

- **A WORKER'S CO-OPERATIVE: THE DECISION TO START**
material for training of co-operative advisers

TRAINER'S MANUAL

international labour office, geneva

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by Malcolm Harper



MATCOM
Material and techniques for cooperatives management
training

The MATCOM Project was launched in 1978 by the International Labour Office, with the financial support of Sweden. In its third phase (1984-1986) MATCOM is financed by Denmark, Finland and Norway.

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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Preface

The ILO-MATCOM Project has produced a total of fourteen training packages designed to assist the people responsible for planning or conducting training courses for advisers and managers of agricultural co-operatives in developing countries.

In addition, MATCOM has now designed two packages to help in the training of advisers to people considering establishing workers' co-operatives:

A WORKERS' CO-OPERATIVE: THE DECISION TO START

and

A WORKERS' CO-OPERATIVE: FORMATION AND MANAGEMENT

Workers' co-operatives are usually concerned with manufacturing rather than farming. The important distinction here, however, is not between agricultural and non-agricultural co-operatives but between service and workers' co-operatives.

Service co-operatives exist to provide marketing, supply, equipment hire, credit and other such services to their members, generally independent farmers. (MATCOM's training packages for agricultural co-operatives are actually designed for this type of service co-operative.) Obviously, independent craftsmen, such as carpenters or tailors, can also form service co-operatives.

Workers' co-operatives, on the other hand, are set up to provide jobs to members, not services. Members of a service co-operative own the co-operative and buy from or sell to it; members of a workers' co-operative own it and also work for it.

The term "workers' co-operative" has been chosen because it is probably the most widely used term to describe this kind of organisation. Other terms in common use include industrial co-operative, producers' co-operative and workshop co-operative. The terminology is not important; the critical determinant is not the particular activity undertaken but the fact that members of service co-operatives retain their own independent economic activities, while members of a workers' co-operative are actually employed by it.

Many countries have long experience with agricultural service co-operatives. The function of the MATCOM training packages for their managers is often to introduce more effective management techniques to organisations whose basic principles, problems and activities are already well understood. Workers' co-operatives, on the other hand, are less common; they have a greater need for more fundamental training. It is hoped that these new complementary MATCOM training packages will help to satisfy this.

THE TRAINING PROGRAMME1. Target Group

This training programme is intended for co-operative officers and other advisers to people considering setting up a workers' co-operative or some other form of organisation to provide themselves employment.

2. Aim

The aim of this training programme is to enable the course participants (the co-operative advisers) to decide whether or not a workers' co-operative should be started. (Formation and management of a workers' co-operative are dealt with in a complementary training package.)

- It is important that participants be clear that workers' co-operatives are only one possible solution to the unemployment problems of those whom they are advising.

Participants may be familiar with the problems of the agricultural sector, where service co-operatives are often the natural and only possible type of organisation for certain functions. They may have little doubt as to whether a service co-operative should be started.

They may be less familiar, however, with workers' co-operatives which are only one of many different ways in which potential members' objectives may be achieved. The "start up decision" is therefore fundamental and crucial, and this training programme has been designed to help advisers to focus on this issue.

In some cases the best advice and the wisest decision may be not to establish a co-operative at all. Trainers and trainees should be encouraged by the use of this package to be quite realistic about the possible reasons for failure and the conditions necessary for success.

A basic condition for success evident from this material, is that all co-operative decisions (especially the fundamental one of whether to begin or not) must be made by the potential members, and not by an outsider. It is therefore vital that advisers realise that their job is to advise and not to decide. They should learn from this material the conditions most conducive to success, but they should never think that this knowledge gives them the right to tell people whether or not to start a co-operative. What the advisers should do (and this is in fact more difficult) is help people make their own decisions, by showing them both opportunities and potential problems and then leaving them to decide for themselves.

3. Objectives :

This programme consists of thirteen sessions (see page XT.) Briefly summarised, their objectives are to enable the participants -

- to identify and distinguish between different types of organisations;
- to identify co-operative enterprises, to distinguish between service and workers' co-operatives and to identify activities for which each may be appropriate;
- to identify the main reasons why workers' co-operatives fail and to list the factors which can help to avoid common problems when selecting groups for assistance;
- to recognise and avoid the dangers of excessive intervention and support for workers' co-operatives, and to recognise the need for encouraging self-reliance;
- to identify situations where lack of participation in a workers' co-operative is likely to lead to exploitation and failure;
- to recognise the importance of effective leadership in the development of workers' co-operatives;
- to recognise ways in which politicians and vested interests may attempt to work through workers' co-operatives, and to identify and prevent, when possible, inappropriate intervention;
- to identify ways in which new workers' co-operatives can overcome obstacles and strengthen their commitment through persistence;
- to identify and make use of appropriate sources of finance for new workers' co-operatives;
- to identify the appropriate criteria for new members of a workers' co-operative;
- to guide members of new workers' co-operatives through the procedures necessary for formal registration;
- to apply what they have learned in this course to their work in the field.

4. Timing, Structure and Use of the Material

The following material is provided for each session:

- a session guide for the trainer (yellow pages), giving the objective of the session, an estimate of the time needed and a comprehensive "plan" for the session, including instructions on how to conduct the session;
- handouts (white pages) of all case-studies, forms, etc., to be reproduced for distribution to the participants.

The course which is covered in this package can be completed in something between 20 and 30 hours of classroom time, depending on the number of trainees and the pace at which the material is used.

Note: The complementary training programme "A Workers' Co-operative: Formation and Management" can conveniently be linked to this course, and both programmes run as one course.

Trainers may prefer to use groups of sessions, individual sessions or parts of sessions, and they should certainly feel free to do this. Components of this package can be integrated with other material and can be modified and used in whatever way the trainer thinks fit. Each trainer should aim to make this material his or her own; parts of it will undoubtedly need substantial modification to conform to local situations, regulations, currencies and so on. Trainers may have better examples and case-studies which can be substituted for some of those which are used in the material. A MATCOM manual is deliberately produced in loose-leaf form; it should be written on, amended and improved continually.

5. Training Approach

The MATCOM packages are based on the assumption that training is expensive and that funds for training are scarce. Training is an investment, and unless the training yields results which are greater than that investment, it would have been wiser to use the money for some other purpose.

On their return to work from the training programme, participants should be able to show concrete results. In order to prepare them to achieve this, the material includes little or no theory; it is

almost entirely participative, with the minimum of lecturing and a maximum of shared experience and learning.

The participants will not learn how to advise workers' co-operatives in a passive way; the kinds of problems which they meet in their everyday work have been, as much as possible, translated into realistic case-studies and other problem-solving exercises. Participants, working in groups and on their own, will solve these problems with the help of one another, and with some assistance and guidance from the trainer. He should act more as a facilitator of learning than as a lecturer.

Every participant, even if he or she has never actually given any advice to members or potential members of a workers' co-operative, has some ideas and suggestions from which others can learn. If all these insights and experiences can be shared, a great deal will have been achieved even without the new knowledge provided by the material or the instructor. The material is designed to facilitate this process of exchange, so that everybody goes away with the accumulated knowledge that each has brought to the programme.

Remember that knowledge is like fire; you can share it with other people without losing anything yourself. You should treat each person as a source of ideas and suggestions which are at least as valuable as your own. The material is designed to help you draw out, or "elicit", these contributions.

The last session, on "Action Commitment", is designed to ensure that the "bridge" between the course and the working world is as easily crossed as possible. Working with each other and with you, each participant should come up with a very specific plan of what he or she proposes to do on return home. You should make every effort to ascertain whether or not they implement their plans and to support them in their efforts. If they fail, it is the course that is at fault; and if they succeed, you - the instructor - can take a great deal of the credit.

6. Preparing the Training Material

Handouts constitute an important part of the training material used in the programme. They can be reproduced from the original handouts supplied in this ringbinder, after the necessary adaptation

has been made. Reproduction may be done using whatever method is available: stencil, offset printing, photocopy, or other.

The only item of training equipment which is absolutely essential is the chalkboard.

Some suggestions for visual aids are given in the session guides. If flipcharts or overhead projectors are available, you should prepare these aids in advance. If they are not available, you can still use the chalkboard.

The Pre-course Questionnaire (See Session 1) should be sent to the participants in advance. They should be asked to complete it and hand it in at the beginning of the programme.

7. Preparing Yourself

Some trainers may feel that material of this sort means that they need only spend a few minutes preparing for each session. This is not the case.

You should go through the following steps before conducting any course based wholly or in part on this material:

- a. Read it 'carefully'; be sure you understand the content and that you can envisage what is intended to happen in the classroom.
- b. Work through all the calculations; be sure that you understand them completely. Try to predict the errors that trainees are likely to make, and the different answers which may not be wrong, but which will be worth following up.
- c. Work through the case-studies yourself and try to predict all the possible analyses and answers which trainees may come up with.
- d. Look up and write down on the material itself, as many local examples as you can to illustrate the points that are raised.
- e. Plan the whole session very carefully; try to predict approximately how many minutes each section of the session is likely to take, and make the appropriate modifications to fit into the time you have available. Do not take the suggested time at the beginning of the session too seriously.

8. Conducting the Programme

While using the material, you should try to observe the following guidelines:

- a. Arrange the seating so that every trainee can see the faces of as many as possible of the others; do not put them in rows so that the only face they can see is your own.
- b. Be sure that the session is clearly structured in the trainees' minds. Outline the structure at the beginning, follow it or say that you are diverging from it, and summarise what has happened at the end.
- c. Bear all the learning points in mind, and do not forget the job-oriented objectives of the session.
- d. Be flexible; do not follow the material slavishly and be prepared to change the approach, depending on what trainees themselves suggest.
- e. Avoid, whenever possible, telling the trainees anything; in a successful session all the points will have been elicited from them by skillful questioning.
- f. If you fail to draw a particular answer from the trainees, it is your fault, not theirs. Persist, asking the same question in different ways, hinting at the response you want. Only make the point yourself as a last resort.
- g. Use silence as a weapon; if nobody answers a question, be prepared to wait for 20 or 30 seconds in order to embarrass somebody into making an attempt.
- h. Avoid talking yourself. Trainees' discussion and suggestions should occupy around three-quarters of the total time. Ask, listen and guide rather than talk. (The more you yourself talk, the more you are revealing your own insecurity or ignorance of the subject, in that you are not willing to risk questions or comments with which you cannot deal.)
- i. Never ridicule a trainee's answer or suggestion; there is bound to be some merit in it somewhere, and the very fact that he or she has put forward a suggestion is commendable.
- j. If you cannot answer a trainee's question, or comment on a suggestion, (or even if you can) ask another trainee to answer

or make a comment. You are the facilitator, not the source of knowledge.

- k. Write trainees' own words on the chalkboard whenever possible; do not follow the words in the material, even if they are more precise.
- l. Be prepared to act as "Devil's Advocate", there are usually no right or wrong answers to management questions, and trainees must see and understand both sides of an issue.
- m. If trainees appear to be following a quite different track from that suggested in the material, do not dismiss this out of hand; it may be as useful or more so.
- n. Call on the silent and, if necessary, silence those who talk too much.
- o. Be sure that everybody understands what is going on; do not allow discussion to be taken over by a few who understand.

9. After the Course

Be sure to contact all participants, in person or at least by letter about six months after the end of the course to find out how they have managed to apply what they have learned and how well they are implementing their action commitments. If they have failed, it is not they who were at fault, but the course. Either the training was ineffective, the participants were poorly selected or you failed to recognise problems which might prevent them from applying what they learned.

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THE COURSE PROGRAMME

- Session 1 Introduction
- Session 2 Types of Organisation
- Session 3 Service and Workers' Co-operatives
- Session 4 The Causes of Failure and Conditions for Success
- Session 5 Self Reliance versus External Support
- Session 6 Exploitation and Member Participation
- Session 7 Leadership
- Session 8 Interference by Government and Vested Interests
- Session 9 Obstacles and Persistence
- Session 10 Sources of Finance
- Session 11 Criteria for Membership
- Session 12 Registration, By-Laws and Regulations
- Session 13 Action Commitment



Introduction

SESSION 1

INTRODUCTION

Objective : To demonstrate the scope and complexity of a co-operative adviser's duties, particularly the importance of adequate guidance to workers' co-operatives; to ensure that all participants are aware of the objectives of the programme; to introduce participants to one another; to identify sources of expertise within the group and to ensure that all administrative details are in order.

Time : 1 - 2 hours.

Material : Completed Pre-course Questionnaires.
Timetable.
List of participants.

Session Guide :

- 1) The opening of the programme should be brief and to the point. If a prominent visitor is to open the programme, he or she should be asked to give examples of problems arising from inadequate advice or assistance to workers' co-operatives. He should stress that advisers can make a major contribution toward the successful development of workers' co-operatives. But he should also stress that a common reason for the failure of such co-operatives is excessive intervention by advisers.
- 2) To clarify the objectives and the contents of this course, ask the participants questions like those below, explaining that the course will deal with problems of this type.
 - What are the real reasons you have helped people to start co-operatives in the past - the fact that your job is to promote the co-operative form of organisation or the fact that you have found it to be the best solution in every case?
 - Can you be certain what type of co-operative would best benefit a group of craftsmen (tailors, for example)? Should they organise just to obtain raw materials, to sell their products, or to work together as a production co-operative?

