist Government felt obliged to set up a high-powered committee to study the manner in which worker participation could be strengthened and developed. But by the time this committee had completed its work, more than five years had passed. The worker-director fever had passed (to be rekindled with the return of a Labour Government in 1996), self-management had become increasingly dubious with the recurrent economic non-viability of the Malta Dockyard, and neither workers nor trade unions were asking for worker participation schemes any more. The report only provided weak suggestions, focusing on voluntary employee involvement schemes in the private sector, employee shareholding in parastatal enterprises, and promotion of co-operatives. A Support Unit to assist such projects was recommended and eventually set up in 1994<sup>3</sup>.

Hence, the drive in favour of co-operatives ended up as the spearhead of a new wave of worker participation initiatives. In 1996, and again in 1997, a record number of co-operatives were registered, most of these being worker co-operatives and reversing a trend in favour of service co-operatives - mainly in the agricultural sector - which had been dominant for 50 years.

This impetus was partly triggered off by a parallel development in pluralism and devolution in central administration, with the setting up of the first local councils in Malta. These were granted the liberty of contracting out works and services to both the public and the private sector, after a brief period when they were obliged to assign all their work to government departments. The outcome of this was that most government departments found themselves being elbowed out of the lucrative local council market by more competitive private firms that promised to perform the required jobs well, cheaper and on time. This sent shock waves through the public sector and rendered the level of under utilisation still higher than it had been previously. Indeed, this indirect form of privatisation would more likely have led to demands for the deployment of public employees, away from the cocoon of the state where they

were now idle, and towards a private sector complaining of a very tight and inelastic labour market which was making it difficult to recruit labour and causing an unwarranted increase in wages and salaries. The then Prime Minister appointed a Task Force to investigate how to incentivise public employees in the context of local council devolution; its report, submitted in February 1995, recommended a voluntary transfer of public sector employees to co-operative status for up to five years, with a new agency whose task would be to secure contracts and assist in their satisfactory completion.

This threat of privatisation was probably well recognised by the trade unions. These are very strong in the local public sector and resisted tooth and nail any attempts at neo-liberal privatisation. They were significant players in hammering out the details leading to the two co-operative schemes, and keen to register their support and even to own the co-operative drive.<sup>4</sup> The five-year limit was dropped, and no procurement agency established, since the Central Office of Co-operatives, via the Co-operative Support Unit, could offer its services in this area. By August 1996, three months after the two co-op schemes had been announced, there were some 25 different groups of employees interested particularly in scheme B.<sup>5</sup> Only two such co-ops (scheme B type) have so far been registered - on 2nd September 1996 and 14th October 1997.<sup>6</sup> These two first public sector co-ops - the first engaged in the manufacture of traffic signs and the painting of road markings (with 15 worker- members) and the second engaged in furniture production (with 8 worker members) - are reaping handsome profits.<sup>7</sup>

## **Problems**

It is important to scrutinise these recent and quite radical developments from a detached viewpoint. Quite a number of concerns have been expressed in relation to these schemes, and the proper resolution of these may be the critical juncture to their further pursuance. The concerns may also throw critical light on the fact that the schemes have so far only been taken up by a score of public employees. This may prove true particularly under the present Labour Government which will certainly appraise these schemes in a more critical light. Some of these

concerns have been expressed in the media, mainly by trade union officials and members of the Labour Opposition, who have, since October 1996, replaced the Nationalist Party in government. Others have been collected personally from my various discussions with members of co-operative societies, public employees, and the Maltese at large.

- The erosion of 'trade union and worker consciousness'. Trade unions in particular are not so sure that workers will continue to regard themselves as workers when they have started experiencing work as a co-operative. Will they support their colleagues in industrial action? Will they join their erstwhile comrades in a sympathy strike called by their union?<sup>8</sup>
- The intentions of both the previous Nationalist and the current Labour Government might have been less positively inclined towards workers co-ops and more in favour of measures which would encourage public employees to move to the private sector without incurring the wrath of the trade unions in the process. In spite of all the guarantees, the ultimate objective might still be to dismantle the over-manned public sector.<sup>9</sup>
- Setting up worker co-ops and then leaving them at the mercy of a free and ruthless market may be a sure recipe for catastrophe. How can co-ops ever match the capital and financial base of a private entrepreneur? How can they ever keep pace with the need to update machinery and technology as do their private competitors? What will be the fate of a co-operative dwarf alongside private giants?<sup>10</sup>
- It is common knowledge that many public employees perform lucrative productive activity on the side. Much of this has remained invisible for income tax purposes. If such employees forego working in the underground economy and instead transpose their working time to their co-operative, the extent of their declared earnings would increase.

- Those engaged in a worker co-operative may be exposed to a substantial degree of peer pressure. The attraction of good earnings may cause members to oblige each other to work much harder than the average. Those considered as stragglers or laggards may be denied membership in the first place and targeted for possible expulsion if already enjoying membership rights. Such a decision may also follow if the productivity of a worker-member falls for example because of an accident.
- There is a second dimension to interpersonal differences. What will be the future of those public employees who do not opt to join their comrades on a co-operative adventure? The fraction of the workforce which adopts the co-operative formula will certainly increase its output, and thus take over the work which used to be performed by their departmental colleagues. Is it fair to re-deploy these elsewhere?<sup>11</sup>

## Conclusion

I was pleasantly surprised to find out that public sector employees have started setting up co-operatives. In this way, hopefully, lethargy and indolence will decrease; as well as stop the squandering of public funds ... So, let's hope that we will start reaping the good results of these co-operatives, just as the worker members will also reap part of the fruit of their labour as profits.

A letter to the editor which captures some of the hopes put into these novel co-operative experiments in Malta<sup>12</sup>. There is an opportunity to make positive-sum gains: restoring decent levels of efficiency to the public sector and providing it with higher status; value for money to customers, particularly local councils; income for effort for the workers themselves; apart from the experience of self-help and collective self-control. We offer this model for the consideration of co-operative movements elsewhere. We invite local and international associations to explore how to improve this scheme still further. We await a clear declaration from the present Labour Government on its opinion regarding the worthwhileness of persevering with this scheme.



