

MATCOM

- A WORKERS' CO~OPERATIVE ORGANISATION
a learning element for members of workers' cooperatives

international labour office, geneva

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MATCOM
Material and techniques for cooperatives management training

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In collaboration with cooperative organizations and training institutes in all regions of the world, MATCOM designs and produces material for the training of managers of cooperatives and assists in the preparation of adapted versions for use in various countries. MATCOM also provides support for improving the methodology of cooperative training and for the training of trainers.

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A WORKERS' CO-OPERATIVE

- ORGANISATION -

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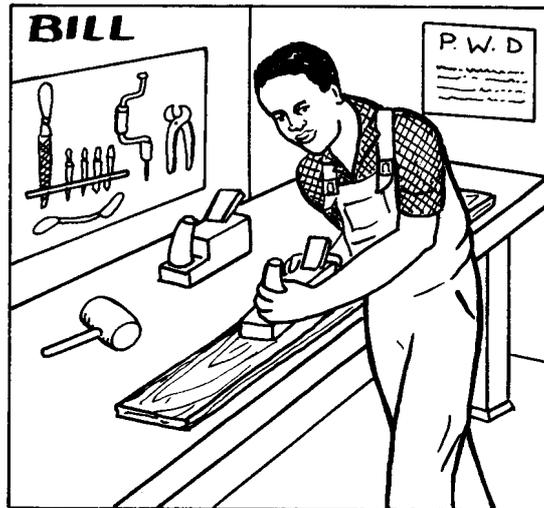
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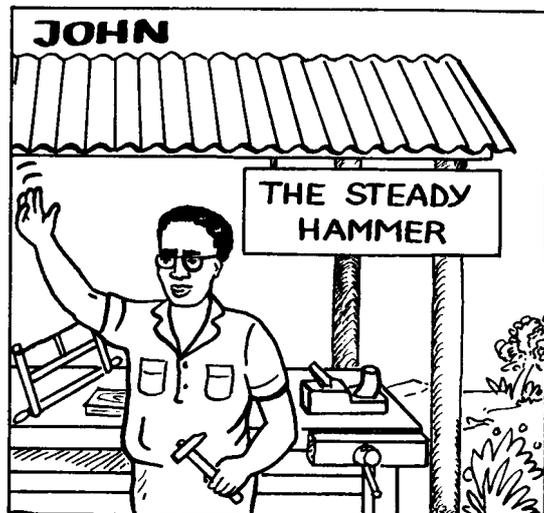
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THE BEGINNING

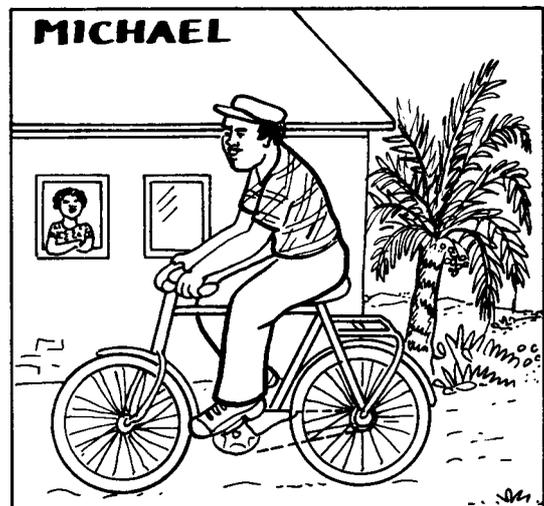
Bill worked in the carpentry workshop of the Public Works Department. His pay was not bad. But from time to time Bill played with the idea of starting his own carpentry business. "It would mean a challenge," he thought. "I'd like a greater variety of jobs and I could probably make more money"



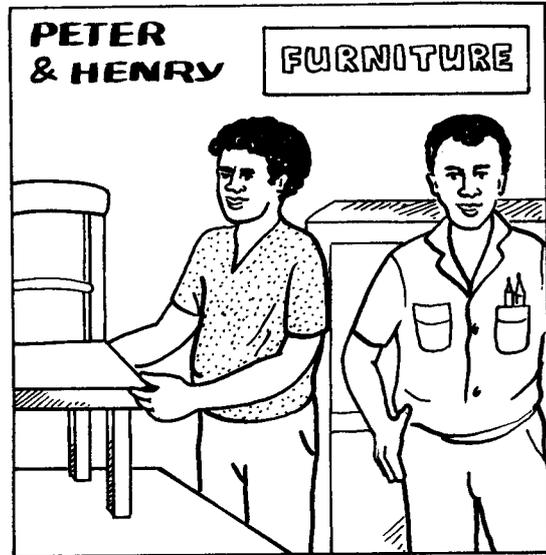
John was also a carpenter, and he already had his own workshop. But he faced some major problems. Either there was not enough work, or he was given too many of those small, petty jobs. He found it difficult to plan his work schedule so as to bring in a steady income, or even enough money to buy material and tools.



Michael had no permanent job, but he was good at carpentry. Whenever Bill and John needed extra help, they called on Michael. So did Peter and Henry, who were in the same line of business. What Michael wanted, however, was the security of a permanent job.



Peter and Henry sold furniture from their small shop in town. They also repaired furniture and had begun their own small-scale production. "If only we had the means to expand the business," they thought. "If we could afford a few machines, a couple of extra workers, we could probably build ourselves a better future"



It was Michael who came up with the idea. He knew his friends, and he knew they all had similar problems and desires. One day he approached Peter and Henry with his idea: "We should all of us go in together and start a bigger business!" Later he mentioned the same thing to Bill and John. He was happy to see that all four were intrigued by the proposal.

So it all started simply enough. What followed was a great deal of confusion. Everyone had questions but no sure answers. Finally, Michael arranged for the five of them to meet at his place and discuss the proposal in depth. Michael was well prepared. He welcomed his friends with the following words:

"We all have something in common: we all work in the same trade - carpentry - and we all like this kind of work. But more than that, I think we all want to achieve something extra, to get more satisfaction from our work, or higher pay - in short, to improve our situations. But we all have the feeling that as things are now, we're not getting anywhere. And finally, I am sure that everyone of us really wants to do something about his situation; nobody here is afraid of a challenge."

Michael's picture of the situation was correct, everybody agreed. "Lets get to the point now - what can we possibly do about it," they said. "This is our problem, we don't know what to do."

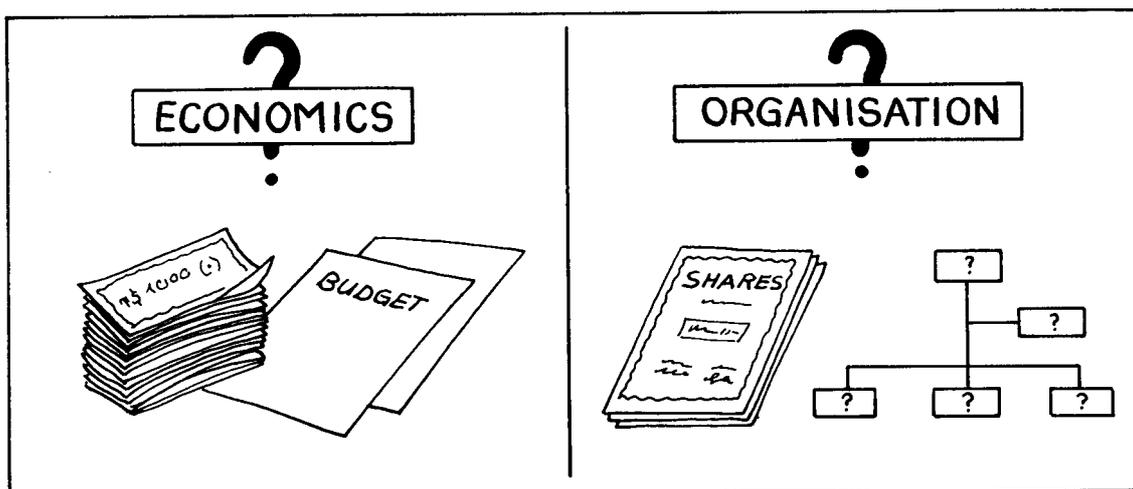
"You know my arguments already," said Michael. "Alone, none of us can solve his own problem. But if we work together, as a group, we stand a much better chance. Within our group we have both good carpenters and clever salesmen, as well as people who can calculate and keep the books. With such a team I am sure that we can get a good business going, and I think that we could then get bank loans and other support to develop the business. Therefore, my suggestion is that we form a carpenters' co-operative"

The friends listened carefully. It did seem sensible to form a group - they liked the idea of helping one another by pooling their skills and resources. But they did not know much about co-operatives. Why a co-operative? How does a co-operative function? There were so many questions to ask.