- Can you explain why some workers' co-operatives have not been successful in the past?
 - How can you ascertain that the people initiating a co-operative are seriously committed to the idea and will not simply give up and dissolve the group at the first set-back?
 - Should you help a new co-operative to sell its products, or should you only help with member education? Which is most important? What is your actual role?
 - What support should the government give to a workers' co-operative?
 - What possible sources of finance for new co-operatives do you know about?
 - What style of management do you recommend for a small co-operative? Should all members be involved in all decisions, or is it better to have a strong leader for day-to-day management?
 - How do you identify good leaders?
 - What single pre-condition is the most important for the success of a co-operative? (This question can be put to all participants; their different opinions will clearly demonstrate the complexity and difficulty of a co-operative adviser's job.)
- 3) Go briefly through the timetable, stressing that participants will be required to contribute their own ideas, not merely listen to other people talking. Stress that people learn more by active participation than by passive listening.
 - 4) Ask each participant to summarise his previous training and practical experience for the group, and to state what he hopes to gain from attending this course. Emphasise that everyone brings something to the course and that, if all return having shared the accumulated experience, a great deal will have been gained. Resource persons, and the material, can only provide some ideas about techniques and a structure for the course. The major input will come from the participants themselves.
 - 5) Explain that the purpose of the course is to improve participants' abilities actually to advise their clients more effectively, and not merely to repeat theories or principles without putting them

into practice. Explain the main features of the "Action Commitment" which is included in this programme:

- Before the end of the programme each participant is expected to have identified at least one major task, related to workers' co-operatives, which they are going to carry out on their return home.
- During the final course day everyone will work out, in consultation with colleagues, detailed "action plans" to which they will commit themselves.

Tell participants that the instructor intends to contact them at a later date in order to assess how successful they have been in implementing their plans. The course, rather than they themselves, will be evaluated by their success.

- 6) Ensure that any administrative problems are dealt with. Matters of accommodation, payment of expenses, transport, rooms for private study and any other points of information should be settled now.

Pre-course Questionnaire

Name: _____

Employer: _____

Job Title: _____

Brief description of your responsibilities:

What is your experience of Workers' Co-operatives?

What parts of your job do you find the most difficult?

Please complete the following sentence:

As a result of attending the course on Workers' Co-operatives, I hope
that I shall be able to



Types of Organisation

SESSION 2

TYPES OF ORGANISATION

Objective : To enable participants to identify and distinguish between different types of organisation.

Time : 1 - 1 1/2 hours.

Session Guide :

- 1) Explain to participants that in this session they will discuss what distinguishes different types of organisations from one another, including workers' co-operatives.

Stress that definitions, in words, are not important, but it is vital that everyone will be clear as to the types of organisation which we will be discussing during this course.

- 2) Ask participants what stimulates people to form organisations of any kind; elicit the suggestion that people must have a need of some sort which they want to satisfy.

Ask participants to suggest a number of common needs which people have, and the activities (enterprises) they might attempt in order to satisfy these needs. Participants should not at this stage consider the types of organisation that might be appropriate for each activity.

Elicit and write on the chalkboard/ohp* a list with needs and activities such as the following:

Food:	A farm
Health services:	A clinic
Credit:	A bank
Processing facilities:	A factory
Liquor:	A brewery or distillery

*) ohp = overhead projector

Legal services: Lawyers
Recreation facilities: A playing field
Worship: A church or temple

- 3) Without referring to this list, allow participants up to 5 minutes to write down as many different forms of organisation as they can think of. In order to clarify this task, give them one or two examples such as a limited company and a government department.

Ask participants each to suggest one type of organisation; go round the group, asking for second and further suggestions until no further ideas remain. Write the list on the chalkboard/ohp opposite the list of needs and activities, but do not at this stage attempt to relate the two lists. Ensure that participants suggest all those organisations which are known in their country. If any are missing, elicit them by appropriate "probing" questions, such as by asking under what type of organisation a particular enterprise with which they are familiar, is run. A typical list might read:

Individually owned businesses
Partnerships
Limited companies
Government departments
Autonomous public corporations
Co-operatives
Associations
Trusts

If the number of types of organisations differs from the number of activities listed, add or take away one or more activities to make equal numbers, so that they can be "paired".

- 4) Allow 15 minutes to match each of the activities (enterprises) already listed with an appropriate type of organisation from the list. Ask for their suggestions, and elicit pairs such as the following:

Farm:	Individually owned business
Clinic:	Government department
Bank:	Autonomous public corporation
Processing factory:	Co-operative
Brewery:	Limited company
Lawyer:	Partnership
Playing field:	Association
Church:	A trust

Participants may find it difficult to match every type of organisation. If the local reputation of any particular type, for instance a co-operative, is poor, participants may try to leave it out, or they may pair several activities with a particularly familiar or popular type of organisation. Stress that they should try to "pair off" each type.

Participants will almost certainly have different suggestions from the above. Discuss them, and demonstrate that each of the activities which have been mentioned conceivably could be, and probably has been owned and managed somewhere in the world by every one of the different types of organisations which have been listed.

- 5) Ask how each of the different types of activity is owned and managed in their locality. They should be able to mention a number of actual alternatives for each type of activity.

Participants may feel that the differences arise mainly from different political systems in different countries or areas. Stress that there are many other reasons for particular choices, and that examples of each type of organisation exist in every country, from the Soviet Union to the United States.

- 6) Ask participants briefly to explain the main distinguishing features of each of the eight types of organisation. Do not go into this in great detail, but ensure that participants can correctly identify examples of each type, from enterprises known to them, in order to understand the critical differences between types of organisation. Stress the following vital points:

- Individually owned businesses. The enterprise is owned by one person, and is legally indistinguishable from him or her.
- Partnerships. The enterprise is owned by two or more people. They share in its management and profits in whatever way they agree. Each one, if necessary, is wholly responsible for any debts or other obligations the partnership may incur.
- Limited company. The enterprise is owned by a number of people, and their share in the management and profits depend on the amount of money they invested in it. The owners' responsibility for the debts or other obligations is limited to the amount they invested.
- Government department. The enterprise is wholly owned and controlled by the Government, within the structure of the Civil Service, and with no legal existence of its own apart from the Government. It would not normally produce any statements of its earnings or expenditures.
- Public corporation. A limited company which is owned by the Government. Its top management are appointed by the Government, but are otherwise free to operate as they wish, and it can make a profit (or loss).
- Co-operative. An enterprise owned and controlled by the people whom it 'serves. They have equal shares in its management, and share in its surplus according to how much they have used its services.
- Association. A group of people who come together for a common purpose and who order their affairs in any way they may decide, subject only to the law. They usually have a chairman, a secretary and a committee, and individual members are not usually liable for an association's obligations.
- Trust. A group of people who come together to perform social, cultural or religious activities, or to offer facilities of this nature. Trusts are non-economic bodies and work on a non-profit/non-loss basis.

7) Ask participants to suggest the qualities they would like any organisation to have, from the point of view of the community at large, in order for it to be effective. Elicit a list such as the following:

- Responsive to those whom it serves.
- Able to raise finance.
- Continuity even if individuals leave it.
- Able to make speedy decisions.
- Innovative.
- Easy to form.
- Non-exploitative.
- Economical.

Ask participants which of the forms of organisation listed earlier is most likely to have each of the qualities.

Opinions will differ, elicit suggestions such as the following:

Responsive to those whom it serves	Trust
Able to raise finance	Government Department
Continuity	Public corporation
Able to make speedy decisions	Individually owned business
Innovative	Limited company
Easy to form	Partnership
Non-exploitative	Co-operative
Efficient	Association

Participants may have different opinions. They should justify and discuss the differences, and support their opinions by examples from their own experience.

- 8) Ask participants whether this attempt to ascribe particular qualities to particular types of organisations implies that any one type of organisation is best for all circumstances, or that any other is never appropriate.
- Clearly not; different types of activities require organisations with different qualities.

Ask participants to suggest, for instance, what would be the main quality required of a trading organisation, a major industry and a community facility:

- Trading requires fast decision-making and ease of formation.
- Major industries need to be able to raise large amounts of finance.
- Community facilities need to be responsive to people's needs and non-exploitative.

Stress that organisational forms should be chosen not on the basis of political ideology but on their merits, depending on the type of activity to be undertaken and the particular qualities this requires.

In the following sessions we shall examine co-operative enterprises, and the types of situations for which they may be the most appropriate.



Service and Workers' Co-operatives

SESSION 3

SERVICE AND WORKERS' CO-OPERATIVES

Objective : To enable participants to identify co-operative enterprises, to distinguish between service and workers' co-operatives and to identify activities for which each may be appropriate.

Time : 1 - 1 1/2 hours.

Session Guide :

- 1) Explain the distinguishing features of co-operative enterprises:
 - They are owned by the people whom they serve.
 - Every member has an equal share in their management.
 - The surplus is distributed according to the volume of use each member makes of the service.
 - They are non-exploitative.

Ask participants to identify the basic problem which leads people to organise co-operatives, rather than performing the same service for themselves. Elicit the suggestion that people come together in a co-operative because the activity or service is one which they cannot provide for themselves. The requirement of any one individual is too small to make the activity feasible or economic.

- 2) Ask participants to suggest a number of different activities which they know to be undertaken by a co-operative. Elicit examples such as:
 - Processing and marketing of crops.
 - Providing credit for members.
 - Organising retail shops.
 - Providing housing.
 - Buying farm inputs in bulk.

Ask participants what needs these types of co-operatives are satisfying. Elicit suggestions such as:

- the need for higher prices for crops;
- the need for credit;
- the need for supplies of goods not grown on their own farms;
- the need for shelter;
- the need for fertilisers and other farm supplies.

Show that all these needs, and the co-operatives that people form to satisfy them, depend on the member having a source of income to pay for the service. Ask participants how the co-operatives help the members to increase their income, eliciting the following:

- They help them to get higher prices for their crops.
- They help them to purchase cheaper food or other supplies.
- They help them to obtain credit to buy basic necessities or to make investments for themselves more easily and less expensively.
- They help them to obtain housing more cheaply.

Stress that these are all services which help farmers, wage earners or business people to earn more or spend less. They do not, in themselves, provide people with an income or activity.

- 3) Ask participants what is the major need of people who do not own their own farms or other businesses, and are not employed; clearly they need an income and a job.

The various types of co-operatives which have been covered so far are of little value for somebody without an income; a workers' co-operative is a way in which people can get together to create jobs.

Ask participants what most people do if they have no capital or other business, little skill and cannot find a job. Elicit the answer that they try to create a job for themselves, by starting a small individual enterprise which can be run with a low level of skill.

Ask participants for examples of the kind of business which poor people start for themselves. Elicit suggestions such as hair cutting, shoe-shining, small-scale shops, hawking, shoe-repairing, tailoring, etc.

Ask participants what these types of businesses have in common; they are very small, they need very little capital and skill, and they usually earn very little money.

Remind participants of the basic purpose of a co-operative which is to enable people to do something together which they cannot do on their own. Explain that such people can join together into a service co-operative which can then provide common facilities such as raw materials, marketing or a particular piece of equipment.

They can also join in a workers' co-operative, which is a way in which people try to create jobs for themselves and can earn more money and be more secure than in a small individual activity such as has been mentioned. It is not merely a service which in some way improves the income they can earn from their own existing enterprises.

- 4) In order to ensure that participants are quite clear as to the distinction, write the following list of co-operative societies on the chalkboard/ohp and ask participants to say which are service co-operatives and which are workers' co-operatives:

- A society which markets its members' crops.
- A credit union.
- A collective co-operative farm.
- A co-operative housing society.
- A leather-tanning society to provide leather for its member shoemakers.
- A grain storage society.
- A co-operative tea factory owned by the growers.
- A metalworkers' co-operative owned by its employees.
- A consumer co-operative society.

Stress that only the co-operative farm and the metalworkers are workers' co-operatives; all the others are service co-operatives because they exist to provide a service to enable members to increase their incomes, or reduce their expenditure, but are not their members' main activity. Only these two actually provide employment for their members.

Confirm participants' understanding of this point by asking whether the employees of any service co-operative which are familiar to them are members of the co-operative. Usually they are not, because the members are not those who are employed by a service co-operative but those who use its service. A workers' co-operative, however, exists to employ its members.

5) Ask participants to suggest alternative terms to describe this type of co-operative. Elicit suggestions such as:

- industrial co-operatives;
- labour co-operatives;
- producer co-operatives;
- workshop co-operatives;
- joint production societies.

There may be others. Stress that what is important is not the terminology, but that everybody understands what type of organisation is being discussed. A precise definition is not possible, since there are borderline types of enterprise. One useful criterion is that, in general, in a workers' co-operative, it can be said that:

- every worker is a member;
- every member is a worker.

Although occasions may arise when a few, short-term specialists or casual workers are not members, and some initial sponsoring members may not be workers, these criteria can and often do apply to what we are calling workers' co-operatives, and not to any other type of enterprise.

