

Central Co-operative Organisation: Next Steps?

STRUCTURES IN OTHER MOVEMENTS

SOME NOTES

by

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The referendum in the British Co-operative Movement in the summer of 1977 on the proposal for a merger between the Co-operative Union and the Co-operative Wholesale Society showed an insufficient majority to authorise such a change. The problems which led a majority of co-operators to advocate such a change nevertheless remain and if they are not to be solved by a merger between the Union and the Wholesale Society they will have to be solved in some other way.

There have been many structural changes in European consumer and other Co-operative Movements during the last twenty years - since the UK Independent Commission reported in 1958. That Commission recommended among other things that there should be mergers between retail societies in order to take advantage of the economies of scale and improve trading efficiency, a course made necessary by the development of self service and supermarkets and making retailing a significantly more capital intensive business. As the scale of operation of consumers' Co-operatives became larger through amalgamations, increased centralisation of services also became necessary in many countries and these structural changes were discussed in a report to the meeting of the International Co-operative Alliance Central Committee in Helsinki in 1965 and in a further report to the 23rd ICA Congress held in Vienna in 1966.

There was further discussion of structural change in consumers' Co-operatives in three papers on Contemporary Co-operative Democracy discussed at the 24th ICA Congress in Hamburg in 1969. These papers were from the ICA Secretariat, from Mr. Klimov of Centrosyuz, the Soviet Union, and a joint paper from Mr. Kerinec, FNCC, France, and from Mr. Thedin, KF, Sweden. These papers were primarily concerned with the problem of maintaining effective co-operative democracy in the context of the amalgamation of retail societies into large retail societies and the need for structural changes leading to increased centralisation.

As retail societies have become larger there have been changes in some countries in the way in which the members control their societies. With small retail societies it is not difficult for all the members attending a meeting to be accommodated in a single hall. With large societies parallel meetings may be organised, as sometimes in Britain, in a number of different localities and with the same agenda. In continental Europe it has been more usual for district meetings to be convened and for them to elect delegates to a meeting representative of the Society as a whole. In some cases a Supervisory Council is elected as well as a Board of Directors or Committee of Management, the role of such a Council being to supervise the work of the Board.

As societies have become larger it has become increasingly necessary to draw a clear distinction between the elected Board responsible for policy and the full-time professional management. In federal Co-operative organisations those elected to office may sometimes be the elected board members of retail or primary co-operatives and they may sometimes be full-time officials, though there are sometimes restrictions placed on the extent to which such full-time officials may be elected to federal organisations.

Retail-Wholesale Relations

Structural change in European consumers' Co-operatives over the last twenty years has generally involved closer trading relations between the retail societies and the central wholesale society. In some countries, such as Sweden, purchasing has been almost wholly concentrated in the hands of the central organisation. In others, such as Finland, it is argued that retail societies should be free to purchase directly from source in order to help to ensure that purchase through the wholesale is as efficient as possible. In some countries, such as Norway in 1974, retail societies make only about half their purchases through their wholesale society.

In some European countries, such as Britain, France and Germany, retail consumers' Co-operatives have formed a central union or federation to represent their interests and a separate wholesale trading federation. In others such as Norway, Sweden, Denmark and Switzerland, a single national federation has fulfilled both functions. In the discussions in Britain of the case for a single national federation to be achieved through the merger of the Co-operative Union and the Co-operative Wholesale Society it was argued that such a merger would be the best way of achieving a more effective unification of the movement and rapid decision-making in the interests of trading efficiency. But such corporate unification is not the only way of achieving unification of policy making and other avenues need to be explored.

It is sometimes argued that a private retail chain has a built-in trading advantage over Co-operatives in that it is a single trading organisation and does not have to cover the cost of trading which arises between retail societies and their central trading organisation. This is the case for a single national society, as distinct from a

single national federation and it has been discussed in Britain for more than fifty years. Retail societies have, however, been reluctant to sacrifice their autonomy and if the support for a single national federation has been insufficient to bring about such a merger it seems unlikely that retail societies will merge to form a single national society in the near future. The Co-operative Union has been committed for some years to the promotion of mergers between retail societies to form 26 regional retail societies; but at the end of 1976 the number of retail societies in Britain was still nearly ten times as great.

The economic advantages of a single national society have been discussed in some other European countries, such as Sweden - but this is not a change which seems likely in large countries such as Britain and Sweden. In smaller countries it is more of a possibility and it is sometimes argued that Co-op Nederland could have survived as a single national society. In Denmark F.D.B. merged with the big retail society H.B. a few years ago and there were plans to merge the small retail societies, numbering more than 1,000, with the F.D.B. to form Co-op Denmark. These small retail societies have a contractual relationship with F.D.B. that of the mainly urban "B" societies being closer than that of the mainly rural "A" societies. It remains to be seen what kind of progress will be made towards complete integration and a single national society; but it may be that a very close working relationship between a large wholesale society and union and a large number of small autonomous retail societies will remain for some time.