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1. An earlier version of this paper was prepared for a Seminar on the theme of Worker Co-operative Developments in the Mediterranean Region held in Malta in December 1996. The seminar was organised by the Malta Board of Co-operatives for the European Committee of Worker Co-operatives (CECOP) as part of the MEDCOOP Project, with sponsorship from the European Commission (DG XXIII).
2. E.g. ICOF Newsletter, Vol.4, No.2, October 1996, pl, UK Industrial Common Ownership Finance Ltd.
3. For more details, consult Zammit, E.L. (1996) 'From self-management to co-operatives; The contours of worker participation in Malta over two decades' in G. Kester & H. Pinaud, eds Trade Unions and Democratic Participation in Europe, Aldershot, UK, Avebury, pp119-126.
4. E.g. 'The setting up of co-ops', General Workers' Union Page, L-Orizzont, 22/7/96, pl6.
5. Press Release by the former Parliamentary. Secretary responsible for Co operatives, Dr Joe Cassar, 2/9 /96.
6. 'First public sector co-op set up', L-Orizzont, (Maltese Daily Newspaper), 3/9/1996, p2.
7. 'Government Co-operative Members record Lm.3,000 profit in a month', The Times; 15/19/96, pl3.
8. A point made by a Public Services Section Delegate of the General Workers' Union at an Extraordinary General Conference of the GWU. See Report in L-Orizzont, 27/7/96, p6.

9. A comment attributed to Charles Buhagiar, now Minister for Works & Construction. Reported in Kullhadd, (Maltese Weekly newspaper) 25/8/96. A similar comment was made previously by Lino Spiteri, now Minister of Finance. See 'Why Aren't there more Co-operatives?', It-Torca, (Maltese weekly newspaper) 21/1/96, p8. The present Labour Government has also set into motion the partial privatisation of key state monopolies.
10. 'Telekoperattivi', letter to the editor, L-Orizzont, 8/3/96.
11. Most of these objections have been raised by TeleMalta Corporation employees as well as those at the Roads Department, when discussing the co-operative option in Spring 1996.
12. 'Public Employees and Co-operatives', letter to the Editor, Kullhadd, 17/11 /96, p40.

# Local Development and Co-operatives: None, only one, more than one in the same village

**Yair Levi**

## *Abstract*

*This article addresses the issue of co-operatives (none, only one, more than one) in local village communities of Third World countries. Situations of no-co-operatives ("absence"), one co-operative ("monism") or more than one co-operative ("pluralism" in the same village are presented and analysed from a perspective of "top-down" and "bottom-up" development styles. The three situations do not make up a continuum and should therefore be treated as discrete categories. It is argued that resort to monistic organisational systems in top-down projects may prevent the local people from making the best out of their organisational potential.*

## **Introduction**

The issue of how many organisations a village community can handle and how we can interpret the presence of different numbers of organisations in the same village does not seem to have been explored in current development literature. Studies of rural development participation in Third World countries have identified a number of major dimensions. One dimension is "organisational capacity" (Honadle, 1982), which includes "organisational stock" (what resources does the organisation control?) and "organisational behaviour" (what are people actually doing?). Another more recent dimension is 'organisational intensity and density' (Cernea, 1994). Intensity emphasises organisational and institutional capacity, density the frequency of people's participation in networks of socially organised activities. The density of organisations has been analysed from the perspective of pooling systems in their horizontal or vertical dimensions, and their impact on the participants in terms of costs, rewards and equity (Galjart, 1992). More focused analysis has addressed:

- the scope of activities of individual households or the intensity of an individual's participation in organisations (Cohen and Uphoff, 1980)
- whether it is better to work with an existing organisation or to create new ones (Gow and VanSant, 1983; Clements, 1986)
- the advisability and effectiveness of having organisations (meaning mainly co-operatives) deal with one or more commodity (in marketing), a single commodity, or mainly with service functions (Rochin and Nyborg, 1988).

This article does not pretend to cope with such complex matters as how to define, assess and measure the local organisational "carrying capacity" of a community or "successful organisational handling". However, it is felt that recent experiences with co-operatives in Third World countries provides sufficient empirical evidence as to the possible local reactions to two broad situations: the presence of one all-village co-operative and of more than one co-operative in the same village. Given the impact that a situation of no-co-operatives can have on local development, we have decided to add the element of "absence" of co-operatives. Our conceptual framework thus rests on three main situations:

- 1) absence of the phenomenon under consideration;
- 2) monism as a system based on one single organisation; and
- 3) pluralism as a system based on more than one organisation.

## **Background**

By "co-operative" is commonly meant an organisation formally registered as such. A well-known definition used by international agencies presents the co-operative as:

an association of persons who have voluntarily joined together to achieve a common objective through the formation of a democratically controlled organisation, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking (ILO, 1966).

The all-too-frequent association of co-operatives with governments in Third World countries, however, has led to the need to dissociate the formal aspect from the co-operative content. It is well known that an organisation may be formally a "co-operative" without necessarily meeting the above criteria of voluntariness, democracy, and equity. Conversely, an organisation may meet the above criteria without necessarily having a formal co-operative status. Besides co-operatives, other organisations work in rural areas of Third World countries, either in the form of traditional patterns of mutual aid, or - more recently - as non-governmental organisations (NGOs), which again may or may not be formally registered. For the purpose of this article, 'co-operatives' will usually mean organisations formally registered as such.

**Table 1.**

**Is it formally registered?**

	Yes	No
Yes <b>Is it a Co-operative?</b>	common- type co-ops	pre-co-ops
No	NGOs	NGOs and traditional forms

Though broadly conforming to the common definition of "member-based organisations", these types differ with regard to their origins and the types of assistance received. Distinguishing between the political-administrative source of development initiatives ("from above/from below") and the geographic-territorial one ("from without/from within"), enables us to differentiate between two broad categories of development styles: a formal "top-down" style and a more participatory, locally based and "bottom-up" style. As the sense of locality ('without/within' the community) is broadly rendered by the "top-down/bottom-up" distinction, the latter will be used throughout this article. Formally registered co-operatives tend to be associated (though not exclusively) with governmental initiative and control; other organisations - regardless of their formal status - tend to be more associated with grassroots origin and participatory growth. This broadly corresponds to the "top-down" and "bottom-up" distinction.