- 6) Ask participants to identify the types of activities when service or workers' co-operatives may be most appropriate. Elicit suggestions such as the following through discussion:

Service co-operatives -

- circumstances when a number of individuals have a common need, such as credit, marketing or material, but the remaining aspects of their activity can be carried on individually;
- when members do not need to work collectively away from home;
- when there is no need for uniformity in the ultimate product.

Workers' co-operatives -

- when high capital investment is required;
- when a common and all-embracing policy is required;
- when uniformity of products is required.

Stress that workers' co-operatives are difficult to operate, and require a high degree of cohesion and willingness to subordinate individual preferences to the common will.

It is therefore important to ensure that people are only encouraged and assisted to start workers' co-operatives when circumstances are appropriate. The following session will enable participants to identify such conditions.



The Causes of Failure and Conditions for Success

SESSION 4

THE CAUSES OF FAILURE AND CONDITIONS FOR SUCCESS.

Objective: To enable participants to identify the main reasons why workers' co-operatives fail and to list the factors which can help to avoid common problems when selecting groups for assistance.

Time: 2 - 3 hours.

Material: Case study "Failures".

Session Guide:

- 1) Ask participants to comment on the general record of industrial co-operatives in their country, region or community. Ask for specific examples, and ensure that they are in fact workers' co-operatives, as defined in the previous session.

Some participants may only be aware of very few co-operatives, or of none at all. In any case, the proportion of success is likely to be rather low.

Stress that the record of workers' co-operatives is poor in nearly every country in the world. The objective of this session is to identify typical reasons for failure and to evolve guidelines which can be applied to minimise the chances of failure. Later sessions will cover these guidelines in more detail and suggest ways in which common problems may be avoided.

- 2) Distribute the case studies to participants in groups. Allow them up to 45 minutes to complete the assignment. (If time is short, the case studies may be dealt with by participants individually.)
- 3) Reconvene the group, and ask the representative of one group to suggest the main reason for the failure of the society in Case A.

Ask other groups for their suggestions and elicit the conclusion that the society failed mainly because it was inspired and in ge-

neral managed by an outsider - there was no real need for the co-operative, and thus no commitment by the members.

- 4) Ask other groups for their suggestions as to the main reasons for the failures in Cases B to F. They may have a number of suggestions, but attempt to elicit the following:

B: The business itself was not viable. The foreign traders had withdrawn because of competition, and there was no reason to suppose that the society would be any more successful than they were.

C: The members failed to realise that a workers' society must be managed in a business-like way. The fact that it is a co-operative does not mean that good management is not necessary.

D: The society lacked a leader and was in part motivated by "subsidy hunting" rather than a real belief in working together.

E: There was no real demand for the service which the theatre group tried to provide, and it was used for political purposes.

F: The printers lacked the necessary skills to produce work of the required quality.

Participants' responses may not use these precise words, and they may indeed have rather different conclusions. These should be discussed and if they appear as important as the ones mentioned above, they should also be included.

- 5) Ask participants to summarise their conclusions in groups from the case studies as well as from their own experience and to design a set of positive guidelines or conditions for success, avoiding the phrase "must not". Allow up to 30 minutes for this and elicit suggestions such as the following:

- The idea for a workers' co-operative must come from the members themselves.

- The members of a workers' co-operative must share a common economic status and need.
- The business undertaken by a workers' co-operative must be fundamentally viable.
- A workers' co-operative must be managed in a business-like way.
- The members of a workers' co-operative must have a common problem or a felt need which the society can solve.
- A workers' co-operative must be treated as a commercial organisation, and must avoid political entanglements.
- A workers' co-operative must have a good leader.
- A workers' co-operative must offer a product or service which is genuinely needed by its proposed target market.
- The members of a workers' co-operative must have the necessary skills to provide whatever product or service they propose.
- The members of a workers' co-operative must be committed to its success.
- The scale and complexity of the proposed activities of the workers' co-operative must be within the scope of members' abilities.

The exact wording is unimportant, and participants may suggest useful additional items which are equally important. The list should, however, be as concise and brief as possible, and it may be appropriate to omit some of the reasons which are given here if they are not of any relevance in a particular national situation, or to add others which are of local importance.

6) Sum up the discussion by displaying on the chalkboard/ohp the following factors which can be considered essential for the success of a workers' co-operative:

- Members' initiative, no "featherbedding".
- Common status and a common serious need.
- Necessary technical skills.
- Business-like management.
- Fundamental viability.

- Minimum of political interference.
- Effective leadership.

Stress that it is very difficult for a workers' co-operative to succeed if these conditions are not satisfied.

Failures

Read each of the following brief descriptions of workers' co-operatives which have failed, and decide why each has failed.

A : The Atlantic Shoemakers' Society

Atlantic has a long tradition of leathercraft, and its people were well known for their independent spirit. A number of them had in recent years turned to the manufacture of shoes. They had some difficulty in obtaining raw material and in marketing their products in competition with larger recognised producers. Some were more successful than others, and although none of them was totally satisfied with his business, nobody had to go hungry.

A co-operative officer talked to a number of the shoemakers, and concluded that a workers' co-operative would help them to solve many of their problems. He introduced them to the idea, and helped them to select a committee and to appoint a manager.

The co-operative seemed to start well; the co-operative officer arranged a loan for raw material purchase and introduced the shoemakers to some new customers. After some time, however, the members seemed to lose interest. Some of them reverted to their old sources of material, while others preferred to sell direct to traders as they had before. Very few members turned up at meetings, in spite of the co-operative officer's best efforts, and after a few months the society had become entirely moribund.

B : The Bamboo Workers' Society

Canaan was famous for its bamboo, and for the high quality baskets, hats and other products which had been woven there for many generations. There had been a number of companies producing these goods; most were owned by foreign traders, who used to bring bamboo from the neighbouring hills and issue it to individual craftsmen. They would make what the traders demanded, and then would be paid for their work, less the cost of the bamboo.

Over the years, however, the numbers employed in this way declined steadily, and their earnings decreased as well. The traders complained about competition from more modern articles made of metal and plastic, and said they could only sell the bamboo goods at very low prices.

The Government was keen to encourage indigenous people to take over business activities from aliens. The bamboo workers had been so frustrated with their conditions that they had already formed an informal association to press their claims, and its leader eagerly grasped the idea of starting a workers' co-operative.

They started with high hopes; they purchased some bamboo with a Government loan, and offered "a fair day's pay for a fair day's work" to their members, instead of the meagre sums they had been receiving before. The Government had a department to assist with export sales, and some initial orders were received through them and elsewhere. Their prices were still low, however, and the society soon found itself in difficulty. After some time they were no longer able to pay the same wages any more, and they had to delay repayment of their loan as unsold stock accumulated in their warehouse. Finally many of the members drifted away and stopped manufacturing altogether; some of them returned to the alien traders, who paid them even less than before.

C : The Component Workers' Machine Shop

The demand for machine components was rising all the time as more industries came into the area, and a group of skilled machinists decided that they would start a workers' co-operative to take advantage of this. They could not see why only the managers and capitalists should reap all the benefits.

They heard of a small, but reasonably well-equipped machine shop that was being sold by a large company which wished to specialise in other items. Since they were all skilled machinists, and they had a certain amount of money from their own savings, they were able to raise a loan from the bank and buy the equipment.

They were determined to stick to the principles of a genuine workers' society, and to avoid draining away their earnings on overpaid mana-

gers. They knew how to do the work, they had contacts who would give them orders and supply raw material, and they knew that their customers would give them some idea of what prices to charge.

The society started well; the standard of work was very high, and many companies welcomed this new source of supply. After some time, however, problems began to occur. One customer complained that the society's invoice arrived far too late and did not include the price that had been agreed on when the order was placed. Urgent orders were forgotten while less urgent ones were completed, and some suppliers were not paid on time. The society began to run short of capital. Then they found a number of unpaid cheques in a drawer and took them to the bank, but this was only a temporary respite.

Eventually customers became tired of dealing with the society, and orders stopped coming in. Members' earnings went down, and some of them left to take jobs which would give them a steadier income. Quality also declined, and when the society fell behind in its loan repayments, they found they had not got enough money to keep going. The machines were sold to repay the loan, and the society went out of business.

D : The Daring Weavers — Society

The Government had introduced several schemes to encourage small-scale weaving, and 25 weavers decided to form a society. A number of them were in particular attracted by the generous Government loan programmes and other subsidised assistance. They thought that this would be a way of renewing their equipment at no expense to themselves. The idea had occurred to a number of them more or less at the same time, and they decided that they would be genuinely democratic; the chairmanship changed at each meeting and every decision was fully discussed by a management committee of five members. Here again, the membership of this committee rotated so that every member could have a chance to participate.

Other groups of weavers, and individuals, soon started to come up as well, and competition intensified. Customers insisted on rapid deliveries, and on immediate quotations of price and delivery when they asked for them. It proved very difficult for the Daring Society to satisfy these customers because every decision had to be discussed by the

management committee and the important decisions such as prices, had to be debated at the weekly meetings of all the members.

Some members suggested that they should streamline their procedures, and appoint one of their number to manage the society for a trial period at least. The others did not agree. In any case, nobody was clear as to who should do the job, and nobody volunteered since they felt that they should all remain equal.

While this debate was proceeding, they found that they were getting fewer and fewer orders, and that their competitors were buying cheaper yarn from itinerant traders who visited their premises. The Daring Society had been offered this yarn, but had not been able to negotiate with the sellers because the whole group had to be involved in buying decisions and it was impossible to bring them together quickly enough to buy the yarn when it was offered.

The members still disagreed about what they should do. Some proposed that they should disband the society, while others suggested asking the Government for further support. They failed to come to any agreement, however, and in the end ran out of raw material since their original suppliers had been forced out of business by the itinerant workers. The weavers returned home, and the society was disbanded.

E : The Eager Society

The young graduates had two reasons to be unhappy; they could not find employment, and they could see that the country's traditional dramas, which they had learnt to understand and enjoy at university, were rapidly dying out. The commercial theatres were turning to modern plays, and the cinema was totally dominated by foreign films.

One of them suggested that they might solve both problems at once; they should start a theatre co-operative, to rescue the local dramas. They would thus earn a living for themselves and preserve their nation's heritage.

His friends responded with great enthusiasm. Their university professor arranged for them to borrow a Local Government hall which was out of

use and they pooled what little money they had and managed to obtain a Government loan to pay for costumes and scenery.

This was partly done through the influence of a local politician, who also promised to publicise the plays through his contacts. In return, the members canvassed for his party, and the hall was used for political meetings as well as rehearsals.

The graduates rehearsed their first play with great care, and succeeded in persuading the local newspapers and other organisations to publicise it widely. The tickets were reasonably priced, and on the first evening there was a good attendance of university staff, some students and friends and family of the actor members. The cultural newspaper reviewed the play very favourably but the audience declined every night following the opening. After a week only about half the seats were sold, and they decided to stop the play and try another.

They rehearsed a second drama for several weeks, and during this period a number of the members had to go hungry or take part-time labouring jobs in order to earn a living. Nevertheless, they persevered, but this time only about half the tickets for the first performance were sold, and the hall was virtually empty after two more days. The politician had in the meantime been re-elected and showed no further interest in their group.

Some of the members wanted to change to more modern plays, but the majority refused. They reminded their friends that they had started with the objective of preserving the nation's cultural traditions. If the people were so stupid and blind to their own heritage, it would be better to stop altogether rather than to lower their standards. The meeting broke up in disagreement, and the society never put on another play.

F : The Formal Printing Society

It seemed to be impossible for the educated young people in the area to find any way of using what they had learnt at school to earn a living. A group of young men and women who had left secondary school the year before were determined to do something to help themselves. They had

been taught at school to analyse problems carefully, and they soon realised that their ability to read and write very well was a fairly rare and valuable skill in the area. How could they make use of it? After some thought, they decided to start a printing business. The Government and co-operative and private businesses in the area had to travel 150 kilometres to the capital to get printing done, and there was a large demand for business forms, posters, small booklets and even, perhaps for books and newspapers to be printed locally.

The group approached a co-operative officer, and he advised them to find out about the equipment they would need. He arranged for a representative of a firm of importers of offset printing machinery to talk to the group, and this man was very helpful. He recommended a suitable set of equipment, and even offered to provide a two-day training course in the capital city, free of charge. The co-operative officer agreed for his Department to pay for the young people's travel and they greatly enjoyed observing how the machinery functioned and trying to work the various pieces of equipment themselves.

They prepared a loan request with the help of the sales representative, and this was rapidly approved. The machinery was delivered two months later, and the group had in the meantime obtained a number of orders for printing work. They started with enthusiasm, but soon found out that the job was not as easy as they had thought. Their ability to read and write was useful for reading the proofs, but there were many, far more difficult tasks, like getting the right amount of ink on the rollers, stacking the paper correctly, ensuring that the finished work dried correctly and so on. They produced some jobs, but these were of very low quality, and none of their customers placed any further orders.

The machinery supplier was unable to give any further help since their offices were so far away in the capital city, and after some time the society had used up all its money. The manufacturers eventually agreed to buy back the equipment, at about half its original cost, and the Co-operative Bank wrote off the remainder of the loan as a bad debt.