Michael was prepared for this. He had been to the local co-operative development officer and he told his friends: "Before we go ahead, we must find the answers to all our questions. Above all, there are two important questions:

- "First, are our plans realistic from an economic point of view? Is it at all possible for us to make a living in the carpentry business? Will we find enough work? Can we get the capital and equipment we need? All right, we all have faith in our project, but that is not enough, we must make plans for our production and sales, do some research and make calculations."
- "Then, if we are still convinced that we will succeed, we must organise ourselves. If we are going to form a co-operative society, we must formulate some rules for our enterprise. How do we handle all business matters, big and small? What rights and responsibilities do we each have? And so on. We had better discuss and agree on such things before we start, otherwise we may face problems later on."



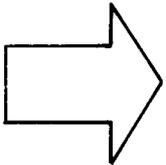
So, in their very first meeting, the five carpenters found out that they had a long way to go before they could start their business. But they had the right entrepreneurial spirit, so they decided to meet again and continue their discussions.

Many meetings followed. The five friends had to spend many hours together in order to come up with the answers to their questions. From the very beginning they received valuable assistance from their local Co-operative Development Officer who took part in several of the meetings.

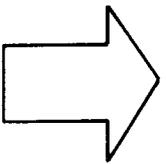
And their efforts were rewarded. After a few months our friends had

- discussed and agreed upon how to organise their enterprise;
- found that the economic conditions and prospects for the enterprise that they wanted to start were in fact realistic.

At last, "The Carpenters' Co-operative" could get down to business.



This booklet deals with the first question. It tells you how our carpenters organised their co-operative.



There is another booklet which deals with the basic economics of a workers' co-operative.

WHY A CO-OPERATIVE?

By the second meeting, the five carpenters had come to the conclusion that a "co-operative society" would be the most suitable organisation for them. There were many reasons for that, but the following were the most important:

Democratic Control

Our five friends considered themselves equal. They could all contribute to the group with their work and their expertise, but they did not have much else. No one had a lot of money to put into their new enterprise and in that way make a larger contribution than anyone else. Therefore, it was natural to them that they should all have an equal say in how the business should be managed. Each member should have one vote. "One man - one vote" is one of the "co-operative principles".

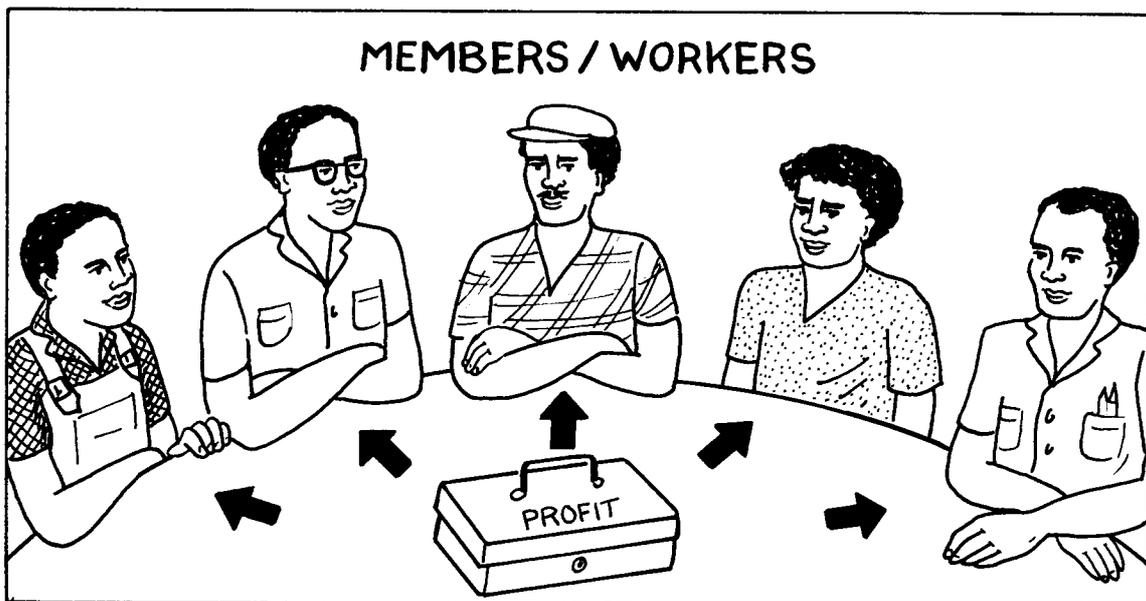
- It is not like that in some other business organisations. In a company, for instance, some of the owners have more power than others. It all depends on how much money they have invested in the company. A man who has bought more shares will have a greater number of votes than one who has bought fewer. Those who are employed in the company have no votes, if they do not hold shares.



Distribution of surplus

The carpenters knew that they would not make much profit during the first years. Most of their income would go back into the co-operative to pay their wages and to pay for tools and machines. But later, if everything went well, there might be some money left over after all expenses had been paid. What to do with this "surplus" money? The carpenters wanted it to be distributed in a democratic and fair way, that is, among all the members who were working in the business, in accordance with co-operative principles.

- In a company, for instance, it is different. Those who have contributed the most money to the company, receive most of the profit. Those who work in the company receive their wages but do not share in the final profit, unless they themselves have contributed money to the company.



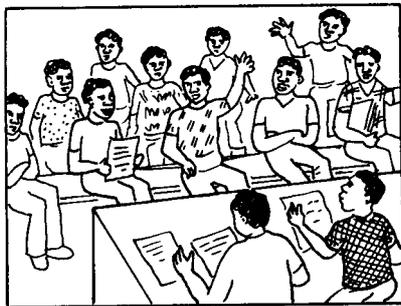
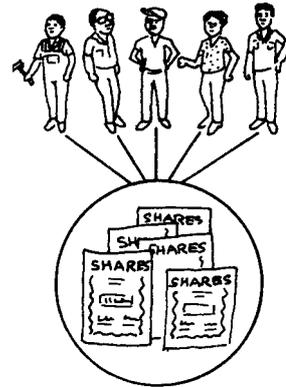
These two rules about "democratic control" and "distribution of surplus" are typical for co-operatives. They are two of the co-operative principles, which are applied by co-operative societies all over the world. These principles make co-operatives different from other types of business organisations, like state-owned enterprises or privately owned companies.

Our friends liked the co-operative principles. At the same time they realised that it is not an easy thing to organise and run a co-operative society

They knew how it is in a small private enterprise. There, ownership and management are in the hands of one or two people only. They make the decisions - the others are paid to carry them out. The structure of a small private firm is thus quite simple.

A co-operative is different. "Co-operation" means doing something together. When Michael and his friends decided to start a co-operative they committed themselves to working together as a team. They are all equals. But not only that! The members of a co-operative are also the owners of the enterprise, and as such they have to take responsibility for the management of the society. So, in fact, a team of co-operative members will

... OWN the society together



... MANAGE the society together

... WORK in the society together



LAWS AND RULES

Working together in a team is a fine thing, insofar as the team functions well. That means that co-operative members must get along well and work well together. Of course, in any group opinions will often differ over certain matters. There will be discussions. This is as it should be. Everybody has a say before a decision is made. But it is very important that every member know this democratic system and be familiar with the rules and procedures that govern decision-making.

Rules are necessary. If the rules are clear and known to everyone, there will be fewer disputes or conflicts.