**Table 2. Strategies of rural co-operative formation**

Variables	The top-down model	The bottom-up model
I. Origin of initiative to create the co-operative	External; decreed	Internal, free
II. Who promotes the formation of the co-operative	Mostly external agents	Mostly local agents
III. Underlying motivations to create the co-operative	Government interests and personal career of agents	Local needs and interests
IV. Source of policy-making	Centralised	Decentralised
V. Emphasis on legal aspects of co-operation	Maximal	Minimal
VI. Organisation size of co-operative	Preferably big and ambitious	Preferably small and modest
VII. Main fields of action of co-operative	Emphasis on major crops for export	Emphasis on local needs
VIII. Type of technology used by co-operative	Modern and not necessarily attuned to local culture	Intermediate and attuned to local culture
IX. Style of work of the co-operative	Routine, along with authoritarian guidelines	Pragmatic, flexible
X. Nature of external financial support to co-operative	According to top-down decisions	Contingent on local demands
XI. Nature of overall external assistance to co-operative	Not necessarily related to local demands and capabilities, enduring	Contingent on local demands and possibly temporary
XII. Members' approach to ways of using surpluses	Tendency towards immediate distribution and gratification	Readiness towards reinvestment and deferred gratification
XIII. How the co-operative is seen by members	As yet another arm of government	As their own creation
XIV. Attitude towards failures	Tendency to ignore failures and to maintain the co-operative	Readiness to admit failures

Source: general literature and author's teaching experience

This distinction has its roots in the disappointing record of most governmental initiatives in co-operative policies. Development literature is replete with critical evaluations of co-operatives as tools of rural development, and with more sympathetic appraisals of newly emergent NGOs, which mostly do not have a formal co-operative status, in their two-fold connotation of grassroots support organisations (GSOs) and membership support organisations (MSOs) (Carroll, 1992). Despite the lack of general agreement on the superiority of the NGO model over the government-induced one (Bubington et al, 1993) criticism of governmental co-operative policies has been repeatedly stated in uncompromising terms. A few examples will suffice:

It is a valid and unsurprising generalisation of world-wide experience that the greater the degree of interference by governments in co-operative enterprise, the greater the degree of incompetence and failure (Bottomley, 1989:142-143)

where co-operatives collaborate with governments as agents for the implementation of public programme, they usually lose their money, their member support and their identity (Münkner, 1993).

In the recommendations for a reform of rural co-operatives in Kenya, there was a call to

... replace the present co-operative law with legislation that protects co-operative societies from government intervention (Gyllström, 1989).

### **Aim and scope of the article**

This article will attempt some exploratory insights into the issue of "none/only-one/more-than-one" co-operative in the same village. The monistic pattern will be examined mainly against the background of the Israeli model, due to its popularity and its impact on co-operative policies in developing countries. The pluralistic pattern will be examined mainly against the



background of the common Multi-Purpose Co-operative (MPC) model. As with most dichotomies in development, an 'either/or' approach fails to account for the nuances of reality. So, throughout this article, cases of mixed initiatives will be considered along with top-down and bottom-up ones. Following our observations, a few suggestions for further research will be formulated.

A few propositions underlie our approach. First, the extent of inter-organisational compatibility at the village level (as specified by law) can encourage or stifle the development of local organisational potential. At the low end we find the monistic model, usually based on the exclusion of another formal organisation having objectives similar to those included in the statutes of the all-village co-operative. As these statutes usually contemplate a wide range of activities, the likelihood of a new organisation to emerge is virtually nil. At the mid level, incompatibility may restrict the new organisation only in so far as it deals with a specific activity. Such a case was reported to this author from the Ivory Coast, where groups eager to benefit from the economies of scale of joint marketing of coffee or cocoa, and meeting the legal minimum of seven people, applied for co-operative registration. They applied under the official policy of the Groupements Villageois Pré-coopératifs yet met with difficulties as their interest collided with that of the local MPC (Multi-Purpose Co-operative). At the high level of compatibility, we find no restrictions as to the setting up of formal organisations. Second, a situation in which there is a low density of co-operatives, or their complete absence, should not be seen as a vacuum to be filled by means of co-operative solutions but rather, under specific conditions, as having the potential for development through means other than co-operatives. The issue is illustrated in the situation of "absence of co-operatives":

- monistic organisational systems of top-down origin tend to be associated with macro-projects dealing with country-wide objectives.
- monistic organisational systems of bottom-up origin tend to be associated with strongly motivated and rather homogenous groups dealing with local problems.

- pluralistic organisational systems tend to be associated with bottom-up and mixed initiatives dealing with local and wider problems
- as measures of organisational density at the village level, "absence", "monism" and "pluralism" do not constitute a continuum but rather discrete categories, each to be analysed in the light of its potentials and limitations.

Situations of "no co-operatives", "only one co-operative" and "more than one co-operative" will be taken up in turn. Following some general considerations of a historical and conceptual nature, a variety of practical cases will be reviewed. These are based on the relevant literature and the author's field experience.

## **General considerations**

### *1. Absence of co-operatives*

Absence of formal co-operatives may convey a two-fold signal: "not-yet", or "not-any-more/never-again". The first refers to a situation where the ground is "virgin" from the co-operative viewpoint, to mean that no such experiences have occurred yet on the local territory or in its vicinity. The second hints at the opposite, that negative prior experiences give co-operatives a bad name and that cautious pragmatism is in order when dealing with questions of local organisation. This will be illustrated by two examples from the author's experience.

### *2. One co-operative for the whole village*

The background to this option is well known. At the birth of the modern co-operative movement there lies an identification between the co-operative and the local community. Attuned to Robert Owen's school of thought, the Law First of the 1844 Rochdale Statutes stipulated that the fifth and last stage of development of their co-operative would be the establishment of a "self-supporting home colony of united interests" in charge of "... production, distribution, education and government"

(Lambert, 1963:292). In the co-operative literature these "colonies" came to be known as the Owenite "villages of co-operation". Quite independently of Western models, the identification between the village community and an all-purpose body governing it also appealed to traditional rural societies. In India, for instance, we know of the Gramasahba, an ancient form of organisation responsible for social and economic village affairs and forming a village council (Hatti and Rundquist, 1989). Commenting on instances of co-operative villages in Africa, Pickett (1970) has made the point that these villages deserve the attribute of "co-operative" only in so far as the co-operative becomes the leading institution in the village life through meeting most of the needs of the majority of the villagers. According to Guernier (1966:200) the village in developing countries

... becomes on its own efforts a co-operative nucleus of development based upon the sole management of the inhabitants  
... a village can become a village community where four-fifths of the family heads decide to do so and adopt the necessary statutes.

