WORKERS CO-OPERATIVES – SOME PROSPECTS

TWO REPORTS OF FIELD RESEARCH

The articles which follow are based upon research undertaken by two members of the 1983 Diploma in Policy Studies course at the Co-operative College. A field research project, not necessarily on Co-operative development, is an important feature of the course which is primarily intended for people who have not previously completed higher education, but who have been active in voluntary or community work.

Other projects have dealt with aspects of business and community development, unemployment, cultural and historical analysis, education, and consumer Co-operation in Japan and the United Kingdom.

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I PLANNING AND WORK EQUITY

by

PAUL BEARD

"Wholefood and Co-operation" is a misleading title for my project. It was however an area of research from which significant factors contributing to successful workers' Co-operatives might be distilled.

Experience in "adversative" business had conditioned my prejudice to look first at planning. By contrast, I stumbled across "work equity," a concept both interesting in its application and challenging in its future possibilities.

Importance of Planning

Workers' Co-operatives appear particularly susceptible to the neglect of planning. One interviewee rationalised this situation by suggesting that since workers were motivated not by personal greed but desire to promote the general welfare of the Co-operative, little planning was necessary. He considered that shared Co-operative ideals ensured virtual consensus whenever important policy decisions were required. Such naivety is tantamount to Romeo and Juliet believing that love conquers all!

Co-operation is perceived in differing forms. Aims and methods of operation must therefore be agreed and clearly recorded if one is to avoid the possibility of members pulling in different directions, each towards a personal perception of the common goal.

Comprehensive planning is essential for a minimum of the next twelve months in addition to outline planning for, say, five years. These plans may of course be amended as often as necessary subject to the rules of the Co-operative and the clear understanding and acceptance by the members. Caution usually leads members to plan for failure – a point at which further losses cannot be sustained, but the necessity of planning for success is sometimes less obvious.

Examples of Inadequate Planning –

Examples of inadequate planning are legion. A Co-operative of some fifty extrememly able members decided to open a small wholefood shop. It was one of a number of ventures which they were considering and in some cases testing. With hindsight it appears they may have reasoned that with such reserves of membership, there would always be a capable member willing to respond to any demand of this business. Therefore, what need was there for detailed planning? The unhappy result was ill-defined responsibilities and all but non-existent management accounts. Nevertheless, it struggled on for a few years before closing with serious financial losses and without a positive understanding of the reason for failure.

Sadder than the demise of the wholefood shop (it was later resurrected by a new independent workers' Co-operative) was the fact that it stunned a Co-operative with great potential to promote workers' Co-operatives. Such organisations could channel the almost untapped resource of the skills of supporters of Co-operative ideals who are unable to consider membership of a workers' Co-operative (because of existing employment etc.) but could contribute to the Movement on a "consultancy" basis.

Unplanned successes are also problematic. An unpretentious Co-operative wholefood bulk-buying group was started some five years ago by a general practitioner and his wife together with four other families. It was hoped to expand its activities in order to make a contribution to a healthier society, but any planning was, at best, informal. Experience suggests that the optimum number of members for such a group lies between ten and twenty, but membership of this group now exceeds one hundred and fifty, and distribution has become permanently based at the doctor's house from where activities are organised under his leadership. This situation was certainly not the original intention, not least because further expansion is restricted. A drastic change of policy is now required, but with woefully inadequate rules and little planning, it will require a supreme quality of co-operation if changes are to be achieved without alienating a significant number of members who will have differing perceptions of the aims of the group.

— And of Good Planning

Good planning was found exemplified in a Co-operative registered long before its business activity was undertaken. During the early period regular meetings were held to discuss members' ideals. Thus, an efficient organisation was operating for some time before its well-planned retail business started. The business exceeded their trading forcasts to a point where rapid expansion was a possibility. At this juncture however, they realised that such expansion would necessitate borrowing considerable amounts of money and perhaps doubling the numbers of workers. Rapid implementation of such plans could overwhelm the existing structure such that its essential, and successful, characteristics might be lost. The Co-operative is therefore wisely planning a cautious and controlled growth.

Work Equity in Workers' Co-operatives

Worker/Co-operators exploit themselves mercilessly. Unfortunately members' contributions in this "exploitation" will be unequal because of differing personal circumstances and abilities etc., and a destructive friction is likely to develop between them. A second consequence of a significant difference between the value of labour and the wages paid is that wages figures appearing in accounts will be misleading so that future decisions made on such figures will be to some extent unsound. In the solution seen in practice, work value in excess of wages paid was recorded as "work equity" to the credit of each worker so that when a predetermined trading performance was achieved, the payments could be made.

The more exciting application of this principle is in its use as security for loans. A problem with conventional finance is that loans have to be paid for irrespective of the borrower's trading performance – which is likely to be below its best at a time when loans are required. The arrangement one Co-operative achieved was one whereby a trust provided a loan on which no payments were to be made until agreed trading performance was obtained. In return for this concession, members agreed to contribute their labour at discounted rates so as to strengthen the security of the lender. Both notional interest and "work equity" were recorded. When circumstances allowed, the principle was repaid, whereafter a proportion of subsequent surpluses was paid as "work equity" to the appropriate members and interest to the lender.

Clearly one would have problems persuading existing clearing banks to consider such a proposal, but other trusts and suchlike might follow a proven example. It would certainly be interesting to discover the reaction to this concept of those wealthy middle-eastern financial institutions whose national religions forbid usury.

Some economic futurists now predict the necessity for City and financial institutions to change their role from that of insular financial manipulation to one of true service to business and social needs. Perhaps they are seeing the counter-productive nature of "adversative" business and the potential advantages of Co-operation.

Note of the Author

PAUL BEARD, a 43 year old bachelor, has spent his working life involved in various aspects of business administration. Much of his early career was spent abroad including a five year period in Africa. Subsequently he has worked as a business/financial consultant specialising in negotiations, feasibility studies and trouble-shooting.