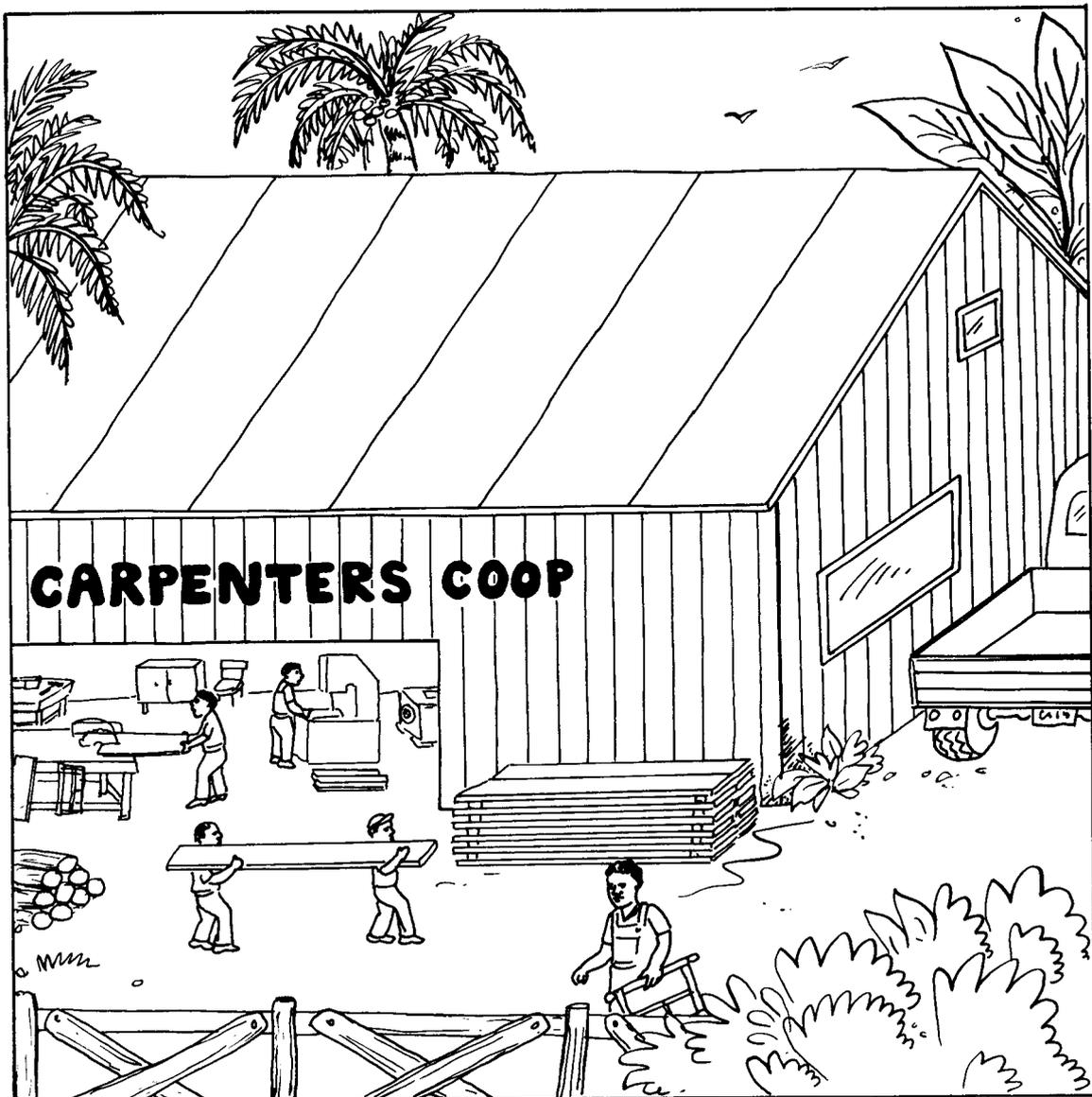
Therefore, the work in a co-operative society is guided by law and certain sets of rules.

- Every country has laws about business. Every businessman and entrepreneur must follow these laws. Many countries have special laws for co-operative businesses. These are usually called the Co-operative Societies Acts.
- In some countries the Government sets up a special Co-operative Department whose role is to promote and support co-operatives, and to see that they follow the law. The Department may issue detailed regulations to supplement the law. All co-operatives must be registered. The Officer supervising the registration of co-operatives is known as the Registrar.
- A co-operative society remains a completely independent enterprise, fully owned by its members. The members themselves decide on their by-laws. These state the aim of the society, set out the rules for the management of the society, and the rights and responsibilities of members.

One of the first tasks awaiting our carpenters, therefore, was to draft by-laws. From their Co-operative Department they received some model by-laws, which they used as guidelines. When they sent in their application to the Registrar, for registration of their society, they enclosed their by-laws. The Registrar had to check that the submitted by-laws were in accordance with laws and regulations.

Laws, regulations and by-laws - these provide the necessary framework for any co-operative.

In the following pages we will study how the Carpenters' Co-operative functioned and developed, and how its members applied the by-laws they themselves had formulated.



MEMBERSHIP

A few years have passed since the Carpenters' Co-operative got started. Thanks to careful planning and management everything has gone well. Members of the Co-operative have had enough work to keep them very busy during these early years. In addition to making and selling furniture, they have also received some contracts for the carpentry work involved in the construction of large buildings. In fact, the Carpenters' Co-operative has proved so successful that more members have had to be enrolled to cope with the demand.

The enrollment of members - this is the next question we will look into in our study of the Carpenters' Co-operative.

In their by-laws, the carpenters had included rules about membership. These stated that everyone who wanted to become a member must:

- qualify for membership;
- be admitted and registered as a member;
- pay an entry fee;
- buy shares in the society.

To qualify for membership

The carpenters had written in their by-laws that membership should be open to anyone, provided he or she could contribute to the society and that both the candidate and the society would benefit from the membership.

How would they be able to tell what kind of a contribution a candidate was likely to make? The carpenters had discussed this matter thoroughly, especially the question of age. Bill had wanted to stipulate a minimum age. "We need mature members with experience," he insisted. But Henry and Michael, remembering how they had learnt the trade as young apprentices, thought their society should give the same op-

portunity to young people who were prepared to learn and give their best.

What about the skills of new members? Should the society take in only people who were fully trained for their jobs, or should they also take in untrained people and offer them on-the-job training within the society?

The carpenters had finally agreed on the following rules, which **were subsequently** printed in their by-laws:

To qualify for membership, a candidate should:

- be able to prove that he or she is qualified in a craft, **trade** or profession useful to the society, or go through a training or apprenticeship period for a maximum of two years;
- be at least 15 years old. To be eligible for any duties in the society's committees, however, a member must be 18 years old.

Admittance and registration of new members

The Carpenters' Co-operative started out with only five members. Why? The reason was clear: In the beginning there was only enough work for five members.

Before the society was registered, the carpenters calculated that they needed to sell T\$15,000* worth of furniture every month to keep the five of them busy. Each member could then be paid a wage of about T\$1,000 per month. They managed to achieve this goal, but had they admitted one more member, they would not have been able to pay him a wage. Nor would they have benefitted from his membership. The by-laws were quite clear on this point: a new member should be admitted only when his participation would be mutually beneficial to himself and to the society as a whole. Such would not be the case were someone to join the co-operative only to find he had time on his hands because there was not enough work.

* We use an imaginary currency here, because this booklet is used in many countries. We call it 'Training Dollars' (T\$).

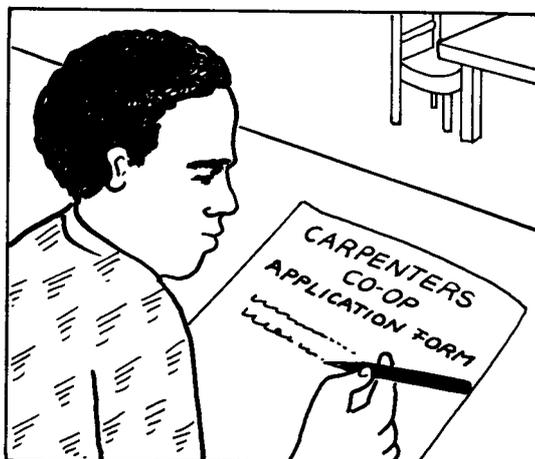
Therefore, it is very important to estimate how many members a society can keep busy, so that they can all earn an income and benefit from their membership. The carpenters had made very careful calculations before they founded their co-operative, and they did so again every time they wanted to admit a new member. (You can read more about this type of calculations in the booklet "A Workers' Co-operative - Basic Economics".)

So it is clear that the admittance of new members involves, above all, economic considerations.