Israel's is probably the best-known model of monistic village governance; Its origin goes back to the early 1920s and the beginnings of labour settlements in what was then Palestine. Three main factors explain the emergence and evolution of this model. The first, of clear ideological character, was the ethos of return to the land of the Jewish people through the creation of a new egalitarian society based on self-labour and national land ownership. This suggested the establishment of cohesive and solidary rural communities under a common management system. The second, of pragmatic nature, stemmed from the physical hardships and the absence of any governmental support, all of which necessitated strong self-reliant rural units. The third, of later development, was based on arguments of economies of scale: the settling and land authorities, as well as the various supply organisations, both before and after the creation of the state of Israel in 1948, found it more expedient and less costly to deal with one single all-purpose village organisation rather than with a pluralistic system. The monistic system functioned without any formal arrangements until 1958, when the law first legalised

the long-established practice of one single co-operative fulfilling all the economic, social, and municipal tasks in the village. This refers to the three main patterns of rural co-operative communities in Israel, namely the kibbutz (collective settlement), the moshav shitufi (collective moshav) and the moshav ovdim (smallholder settlement). Inherent in the system is the exclusion of a co-operative (or related organisation) having objectives similar to those of the all-village co-operative. The three types share the voluntary character of their foundation, with the exception of the moshavim (plural of moshav) established in the 1950s at the time of mass immigration (Levi, 1998).

Critical to our concern is the distinction between collective and smallholder types of settlement. In the former, the virtually unlimited occupational mobility and the fact that the whole community constitutes one production unit (as in the kibbutz and moshav shitufi) makes it compatible with a monistic organisational system, whose functioning depends on the ongoing voluntary character of the organisation. This is not the case in the smallholder village (the moshav ovdim) where the identification of co-operative and municipal functions in the same committee left unresolved the question of municipal rights to non-continuing sons and non-member residents. The recent crisis of the moshav ovdim sector in Israel shows the severe limitations of a smallholder structure - as distinct from a collective one like the kibbutz - in coping with the inflexibility of an all-village co-operative, characterised by the dual role of co-operative and municipal management performed by the same committee (Zusman, 1988; Ottolenghi and Levi, 1990). This is of particular relevance in those moshav settlements established in the 1950s. So far, we have been discussing the monistic model in Israel, mostly within a "bottom-up" context. However, the Israeli moshav (smallholder) model became popular in Third World countries in the 1960s and 1970s. Its alleged suitability to overseas contexts was based on its relative lower degree of co-operative integration than the kibbutz and the moshav shitufi. In practice, however, the transferability of the model to widely different areas characterised by strong top-down policies and reliance on major export crops proved highly questionable (Kahan, 1986; Levi, 1995). The co-operative-municipal issue became less prominent, yet the exclusiveness of the all-village cooperative

was retained. Under a typical externally induced approach, Weitz (1971; 1979) assigned to the village co-operative in less developed countries a demanding role with three prerequisites for its success:

First, the village co-operative must be multi-purpose or all inclusive, that is, it must cover all the services needed by the farmer; second, it must be a statutory body officially recognised by all the service supplying organisations as representative of the farmers and supported as such by government agencies ...; third, the village co-operative must be the only organisation which provides services in the village, and membership must be obligatory to all farmers, notwithstanding the size of the individual farms (1971:101; 1979:18) ...; the village co-operative is so indispensable that, if necessary, it should be established even from above by official decree. It is only at a much later stage, when the phase of specialisation is reached, that the farmer can dispense with the village co-operative and safeguard his interests by himself. At that phase, he is already capable of dealing directly with the service suppliers as the European farmer actually does today (1979:18).

The above recommendations seem to rest on a number of disputable assumptions, such that rural development is linear and that at a certain stage "specialisation" is expected; that the village co-operative can be seen as a temporary device to be dispensed with at a later stage; and that the European farmer can offer a desirable and achievable model to Third World rural populations. The model is unrealistic. First, by claiming to provide an umbrella for the needs of all the farmers, it overlooks the diversity in wealth, social status and interests which are characteristic of most of the villages under discussion. This reality belies the myth of the consensual community based on homogeneity of interests, once seen vital for the building-up of co-operative village communities. As early as in the late 1960s the world-wide research by the United Nations Research Institute (UNRISD, 1969) pointed to the failure of Third World co-operatives to achieve a more equitable distribution of income and to empower the poorest in the village. Co-operatives all too often tend to reproduce within themselves the inequalities and socio-economic stratification prevailing in and around the village, as clearly shown by an Indian study of Karnataka:

... in a markedly stratified society where income differentials are significant, co-operative members tend to have higher incomes than non-members, while caste-group differences are retained ... Brahmins, with their traditional socio-economic position, tend to dominate the local co-operative (Hatti and Rundquist, 1989:131-149).

A recent study of credit unions in Northwestern Ghana has shown how heterogeneity in wealth, ethnicity and literacy levels can erode the performance of the co-operative and help the process of extraction of capital from women to men, from less to more wealthy farmers and from rural to urban areas (Songsore, 1992:82-101). Second, by presenting the village co-operative as "indispensable", and, if necessary, to be established "from above by official decree", the above recommendation seems to defeat the purpose of participation which ideally should underlie the creation and performance of the very co-operatives.

### *3. More than one co-operative in the same village*

Ideally, there should be a pluralistic system of organisations, allowing potential beneficiaries to organise in accordance with their various needs and objectives. In fact, what happened is that the early single-purpose and single-commodity co-operative societies of the colonial time specialising respectively in specific activities (credit and inputs, supply, and marketing) and crops (cash crops, cereals, dairy, etc) proved insufficient to service the farmer in his or her multiple needs. In the post-colonial time, in most countries a process of amalgamation took place, of single-purpose co-operatives into multi-purpose ones. In their quest for territorially based units of integrated rural development, the governments chose the village as the basic unit and encouraged the broadening of the Multi-Purpose Co-operatives (MPCs), beyond the common credit-inputs-marketing mix. The village became the site of primaries, in turn affiliated with extra-local secondary co-operatives or unions and this often-curtailed local autonomy.

## Case studies

### *I. Absence of co-operatives*

In a cross-national study of self-management in new land settlement projects in Latin America (Levi and Naveh, 1988) it was found that in one case (3 de Octubre, Honduras) the Peasant League in charge of the project had intentionally avoided a formal co-operative status to the local settlement, as part of its ideology and nationwide policy. The settlement is a local legally negotiated branch of the Asociación Nacional de Campesinos Hondureños called subseccional. Purposeful avoidance of formal co-operative status by the Peasant League to its affiliated units manifested its disavowal of the official use of co-operatives in rural policies. While preventing governmental interference in the affairs of the subseccionales, this provision also helped to make their daily administration simpler by freeing them from the need to prepare an annual balance sheet, a duty transferred, in this case, to the regional co-operative. Here we have a case where avoidance of formal co-operatives becomes a local strength.