Self Reliance versus External Support

SESSION 5

SELF-RELIANCE VERSUS EXTERNAL SUPPORT

Objective: To enable participants to recognise and avoid the dangers of excessive intervention and support for workers' co-operatives and to recognise the need for encouraging self-reliance.

Time: 2 1/2 - 3 hours.

Material: "Two cases from Bundu and Alma".

Session Guide:

1) Remind participants of the conditions for the success of workers' co-operatives which were identified in Session 4. Ask participants why it is particularly difficult for members themselves, and for their advisers and other outsiders, to avoid the dangers of excessive support and intervention:

- Unemployed people with no ideas of their own will eagerly grasp outsiders' ideas which appear to offer them a livelihood, even if they do not really understand them.
- People who are trying to start a workers' co-operative always find it very difficult; they are not likely to reject any offer of help.
- The job of co-operative promotion staff is to help new and existing societies. It is difficult to draw back and allow a group to make its own mistakes and find its own way, since groups of any sort are very scarce and failure may be professionally damaging for the officer.
- The target approach for development plans, whereby a certain number of workers' co-operatives must be promoted each year.

Stress that it is nevertheless vital for people on both sides to recognise the dangers of excessive assistance and the importance of cultivating the spirit of self-reliance among worker co-operative members. The two case studies which participants are to study

illustrate the advantages of sensitive response and the disadvantages of excessive intervention.

- 2) The case studies should, if possible, have been distributed to participants some time before, in order to allow time for individual reading. Divide participants into groups. If they have read the case studies before, allow a further 45 minutes for group discussion; if it has not been possible for them to read them beforehand allow up to 60 minutes for individual reading and group discussion.
- 3) Reconvene the class. Ask one group for their answer to the first question. Ask for alternative suggestions, and endeavour to elicit a response such as the following:
 - The idea for the Bundu Society came from the local branch manager of the Industrial Promotion Centre.
 - The weavers themselves had the original idea for the Alma Society.

Ask another group for their answers to the second question. Encourage discussion and refer to specific events such as:

The Bundu Society:

- The branch manager of the Industrial Promotion Centre prepared the feasibility study for the group.
- The branch manager suggested they should apply for a loan.
- The branch manager contacted the President and others for them.
- The branch manager asked the foreigners to assist the society.
- The foreign adviser asked the Co-operative Training Institute to run a course for them, and the foreigners paid for this.

The Alma Society:

- The members selected their own manager.
- The members each contributed \$300 of their own money.
- The members decided to invite the women to join them.

- The members employed the training and production manager themselves.
- 4) Participants may find it easy to criticise the manager of the Industrial Promotion Centre and the foreign experts in the Bundu case. Ask them how they would react when advising a new workers' co-operative if they realise that it is likely to collapse unless the members made some radical changes in management, which they were quite unable to conceive or to implement themselves.
- Would they allow the society to collapse?
 - Would they suggest and, if necessary, implement the changes themselves?

Any adviser becomes emotionally involved with a co-operative enterprise with which he has already been concerned. In addition, he may be blamed if a society for which he is "responsible" collapses.

- 5) Ask the groups for their answers to the third question; elicit responses such as:

Recruitment:

- The Bundu group were recruited by the entrepreneur, and did not come together on their own.
- The Alma group came together on their own initiative, with specific objectives.

Homogeneity:

- The leader of the Bundu group was already in business, and had different objectives and needs from the others.
- The Alma group were all people of similar needs and objectives and they were equal in terms of skill and economic status.

Need:

- The Bundu group were reasonably well off, and had no serious need for extra income.
- The Alma group were poor people, with specific needs which they felt could be satisfied by coming together.

Skills:

- Most of the Bundu group had no particular skills, and were in fact only being trained when the group started.
- The Alma group were all people of a similar level of skill.

National environment:

- The environment of the Bundu group was supportive, but they were treated as a "showpiece" society, rather than being part of a genuine national movement. The idea of the society and the various forms of assistance, were imposed on the group, rather than being requested by them.
- Co-operatives were an important part of the national philosophy of the Alma group's country; the necessary services were available to any group which was able to make good use of them, the services were provided only when the weavers asked for them.

- 6) Ask participants to comment on the implications of the two case studies for their own work. What prevents them from acting like the support agencies in the Alma case rather than those in the Bundu case?

Participants may refer to constraints such as:

- the official requirements of the job;
- people's lack of awareness of the advantages of co-operation;
- the low level of skill and lack of management ability among potential group members;
- the national environment which is basically not favourable to co-operative ventures.

Explain that in addition to the above points, advisers may have a paternalistic attitude, or may even wrongly perceive their roles as being managers rather than external helpers. In many parts of the world, advisers in such situations consider themselves as watchdogs and tend to interfere in the internal operations of workers' co-operatives.

- 7) Ask participants to suggest on the basis of their own experience, how they can increase the number of cases like the Alma group, and

minimise those like the Bundu group. Elicit suggestions such as the following:

- They can generally promote the idea of co-operatives, but rigorously refrain from suggesting it to people who have not already come together as a group and are making a genuine effort to solve their problems jointly themselves.
- Inform people in general, and groups who have started in particular, what potential activities might be undertaken, and what services are available, but ensure that they request them themselves.
- Arrange training for group members in management and other skills, rather than doing the work for them, even if this is far slower and more likely to fail.
- Try to avoid demands for complex feasibility studies or loan applications which are quite beyond the ability of groups to prepare, and irrelevant to their real needs. Show them, when they ask, how to prepare simple clear statements of what money they need and how they will repay it.
- Make it clear from the outset that as advisory officers they are there to respond and not to propose.
- Be prepared to accept early failure, and recognise that this is far better than expensive and long drawn-out agony such as that experienced by the Bundu group.
- Accept that the ultimate objective of an outside adviser is to be forgotten. People should believe that the society is their own creation.

Sum up by stressing that the adviser's task is to help workers' co-operatives to become self-reliant, to enable members to decide as they think best, and to caution them against undue dependence on external sources of supplies, advice or assistance.

Warn participants of the consequences of developing a culture of dependence among new workers' co-operatives, by extending excessive support, or by attempting to nurture them through excessive subsidies and assistance.

Two cases from Bundu and AlmaThe Bundu Women's Tailoring Co-operative (BWTC)

The BWTC was started in 1979 by the manager of the local branch of the Industrial Promotion Centre. He prepared a feasibility study and encouraged a local lady who was running a tailoring school to form a co-operative with 30 of her participants, who were mainly interested in sewing only for their families, but also welcomed the chance of earning some extra money to supplement their family incomes. Most of their husbands were civil servants.

The IPC Manager introduced the women to the bank, and helped them to get a loan of \$2000 for sewing machines, and \$6000 more for working capital. The women themselves raised \$1800.

The Co-operative was launched with a big ceremony. The IPC Manager persuaded the President of the country to attend, since it was one of the first workers' co-operatives in the country, and the only one run by women. Soon after this the IPC Manager was transferred elsewhere, but before he left he persuaded a foreign aid project, the Bundu Development Project (BDP), to take the new society under its wing. The wife of one of the foreigners agreed to train the women in simple book-keeping, and started to keep accounts for the society. He also persuaded the BDP to provide and pay for a one-week management course for all the members of the BWTC.

The women decided to make pyjamas, since these were simple to sew. They then found that the quality was lower and the cost far higher than the imported pyjamas already on the market. Nevertheless, they continued to make more pyjamas and other items, since they still had money for material. Only a few items were sold.

The BDP then provided a marketing adviser to help them sell the goods. He decided that they could not compete in the local market, but he did succeed in getting some orders from foreign charities who were interested in helping women's groups in developing countries. Quality was still a problem, however, and so the BDP also provided an expert in quality control, to help the women improve their goods.

The BWTC continued to survive on occasional foreign orders. They had problems in obtaining material, and in export procedures, but the foreigners were usually able to help. After two years, however, the foreign aid project came to an end, and the foreigners all left. One or two customers continued to send orders, but the BWTC found it difficult to get materials and to produce goods of the necessary quality on time. After a few months, the money ran out and the women ceased to come to the workroom, since they preferred to stay at home. The loans were never repaid, and the BWTC eventually ceased to operate at all.

The Alma Weavers' Co-operative (AWC)

For hundreds of years Alma has been a centre for weaving. The Government was anxious to preserve traditional crafts of this sort; they are part of the national heritage, and use local skills and materials to produce products which local people still use, and also for export.

In 1972 the Government allowed a group of traditional leather workers in the capital city to start a co-operative and a number of other groups of craft workers followed their example. In 1974, 44 men in Alma started the AWC. They hoped to improve their supplies of raw material and their marketing, and also to encourage young people to learn a trade.

As Manager, they chose the son of one of the members, who had been to secondary school and had some simple training in book-keeping. The members raised \$300 from their own savings, and used this and a further \$300 overdraft from the bank to buy raw materials. In spite of their efforts, it was very difficult to obtain regular supplies of high quality yarn, and it was also difficult to sell their products; a number of the weavers withdrew.

By 1978 the situation was very serious; the twenty remaining members managed to raise a further \$400, and then approached the Government for help in obtaining raw material. The Government Official was impressed by the members' persistence; he helped them to obtain import licenses of raw materials, and guaranteed an extension of the society's overdraft.

The members responded enthusiastically and also recruited 45 women as new members. They employed one of the older weavers to train them in weaving, which had traditionally been a male occupation, and he also designed a new type of hand-loom which enabled them to increase their productivity.

In 1983 the society's annual sales were over \$300000. There were 66 men and 155 women members, and they were each earning between \$150 and \$300 a month, depending on their production. The society reconstructed its workshop, and they also started a literacy programme for the women members, none of whom had ever been to school. Thirty-eight of them passed the primary school leaving certificate.

The society was also able to buy a film projector and video recorder from its surplus. This further encouraged the members to improve their education, because Alma is in a mountain area and there is no television or cinema there. The society, in fact, has become a major social and economic force in the community.

Assignment :

- 1) Who had the original idea for the workers' co-operatives in each case?
- 2) Both societies received extensive aid from Government agencies; what fundamental difference was there in the way the assistance was initiated and provided in each case, and who basically controlled and managed each of the two co-operatives?
- 3) What significant differences were there at the beginning of the two groups with respect to:
 - recruitment;
 - homogeneity of the group;
 - needs of the members;
 - skills of the members;
 - the national environment in which they started?



Exploitation and Member Participation

SESSION 6

EXPLOITATION AND MEMBER PARTICIPATION

Objective: To enable participants to identify situations where lack of participation in a workers' co-operative is likely to lead to exploitation and failure.

Time: 2 - 3 hours.

Material: Case studies "Cazinga Weavers" and "Star Furniture".

Session Guide:

- 1) Remind participants of the discussion held during previous sessions and the need to develop workers' co-operatives into self-reliant units. Explain that one of the means to develop such reliance is to encourage member participation in all aspects of the working of a workers' co-operative.

The case studies should, if possible, have been distributed well before the session, in order to allow participants time to read them individually.

Divide participants into groups. If they studied the case studies in advance, allow them up to 45 minutes for discussion; if not, allow up to a further 30 minutes of individual reading.

- 2) Reconvene the group. Ask a group representative for their answer to the first question; elicit the following response.
 - The initiative for the Cazinga Weavers came from outside, it was Joseph Taylor's idea.
 - The Star Carpenters themselves decided to start a co-operative.
 - The Cazinga Society was not homogeneous. One of the members was one of the very traders whose exploitation the Society had been designed to prevent.

- The Star Society were all skilled carpenters. One had a little more training than the others, but they were basically a homogeneous group.
 - The carpenters all wanted to avoid being exploited by their employers and to secure remunerative employment for themselves.
 - The weavers also wanted to avoid exploitation and to earn more money, but Mrs Lauro wanted to increase her own independent trading profits.
 - Mrs Lauro alone managed the Cazinga Weavers. The other members played no part in management.
 - Kwayo was the leader of the carpenters, but all the members were involved in management.
- 3) Ask participants how Joseph Taylor might have avoided the problem. How could they have prevented Mrs Lauro from exploiting the new group for her own purposes, and at the same time ensure that the group was properly managed by someone who knew the business and could buy thread, maintain quality and sell the products?

The following may be suggested.

- Encourage or assist the members to hire a manager with the necessary skills and experience, from outside the community.
- Help the members to develop direct links with retailers who might be willing to supply them with thread and buy the goods at better prices by cutting out the "middlewomen".
- Encourage members to establish and enforce membership criteria which promote homogeneity.
- Provide members' education and in particular training for committee members.

Ask participants for comments on these and other suggestions.

The following views may be included.

- Good managers are expensive. It is most unlikely that anyone with the necessary ability, experience and contacts could be hired at a salary which the society could afford, at least at first.

- A retail shop would have to spend money on travel, transport and supervision in order to carry out the necessary functions. The result might not be very different from the present situation, leaving the weavers no better off than before.

Discuss the above points in the two cases and sum up by stressing the need for active member participation in management and operations of workers' co-operatives.

- 4) Ask participants to comment on the original situation of the weavers; were they being exploited, or not?