But other problems regarding the admittance of new members can also arise. Once when a new man had applied for membership, John had said: "We don't know this man at all. It looks like he knows his job, but he might be very difficult to work with. You never know." What should the society do in a case like this?

For the application, admittance and registration of new members, the society had devised a fixed procedure that gave it an opportunity to assess every candidate before actually making him a member. It was all laid out in the by-laws:

- A qualified candidate is to apply formally for membership, using the prescribed application form. He must certify that he has read and understood the by-laws, and that he agrees to follow them.



- The Committee of the society reviews the application, and decides whether
 - to reject the application immediately, or
 - to accept the application immediately, or
 - to require the applicant to serve a trial period of a maximum of six months; after the six months are up, the applicant would be either rejected or accepted as a member without further delay.

- In a General Meeting, the membership of the society is asked to confirm, amend or alter the decision of their Committee with regard to new members.

We can see that there is a "committee" that deals with things like membership applications (we will talk more about the work of the committee later), but the final word on membership rests with all the existing members. Everybody has a say as to whether a new member should be admitted or not.

Entry fee

According to the by-laws, members of the Carpenters' Co-operative would have to pay a non-refundable fee of T\$200 upon acceptance.

T\$200 is quite a lot of money. Was it really necessary to have an entry fee, and such a large one? What was its purpose?

Starting up a workers' co-operative is not an easy thing to do. Members must put in a great deal of work and be willing to make some sacrifices to make the business succeed, and they must believe in what they are doing. Members who pull out after the first obstacle or difficulty are not really co-operators, because, by withdrawing, they reduce the

strength of the group. They then undermine the belief that in a co-operative each member works for all and all work for each. So, to make sure that prospective members are really committed to the co-operative, it is common to ask for a non-refundable entry fee.

In the Carpenters' Co-operative they believed that if somebody was prepared to pay an entry fee of T\$200, he or she must be seriously interested in becoming - and remaining - a member.

Shares

Just as with any other enterprise, the Carpenters' Co-operative could not get off the ground without capital. Money was needed for tools and equipment, for a workshop, and to buy a stock of timber, nails, screws and other supplies.

The capital needed to establish the Carpenters' Co-operative came from two sources:

- From the members themselves; this is called share-capital.
- From outsiders who lent the co-operative money.

It was **the** Co-operative Bank and the Small Industries Development Organisation that agreed to lend some money to the co-operative, for purchase of equipment.

It is only natural that the more capital the members themselves contribute, the more stake they will have in the success of the society. Therefore, Michael and his friends had agreed that the capital contribution from each member should be high enough to fully commit members to the success of **the** co-operative, and they had stated in the by-laws that each member should put in at least T\$1,500. When a member pays **in** his contribution, he **receives** a share certificate to show

that he is a shareholder in the society. Thus, to "buy shares" in the society simply means to lend the society some money that will be used to finance the operations.

Many new members found it impossible to come up with T\$1,500 upon acceptance into the society. But this problem was solved by the following provisions in the by-laws:

- On admittance a new member has to pay a first instalment of minimum T\$300.
- The balance should then be paid in instalments of T\$100 during the first membership year.

This gave new members the option of using some of the money they earned during their first year in the co-operative to pay for their shares in full.

As the society was in great need of capital during the early years of its existence, some members also helped the society by buying more shares than the minimum required. This did not mean however, that some members "owned" a greater share of the society or had more power than the others. As we have already mentioned, the power in a co-operative is always equally distributed among all members on a "one man - one vote" basis.

To keep track of everybody's investment it was necessary to establish a "share register". This was a list of all the members, with a record of their contributions.

NAME ADDRESS	VALUE OF SHARES	CONTRIBUTED		
		500.- DATE	100.- DATE	100.- DATE
John McLean	1.500	500.- DATE	100.- DATE	100.- DATE
Michael Sun	1.500	300.- DATE	100.- DATE	100.- DATE
Peter Ben	1.500	700.- DATE	100.- DATE	100.- DATE

Termination of membership

The by-laws of the Carpenters' Co-operative laid out the rules for becoming a member of the society. To become a member is one thing. What about terminating the membership?

A workers' co-operative is a democratic enterprise, and any member has the right to withdraw himself and his share capital from the society, if he so wishes.

A sudden withdrawal may, however, cause problems for the co-operative. The most common problem in this connection is that a society may not immediately have the money to pay back the share capital because it has probably been invested in machines or materials. Therefore, the by-laws of most workers' co-operatives stipulate provisions such as:

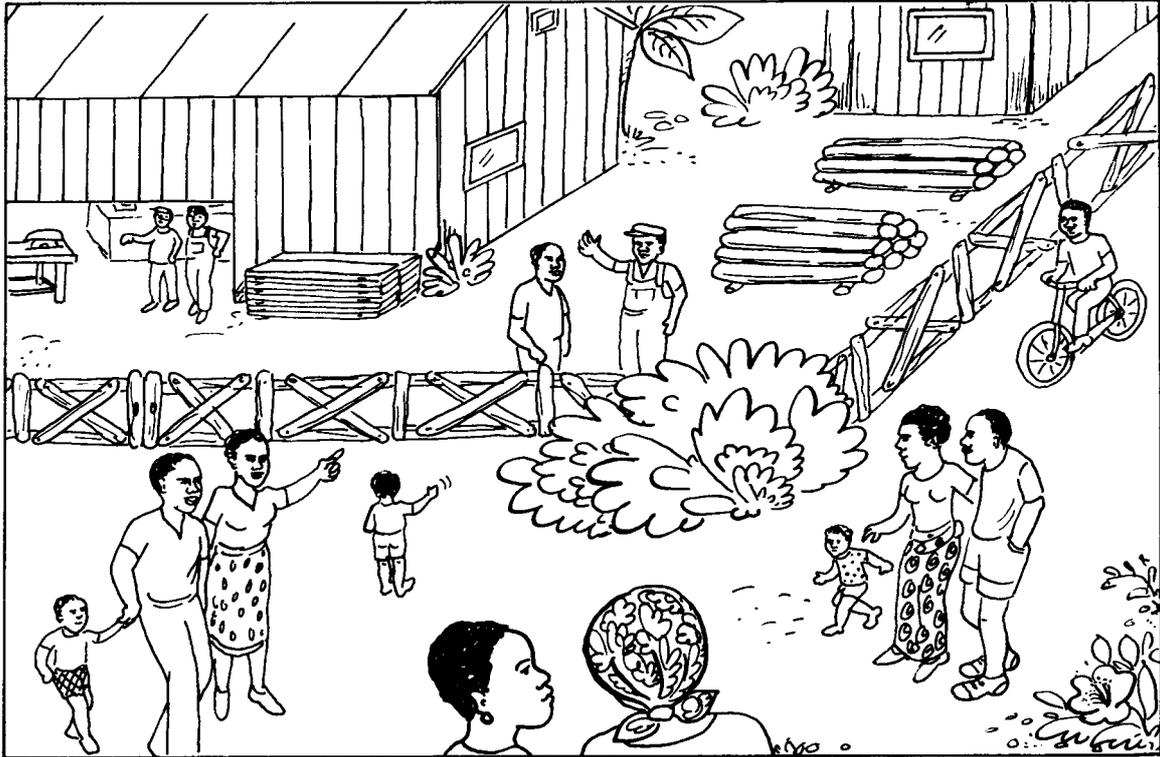
- a member who wants to withdraw must give at least three months notice;
- the society has up to twelve months to pay back the share capital to a withdrawing member.

So far, nobody has wanted to leave the Carpenters' Co-operative. But one member has been expelled from the society. That was, of course, a very serious matter. According to the by-laws, a member could be expelled for very serious reasons only. In this case the reason was dishonesty, and in a general meeting a majority of members voted for the offender's expulsion.

Members' liabilities

The five carpenters had started the co-operative because they believed that they would gain from it; that the co-operative would provide each member with a job and an income. The society had grown quickly, and fifteen people were now members, meaning fifteen families were dependent on the co-operative for their livelihood.

Sometimes when our friends the founding members thought about this development, they could not help but feel a bit shaky at the extent to which they had changed their lives.



From almost nothing they had created an enterprise that offered work to a large number of people and gave them job satisfaction, a fair pay and a better living. But what would happen if for one reason or another the society collapsed? Probably all the members of the society wondered about this from time to time, but that was the risk they took.