In 1986, this author acted as a consultant to the government of Costa Rica regarding the absorption of Nicaraguan political refugees in a new settlement near the Panamanian border. The agencies in charge manifested a clear co-operative bias. The prospective settlers, however, insisted that the organisational form of the new settlement not be a co-operative: they remembered the coerced co-operatives of the Sandinist regime they had just left behind. Despite the author's recommendations, the settlers were incorporated into a production co-operative under the control of the settlement authority. This was one of the factors that ultimately led to the project's failure and the demise of the settlement and proves *a contrario*, our thesis of the appropriateness, in certain cases, of avoiding a formal co-operative system. Absence of formal co-operatives does not preclude village-wide self-help programmes and organised action, as exemplified for example in Tilonia, India (Roy, 1986) and countless similar instances as recorded in Latin America, Africa and elsewhere in the world (see for example Hirschman, 1984; Haubert, 1991; Taylor and MacKenzie, 1992).

## *2. One co-operative for the whole village: top-down cases*

In those regimes eager to speed up nation-wide socialistic policies, 'villagisation' and all-village co-operatives were used. Tanzania, Ethiopia, Tunisia, and Algeria provide such examples, with results heavily lagging behind expectations. Membership in the co-operatives became obligatory for the farmer in order to benefit from reforms, and the co-operatives soon turned into dominant factors in the village. Commenting on the negative experience of the Tanzanian Ujamaa villages, Porvali (1992) makes the point that the policy of "one village one (co-operative) society" damaged the economic viability of co-operatives by defining the area of operation to coincide with administrative boundaries. No agricultural co-operative could be organised within the boundaries of an Ujamaa without the approval of the Ministry. Of particular relevance was the situation of women (as a consequence of Sections 22 and 23 of the 1982 Act providing for the formation and recognition of only one co-operative society in a village):

Women's economic groups, which are often not part of the village co-operative society, are therefore not covered under this Act, leading them to be placed at a disadvantage. Even when women's economic groups can form a branch of the main co-operative society in a village, they cannot function entirely under the control of women, since the society falls within the jurisdiction of the village government which is dominated by men (Nkoma-Wamunza, 1992:211)

The difference in Tanzania's rural policies became evident with the transition from the Co-operative Act of 1982 to that of 1991:

Under the 1982 Act, with its policy of implementing socialism, the norm was for one society for each village to be established regardless of the economic consequences. Establishment under the new Act is based on purely economic criteria and members choice, and consequently the area of operation is not defined in terms of administrative boundaries (World Bank, 1994:73).



Similar policies have been observed in post-revolutionary Ethiopia:

Once a PC (Producers' Co-operative) has been formed inside a Peasant Association no other agricultural co-operative can be formed there. Peasants who become interested in collective production may join the existing PC (Stahl, 1989:65).

To evaluate the performance of a number of cases influenced to varying degrees by the Israeli moshav model, a study was carried out in 1981-1982 in five new land settlement projects in Latin America (two in Honduras and one each in the Dominican Republic, Peru, and Argentina). All shared the original intention of the development agencies to arrive in the course of time at an all-settlement co-operative caring for the needs of all the settlers. The results (Levi and Naveh, 1988) showed that in one case (Haras Nacionales, the Dominican Republic) twelve years had proved insufficient for a settler's organisation to emerge and endure. In another case (28 de Agosto Peru) the all-settlement production co-operative (CAP, Cooperativa Agraria de Produccion) was strongly resisted by the settlers as it was alien to their culture. In yet another case (Nueva Coneta, Argentina) what emerged was a pluralistic pattern with one main co-operative coexisting with two other producer associations. In only one instance (the two Honduran settlements, 3 de Octubre and Salama) could the original objective of an all-settlement organisation be achieved with the full collaboration of the settler-beneficiaries. As already mentioned, in one of these settlements the organisation was co-operative in content yet not in form. In both Honduran cases there was the least involvement of government when compared to the other settlements. This shows the unpredictability of planning and the limitations of a monistic model which is applied in differing contexts and under strong external guidance.

### *3. One co-operative for the whole village: bottom-up and mixed cases*

The local mobilisation of scarce resources can enable peripheral communities with no access to basic public services to achieve an all-village organisation. One such case is provided by Basaisa

(Arafa, 1988) a small "satellite" village in rural Egypt where in 1983 all its 45 households belonged to the local Community Co-operative for Development (CCD), an all-village institution caring for all its needs in services, production, and local government. Building on the government's inability to reach to the smallest units, such "bottom-up/from within" initiatives have a clear advantage over "top-down/ from without" ones in mobilising local resources and meeting local needs, whenever the members have homogeneous backgrounds and a strong identification with their community. The asymmetry between the scope of activities of a co-operative and its community impact is illustrated by the Deedar Co-operative Village Development Society, a single purpose savings and loans co-operative of typical grassroots origin benefiting two villages in a variety of services, with achievements which put the local standard of living much above the national averages of Bangladesh. It is ironic that the best co-operative in the country, Deedar - never received any government support or paternalistic supervision (Douse, 1993:132). An instance of mixed origin is provided by the Associations Villageoises of Mali (Belloncle, 1986). In a typical case one such association would include all the farming units of the village, while providing for the affiliation of farmers and youth to other local and extra-local groups. All the above share a strong element of voluntariness and reliance on local traditions. These and similar experiences suggest that the monistic model can offer a valid development option, provided it is voluntarily accepted by the members and is compatible with their value system.

#### *4. More than one co-operative in the same village: top-down policies*

Government control over the primary co-ops and the all-too-frequent concentration of the MPCs on basic crops for export, with undue consideration for local food consumption, meant that they failed to contribute to village empowerment through organisational diversification. The MPC, mostly state initiated and controlled, became the most pervasive pattern in rural Third World settings, often representing the main organisation at the village level. Its overall benefits to the community, however, remains questionable as the co-operative may leave outside the small farmers with no access to credit due to lack of collaterals. When these small farmers are a majority in the village, the

solution can be to create self-help groups organised around specific interests, as shown by projects in Thailand, Sri Lanka, and India (Verhagen, 1984). As a rule, the capacity of a group for "multi-purposeness" should be carefully checked before a single-purpose co-operative (usually a credit co-op) decides to expand its activities. A critical issue often associated with top-down co-operative policies is poor accountability of second-level co-operatives to their primary affiliates. An efficient secondary is supposed to fulfil the following functions:

- secure information and technical knowledge
- provide economies of scale for indivisible inputs and
- interface with other delivery systems (Vyas and Jagannathan, 1985:169-177).