Ask a participant to analyse the costs of a ten metre piece of cloth; elicit the following figures:

Cost of thread	30
Weaver's wages	8
Trader's expenses and profits	<u>22</u>
Retailer's buying price	60
Retailer's expenses and profits	<u>30</u>
Retailer's selling price	\$ 90

Stress that it may indeed cost \$22 per ten-metre piece to carry out the "wholesale" function. The fact that this is nearly three times the weaver's wage is unimportant. What determines the cost is what actually has to be done, and the existence of competition to prevent excessive profit.

Ask participants what may have allowed the traders to make excessive profits in this case. Elicit the suggestion that they may well all have been friends, so that they would not have competed with one another.

Stress, however, that the shopkeepers would probably have tried to contact the weavers direct if the trader's profits had been very excessive. There is no definite evidence that the wholesaling function was either drastically inefficient or monopolistic.

Ask participants for examples from their own experience of co-operative societies in the agricultural or industrial field which

have been introduced to "replace extortionate middlemen", but have ended up either costing as much as before or failing to serve customers and/or producers properly.

Stress that the marketing functions have to be paid for by somebody. If they are taken over by a co-operative society, this does not necessarily mean that they will be any less expensive.

5) Some participants may suggest that it might have been possible to arrange training in management and marketing for one or more of the weavers; ask others for their comments:

- Training takes time; it would not be possible to make a rural weaver into a good manager in less than two or three years.
- Training, however lengthy, is no substitute for experience. Mrs Lauro had probably never had any management training at all, but she knew the weavers and their individual capacities, and she knew the customers personally.

6) Ask participants whether they would, if they were the bank manager, support the application from the Star carpenters, assuming that the project appears fundamentally feasible on paper.

- The co-operative's major strength has been the homogeneity and skill of members and the small scale of operations, which has ensured that all members have remained in contact with every aspect of their business. Will this be possible if they have to manage a shop as well?
- The co-operative is very small, and could probably obtain more business, and recruit more suitable qualified members in its present field. Might they not be encouraged to expand the carpentry business, perhaps through the purchase of additional equipment which the bank might very well finance?

Stress that a group which has succeeded at one level of operation may well not be able to continue to succeed if they substantially expand or change their operation. An apparently favourable feasibility study is no guarantee that the members will be able to manage the new business.

7) Ask participants for their suggestions as to what Joseph Taylor should do. Their suggestions may include:

- Allow Mrs Thomas to take over as she suggests. This would at least ensure that the weavers continue to be paid at their present level and, probably, that more will be recruited in the future as business expands.
- Withdraw altogether from the society's affairs and allow the members to determine their own future. This will probably mean that Mrs Thomas will take over in any case.
- Attempt to persuade the weaver members to identify a leader from among themselves and encourage them to reorganise the society into a genuine workers' co-operative. It may be possible, but could very well lead to Mrs Thomas and the other traders "boycotting" the weaver members. This would make them seriously worse off than before.

Participants should perhaps accept that it is in the best interests of the workers to allow Mrs Thomas to take over. The whole venture was misconceived from the start, and cannot be remedied at this stage. If Mrs Thomas takes over, it will at least mean that nobody is any worse off as a result of the society's existence. Many failed workers' co-operatives seriously damage their members.

8) Refer back to the conditions for the success of workers' co-operatives. Summarise these on the chalkboard/ohp and ask participants to check which of them each society appears to conform to:

	Cazinga Weavers	Star Carpenters
Idea their own?	No	Yes
Good leadership?	Yes	Yes
Homogeneous membership?	No	Yes
Genuine need?	Yes	Yes
Businesslike management?	No	Yes
Fundamentally viable?	?	Yes
Free from external exploitation?	No	Yes

The Cazinga Society satisfied some of the conditions for success, but the Star Society satisfied them all.

Stress that it is easy to be wise after the event. It should however have been possible to identify at least some of the Cazinga Society's weaknesses from the outset, and either to have tried to correct them or to have desisted from promoting the idea at all.

Cazinga Weavers and Star Furniture

The Cazinga Weavers' Society

When a friend telephoned him to tell him that Mrs Lauro had suddenly died, Joseph Taylor, who was co-operative officer for the Cazinga Region, decided that he should go to see what he could do for the weavers' society, right away.

As he drove to Cazinga, he thought about the weavers' society. He had started it some years before, since he had been anxious to improve the income of the local weavers, and to protect them from exploitation. At the time, a few of the middle class women in Cazinga were trading in the traditional woven cloth of the region, which was popular with tourists who came to the city one hundred kilometers away.

The tourists were willing to pay up to \$90 for a ten-metre length; the thread for this cost \$30. The weavers were paid \$8 for weaving it, which would take about a week, and the women traders would then sell this to the city shopkeepers for about \$60. Taylor thought that it was wrong that the women only earned \$8 for something which sold for \$90 and he decided to do something about it.

At first Taylor had failed to interest any of the weavers, but then Mrs Lauro, a middle class housewife in Cazinga, had agreed to help. She invested \$100 of her own capital, and the 35 weavers whom she encouraged to join agreed to pay in their share later. The bank lent the new co-operative society a further \$300, Taylor bought some thread and gave it to Mrs Lauro. She had agreed to be manager on a semi-volunteer basis, since she was also a school teacher.

From then on the society seemed to prosper. Taylor was transferred to other duties, and was pleased to hear two years later that 15 more women had joined. A year later, he happened to meet Mrs Lauro in the city, selling cloth to a shopkeeper. Taylor remarked that the thread was not of the same quality as that which he had originally bought and asked whether she was getting it from other sources. Mrs Lauro confirmed this. The co-operative, she said, was still using the high quality thread, but this was her cloth, made by her workers.

Taylor had been surprised to hear that she had her own business, but she had pointed out that her semi-volunteer salary from the society was not enough. In addition to being a school teacher she had always traded in cloth, like the other women in Cazinga, and this was why she had been able to build up the co-operative so successfully. Taylor had asked her if there had been ever any confusion between her own and the society's cloth, but she had said that this had been no problem; there had been enough orders for everyone.

As soon as Joseph Taylor now reached Cazinga, he went at once to the society's workshop. He met a number of the women weavers there. They were obviously sorry that Mrs Lauro had died, but when Taylor asked them what they would do now they seemed not to be worried. After all, they said, there were plenty of other traders who would pay them \$8 a week, like Mrs Lauro had.

Taylor then realised that Mrs Lauro had run the society along with her own business. The accounts, which had been duly audited, showed that the weavers' share capital had been deducted from their wages, as agreed. The loan had been repaid, and several hundred dollars worth of cloth and thread were shown as being in stock. According to the accounts, the society had never made a surplus and it looked as if Mrs Lauro had charged all her travelling and other expenses to the society. Her salary had never exceeded the sum originally agreed, and the weavers had never complained since they had earned what they had always earned, and they did not care whether the cloth they made belonged to Mrs Lauro or the society. It was all the same to them.

It was impossible to separate Mrs Lauro's own property in the stock from that of the society, and Taylor did not know what to do. Then Mrs Thomas came in; she was one of the independent traders in Cazinga, and she had come to volunteer to take on Mrs Lauro's position. She felt it was her duty, she said, to help the poor weavers as her friend Mrs Lauro had done before her tragic death.

The Star Furniture Society

In 1978 fifteen of the local carpenters decided that they had to do something to improve their incomes. They all worked for private furni-

ture makers in the town, who paid them very badly. They agreed to start a co-operative society instead.

The carpenters decided to subscribe \$50 each, by using their savings and, in some cases, selling some of their property. At this point, five of them went back to their old jobs, because they did not want to take the risk. The other ten persevered. They refused to admit some other people who were willing to subscribe \$50, but wanted to be trained. The Star, the members said, was only for skilled carpenters.

The society rented simple premises and the members had their own hand tools. Kwayu, their leader, persuaded the local branch of the Small Business Development Organisation to let them have an electric planer, which had been ordered by a local business but not paid for, on a hire purchase basis. Later on, they obtained a band-saw and a lathe on the same basis.

Although the members' old employers did their best to stifle the new society, the Government was in favour of co-operatives, and they obtained some trial orders from public institutions. Their prices were reasonable, since the members deliberately kept their earnings down, and the goods were of high quality and delivered on time. Their customers were impressed, and a number of Government staff started to buy from Star for their own use as well.

None of the members had any formal technical education except Kwayu, who had attended a part-time course which included some simple costing and book-keeping, some years before. They realised the importance of quality, reliable deliveries and competitive prices, however. Kwayu did most of the administrative work and prepared the tenders, but also continued to work as a carpenter. Although they sometimes had more work than they could easily cope with, they preferred either to work long hours, without taking extra money, or, if it was absolutely necessary, to employ one or two part-time carpenters on a casual basis. They preferred not to expand the membership, since they wanted to be sure that all the members were fully occupied throughout the year, even at slack seasons.

By 1983, the members had paid for the machines completely, and there was about \$20000 in total invested in machinery, tools and material.

They had started with their investment of \$500 and their own tools, which were worth perhaps \$100 per member, or a further \$1000 altogether. They had never received any loans, and all their capital came from their reinvested surplus.

The Star Society also had \$5000 on deposit in the bank. The members had decided to build on their success by opening a co-operative shop, and they applied to the bank for a loan of a further \$5000, so that they would have the \$10000 they thought they needed to fit out and stock the shop. The Star Society members were well respected in the area, and many people had encouraged them to open a shop to compete with the alien traders whose prices seemed too high, and who never offered credit.

Assignment :

Read the case studies, which describe the origins and progress of two workers' co-operatives, both of which arose because skilled people were being exploited by others, but each of which had very different results.

- 1) What were the basic reasons for failure of the Cazinga weavers, and the success of the Star Furniture Makers?
- 2) If you were the bank manager in the Star Furniture case, or Joseph Taylor in the Cazinga case, what would you do now?



Leadership

SESSION 7

LEADERSHIP

Objective : To enable trainees to recognise the importance of effective leadership in the development of workers' co-operatives.

Time : 2 - 2 1/2 hours.

Session Guide :

- 1) Ask participants to recall occasions when they have been one of a large number of people who were attempting to carry out a task which required the combined efforts of several people, such as lifting a vehicle out of a ditch. Have they been in a situation where there have been enough people to do the job, but without a leader who can ensure that whatever strength they have is brought to bear in a co-ordinated manner?

Experience suggests that in most endeavours, the absence or presence of an effective leader is more important than the numbers, ability or resources of the individuals involved.

Refer to Case Study D in Session 4, and the case studies discussed in later sessions. Can anyone recall a co-operative society of any sort, from these examples or their own experience, which has succeeded without an effective individual leader?

There are rare occasions of "group leadership", but closer investigation often reveals an individual who is the driving force, or who was at any rate the original stimulus.

- 2) List two types of conditions for a co-operative's success on the chalkboard/ohp:
 - Useful conditions : features that will help, but which are not essential.

- Necessary conditions; features without which an industrial co-operative cannot succeed.

Ask participants to suggest which class each of the following belongs to:

Adequate Finance
A Viable Business
An Effective Leader
Committed Members
Avoidance of Political Interference

Opinions will differ; it is arguable, however, that a good leader is the only necessary condition, since he or she can overcome the lack of the other features. He or she can:

- acquire finance;
- change to a more viable venture if necessary;
- inspire members to become committed;
- keep politicians at bay.

Co-operative enterprises are group and not individual endeavours, but they depend on individuals for their initiative and success. It is vital for prospective members, or those responsible for providing assistance or advice, to be able to recognise good leaders.

- 3) Ask participants to write down on their own, in any order at this stage, the ten most important qualities and/or skills they think a leader of a workers' co-operative should possess.

Allow up to fifteen minutes for this. Ask each participant to suggest one quality or skill, write it down on the chalkboard/ohp, and obtain further suggestions from participants in turn until all ideas have been listed.

When listing the ideas, do not write down those that differ only in terminology from those that have already been suggested. When all the suggestions have been listed, ask trainees to identify any duplications, and attempt to reduce the list to ten or fifteen items at most.

The final list should probably include all the following, and perhaps some others. If important qualities have been omitted, elicit them from participants by appropriate questions describing brief examples of co-operative leaders who have not had the omitted quality.

Foresight
 Honesty
 Management ability
 Technical ability
 Willingness to work hard
 Ability to inspire others
 Selflessness
 Education, training and qualifications
 Community influence and support
 Long-term commitment
 Prior experience of co-operative leadership
 Initiative
 Ability to present a convincing case
 Flexibility
 Decisiveness

- 4) Allow participants a further ten minutes, on their own, to attempt to list these in order of priority; which aspect is most necessary, which is the second most necessary and so on down to that which, although desirable, is not altogether necessary?

Draw up a suitable table on the chalkboard/ohp; ask participants individually to give their rankings for each quality. There will inevitably be differences of opinion, but ignore these at this stage.

When every participant's rankings have been recorded, total the number for each quality. The quality with the lowest total should be that which is generally accepted as the most necessary and so on to that with the highest total which is the least necessary.

Ask participants whose individual suggestions are very much at variance with those of the majority to justify their opinion. Ensure that differences are genuine and not the result of different in-

terpretation of the words, and allow any participant who insists on his views to attempt to persuade the majority to change their views.