To join a workers' co-operative involves heavy responsibilities. As part of a team, a member cannot think only about himself. Some members have worked very hard to form the co-operative, and all have put a considerable amount of money in it. Everyone has a great deal at stake.

The members of the Carpenters' Co-operative were fully aware of their shared responsibilities. The society now owned

many machines and a valuable stock of supplies and goods. Whatever belonged to the society, belonged to its members as a team. They were responsible for all these assets; they were responsible for the society as such. The society was the basis for their existence.

But what if times changed? Supposing work became scarce - the society would immediately have problems covering its expenses and investments.

Such a situation would mean a real test of the strength of the society, its members and particularly its leaders. Only a society with members and leaders who are fully aware of their responsibilities will be able to get through difficult periods, because it will be prepared for such crises.

But if the worst should happen? Suppose that, one day, the society had to close down because there was no more work and no more money in the bank. There might be debts instead. What would happen to the society? And what would happen to the individual members?

Of course, members would lose their jobs and their income, which the society had provided for them. They would also lose their share capital. But a member cannot lose more than what he puts into the co-operative. He will not be asked to pay the society's debts. In the event the society goes bankrupt, a co-operative law says that a member's liability is limited to the capital he has invested.

WORK

Members and non-members

In a workers' co-operative, the members are the owners of the enterprise, as well as its workers. The Carpenters' Co-operative accepted new members only if there was enough work for them, as we have already seen from the by-laws.

But what about the other way round: Could non-members work for the society?

This question was thoroughly discussed when they started the co-operative. "A worker who is not a member may very well do a good job for the pay he receives," Michael said then, "but that's the most we can expect from him. And to make a go of the society we need more than good workers alone. We need workers who also share in the responsibility and risk of the business by investing in it. Without such workers we will never succeed."

As a general principle, therefore, the Carpenters' Co-operative did not employ any non-members on a permanent and full-time basis. Apprentices or trainees could work in the society as non-members but never for longer than two years.

But occasionally the society needed some extra workers. For instance, it had received an order from a school for a large number of desks, which had to be ready before term began. So the society decided to employ three extra workers for a few weeks. Because the normal workload was not as great, the society could not offer these workers permanent full-time employment and membership in the society. The same went for the watchman who worked part-time for the society.

There was no rule that members had to be carpenters, though, and one new member was not. The society had hired someone to do some typing, at first on a part-time basis. Later

when she proved good at sales work also, she was engaged on a full-time basis. This was how she became a member.

In the same way, the society would accept other full-time workers as members if there was a need for their services, e.g. **accountants**, drivers etc.

Wages

A job and an income, that was **what the co-operative offered** their members.

The society had an income from selling the furniture and whatever else the members produced. This income was used to pay for all expenses incurred by the workshop. The largest expenditure was, of course, the wages to the fifteen member-workers.

The society planned to have some money left over after wages and other expenses had been paid. Thus there was a chance that each member would receive a part of this surplus as a "bonus" at the end of the year. The members themselves would decide what to do with the surplus, if there was one.

But the main, steady income for the members was the weekly wage. In some societies, the members agree that all should receive the same wage. In the Carpenters' Co-operative members earned slightly different wages, depending on how many years they had been members, and what kind of work they did and the responsibilities they had.



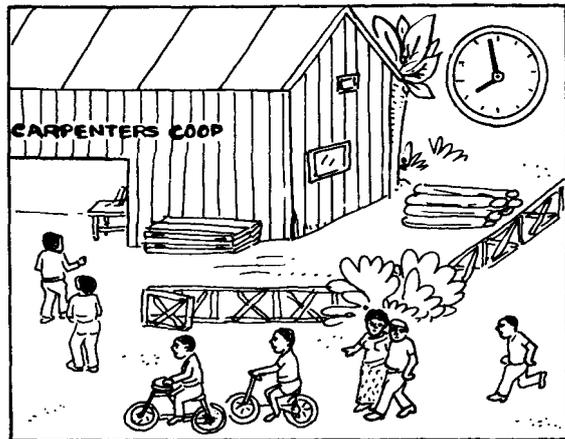
Both systems have their advantages and disadvantages. The important thing is that the decision about wages be reached democratically in a general meeting.

The Co-operative at work

Let us take a look at the Carpenters' Co-operative at work. What does it mean to be both a member and a worker in a co-operative?

Let us see how the members "co-operate" in the course of a typical working week.

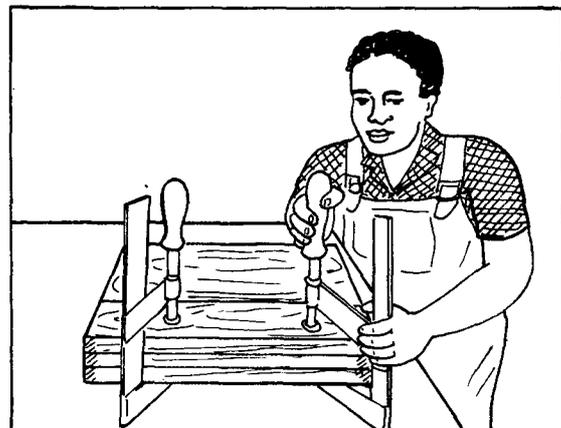
Every morning they appear on time. They feel responsible towards one another and no one wants to shirk his duty. Everyone works well, both for himself and for his fellow members. They are self-managers and so there is less need for supervisors in workers' co-operatives.



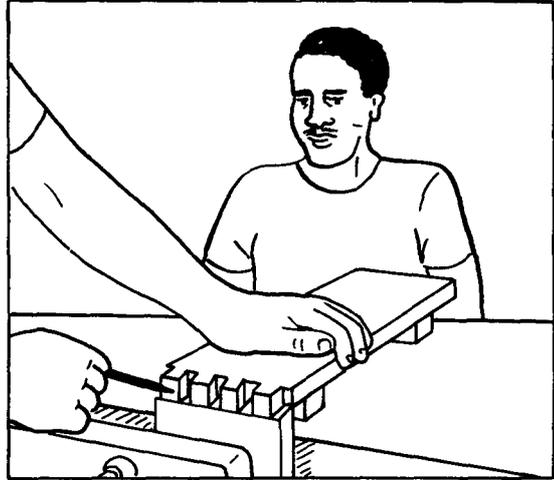
On Monday mornings they spend the first hour sitting down together to discuss and plan the work for the rest of the week. They agree on who will do what and when.



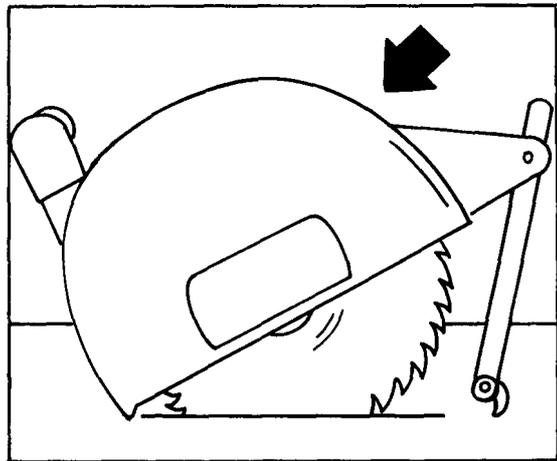
Different jobs are given to the members most qualified to do them. This is important for everybody's job-satisfaction and results in high-quality products.



Less experienced members are given opportunities to work with more experienced ones on the more difficult jobs. In this way the society offers training to new members, through which they can improve their skills and knowledge.



The members try to keep working conditions as good as possible in their workshop. They are especially anxious to follow security regulations and make their work place safe in order to avoid accidents. Whenever a problem occurs, they immediately discuss how to solve it.



MANAGEMENT

In the beginning, the five members really felt that they were workers in and at the same time owners of a business enterprise. As owners, they had to make decisions about the manaement of their business.

As long as they were only five people operating a rather small carpentry shop, they could be self-managers. In fact, they could use tea-breaks for discussions and "management decisions".