These functions may easily be neglected by strong secondary unions based on over-dependent primaries and prone to get involved in activities of which the primaries may have little or no information. Such experiences have been reported from Kenya with regard to single commodity (coffee)-multi-purpose local primaries (Gyllstrom, 1989:38-51) and from Israel with regard to all-village moshav co-operatives (Schwartz, 1995). The multi-purpose co-operative evolved in past decades along modalities greatly differing from those of the all-settlement co-operative of the socialistic regimes. In the main, however, it failed to contribute to the emergence of organisational pluralism at the village level. This is now increasingly helped by informal and voluntary groups.

##### *5. More than one co-operative: bottom-up and mixed experiences*

The resort to small groups of directly concerned farmers was recommended on the ground of the inadequacy for development purposes of a "whole village, officially inspired, primary co-operative" (Hunter, 1978). Organisational diversification is a relatively recent phenomenon, mainly encouraged by NGOs in their aims of supporting grassroots and membership organisations. Of particular relevance are saving and lending clubs which may lead at a later stage to co-operatives proper, as in the case of Zimbabwe (Zinyama, 1992) or act as

para-co-operatives by establishing interesting patterns of coexistence and even complementarity with formal co-operatives, as is the case with the tontines of African Francophone countries (Kamden, 1983).

At times, the relations between newly created groups and existing co-operatives may become problematic. A case in point is provided by Wadhuth (Maharashtra, India), a village with 2350 inhabitants where, in the 1970s, the Fertilizer Corporation of India helped to create two working groups of 100 to 200 members each, not registered as co-operatives, to further guided-farming and fertilisation. These groups enjoyed the collaboration of the local Panchayat and proved more flexible than the existing local single-purpose credit society but had problems in their relations with this society and with the co-operative sugar-processing societies in neighbouring villages (Kirsch et al, 1980:135-139).

The rationale of organisational diversification to serve a village community according to interest groups is illustrated by the Village Organisations (VOs) within the framework of the Pakistani Aga Khan Rural Support Programme Experience (AKRSP) started in the early 1980s. The programme addresses a variety of services beyond the conventional realm of the MPCs, such as land development, increased productivity, reduction in workload of women and co-ordination with the social sector. The size and lay-out of the VOs are a function of local needs:

The membership of the VOs depends on the size of the interest group ... from 8 households at one extreme to 130 at the other ... the majority of the VOs comprise more than 50 households or 450 adults ... some big villages have as many as six VOs, but each VO is geographically and by name identifiable ... in Gilgit district the number of villages is reported to be 306 in official statistics but the number of VOs is likely to be 500 (Khan, 1992).

An interesting attempt at collaboration between the government and NGOs is reported from Bangladesh where the Adarsha Gram project includes settling landless people on newly created villages and setting up village groups, not registered as official co-operatives (Douse, 1993:136).

## Summary

Our foregoing analysis has dealt with 17 examples of which 6 are country cases, 4 are sectoral/project cases and 7 are village cases. Table 3 offers a summary view.

**Table 3: A summary view of cases**

Cases	Absence		Monism		Pluralism	
	Not-any-more	Not-yet	Top-down	Bottom-up	Top-down	Bottom-up
<b>Country cases</b>						
Tanzania's Ujiarnaa			+			
Ethiopia's PCs			+			
Peru's CAP			+			
Israel's Moshv Ovdim			+	+		
Mali's AV					+	+
Zimbabwe's groups					+	+
<b>Sector/Project cases</b>						
W. African Tontines						+
Adarsha Gram (Bangladesh)					+	+
AKRSP (Pakistan)					+	+
<b>Village cases</b>						
Costa Rica	+					
3 de Octubre (Hond.)	+			+		
Salama (Hond.)				+		
Basaisa (Egypt)				+		
Deedar (Bangladesh)						+
Tilonia (India)						+
Haras		+				
Nacionales (Dorn. Rep.)						

Three cases (Ethiopia's PCs, Peru's CAPs and Tanzania's Ujiamaa) epitomize the country-wide-top-down monistic combination. The mixed top-down-bottom-up monistic combination is represented by the Israeli case. Two cases (Basaisa and 3 de Octubre) represent the opposite village-based-monistic-bottom-up combination. The pluralistic model has been illustrated by five cases of mixed top-down-bottom-up initiatives at the macro level (Mali's AV; Zimbabwe's groups; Adarsha Gram of Bangladesh and AKRSP of Pakistan), one case of bottom-up initiative at the macro level (the W. African tontines) and two cases of bottom-up initiative at the village level (Deedar and Tilonia). Of particular interest are 3 de Octubre (Honduras) as an example of a purposely non-co-operative all village organisation (a "not-any-more" instance); Basaisa (Egypt) as its co-operative counterpart; Deedar as a bottom-up co-operative comprising two villages and Haras Nacionales (The Dominican Republic) as an example of absence of co-operative organisations corresponding to a 'not-yet' instance. As to the Costa Rican experience, it has been included under "absence" due to the "never-again" perception of the refugees, although the ultimate outcome was its opposite, that is, an all-village co-operative under the control of the settling authority.

Though exploratory in character, the above observations point to the general tendency of monistic projects of national scope to be associated with top-down initiatives and of pluralistic projects to be associated with a mix of top-down and bottom-up initiatives or bottom-up ones. It was earlier suggested that the "absence-monism-pluralism" distinction does not form a continuum, and that each option should be seen in the light of its potentials and limitations. Put in other words, 'bigger' is not necessarily 'better'. The "communityness" of a co-operative (to mean its relevance to the community and its contribution to community self-determination and self-reliance) does not necessarily depend on its size or the scope of its activities. As is nicely illustrated by the Deedar case, a grassroots single-purpose co-operative may have a bigger impact on its environment than can a multi-purpose one, whose origin is "from above" and "from without" and is less sensitive to local problems and needs.

## Discussion and conclusions

How do our observations relate to broader theoretical considerations? The notions of monism and pluralism invite an association with monopoly and competition, respectively. Counteracting capitalist monopolies has been a typical challenge for co-operatives in the West (Cirillo, 1984). The struggle of the Saskatchewan farmers to curb the monopolistic system of transporting and marketing grain (McLaughlin, 1996) and the achievements of the Swedish consumers' organization KF in reducing retail prices on a national scale (Kylebäck, 1986), provide telling illustrations. It is interesting to note how the roles, in our above cases, have been inverted: co-operatives have turned from anti-monopolistic into monopolistic actors. The state, especially in East Africa, used co-operatives to replace private dealers in major export crops and gave them a monopolistic position. The all-village co-operative served as an efficient means of control at the local level. Such a monopolistic power has been criticised on the grounds that it impaired the efforts to benefit the rural poor through grassroots participation and is unjustified whenever the co-operatives operate in sub-economic ways (Lele, 1981) or are characterised by high levels of corruption, thefts and the opportunism of power-holders (Brett, 1993).

