CONSTRAINTS TO STARTING

by

JOHN BERRY

The last five years have seen an unprecedented increase in the number of worker Co-operatives registering. This has been encouraged and stimulated by the substantial support given throughout Britain by local CDAs, local authorities and the national Co-operative organisations.

The registration of a Co-operative is however only a first stage in setting up a business. There are many other hurdles to overcome. It is really too early to say whether this growth in Co-operatives is going to be sustained, as any business may be said to have been established only after its first years of trading, and to have become commercially successful only after five years.

What impediments are there to the successful start up of worker Co-operatives initially and then in the first few years of trading? What are the ingredients for success which take Co-operatives through those bench marks of one year and five years?

In my view the impediments to the start up of Co-operatives fall into the following categories.

Difficulties in the Structural Nature?

The structural nature of Co-operatives which places membership i.e. the workers, above the interests of capital is perhaps the greatest obstacle which Co-ops face from the society in which they operate. The concept of labour hiring capital rather than vice versa sets Co-ops at odds with a predominantly capitalist economy. This basic tenet of Co-operation makes it difficult for Co-operatives to compete in the financial market place which emphasises capital accumnulation rather than remuneration in return for service.

The structure of 'normal ' model rules for Co-operatives such as ICOM rules does not make it easy to capitalise the needs of the business. In such Co-ops finance needs to be put in the form of grants or loans. The former is unlikely to be available on any substantial scale and the latter raises enormous problems in the running of the business. Havoc is created with gearing ratios and the need to pay back capital as well as interest over the early period of trading puts strain on the resources of the Co-operative. This is not too great a problem on a smaller Co-operative as the amounts are more manageable, but with larger businesses new ways must be found of financing Co-operatives.

This is not an argument for changing the tenet of Co-operation mentioned above and making Co-operatives into some sort of worker ownership where *individual* workers would own part of the equity or a 'bit of the action'. It is however, an argument which suggests ways in which sympathetic local authorities or Co-op financial institutions could finance larger Co-operatives by the use of normal share issues in which the institution holds a percentage of the equity and a Co-op holds a percentage. Over time, and given profitability the Co-op would be able to buy the institution's share. It is important to emphasise however that the institutional share holder's aim is to create Co-ops, as a private share-holder may not be so sympathetic.

Image of Co-operatives?

The perception of worker Co-operatives amongst the general public is drawn from a wide variety of images. The "Benn Co-ops" such as Meriden feature large and are associated with failure. Other images include alternative life style communes, poor wages, naive concepts of business etc. etc. These images can prove to be an impediment to the starting up of Co-operatives as bankers, trade unions, local authorities are influenced by them and perhaps have all too few examples to contradict their impressions.

Sectors of Operation?

The particular sector Co-operatives operate within is very likely to have enormous influence on their success or failure and this tends to be predetermined by the relative ease of entry into the business. Co-operatives with their difficulties in raising finance will tend to occur in industries such as building, where entry has a low financial threshold. Co-operatives may therefore be less likely to form in capital intensive industries such as manufacturing unless there are specific programmes to support such schemes. Easy entry industries, however, are also likely to be low margin industries condemning Co-ops to low profitability and thus slow growth.

Organisational Issues?

The internal organisation of Co-operatives is a subject for endless debate. Solutions are still very much in a state of being discovered and there are very few models to work from. The twin aims of democracy in the workplace and commercial success are sometimes in conflict and sometimes in harmony. This "finding out period" is perhaps an early impediment to success but in the long run has important lessons for the commercially successful and democratic Co-ops of the future.

Skills and Management?

Organisations and institutions demand too much from Co-operatives sometimes. When you consider that a group of individuals who have formed a Co-operative are suddenly being asked to be not just workers but owners and not just owners but management as well, it is surprising that more initiatives don't fail early. A Co-op is a big responsibility to take on. When you add the ingredient of, say, a relief for youth unemployment where individuals have no experience of work let alone ownership and management it is not surprising if Co-operatives will not fit into programmes of job creation with absolute ease. Intensive training and on the job training is essential here and programmes must be developed around this need.

Lack of Support?

Despite the mushrooming of support agencies at a local level, there has been little help from central government for Co-operatives. Apart from the 'Benn Co-ops', the Industrial Common Ownership Act and the national CDA are the only contributions that governments have made in the last ten years. Local authorities are beginning to make more substantial commitments such as the programmes in the West Midlands and in London. To make Co-operatives have a substantial impact, programmes such as these must be repeated on a national level.

Trade unions are beginning to show an interest in Co-operatives and a combined approach could produce a more substantial Co-operative sector.

This paper does stress the impediments to the starting of worker Co-operatives but does not suggest they are insurmountable. It does not go into the reasons why Co-operatives can be more successful than traditional companies nor the ingredients for success.

Given resources, given time for organic growth and given political support from the right quarter, Co-operatives can play an important part in the development of alternatives to our present flagging system.

Note of the Author

JOHN BERRY has been involved in Co-operatives since 1976, when he was a founder member of Calvert's Press, a North London printing Co-operative. Has been a Council member of ICOM, and a trustee of ICOF for four years. Worked with Lambeth CDA and for the last year has been employed at the Greater London Enterprise Board, developing and implementing a Co-operative support programme.