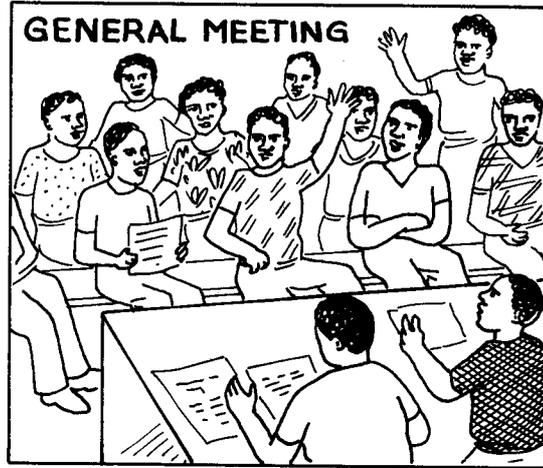


But as the business developed fast they had an increasing number of complex matters to handle. The members began to feel that too much of their time was used for management instead of production. After all, as their business was based on carpentry, they would not earn anything at all if everybody sat around endlessly discussing issues in the office.

It did not take long for the Carpenters' Co-operative to develop an organisational structure similar to other co-operatives. On the next page you can see how it works:

The administrative structure of a co-operative :

The final power rests with the members. It was the members who made the by-laws. The members can exercise their power in the general meetings, which all members have a right and obligation to attend. There they can express their opinions and vote.



But it is not possible to have a big general meeting every day or week to discuss all management matters. Therefore, the members elect a small committee to look after the management of the society on their behalf.



But not even the committee can meet every time something has to be dealt with in the office. So someone is appointed to look after the day-to-day management. He or she is called secretary or general manager.



Now we must take a closer look at these three "powers" within a co-operative society: the general meeting, the committee and the manager. Who decides what? Certainly there must be some rules, otherwise we would soon have chaos. The committee may tell the manager: "That was not for you to decide. You should have asked the committee." Or the committee may tell the members: "We have decided .." and the members may reply: "That was wrong, you should have left the decision to all the members of the society."

Yes, indeed, if a co-operative is to function well, relations between the three "powers" must be very good, and every member must know the rules for the management of the society.

The General Meetings

Under Co-operative Acts, societies must have a big meeting once a year, called the Annual General Meeting (AGM) .

The Carpenters' Co-operative had decided in their by-laws to hold two more Ordinary General Meetings (OGM) every year. These general meetings gave the committee, the manager and the members a forum in which to discuss the current state of affairs, particularly any problems, and the direction the society should take. Above all, the members got an opportunity to exchange opinions and vote on important issues.

Occasionally it was necessary to call a Special General Meeting (SGM) . For instance, last May the owner of the building in which the society had its workshop had died. His children wanted to sell the building rather than rent it. Would the society want to buy it? It was a special issue on which members had to be consulted before a decision could be made.

The Annual General Meeting

The AGM is the most important meeting of the whole year. The main purpose of the AGM is:

- to review and discuss what happened during the past business year and to decide what should be done with any surplus (profit);
- to discuss and plan the coming business year;
- to elect a committee for the coming business year.

Let us take last year's AGM of the Carpenters' Co-operative as an example.

The meeting was organised by the committee. To remind members to keep the date and time for the AGM free, the committee sent an invitation to each member more than three weeks in advance, together with the agenda for the meeting.



AGENDA FOR THE
FIFTH ANNUAL GENERAL MEETING OF THE
CARPENTERS' CO-OPERATIVE SOCIETY

1. Opening of the AGM and Welcome by the Chairman
2. Annual Report and Statement of Accounts for the previous year
3. The Balance Sheet
4. Disposal of the Surplus
5. Plans, activities and budget for next year
6. Election of new Committee Members
7. Any other business

To enable members to prepare themselves for the AGM, the committee had included essential information for each agenda item with the invitations.

This included the following information regarding the election of new committee members:

Point 6 on the agenda: election of new Committee members

According to our by-laws, two committee members must retire every year. This year it is John and Krishen's turn. Two Committee members will therefore have to be elected. Voting shall be by secret ballot.

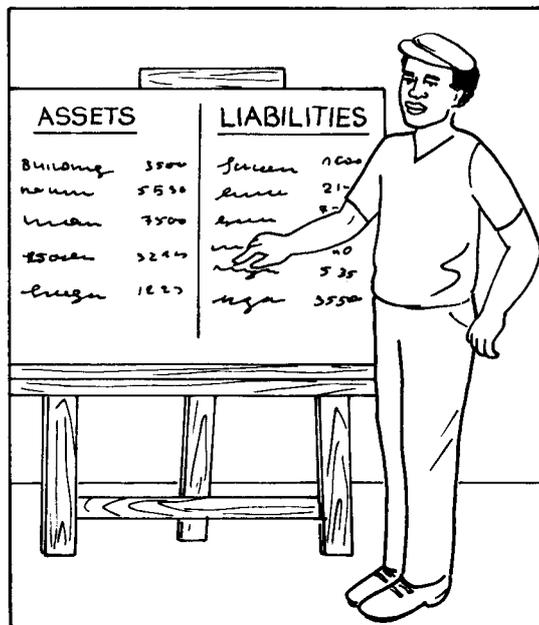
We would like to remind you that candidates must:

- be members
- be at least eighteen years old
- be proposed and seconded at the AGM
- be willing to serve on the Committee

The members had also received the Annual Report from the committee about the society's business, the sales, the expenses and the surplus created. So they were all very well informed and prepared for the meeting, as we shall see.

Henry, who had been chairman of the committee during the past year, also chaired the AGM. After opening the meeting and welcoming the members, he asked Peter to present the annual report, the statement of accounts and balance sheet.

"This is the balance sheet of our society," Peter explained. "It gives you a picture of our society's economy. On one side it shows how the money has been used. On the other side it tells you where the money comes from. Let us start with the side that tells us where the money came from. First off"



Thanks to the information they had received before the meeting, members were able to participate in the discussions rather than sit there listening passively. They had plenty of questions, comments and suggestions. Therefore, when it came time to make decisions, each individual could exercise properly his power as a member by placing a thoughtful, well-informed vote.

The AGM was conducted democratically. This means that:

- every member present at the meeting had one vote;
- decisions were made by a majority of votes of those present and entitled to vote;
- each decision was recorded in a minute book and read out to the meeting before the next item on the agenda was taken up.

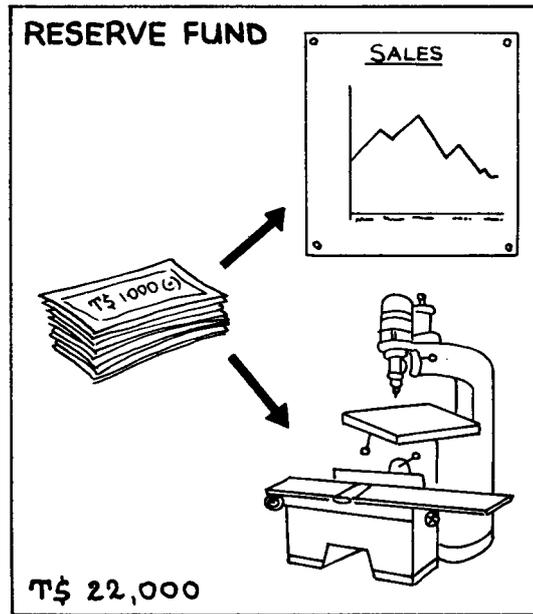
When they came to Item 4 on the agenda, "Disposal of surplus", many members wanted to speak. The chairman was proud to announce that the society had created a surplus of T\$44,000, which was even a little better than the committee had estimated. Some members congratulated the committee for having done such a good job of looking after the business.

How should this money be used? The members had to decide. The committee had made a proposal, which all members had received in advance in order to study it. It was this:

The committee's proposal for the disposal of the surplus:

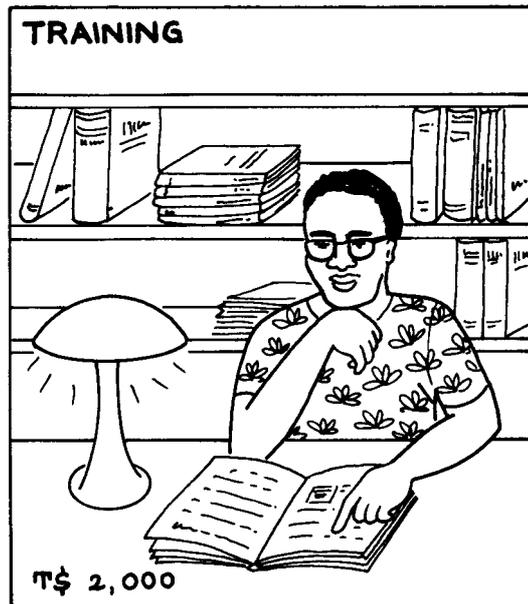
In accordance with the by-laws, 50%, or T\$22,000 of the surplus, shall be set aside in the reserve fund.