Unlike the notion of monism, pluralism invites the association with competition, choice, voice and exit and a potential for multiple linkages to extra-village levels. The mere possibility for a pluralist system to exist does not in itself provide a sufficient condition for its efficient functioning. Competition among groups can have negative effects when groups operating within a relatively limited territory compete for scarce resources, fail to find a common denominator, or are forced into desperate survival options, as in some Thai villages (Turton, 1987). Whatever the shortcomings, though, the pluralistic option seems to have an edge on the constraints and inflexibility of monistic solutions.

Moving to a higher level of abstraction can help us to sharpen this view. Monism has been said to occur when "Our separate individual ways of understanding complex systems are merging into a coherent whole" (Norgaard, 1994:62). This can lead to an inability to account for, and understand, local diversity:

Monism denies the possibility of multiple right and contradictory answers stemming from alternative ways of thinking about the same problem ... By publicly agreeing to monism we are unable to look upon cultures with different knowledge systems as equals (ibid: 66, 73).

For a long time, co-operatives in Third World countries served ambitious national goals such as land reform, the production of major crops for export and the building-up of rural socialism. "Co-operatives at the service of national development", "full-fledged co-operatives" and "all-settlement co-operatives" suited the "hard" image sought. The frequent abuses and misuses of co-operatives by governments in developing countries, suggest that alternative thinking and strategies should be adopted. The role of co-operatives in development may be better served by "soft" rather than "hard" choices (Levi, 1994).

The above analysis suggests that the monistic model, far from securing a viable all-village organisational frame, may defeat such a purpose whenever the organisation is decreed from above and serves as a blueprint to achieve national goals. A main conclusion is that in a situation of low inter-organisational compatibility as typical of top-down monistic projects, misuse of co-operatives may prevent the local people from making the best out of their organisational potential. As to the pluralistic model, it seems that due to historic colonial backgrounds, the bias towards strong MPCs failed to contribute to the emergence of meaningful pluralistic systems at the village level. The importance of absence of formal co-operatives, in its two-fold 'not-yet/not-any-more' aspect has been a major concern of our subject matter. The point was not an appraisal of 'absence' per se but rather the need to be aware of the possible negative outcomes of involuntary co-operative policies and, once the damage is caused, to see absence of co-operatives as a development potential. It may be useful to avoid co-operative semantics and formal solutions, in order to prevent further erosion of the co-operative image and to encourage the self-reliance of people and their confidence in initiatives which may be co-operative in content yet not necessarily in their connotation and form.

The new trends of deofficialisation of central government



policies, of structural adjustments and of privatisation, are likely to produce changes in local organisational forms. The role of co-operatives - for long associated with official policies - is about to diminish in favour of new forms of participatory and local institutions, spurred by the recent proliferation of NGOs with their myriad organisational forms and functions (World Bank, 1997, Chap.7). Considering, for instance, recent trends in Sub-Saharan Africa, a number of reasons seem to speak in favour of organisational pluralism at the village level:

- the comparative advantages of formal and informal groups;
- the increased awareness of the advantages of small ad-hoc groups for seasonal activities;
- the increased importance accorded to traditional forms of mutual aid;
- the increased focus given to such activities as community management of natural resources, fuelwood and industrial forestry plantation and private tree farming, pooling labour for critical tasks at critical times, as well as servicing increased needs for family planning (Cleaver and Schreiber, 1994:159).

In our above situations of "absence" and "pluralism", selective approaches towards co-operatives are likely to be eased by the growing availability of alternative organisations. As to the 'monistic' model, it may be relevant for voluntary initiatives of a communal nature and less so for generalisable development purposes. Even in the light of such new trends, though, the main lesson that can be derived from the above analysis concerns the consequences when co-operatives are used to serve the needs of the establishment rather than those of the members and their communities.

The exploratory character of this article invites further research based on systematic selection of cases and more in-depth analysis of issues related to each of the situations under discussion and concerning co-operative and non-co-operative organisations. In conditions of co-operative absence, how are situations of "not any more" and "never again" arrived at and how are these turned towards new "post-co-operative" courses of action? Under conditions of monism, what are the advantages in terms of economies of scale against costs and externalities? Under

pluralism, how is organisational potential assessed and harnessed? What factors affect tolerance and compatibility between organisations? What are the minimum and optimum "carrying capacities" of communities, and under what conditions? How do different patterns of "density" affect extra- village organisational linkages? These are issues for future research.

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## Book Reviews

Dr Peter Davis

Bruno Jossa and Gaetano Cuomo, **The Economic Theory of Socialism and the Labour Managed Firm**. Markets, Socialism and Labour Management, Edward Elgar, Cheltenham, 1997. ISBN 1 85898 431 9

This is an important book which deals with a wide range of issues concerning the human condition that have a bearing on the book's main themes. These themes are the refutation of orthodox economic analysis of socialism and the affirmation of the worker managed enterprise as the basis for a theoretical socialist political economy. I say theoretical because their final position seems to suggest that this model lacks a realistic opportunity to be implemented. In the process of arriving at this rather tame conclusion Jossa and Cuomo reaffirm the theoretical credibility of Socialist Economic Theory at a time when the new orthodoxy from both the far Thatcherite right and (more significantly perhaps) the New Labour analysis appears to be accepting free market capital-based business leadership and the economic theory which justifies it as if there is no alternative. This book is, therefore, hard going for the non-specialist. The very scholarly discussion by Jossa and Cuomo takes in the full range of the debate that has raged over the century since Marx wrote *Capital* and I cannot do more than selectively pick up some of the points which I feel will be of interest to readers of the *Journal* and may encourage them to read this book for themselves; I am sure it will repay the effort.

The analysis surrounds the authors' definition of three contending models of economic system: capitalism, characterised by private ownership; classical state socialism in which the system is publicly owned and run by managers/planners; and labour-managed firms operating on the basis of borrowed money. The collapse of communism perhaps makes it easier for the authors to discard the second system and pit market capitalism against market socialism.

Co-operators may not necessarily want to accept their definition of market socialism as being made up solely of labour-

managed/owned firms. Are we to subsume consumer co-operatives as capitalist firms?