Central Organisation in other Movements

In the Federal Republic of Germany centralisation involved the conversion of retail Co-operatives to the legal form of limited companies and the formation of the central organisation Co-op Zentrale AG. In Austria sixteen large

regional Co-operatives were formed after the end of the second world war and Konsumverband, the Co-operative Union collaborated closely with the wholesale G.o.C. Integration has taken the form of the formation of a single national federation, Zentralkonsum, and the plan is that the retail societies should be merged with Zentralkonsum to form a single national society. This recipe has not won sufficient support in Britain; and the question is what kind of organisational changes might be made to promote greater integration in policy making without forming a single national federation.

The experience of other European co-operative movements has in many cases been that of having a single national federation from the beginning so that the problem of a merger did not arise. One country in which the wholesale society operates separately from the Union is Finland. This is a country with a very small population compared with that of Britain but it has found room for two consumers' co-operative movements: SOK and KK. SOK is the wholesaling organisation formed in 1904 with YOL its associated co-operative union; and in 1916 a number of the more progressive and mainly urban co-operatives broke away to form the progressive E-movement or KK with its own wholesaling and productive organisation OTK. By 1911 SOK and YOL had found it useful to arrange that the two central organisations with different functions should have identical boards; and KK and OTK later decided to organise their two central organisations in the same kind of way with different functions but with identical boards. Between them the two movements have a very large share of the retail market - perhaps four times as large as that of the British movement - and Finland is a country in which Co-operation is highly developed. It may be that Britain could learn something from the experience of the two Finnish movements each with two central organisations no less than from that of the Swedish consumers' Co-operative Movement with only one.

Particular Issues in Britain

Between 1970 and 1973 the two wholesale societies had ten representatives on the Central Executive of the Co-operative Union compared with the nine representatives of the retail societies but this did not achieve quite the co-ordination and rationalisation of high level policy that had been hoped for. The two central organisations continued to tend to act independently of each other; but Finnish experience suggests that the identity of two boards can achieve greater integration of policy.

Another matter that could, perhaps, be looked at is the relationship of the Parliamentary Committee and the Education Executive and the Co-operative Party to the central bodies of the Co-operative Union and the Co-operative Wholesale Society. It has been suggested by the Chairman of the Co-operative Party that the party ought to be a somewhat more autonomous body supported by the Co-operative Movement but without being an integral part of the Co-operative Union. If the Co-operative Party were to become somewhat more autonomous though with a close relationship to the Parliamentary Committee of the Co-operative Union, Co-operative organisations other than consumers' Co-operatives might be more willing to develop a relationship with the Co-operative Union.

In theory the Co-operative Union represents all kinds of co-operatives but in practice the overwhelming size of the consumer Co-operative Movement in Britain compared with agricultural Co-operatives, productive societies, housing societies and credit Co-operatives has meant that the Co-operative Union has tended to be supported almost wholly by consumers' Co-operatives and to devote itself mainly to promoting their interests. There are other Co-operative organisations such as the Federation of Agricultural Co-operatives, the Co-operative Productive Federation and the Credit Union League of Great Britain and the question

arises as to whether such other kinds of co-operatives might all become affiliated to the Co-operative Union one day as the organisation representing all kinds of co-operatives or whether the Co-operative Union might become, like KF and FNCC, KK and YOL, formally a consumers' Co-operative organisation with some other body formed to represent all kinds of Co-operatives.

This matter of the role of the Co-operative Union has been given some topicality by the promise of the Government to establish a Co-operative Development Agency. If a close integration of the consumers' Co-operative Movement were to be achieved, as in Finland, by the election of identical boards by the Union and the Wholesale Society or in some other way this might tend to make the Co-operative Union rather more of a consumers' Co-operative organisation. The consumers' Co-operative Movement needs unity of policy making at the top; but at the same time the Co-operative Movement as a whole needs to express to government, perhaps through the Parliamentary Committee or in some other way or to the proposed Co-operative Development Agency if it becomes a mainly governmental body, the views of all kinds of Co-operatives on matters affecting them all.

Closer collaboration both between Co-operatives of the same kind and between different kinds of Co-operatives is accepted as a basic Co-operative principle. While closer integration of the consumers' Co-operative Movement is clearly needed at the top to help it compete more effectively with the private chains, greater member involvement is also needed and this tends to be easier to achieve with smaller societies than with larger ones. The Co-operative Union's 1975 report on Developing Lay Leadership explored this problem and discussed Members' Councils, Shop Groups and Shop Committees; and the area was further explored in a subsequent report. One of the problems seems to be to make membership more significant

and different societies and different movements have taken different initiatives in this area. The conversion of stamps into shares can be made significantly more attractive than their conversion into cash and a clear link established with trading results. In Finland dividends on purchases have often been very low but member involvement has been rather better than in Britain perhaps partly because of a variety of facilities made available to members only. In Canada ways have been explored of giving members a significant price advantage that encourages them to take an active interest; and some small societies in Canada and the USA even require work commitment of their members in the same kind of way as did the Rochdale Pioneers.