- In doing so we build up the society's own funds and capital with which to pay expenses and finance new investments without having to rely on loans. When times are bad, such a reserve fund may help the society overcome a crisis.



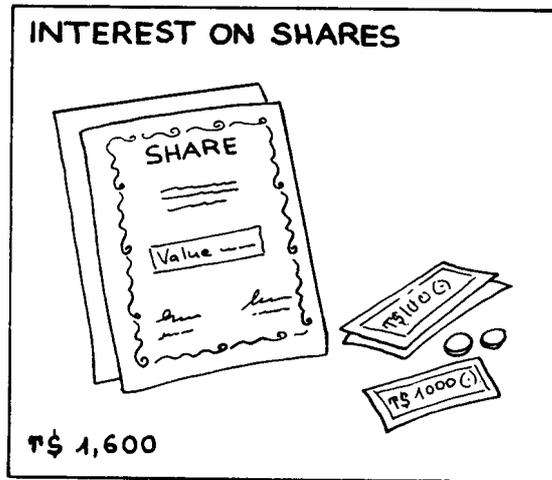
T\$2,000 would be allotted to training activities.

- It is an important cooperative principle to take responsibility for members' training. We suggest that new members and committee members take some courses next year.



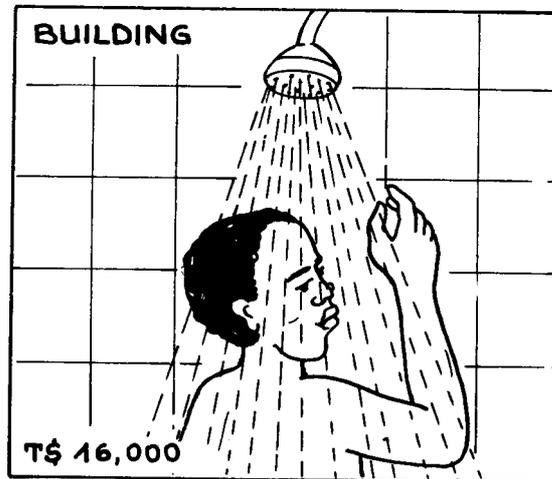
T\$1,600 would be used to pay interest on the members' shares.

- We suggest paying 5% interest on the shares, which is the same as the present bank interest rate. Members' capital in the society now amounts to T\$32,000.



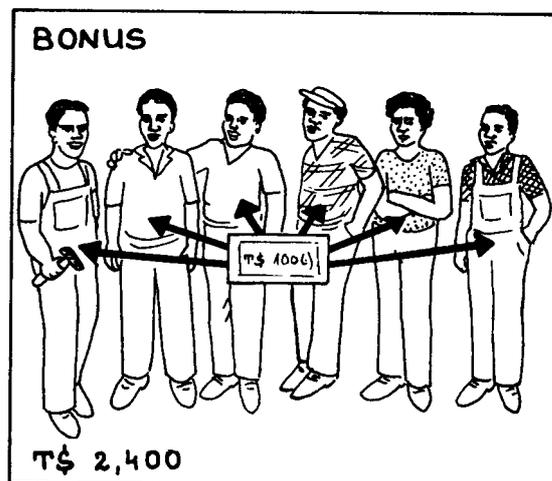
T\$16,000 would go to the improvement of the factory building.

- We suggest re-building the northern part of the building, adding a shower-room next to the office.



The remaining surplus would be distributed to members as a bonus.

- This bonus would be distributed in accordance with co-operative principles of paying each member a percentage of the surplus. T\$2,400 remained, which was enough to pay a 1% bonus on each member's wage for the previous year.



The discussion of this proposal was lively but orderly. There was not much to say about the first two points, as they merely reflected co-operative rules and by-laws.

But three members asked whether it was really necessary to spend T\$16,000 on the building. They suggested that all this money should be added to the bonus as well. Nevertheless, the majority of the members still wanted to have the showers installed. Someone asked whether the installation could not be paid for with the money in the reserve fund. But the committee members explained that there was not enough, as money would be needed also for several other purposes. Eventually a vote was taken, and the committee proposal was accepted by the meeting.

Another important item on the agenda was the plans for the following year. The committee had prepared a budget estimating sales and expenditures, and the members were particularly curious about their wages. One member said, "I am almost sure that next year we will also create a good surplus just as the committee has planned in the new budget, and we will receive a nice bonus again. But wouldn't it be better for us to receive higher wages every week and forget about the bonus?"

This idea met with a chorus of objections, especially from the older members: "No, we never know what will happen. The budget is just a plan. If it goes as planned, fine! Then we will get our bonus. The money belongs to us anyhow. But suppose that our sales drop for some reason? It is better to wait and see if there will be any money left over for a bonus."

Various questions like this one were discussed throughout the meeting, and the members received information and let the committee know their opinions. Thanks to this kind of exchange of ideas, the members really had an influence on the running of their society.

The Committee

In the preceding pages we have seen the committee in action. But what exactly are the duties of the committee?

In the early years of the Carpenters' Co-operative that question was easy to answer. The committee simply had to carry out all the "managerial" tasks in the society: that is they organised the sales and tried to find new customers and more jobs for the members; they ordered materials and kept the books; they distributed the work and collected payment for deliveries. However, over a period of time a greater specialisation of functions developed.

Take Peter for example. He was on the committee. Because he had volunteered for it and had proved competent and reliable, he was usually given responsibility for taking care of all the paper-work connected with the committee's decisions. Eventually it was decided that office work should become his main duty. Only when he had some time left over



did he work in the carpentry workshop. In this way Peter had become a member with mainly managerial responsibilities: namely, following up on the committee's management decisions.

This arrangement worked very well for a couple of years. In fact, many co-operatives appoint one member to act as a secretary while the committee manages the business of the society. But, as the Carpenters' Co-operative developed into a bigger business, this system gradually evolved to the point where many of the routine management decisions were left to Peter. This allowed the committee to concentrate on the more important decisions. Of course, Peter kept the committee fully informed of all he did. Eventually he became responsible for the day-to-day management of the society. Within a few years Peter had acquired considerable knowledge and experience in managing the business.

As the management of the co-operative became increasingly complex and difficult, the committee found itself not only asking Peter's advice but also delegating more and more of its important management decisions to him. Peter had turned into the professional manager of the business.

But the committee still had many responsibilities. Here are some examples of the many questions that the committee of the Carpenters' Co-operative dealt with during last year.

Commercial policies: The committee decided to promote the sales of simple kitchen fixtures, and increase production accordingly.

Financial policies: The committee decided that customer credit should not exceed 30 days.

Preparations for General Meetings: The committee presented an Annual Report, Accounts and Balance Sheet in the AGM (the manager had assisted in the preparations). They also presented a budget and a plan for the following year.

Membership matters: The committee reviewed and accepted one application for membership.

Member training: The committee decided about training programmes for the new members.

Financial control: The committee studied and considered the monthly reports from the manager, and analysed the cash balances. Were the sales, costs etc. as planned? Why or why not?

Legal matters: The committee, on behalf of the society, sued a defaulting customer.

General supervision: The committee made sure that the building, the machines and tools all were properly maintained and took action to reduce any losses due to careless handling of the society's assets.

From the examples of your own society and from those of the Carpenters' Co-operative, you will see that the work of a society's committee is important. Consequently, when members elect a new committee, they must carefully consider each candidate.

- Is the candidate com-
petent? What does he
know about business and
co-operatives?
- Is the candidate active
and open to new ideas?
Will he work hard for
the strengthening of the
co-operative?
- Is the candidate "mem-
ber-oriented"? Will he
always give priority to
the members' interests?
Will he keep in close
touch with members, mak-
ing sure they are well
informed?