If he or she is successful, make appropriate changes in the list, and then ask all participants to copy out the list of qualities in their final sequence.

One possible sequence using the qualities suggested in item 3) above is as follows, together with some brief explanation for the ranking shown:

- i) Ability to inspire others: this is the essence of leadership.
- ii) Initiative: a workers' industrial co-operative must not depend on external stimulus for ideas.
- iii) Long-term commitment: workers' co-operatives must expect many set-backs before they succeed; leaders must be courageous and persistent.
- iv) Willingness and ability to work hard: inspiration comes generally through example, and all must work hard.
- v) Selflessness: someone who is concerned only to enrich himself will probably start on his own or exploit others in a co-operative.
- vi) Decisiveness: a wrong decision may be better than no decision.
- vii) Management ability: managers can be hired or trained, but leadership and management are closely related.
- viii) Flexibility: Good leaders can usually admit their own mistakes and be ready to change.
- ix) Foresight: This is important, but a good leader is willing to learn from others.
- x) Technical ability: nobody can carry out all the necessary skills in many activities, and the previous qualities may compensate for total lack of technical ability.
- xi) Honesty: essential to the reputation of the co-operative; dishonesty could result in disaster.

- xii) Community influence and support: this helps, but an inspired group can overcome suspicion and hostility.
 - xiii) Ability to present a convincing case: this may impress bankers and officials, but is not necessary for day-to-day management.
 - xiv) Previous experience with co-operative management: previous experience may suggest previous failure.
 - xv) Qualification: paper qualifications and formal training often have little to do with inspired leadership or practical ability.
- 5) Ask participants who should be responsible for appointing the leader of a workers' co-operative. Encourage a variety of suggestions and propose, if necessary, that the adviser or banker should make this appointment, since the success of a workers' co-operative is dependent on leadership. Elicit negative reactions to this proposal; ensure that all participants appreciate that:
- The leader must emerge from, and be appointed by the members if he or she is to be a genuine leader.

Ask participants to recount examples of workers' or other co-operatives which have failed because leaders have been imposed by Government or others from outside. Stress that the discussion of the qualities of a good leader should not be taken to suggest that it is the role of an adviser to select a leader.

Ask participants why an outsider such as an adviser should in any way be concerned with leadership. Is it not the role of members themselves, and should outsiders play any part at all?

- Outsiders should not play any part in deciding who the leader should be.
 - Outsiders such as advisers and bankers should attempt to judge the leadership of a workers' co-operative, in just the same way as they judge its financial or technical viability.
- 6) Ask participants to imagine themselves to be the bankers or others who are concerned to appraise a workers' co-operative's chances of

success. In the same way as financial viability can be judged by sales predictions and cash flow forecasts, any concerned outsider must make an attempt to judge the quality of leadership by judging the extent to which the leader does or does not possess the qualities which have so far been identified.

Divide participants into groups and allow them up to 30 minutes to suggest ways in which the qualities already identified might be judged by an outsider who is not personally a member of the co-operative.

The groups should consider the ways in which a banker or adviser interacts with members of a proposed workers' co-operative, and think of ways in which the quality of leadership can be judged in the course of such interaction.

Ensure that they attempt to identify at least one way of judging each quality which has previously been identified.

- 7) Reconvene participants and ask group representatives to make suggestions. These will obviously differ according to local customs, the nature of participants' interactions with prospective workers' co-operatives and the particular list of qualities which had previously been identified.

Given the above list, one possible set of suggestions is as follows:

The ability to inspire others :

- Observe the rest of the potential members' reactions to the potential leader.
- Do they appear to respect and follow him or her, even if they do not necessarily agree?

Initiative :

- Check whether the original idea for the co-operative came from the leader, or was suggested by some outsider.
- Ask questions which demand original ideas as answers.

Long-term commitment:

- Ask about prior experience in education, employment or other activities. Has the leader given up early or persisted?
- Ask what he or she will do if the proposed society does not receive the assistance they are requesting. He or she should have other ideas about how they will try to start regardless.

Willingness and ability to work hard:

- Set necessary tasks such as market surveys which require sustained and long hours of working over some time.

Selflessness:

Check for evidence of prior social concern, work for family and the community.

Decisiveness:

- Observe his or her ability when faced with simple choices such as the time of a meeting or who should do what.

Management ability:

- Ask simple commonsense questions to elicit ideas on basic concepts such as the choice between high-margin slow-moving goods or low-margin fast-moving goods, the motivation of staff or the granting of credit.

Flexibility:

- Ask the leader how the society will respond to possible changes such as nonavailability of raw material, or changed market conditions.

Foresight:

- Ask the leader for his or her long-term views on the proposed co-operative, or on future development in related fields.

Technical ability:

- Ask about prior work experience and ask to see examples of work. Where there has been no previous practical experience, ask for evidence of practical and successful training.

Honesty :

- Ask for the same information by different "routes" to identify inconsistent replies.

Community influence and support :

- Ask about contacts in the community; ask the potential leader where he or she might expect to obtain certain types of assistance and support.

Ability to present a convincing case:

- Observe the potential leader's presentation to yourself.

Previous experience with co-operative management :

- Ask, and check by reference to others.

Qualifications :

- Ask for evidence.

- 8) Stress that it is unlikely that any potential leader will have all the above qualities. What is important is that he or she should possess a number of them, and particularly those which have been judged the most important by participants in earlier discussions.

Most important of all, the members must have someone who can be easily identified as a potential leader and whom they are willing to trust and follow. A group without a leader, even with the best of intentions, may be exploited by others from outside or collapse through internal difficulties.

Sum up by stressing that a leader must emerge naturally through group processes. Advisers, bankers and others should not nominate leaders but should support whoever appears to have the necessary qualities in the group.

Stress that the success of a leader will depend more on his being credible and acceptable to the group on the specific qualities listed above. In a sense, the best way to identify a leader is to see who leads.

In the initial stages of organising a workers' co-operative, the spirit of entrepreneurship is more necessary than the conventional qualities of leadership. Advisers must recognise the essential differences, and attempt to encourage the combination of enterprise and leadership which is most likely to lead to success.

Remind participants that assessment of leadership is difficult, and nobody can avoid mistakes. Effective leadership is a far more important determinant of success than favourable feasibility studies and reports. Participants must not make the error of thinking that written data, because it can be read and quantitatively assessed, is more important than the intangible but vital quality of leadership.

Session

8

**Interference by
Government
and Vested Interests**

SESSION 8

INTERFERENCE BY GOVERNMENT AND VESTED INTERESTS

Objective : To enable participants to recognise ways in which politicians and vested interests may attempt to work through workers' co-operatives, and to identify and, when possible, prevent inappropriate interventions.

Time : 2 - 3 hours.

Material : Case Study "The Friendly Furniture Makers".

Session Guide :

- 1) Ask participants to recall situations where politicians or other vested interests have used workers' or other co-operatives for their own purposes, and have thus damaged or even destroyed the society. Participants may also know of workers' co-operatives which have been used in this way, and appear to have benefitted. Discuss the examples.

Stress that politicians and others have legitimate objectives. It is not a simple case of good co-operatives being destroyed by evil outsiders; many enterprises in fact themselves exploit politicians and other interests.

There are many occasions, however, when politicians and others attempt to use co-operatives to achieve objectives of their own which may or may not be legitimate or acceptable to the members of the co-operative, as private individuals. Such attempts can be very damaging.

The objectives of this session are:

- To distinguish between interventions which can be harmless or helpful, and those which can damage the society.
- To develop ways in which potentially harmful interventions can be prevented with the minimum damage in terms of lost goodwill and so on.

- 2) Elicit from participants a list of political and other interests which might conceivably wish to make use of a workers' co-operative to further their objectives. Write their suggestions on the chalkboard/ohp; do not at this stage ask how each might wish to make use of a workers' co-operative.

The list will obviously differ from one country to another and in relation to participants' experience, but a suggested list might be as follows:

- Ministry of Labour
- Political Party
- Ministry of Industry
- Local Government officials
- Individual politicians
- Foreign interests

- 3) Ask participants to suggest ways in which each of the listed institutions or individuals might try to use a workers' co-operative to achieve its own objectives. They may refer to occasions known to them, or use their imagination to think of ways in which such institutions might try to make use of a workers' co-operative, particularly in its early and most difficult stages when it is in need of any assistance it can obtain.

Participants' suggestions will of course depend on their own experience and on local circumstances; a possible list is as follows. Every request in this list has, in fact, been put to a co-operative society in one country or another.

- Ministry of Labour

Ask the workers' co-operative to admit as members participants from its vocational training institution who have failed to find employment elsewhere.

- Political Party

Insist that a certain activity should only be undertaken by co-operatives on ideological grounds, when that would have been more appropriately undertaken by other types of business.

- Ministry of Industry

Ask the co-operative to use special equipment which has been donated by foreign agencies for experimental use and evaluation in small enterprises.

- Local Government Officials

Demand special services, or even free goods in return for continuous support.

- Individual Politicians

Ask the co-operative to assist in campaigning or ask for honorary positions. Demand that only loyal party members should be admitted to the society .

- Foreign Interests

Introduce different ideologies, such as "Women's Liberation" or a foreign religion, by offering foreign funding.

4) Ask participants:

- Should the members of a prospective workers' co-operative agree to such requests?
- If not, how can they refuse it without damaging themselves?

Elicit suggestions from participants. Stress that it is important to be realistic and remind participants, by example, that many co-operative societies, of all kinds, depend to a large extent on co-operation with outside interests.

Elicit the following general guideline as to whether or not members of a prospective co-operative should agree to such requests:

- The request should be considered strictly in cost/benefit terms. Are the long-term economic benefits to the proposed workers' co-operative which will arise from accepting the help, and agreeing to the request, likely to exceed the costs?

Stress the importance of "long-term". Vested interests of any kind tend to "use" co-operatives by offering generous immediate rewards

as an incentive to agreeing to their short-term requests. When they have got what they want, they will show no further interest in the co-operative.

Elicit suggestions from participants as to the rather more difficult problem of how to refuse such requests, if members, when properly advised, decide that they should be refused. Elicit suggestions such as the following:

- The claim of humility may be used effectively and with sincerity. If members of a society say that they lack the necessary experience, continuity or other strengths to do what is asked of them, there is very little that the outsider can do.
- It may be useful to "play for time" by stressing the need for genuine democratic decision-making. If an issue has to wait for a decision by a full general meeting, this decision may conveniently be postponed so that whoever is seeking to "use" the workers' co-operative will have to look elsewhere.
- Workers' co-operatives should always stress the non-political nature of the organisation. Members and their representatives should stress that their motives are economic, although pursued through co-operative means, and that political goals are properly pursued by members individually.
- If the rule of "only members are workers, only workers are members" is in the by-laws, this will ensure that outsiders cannot join the co-operative unless they work full-time in it. This is likely to discourage those whose interests are not sincere.

Ask participants for specific examples when co-operatives have accepted such requests, with unfavourable results, where they might have possibly refused using one or other of the strategies already listed.

- 5) Distribute the case study and allow participants up to 15 minutes to study it individually and answer the assignment.

Elicit the following suggestions for effective ways of resisting pressure of this sort:

- Strong effective leadership.
- Cohesive and homogeneous membership.
- Self-reliance and autonomy.
- Genuinely viable operations.
- Clear by-laws on membership, objectives and activities.
- Up-to-date accounts and records of operations.

Show that these are similar to the original pre-conditions for success which were mentioned in the first session. If a workers' co-operative has to depend on being "used" by outside interests, it is unlikely to be a long-term viable economic unit in any case.

Warn participants that it is difficult for people starting workers' co-operatives to refuse requests of this kind, since any help is welcome in the early stages of any new enterprise.

Stress that in many countries, or districts, the success of the co-operative sector is built on an effective and mutually beneficial relationship with political interests. This session should not give participants the impression that any such involvement should be resisted; it should be appraised in a hard-headed economic way, and the workers' co-operative must ensure that it "uses" the outside interests at least as much as the co-operative itself is "used".

The Friendly Furniture Makers

There were a number of carpenters in Friendship area, making furniture and other wooden articles for private customers. The Government Offices in the town, the schools and the hospital were also large buyers of similar furniture. None of the independent carpenters, however, could cope with the formalities of tendering for official contracts, nor could they on their own finance the work or indeed cope with such a large quantity at a time.

They decided that it would be better to work together. They approached a prominent local politician for support, and he helped them to register their group as a co-operative society. He spoke to the bank, to arrange credit for them, and ensured that his friends in the local office of the Ministry of Supply awarded them some contracts.

The local elections were to take place shortly. None of the members had any particular political leanings, but they were happy enough to promise their support for the politician in return for all his help. The politician then encouraged a number of his other supporters, who were not carpenters, to join the co-operative, and as he said, "everyone should unite for national development" and "politics and better living go hand in hand".

The original members were not particularly enthusiastic about this. They were even more dissatisfied when they found that the society's meetings were turning into political rallies, and that the society's funds were being used to pay for posters, transport for the candidate and other functions which they thought were irrelevant to their business.

