FINE FARE AND WORKERS' CO-OPERATIVES

by

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It is a fact of retail life that, for reasons such as changes in the pattern of physical distribution, a branch which is, in itself, viable in day-to-day trading terms may cease to have a future in the context of the organisation of which it forms a part.

In the 1960s self-service shops and small supermarkets predominated in Fine Fare. Depots were sited for short hauls with many deliveries in small drops. Now we have superstores, motorways and big drops. The evolution of our retail operation and the changing transport environment presented us with a number of problems in the North West of England. One was the question mark over seven, small, traditional, self-service shops which were doing quite well but which clearly were no longer going to be economic for us to run.

Initiative Shared by Employer and Union

Fine Fare duly consulted the Union recognised by the Company (USDAW) following the procedure set out in section 99 of the Employment Protection Act. In our consultative document we offered, amongst other things, to facilitate management buy-outs in the seven still profitable small shops.

The Union's initial response to this offer was lukewarm but later, as we worked further on the consultation process, Mr. Harry Pleavin, USDAW Area Organiser, came up very tentatively with an interesting proposal: as an alternative to management buy-outs, would the Company consider workers' Co-operatives? (He made it clear that these would have no connection with any Retail Co-operative Society; he was not expecting the Company to assist a major competitor.) Our answer was "yes". From this fusion of ideas between employer and Union there has been developed a gratifyingly constructive project.

First Consultations

The first step was to hold a meeting attended by all the staff of the shops (including their managers) who wished to come, the Union officers, a representative of the Co-operative Development Agencies (CDAs) and myself and colleagues representing the Company. The options were explained to the employees: running the shops themselves, accepting transfers to other jobs (generally involving increased travel to work or relocation of their homes at the Company's expense) or simply becoming redundant and relying on their own efforts to find alternative employment, assisted by a personnel officer working full time on finding jobs for them with other firms.

It soon emerged that five out of the seven shops were likely runners; in the other two shops there was little interest – for perfectly good reasons, such as the advancing ages of those in the branch. Then, over the next few weeks, two more shops dropped out of the running. The remaining three, however, looked really promising and certainly now seem to be fulfilling that promise.

The Specific Terms

The terms agreed between the Company and the Union, with the advice of the CDAs concerned, were:–

1. The employees would receive their full terminal payments – statutory redundancy compensation, the special "severance" awards, already agreed on a national basis with the Union, and contractual payments in lieu of unexpired periods of notice and accrued holiday entitlements.
2. The registration fees for the workers' Co-operatives, where required by the rules, would be advanced by the Company. This saved the workers' Co-operatives from having to make the initial outlay, which would have been a financial strain, although ultimately reimbursed by the Local Authority.
3. The Company would donate the fixtures and fittings in the shops, including shelving, wire baskets and trolleys.
4. The Company would pay for any minor repairs which were pending.
5. The Company would give favourable terms for the leasing of the premises by the workers' Co-operatives.
6. The Company would allow the workers' Co-operatives free credit for periods of up to nine months in which to pay for the stock in the shops at the time of transfer of ownership.
7. The Company would allocate an experienced member of its Field Management to help the infant Co-operatives with administration – book-keeping, taxation, arranging insurance and so on.

The Benefits to be Achieved

The four chief benefits of handing over these shops to be run as workers' Co-operatives are closely linked. Employment is preserved and the shopping facilities in the locality are preserved. Preservation of employment helps maintain good relations between the Company, its staff and the Union. The preservation of shopping facilities helps maintain good relations between the Company and the local community. We hope that customers who have been enabled to continue to buy their day-to-day requirements in a local shop will not be averse to visiting a Fine Fare superstore not too far away when they want to purchase something outside the range of the neighbourhood shop.

A fifth advantage is less important and benefits only the Company: transferring a shop to a workers' Co-operative cuts out the "dead period" between closing down a shop and the sale of the premises.

The Future for the "Shop Co-operatives"?

To the questions what of the future, would we do it again, I can give no clear cut answer.

First, the circumstances in the North West are unlikely to be repeated. I do not expect another radical shift in physical distribution capacity from one part of the country to another. Second, the long term success of our experiment has yet to be proved – although I am glad to say the former branch I have revisited recently is maintaining a volume of sales within one or two hundred pounds a week of its previous performance; and the other two shops likewise are reported as holding their ground. Third, there are other ways of achieving much the same advantages all round, such as selling the shops as going concerns. We have to strike a balance between the interests of employees (in the branches concerned **and** in the rest of the Company) the interests of the customers and the interests of the Company itself. How that balance is best achieved must depend on the circumstances.

Another question sometimes asked is that while the advantages of setting up workers' Co-operatives are plain, what, if any, are the disadvantages? In reply, our experience has revealed one disadvantage of consequence. That is the surprisingly disproportionate amount of time – both of the Company's management and the Union's officers – which is involved. However, I am sure I speak for the Union's officers as well as ourselves that we believe the time to be well spent.

Note of the Author

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