The result of the committee's efforts depends, of course, on the quality of the skills and knowledge that the committee members possess. But it also depends very much on the way they organise their work. We will now take a look at the collaboration between the committee and its manager.

The Manager

The person in charge of the day-to-day management is called the "Manager".

Day-to-day management means dealing with the small and big matters that crop up in the course of a business day. The manager

- decides who does what (i.e. organises the work)
- supervises quality and output
- prepares quotations and tenders

- receives orders
- prepares invoices
- receives payments
- researches and selects suppliers
- orders supplies
- pays suppliers
- pays wages
- keeps the books
- prepares reports to the committee about the affairs of the society



And many other matters

The manager's main responsibility is to see to it that the day-to-day management is carried out efficiently and in line with decisions made by the members and the committee. The manager is directly responsible to the committee, with which he or she collaborates very closely.

Peter was a careful manager. When he first took on this important position with the Carpenter's Co-operative, he consulted the committee members frequently to avoid making mistakes. After some months he understood the policies of the society, and it was up to him to act



accordingly. He could then perform most of his management tasks without disturbing the committee members in their work, and they also left him alone until their regular meetings. If there was an urgent problem, he could consult the committee easily because his office was in the workshop building, where the committee members were always avail-

able. The other day, for example, a regular customer placed a big order but wanted three-months credit. Peter accepted in principle, but before he could commit himself he had to get the committee members to approve the deal - which he was able to do right away.

However, the committee and the manager do meet regularly in the office - at least once a month.

The main reasons for these committee meetings with the manager are the following:

- The manager keeps the committee informed about the day-to-day affairs of the society. He presents accounts, budget follow-ups and oral as well as written reports.
- He asks the committee for advice on matters that touch on objectives, priorities, policies or major issues.
- He advises the committee on managerial matters. For example, last month the manager convinced the committee of the need to order timber more often. He showed that some T\$10,000 could be saved for other purposes, if they reduced the stock of timber, and instead ordered new supplies more often.

Collaboration in practice

Conflicts over the delegation of authority within co-operatives should be avoided but they are not uncommon. The manager may forget that he works for a co-operative, and that he cannot make all the decisions himself. It may also happen that one or two committee members want to run the whole show and start interfering in matters for which the manager should be responsible. This could make his work more difficult.

We have seen how the Carpenters' Co-operative managed to avoid such problems. Areas of responsibility were clearly defined. For example, certain decisions were made by the

total membership, others by the committee, and still others by the manager. As both the committee members and the manager understood their duties and responsibilities very well, there were seldom any problems. Other less cohesive societies may not be so lucky.

The following is a selection of some of the decisions that were made by the Carpenters' Co-operative last year. You can see how the responsibilities were divided between members, committee members and the manager.

The decision was made by

	The General Meeting (Members)	The Committee	The Manager
The budget was approved for the next year.	✓		
Timber was ordered from a supplier.			✓
A new machine costing T\$10,000 was purchased.		✓	
The society applied for a new bank loan.		✓	
A truck-load of timber was returned to the supplier due to bad quality.			✓
Five members were asked to work overtime.			✓
The typist's wage was increased.	✓		
A reminder about payment was sent to a customer.			✓
The working hours for all members were changed.	✓		
Customers who paid cash were given a 1% discount.		✓	

The decision was made by

	The General Meeting (Members)	The Committee	The Manager
A tender was prepared for a very large delivery to the General Hospital.		✓	
The T\$1,500 in the cash box was deposited in the bank.			✓
John was elected chairman of the committee.	✓		
A new system for recording sales was introduced.			✓
Michael was sent to the Co-operative Union Congress.		✓	
The society paid 2% bonus to all members.	✓		
The telephone bill was paid.			✓
The interest on the bank loan was paid.			✓
T\$50 were donated to the local sports club.		✓	

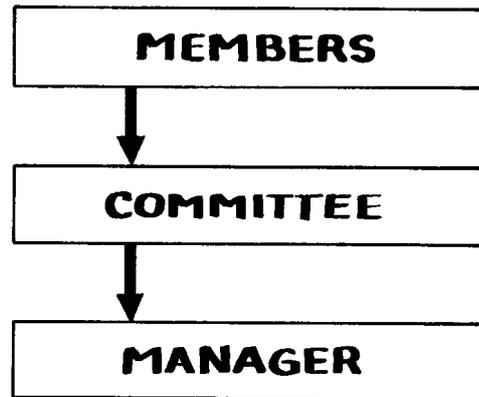
Information and reporting

Another reason that the management of the Carpenters' Co-operative functioned so well was due to the existence of a good communication system. Of course, their co-operative still had only fifteen members, and as they all met in the workshop every day it was easy to keep everyone informed of the latest news. The committee members and the manager kept all documents and correspondence available for all members to see. In this way they prevented rumours from spreading, which could have spoilt the good atmosphere in the society.

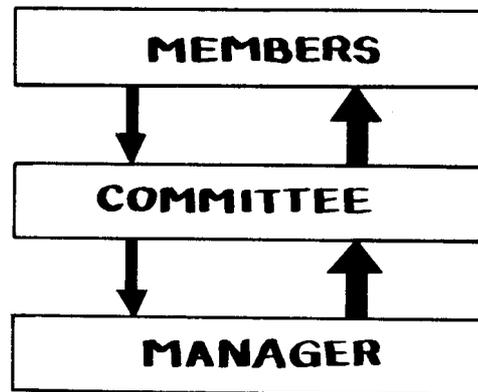
In addition to the "informal" daily contacts, the society also had its system of "formal" general meetings in order to keep everybody informed and to control the development of the society.

We have seen how the management structure of the society developed, compared with page 27.

We can draw arrows between the three "powers" like this, to show how the members instructed and empowered the committee, and the committee in turn entrusted certain powers to the manager.



But this structure also means that we must draw arrows the other way: the manager must report regularly to the committee about the business results; and the committee must inform the members in the general meetings.



In the Carpenters' Co-operative, links between the three "powers" were very strong. The members were active, interested, loyal and well educated in co-operative and business matters. The committee was made up of responsible, knowledgeable and hard-working members. The manager was a professional administrator and business-man.

They worked well together because they all shared the same goals. That is why the Carpenters' Co-operative could function so well.

"CHECK-OUT"

To prove to yourself that you have fully understood this Element, you should now answer the following questions. Then check your answers by referring to the pages indicated. If you have problems with a particular question, go back and read the corresponding chapter again.



- 1 Explain two co-operative principles which make a co-operative society different from other types of business organisations. 8-9
- 2 Which laws and regulations govern the operations of co-operative societies in your country? 11
- 3 Describe a co-operative society's relations to the Government. 11
- 4 Explain the common rules for admittance of new members to a workers' co-operative. 13-18
- 5 What are the costs involved in becoming a member of a workers' co-operative? 16-18
- 6 What is meant by shares? 17-18
- 7 What happens to the share capital if a co-operative society is going bankrupt? 21
- 8 Explain the common wage systems in workers' co-operatives: Should wages be equal or different? Who decides? 23

	Ref . page
9 Describe the basic organisational structure of a co-operative society.	27
10 Who is making the by-laws of a co-operative society?	27
11 Who elects the "committee"?	27
12 When and how can the members of a co-operative society exercise their powers?	28-34
13 What are the main items on the agenda for the AGM?	29
14 Which reports and papers must the committee (and the manager) prepare in good time for the AGM?	29-32
15 List the main duties of the committee.	36-37
16 What qualities should a committee member possess?	38
17 List the main duties of the manager of a workers' co-operative.	39
18 What is the purpose of the committee's regular meetings with the manager?	40
19 How can conflicts over authority in a co-operative best be avoided?	41
20 What are, in your opinion, the most important prerequisites for a successful workers' co-operative?	

MATCOM TRAINING MATERIAL

Read also the Element:

<p>A Workers' Co-operative Basic Economics</p>
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which deals with the business aspects of a workers' co-operative.

MATCOM has also published a series of Learning Elements for staff of consumer co-operatives. Some of the topics included are important also for workers' co-operatives, e.g.

- Cash and stock management
- Ordering goods
- Receipt of goods
- Handling of cash
- Cash control without a cash register
- Stock control records
- Stock-taking

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