Some of them complained, but the newer members threatened to expose them to the party if they "stood in the way of progress". The older members were at a loss. One by one they left the society and returned to their old workshops and their original customers. The society carried on for a few months longer, since the politician ensured that the bank extended the loan, but after he won the election he seemed to lose interest and the Friendly Furniture Makers' Co-operative faded out of existence.

Assignment :

Decide how this type of situation might be avoided. What qualities should a workers' co-operative such as the Friendly Furniture Makers have, in order to avoid interference of this sort?



Obstacles and Persistence

SESSION 9

OBSTACLES AND PERSISTENCE

Objective: To enable participants to identify ways in which new workers' co-operatives can overcome obstacles and develop their commitment through continuing persistence.

Time: 3 hours.

Material: Case study "The Ex-Servicemen's Co-operative Workshop", Parts A, B, C, and D.

Session Guide:

- 1) Refer to previous case studies and to participants' own experience; if a workers' co-operative faces severe problems and lack of encouragement and support, but nevertheless persists and carries on, in which of the two following ways is its future performance likely to be affected?
 - The members and their leader will be "worn down" by the experience, and will be less able to meet day-to-day problems, and more severe ones, in the future.
 - The members and their leader will be encouraged and inspired by their success, and will be very much strengthened by the experience.

Stress that hardship is the best school for success. Workers' co-operatives, like any other enterprises, are likely to be "softened" if they do not have to face challenges. Outside agencies which attempt to remove obstacles may, in spite of their good intentions, be severely undermining the long-term future of the group they are trying to help. The co-operative must therefore work to become self-reliant as early as possible.

Contrast local well-known examples of success by private enterprise with similarly familiar examples of public failure; what fundamental factor can often explain the difference?

- Public enterprises are usually not allowed to fail; managers and staff do not have the stimulus of the fear of failure to encourage them to succeed.
- Only the best private enterprises succeed, because the weaker ones fail and disappear.

Workers' co-operatives are often formed by the poor, and need support and assistance in their early stages. They must not become totally dependent on such support for their survival. The process of "survival of the fittest" is as appropriate for co-operatives as for any other business in the long run.

- 2) Distribute Part A of the case study, and allow participants, in groups, up to fifteen minutes to read it and decide what they would advise the Ex-Servicemen to do in this situation. Do not inform participants that there are in fact three more case studies about the same enterprise, since they should not have any hint that the society actually survived.

Ask participants for their suggestions. Some may suggest giving up and withdrawal of funds, while others may recommend that the members should try to identify services for which there is an unsatisfied demand, and which members could possibly provide.

Some participants may suggest that the group should ask for outside help, and for an expert or consultant to survey the market or prepare a feasibility study. Stress that outside expertise has a role to play when specific technical skills are needed on a short-term basis, but excessive reliance on outsiders is often an excuse for "delaying" hard decisions.

Introduce the concept of "S.W.O.T." analysis; stress that any individual, group or organisation has internal Strengths and Weaknesses, and faces external Opportunities and Threats. Ask the groups to suggest what these are for the Ex-Servicemen, and to recommend how they might exploit their own Strengths and the Opportunities, and overcome their Weaknesses and the Threats.

Elicit the following suggestions.

Strengths :

- Strong commitment of members.
- Previous experience of working together.
- Military training in discipline and loyalty.
- Good leadership.
- Fundamental technical skills.
- A certain amount of capital.

Weaknesses :

- No immediately saleable skills.
- No experience of working in a civilian environment or the day-to-day discipline of the market place.
- Background of reliance on their employer, the Government, to provide everything they needed.

Opportunities :

- Fundamental Government good-will.
- Local contacts since the Ex-Servicemen were local people.
- Public sector demand for maintenance services.

Threats :

- Lack of co-operation by individual Government departments.
- Lack of access to additional capital.

Stress that since there were no immediately apparent alternative opportunities for members individually to obtain employment, they should build on the intangible but very scarce assets of loyalty, self-discipline and good leadership, and search for alternative markets for their skills.

- 3) Distribute Part B of the case study. Allow participants up to fifteen minutes to decide what the society should do now. Should they give up or go on, and if the latter, how should they go about acquiring the necessary training and capital?

As before, some participants may suggest giving up; refer back to the previously identified strengths and opportunities, and elicit positive suggestions such as:

- Attempt to use the basic good-will of the Government to obtain capital.
 - Attempt to raise further funds from their own resources.
 - Search for on-the-job training opportunities with other organizations, possibly through Government or ex-military connections.
 - Generally, attempt to exploit the undoubted opportunity that exists through extensive agricultural development.
- 4) Distribute Part C of the case study; allow participants up to fifteen minutes to consider what they would recommend as a next step for the Ex-Servicemen. In particular, how should they react to the request by the Government that they should give preference to Government Corporations, in spite of their bad record as customers?

Ask for suggestions and discuss possible alternatives. In particular, elicit answers to the following questions:

- Should the group accept the offer from the Government Official on the terms on which it was made?
- Should the group turn down the offer, and attempt to find capital elsewhere?
- Is there any alternative to the above possibilities?

Stress that it may be possible to accept the offer and nevertheless to mitigate the problems which may arise from dealing with the Government Corporations by a variety of strategies. A workers' co-operative must be as flexible as any other type of enterprise if it is to succeed.

Participants may point out that the co-operative may be risking action by the Government if it does not adhere to the spirit of the agreement. Stress that business involves risks. The Government wants repayment above all and is unlikely to enforce conditions which will delay this.

- 5) Distribute Part D of the case study and allow participants up to twenty minutes to read it and to decide why this co-operative succeeded, in spite of having had to face such apparently serious difficulties at every stage. Stress that this is a true story.

Elicit the following explanations for their success:

- An effective leader, who did not exploit his position but continually consulted the group, at every stage, guided them and then implemented their suggestions.
- The group was in no way led by or dependent on external guidance or assistance. They made their own decisions about how to use whatever assistance was available, and on what terms, and they were in control of the situation throughout.
- The members themselves, and not only the leader, were closely involved in the marketing research, raising funds, training and development of the workers' co-operative. Nothing was "handed to them on a plate".
- Above all, the group, guided but not controlled by its leader, did not lose faith, built on the cohesive self-discipline that they already possessed, and were persistent in the face of apparently insuperable obstacles.

- 6) Ask participants to recall examples of co-operatives, or other types of organisation, which have succeeded in spite of daunting obstacles. How do they differ from co-operatives, or other enterprises, which have failed under apparently less difficult circumstances?

Attempt to identify examples where success has followed a group's own efforts to deal with problems, and where failure has resulted from misguided external attempts to protect co-operatives or other organisations from threats from the outside.

Stress that there is no way of "testing" whether a group will display the same type of persistence, or enjoy the same effective and determined leadership, as the Ex-Servicemen apparently did. External advisers must in the end allow and encourage new workers' co-operatives to "test" themselves, by facing obstacles and overcoming them without external assistance.

The Ex-Servicemen's Co-operative Workshop - Part A

After the war, many soldiers who had training and experience in skills such as turning, fitting, welding and electrical work, were released from the army and were unemployed. A number of these people came from Karad, and they had learned in the army to be disciplined, loyal and hard working, and had grown used to working together.

Mr Shankarao had always been an informal leader, and he suggested that they should form themselves into a workers' co-operative. Eleven of them agreed to be members, they each contributed \$50 towards a total share capital of \$550, and registered themselves as the Ex-Servicemen's Co-operative Workshop.

Their primary objective was to provide themselves with gainful employment, and they proposed to set up a workshop, on a co-operative basis, in order to undertake suitable repair work.

They expected at the beginning to receive orders from Government Departments such as Public Works, local municipalities and other local bodies. The Government had, in fact, issued instructions that orders for appropriate repairs of machinery and plant in the area for less than \$1000 should only be carried out by the new co-operative. Despite these instructions and the efforts of the members, they received very few orders from these departments because the civil servants preferred, for a number of reasons, to place their business elsewhere.

The members had been used to working for the Government when they were in the army, and had been confident that the Government's instructions would be followed, and that their new co-operative would receive more than enough orders from this source. They were thus very disappointed, since they had few skills for other types of work, and a number of them proposed to give up, withdraw their funds, without loss, and look for alternative jobs.

Some of the members, however, were not so sure. They all appealed to Mr Shankarao for guidance, and asked him to suggest what they should do.

Assignment:

- What should Shankarao advise the members to do?

- What are the strengths, weaknesses, opportunities and threats facing the members?

The Ex-Servicemen's Co-operative Workshop - Part B

In spite of the lack of orders from Government Departments, Shankarao refused to lose heart. He persuaded his fellow members not to discard their experience of working together, their discipline, their commitment and their enthusiasm for collective enterprise. After some discussion the members agreed to persevere and decided to undertake a methodical search for new opportunities.

Shankarao and the members approached a number of institutions and individuals but failed to find any appropriate work. They, therefore, soon started to look for alternative ways of using their machinery repairing skills. They toured the area on a methodical basis, met people in the villages and talked to their ex-servicemen colleagues and others.

They all met together after one week of inquiries of this sort, and all agreed that agricultural equipment repairs would provide them with all the work they needed. The area had enormous agricultural potential, farmers were prosperous and a number were making increasing incomes from growing sugar cane. The Government had recently proposed a number of schemes for minor irrigation projects, for loans for agricultural equipment and for the introduction of new practices to develop agriculture in the region.

In earlier years foreign rulers and absentee landlords had ignored agricultural development so that agricultural productivity was low. Most of the farms were cultivated by tenants, who had no interest in investing in land and equipment. After independence, however, land reform was introduced and the situation started to change very quickly. Many of the newly-independent farmers bought agricultural equipment, and it was obvious that they would need extensive repair services. A few private workshops had in fact already been set up for this purpose.

Although this was an obvious opportunity, it was hard to see how the Ex-Servicemen's Co-operative could take advantage of it. None of them knew anything about repairing agricultural equipment, although they had most of the necessary basic skills. They also knew that they would have to start with at least \$10000 worth of additional equipment. They would also need a shed which would cost at least \$5000, and they would re-

quire a minimum of a further \$5000 of working capital to buy the necessary raw materials. Most seriously of all, none of them had any idea how to go about attracting business.

Shankarao called yet another meeting. All the members were very enthusiastic about this new opportunity, but Shankarao rapidly brought them down to earth. He went through the problems, their lack of finance and business experience, and asked them to suggest what they should do next.

Once again, a number of the members were for giving up, while most of their original capital was still intact, but others wanted to go on trying since they had already put so much time and effort into the new venture and they did not want to give up. Nevertheless, they had no idea how to go about acquiring the necessary capital and skill. They asked Shankarao, quite frankly, whether he thought they should give up now, withdraw their money and try to find jobs elsewhere.

Assignment :

What should Shankarao do now?

The Ex-Servicemen's Co-operative Workshop - Part C

In spite of the difficulties, Shankarao was encouraged by his fellow members' faith and enthusiasm and was determined not to let them down. He wrote to the Government Agro Industries Development Corporation, which leased and marketed agricultural implements, asking for advice and assistance. The Corporation replied that it would welcome members of the Ex-Servicemen's Co-operative Workshop as participants in its own workshops, but would not be able to cover their expenses for travel, boarding and lodging.

The Corporation was willing to help train the members in the repair and maintenance of all types of agricultural machinery, water pumps, diesel engines, tractors and so on. They could also learn how to repair bullock carts and truck axles, and how to thread pipes for irrigation schemes and to remachine and replace engine bearings.

Shankarao met with all the members again and explained the scheme. After some discussion he managed to persuade six of them to undergo this training. He warned them that unless they did this they would be unable to provide a full range of repair services. The total cost of the training, he calculated, would come to \$600 for the six members. Shankarao, therefore, proposed that each member should make an additional contribution of \$100 making a total share capital of \$150 each. A few of the members protested, but the remainder realised that they could not expect others to help them if they were not willing to help themselves. They agreed there and then to follow Shankarao's suggestion and within a week every member had subscribed the necessary extra funds. Some sold their watches or their bicycles, others sold jewellery and one even sold some of his family's kitchen equipment.

A number of the people in the area laughed at the continued folly of the ex-servicemen; they pointed out that so many co-operatives of this kind had failed in the past.

Shankarao was very encouraged and felt even more strongly that he must never let his fellow members down. Six of the members went off for training with the Agro Industries Corporation, and Shankarao decided to

visit some of the Government offices in order to try and raise some extra capital.

He visited the Post War Reconstruction Board and the Ex-Servicemen's Welfare Fund offices, and told them that he and his colleagues had raised a total of \$1650 and that six of them had gone for training at their own expense. Could he not expect some external support, based on this substantial degree of commitment?

The Officers in the two agencies were sympathetic and they asked Shankarao to return with more details. Shankarao calculated that while he and the other four members who had not gone for training could repair tractors with their existing skills and equipment, the Workshop would need additional machinery for diesel repairs and so on. This would cost a further \$4000, and they also needed working capital.

The Post War Reconstruction Board agreed to make \$2000 available, partly in loan and partly in grant. This was of course not enough because they needed more finance for the equipment, as well as for the shed and the working capital. Most of the members' share contributions had been spent on travel and training and hardly any cash was left.