The other reservation I have with their whole approach is that it is very much the "big system" approach. The argument that a system of labour management can eliminate exploitation I find unconvincing and rather diverting. Do we really have to prove a perfect world in order to justify co-operative ownership of the means of production and distribution? Later (pp308-309), when discussing Gramsci and Novark on the formation of human character, they seem to moderate their claims in this regard.

The idea that labour management and managerial socialism are different conceptually is a key idea around which much of the book's analysis depends. It seems to me to involve ignoring the issue of leadership (entrepreneurship) and its role in activities characterised in the term "management". The authors spell out what a labour managed firm's management is like "As for the labour managed firm, there is no doubt that its main characteristic is that power is vested in the workers". (p113) The notion of direct election of managers (p114) is a diversion that discredits an otherwise erudite and convincing discussion and shows just how little these two economists understand about selection and recruitment procedures or succession planning. In my view managers do not have to "run" autonomous firms owned by the workers (p114) but they do have to lead those firms. It will have to be a democratic and transparent leadership certainly and one that involves and devolves responsibilities for many aspects of the operations to those executing those operations, but it cannot be worker control in the direct day to day sense in any but the smallest enterprises. Rather it is a management control that is accountable to labour and directed to the purposes of labour rather than capital, that should be the focus for theoretical attention.

Their treatment of the general co-operative movement seems ambivalent. Jossa and Cuomo's review of Maffeo Pataleoni's criticism of co-operatives (p146) as just another private enterprise offers no real challenge to this absurd proposition beyond taking up the proposition that worker-owned co-operatives do differ by being wage-maximising not profit-maximising firms. If this proposition is the only defence against Pataleoni's proposition,



and they offer no other, this appears an indirect way of saying that Pataleoni's critique still stands for the rest of the co-operative movement. This is of course nonsense. All co-operatives exist to provide open access to members who can benefit from the services the co-operative provides. No co-operative is a profit-maximising concern; they are rather service maximising enterprises. Not only that but, they exist to provide market leverage for individuals, families and small enterprises in the marketplace, as well as access to the benefits of the marketplace. Jossa and Cuomo discuss the criticism made by Hayek and von Mises that efficient prices cannot be arrived at in a planned system because of insufficient information. The proposition that only the entrepreneur can strive to identify market information seems almost metaphysical. All business has to plan on the basis of forecast prices that are based on the best estimates drawn from the market intelligence that is available, ownership or management structures notwithstanding. Why is it OK for the big eight transnationals, with turnovers equal to 50 countries housing half the world's population, to engage in planning but not the business known as Cuba Ltd? One big difference it could be argued, is that there are no shareholders of Cuba Ltd only stakeholders who cannot sack their management. But this is an issue concerning governance not planning or price-determination. For the record, apart from the shareholders no other stakeholder group can sack the management in a capitalist firm either.

The book discusses Hayek and von Mises' argument that innovation is a capitalist monopoly. This is to confuse the search for profit with innovation. In fact nearly all technological innovations are the products of the inventions of human labour in tool rooms/workshops or laboratories and often are the product of teamwork. Capital simply follows and invests in these innovations. If the markets and the needs are identified, will the inventors stop inventing just because there is no capitalist investor? Much pure and applied research has been publicly funded. However the inertia and conservatism of so many segments of the co-operative movement world-wide, not least in the worker co-operative sector, means that for me that this particular criticism of socialistic organisation may require more serious consideration than it in fact gets in this book.

The disappointing conclusion, that self-managed firms must be externally promoted and nationally established to survive,

does not entirely square with the all the facts but the importance to worker co-operatives of external promotional bodies is clear from the UK's historical record. So is this the end of socialist economic models as practical propositions? Perhaps it is rather Jossa and Cuomo's model of market socialism that is the real problem. They are too restrictive in the organisational forms that are permitted to operate within it. They ignore the wide variety of alternative social and co-operative enterprise structures in addition to the labour-managed firm. This is, I believe, the problem in the book's approach to the many orthodox critics of co-operative and market-based socialism. This book deserves to be read, and the arguments put need in parts to be aired more widely and in others perhaps challenged in more detail than can be achieved in one short review.

John Siraj-Blatchford, **Robert Owen: Schooling the Innocents**,  
Educational Heretics Press, Nottingham, 1997.  
ISBN 1-900219-00-X

Anyone interested in the development of children should read this entertaining and informative review of Robert Owen's ideas on education, their intellectual roots in Rousseau and the parallel ideas that have developed in Europe by such important figures as Pestalozzi and Piaget. Issues concerning the Nature v Nurture debate and the role of education in determining equality and inequality in society are discussed in a fast-moving style that is generally accessible to the non-specialist.

Owen's ideas on children's education were revolutionary for their times and still are far from being implemented in our modern educational system. That they worked was not disputed by those who visited Owen's school in New Lanark but the will by those who have the resources to invest in this way was and still is lacking in our society.

Because the author tries to tie in the contextual material with his main focus there are some areas of detail where the generalisations become misleading. But these are mere asides to the book's overall focus. I can't help mentioning, however, that William Thompson was in many ways much more the precursor of consumer co-operation than "Ricardian" Socialism. (see pl) Thompson attacked Hodgkins *Labour Defended* (1827) for emphasising production over distribution and for preferring tradition and the market to determining wage levels. Ricardian is in any event a misrepresentation of the English Labour Economists. Bray actually criticises Ricardo's wage fund theory. He also criticised Owen's Community strategy as ignoring the economies of scale being achieved in the new manufacturing system.

However, whatever the rights and wrongs of Owen's grand plans his approach to education and his emphasis on character formation made a lasting impression on our movement. Nor do we have to accept Owen's views on character as wholly formed by experience to recognise the power of the processes of learning through doing, and particularly through playing, in the early formative years. The moral and ethical issues of character for the successful operation of co-operation have never really been

acknowledged fully. Co-operative character as the first building block of the co-operative was an important message. The chapters dealing with the modern context raise many important points. Not least is the lack of teacher and parental control over the learning environment produced by today's working parents' lack of adequate creche facilities and the impact of the mass media in the home.

The disappointing aspect of the book is its conclusions, or rather lack of them. To learn needs motivation, which needs vision. What is the vision our society provides? The support for children's development is one area where there is clear need but as yet inadequate resources. We must get the approach right and in this Robert Owen says a lot that repays our attention and justifies the work put into this book. But these ideas are labour-intensive and resource hungry. Are we prepared to pay to see co-operative schools run along the lines of Owen's for our children?