Shankarao knew, however, that it was sometimes necessary to act on faith. Without really knowing where he would get the additional money, he ordered the machinery that was needed and approached the Government once again, asking for a piece of land on which to construct their building, and for the necessary working capital.

Shankarao met officers in various Government Departments and brought pressure to bear on them through ex-servicemen's associations. He and all the members called on a visiting politician, in order to persuade him to use his influence on the development agencies as well.

After a long delay, Shankarao received a letter inviting him to submit a further proposal to raise the additional finance. He prepared this and submitted it to the Government, and after some time the Government sanctioned an additional loan of \$5000, and also approved a proposal to provide a completed shed at nominal rental.

The Government official congratulated Shankarao for his persistence and loyalty to his members, and said that the Government had decided to release \$500 immediately and the balance in some time. He insisted, however, that the Ex-Servicemen's Co-operative Workshop should start by repairing tractors which were leased to Government corporations in the region. These corporations were well-known as slow payers, with corrupt and inefficient administration, very few of them had tractors which were working at all, and they were bound by fixed and out-dated charges for repairs which were totally uneconomic because of inflation. Shankarao realised that he had to an extent been deluded by the Government; he looked at the official and wondered what to do.

Assignment :

Should Shankarao accept the Government official's offer? If so, or if not, what should he do then?

The Ex-Servicemen's Co-operative Workshop - Part D

Shankarao eventually decided provisionally to accept the offer, and then to ask the members for their decision. He felt he had no right to make this decision for them, although he certainly did not want to refuse the Government loan since it was on generous terms, and he had no idea of how the co-operative would manage to get into business without it.

He returned to the Workshop, and found that a few of the members were eagerly awaiting him. He waited, however, until those who were away for training could be present at a properly constituted meeting, and then showed them the letter from the Government, explained the offer and asked for their comments. "Should we accept the money", he asked, "and do what they wish, should we refuse it or is there any alternative?"

Shankarao was not surprised when one or two of the members suggested that they should accept the loan, and take the money, but should not devote much of their time to unremunerative repairs for Government corporation owned tractors. After all, they argued, the money was mainly on loan, and surely it was in the Government's interest as well as their own that they should develop a viable enterprise.

Shankarao and the others agreed that they would accept the loan, but would make no effort to obtain tractor repair business from the Government corporations. They received the money, purchased the necessary machinery and occupied the building, and offered their services to private farmers, agricultural co-operatives and various other organisations including the Government corporations. The Ex-Servicemen's League in the area encouraged its members to go to the Co-operative Workshop and they soon had to admit new members in order to deal with all their work.

When the co-operative was asked to undertake wholly unremunerative work by the Government corporations, they made excuses and claimed that they were too busy on other similar work to offer reasonable delivery periods. Some of the Government corporations' staff complained, or even threatened that they would ask the Government to withdraw its loan un-

less they received a "present", but Shankarao used his political influence to prevent them from doing this.

In five years, they had completely repaid the Government loan, they had saved five times their own original investment from their surplus, and all the members were earning far higher wages than they had ever received in the army, and far more than they had ever dared to expect outside. Other ex-servicemen set up affiliated co-operative workshops in other regions. They formed a union in order to take advantage of large contracts, to purchase raw materials and to provide other services which the individual societies could not provide on their own, and the whole activity became a major movement in the area in only a very few years.

Assignment :

Identify the main reasons for the success of the ex-servicemen's co-operative workshop.



Sources of Finance

SESSION 10

SOURCES OF FINANCE

Objective : To enable participants to identify and make use of appropriate sources of finance for new workers' co-operatives.

Time : 2 - 3 hours.

Material : Matching exercise.

Session Guide :

- 1) Ask participants why most suggestions for workers' co-operatives arise; what particular resource, which is essential for their own employment, are individual members unable to obtain on their own?

Participants may suggest technology, market contacts, machinery or raw materials. Stress that these can, to some extent, be bought with money. Although many groups wrongly suppose that money is all that they need for success, there is no doubt that most new groups are in urgent need of capital.

- 2) Allow participants up to ten minutes to write down, on their own, as many different sources of capital as they can think of for a new workers' co-operative.

Ask one participant for a suggestion; write this on the chalkboard/ohp, and continue round the group, asking for one suggestion from each participant.

The lists will clearly differ according to local circumstances. The following is one possibility; be sure to amend this, and the subsequent matching exercise and summaries of needs in view of local circumstances.

- a) Potential members' own money.
- b) Their families' money.
- c) Banks.

- d) Government assistance.
- e) Potential customers.
- f) Potential suppliers.
- g) Potential members' own earnings from jobs they might take before actually starting the society.
- h) Local or international voluntary organisations.
- i) Wealthy individuals who wish to help.
- j) Community contributions in kind.

Ensure that all participants have copied the list of possible sources.

- 3) Distribute the matching exercise. Divide participants into groups and allow them up to one hour to match each proposed workers' cooperative with the most appropriate form of finance. Stress that several options are available and it is unlikely that a society would be funded from only one source. For the purposes of this exercise, they should choose the source which they would recommend should be approached first but should also recognise that there are no right or wrong answers in decisions of this sort.
- 4) Reconvene the class and ask each group to read out its suggestion. Do not at this stage ask for reasons, or for comments from other groups, but list the suggestions in a table of the following form in order to reveal where differences of opinion exist:

Society	S o u r c e									
	a	b	c	d	e	f	g	h	i	j
1						X				
2		X								
3				X						
4								X		
5	X									
6					X					
7									X	
8							X			
9			X							
10										X

The suggested answers given above should not, of course, be given to participants. They are given as one possibility, but participants may be able to justify a quite different set of matches.

Ask representatives of the groups which differ from the majority to give their reasons. Encourage discussion, and ensure that differences are not caused by major misunderstandings.

Encourage participants to support their decisions by reference to real life-experiences known to them. Even if it is not possible to refer to actual examples of workers' co-operatives being funded from the respective sources, refer to particular examples of local banks, voluntary organisations, Government agencies, potential customers, suppliers and so on. Discuss with participants how these institutions, and known individuals in them, would be likely to respond to requests for assistance from a group which wished to start a new workers' co-operative.

- 5) Ask participants, individually or in groups, to write down briefly why each of the proposed sources of funds might be willing to fund a new workers' co-operative.

- What have they to gain from such a transaction?

- What needs of theirs will it satisfy?
- How can the potential members of a proposed new group present their application in order to show how it will satisfy these needs?

Depending on the time available, individual participants or groups may deal with all ten sources, or with one or more each. Allow about ten minutes for determining the needs of each particular source.

- 6) Ask a group's representative or an individual participant for his or her suggestions as to what needs potential members of a new group such as the Hopeful Weavers, are themselves concerned to satisfy when considering contributing their own money to a proposed society of which they will be members.

- a) Potential members' own money

Stress that advisers, or leaders of new groupings, must analyse this source as carefully as any other since they may have to persuade members to contribute.

Individual members want secure and remunerative employment, but they may also want to assure themselves that they will not lose their money if the venture fails, and that they are not being asked to contribute more than anyone else.

It is advisable to speak to members altogether as well as individually in order to make sure they realise that the same is being asked from each of them.

Potential members' willingness to contribute funds is a test of their sincerity, but it is not unreasonable to show that what is to be purchased with their money can be sold and the money refunded, if this would indeed be possible.

Ask another participant or group representative to answer the same question for the potential members' families and other sources. The following suggestions may be used as a guide, but participants may have equally appropriate suggestions of their own.

b) Members' families - (2) The Young Reformers

They want secure employment for their sons or daughters, and to "keep them out of trouble".

Potential members themselves, and their leaders, should therefore stress the wholly reputable nature of the proposal to their families, and refer to any noteworthy Government or high ranking connections to demonstrate their bona fide.

c) Banks - (9) The Landed Poor

Bankers demand interest and the security of land in case of default. They also want to demonstrate their social concern.

Any political contacts should also be exploited, particularly if the bank is foreign and its staff are anxious to demonstrate their local commitment to development.

d) Government assistance - (3) "The Village Processors"

The Government wants to limit urban drift and associated unrest. Individual Government Officers who are responsible for approving applications from co-operatives want to show they are doing a good job, and at the same time to minimise their own time and trouble spent on them.

The application should be prepared after consultation with officials, so that it can be submitted to the appropriate approving authorities without further work.

e) Potential customers - (6) The Free Foresters

The furniture manufacturers want reliable and economical sources of timber, and may also want to demonstrate their concern for local institutions and enterprise. They may be willing to make advance payments or deposits to the new group.

Applications for these concessions should stress the technical skills of members, and should assure the companies that they will repay any advances if the goods are not delivered. It is also wise to ask customers for their advice in producing the

product, since the more they are involved in the work the more likely they are to support the society.

f) Potential suppliers - (1) The Hopeful Weavers

The new mill will be anxious to secure customers for their yarn. Its owners may be willing to give generous credit which is, in effect, a loan.

They may well treat such advances as trade credit, rather than as loans, and the initial application should be addressed to the marketing rather than to the financial department. Stress the good publicity that suppliers will gain if their products are used by the new co-operative, with its prestigious support.

g) Earnings from future jobs - (8) The Skilled Mechanics

Even if the mechanics have no money when the Society is first being considered, they may be able to raise funds as well as acquire necessary skills by taking appropriate paid jobs with garages and learning diesel maintenance for a period before starting their co-operative.

Potential members may regard this as an unnecessary delay. Stress that the society will be theirs and theirs alone if they contribute the money themselves. In addition, the skills they can obtain and contacts they make will be useful both for the proposed society and to help them find jobs in the future if they wish to do so.

h) Voluntary organisations - (4) The Deserted Mothers

Women with children, whose husbands are being "exploited" by foreign companies, are priority "targets" for local or international voluntary organisations who are generally seriously concerned to help particularly neglected groups of people.

Applications should be clear and very simple, stressing that the group will be democratically constituted, and demonstrating that the proposed society will achieve social goals allowing

the members to help themselves by their own efforts, and also by the "spread effects", to benefit other suppliers and customers.

i) Wealthy individuals - (7) The Youthful Home Carers

The politician has contacts with individuals who may be willing to help, and these are often a neglected source of assistance. If they can be identified, they may be anxious to gain the satisfaction of helping others to achieve the success they themselves have achieved. Their success has been based on their own initiative and enterprise; they often wish to encourage others to do likewise.

The initiative of the group should be stressed, and wealthy individuals may also be interested to ingratiate themselves with the Government or political powers.

j) Community contributions in kind - (10) The Co-operative School

The Community will benefit from the school; there are "under-used" buildings in most towns and villages, and many families have at least one or two chairs or tables they can contribute.

People who contribute in kind in this way will not "feel" the cost in the same way as if they gave cash. The school will have a permanent tangible reminder of their generosity.

Contributors may expect to have some influence on the school's policy, and to earn respect in the community.

- 7) Specific suggestions on preparing and presenting proposals for co-operative ventures are given in MATCOM's training manuals on Financial Management, Management of Larger Agricultural Co-operatives and Project Preparation and Appraisal. Stress that while the techniques are important, the basic skills of selecting the right "target", and appealing to its needs, are more important than any technical skills of project preparation.

Matching ExerciseAssignment :

Read the following brief descriptions of groups who are proposing to start workers' co-operatives. Decide which one of the sources of finance which have been listed in the session is the first one you would recommend for each group, and match each of the sources to one group.

It may be that several alternatives are possible; determine which you believe to be the most appropriate, even if it would in fact be combined with others, and be prepared to explain why you believe this to be so.

Society 1: The Hopeful Weavers

A group of very impoverished, independent part-time weavers wish to start a workers' co-operative in order to pool their resources and to obtain better access to raw materials and to better marketing opportunities. There has for some time been a critical shortage of yarn for weaving, but a new mill will very shortly be starting operations, generously funded by foreign investors.

It is believed that there may in fact be a surplus of yarn once this mill comes into production, and existing suppliers and the investors in the new mill are said to be somewhat concerned about the possibility of over-supply.

Society 2: The Young Reformer

A large number of unemployed young people from middle-class families have been associated with violent crimes, drug trafficking and other associated social problems. One group of young men and women, many of whose friends have been involved in criminal activities, have decided to start a workers' co-operative in order to become independent and to ensure that they do not fall into the same dangerous habits.

Society 3: The Village Processors

People are "drifting" to urban areas in enormous numbers, in search of jobs, while rural areas are being denuded of their most energetic people. Considerable public concern has been expressed about the problem, and the authorities are under pressure to take steps to alleviate it. A group of young people from one rural village plan to start a workers' co-operative to process local agricultural produce.

Society 4: The Deserted Mothers

Most of the men from one under-privileged group are in another country working in the mines, and many of them have deserted their wives and families and no longer provide them with any support at all. The women are desperate and many are unable to feed their families. A group of them propose to set up a workers' co-operative to manufacture and market jams and preserves made from local fruits, using traditional recipes they have for many years practised at home.

Society 5: The Idle Rich

A group of educated, unemployed young people has decided to set up a workers' co-operative offering translation, tutorial and similar services. They appreciate that they are relatively well off by local standards. A number of them for instance, own motorbikes or even cars, and might continue to enjoy their enforced leisure without undue distress. This group, however, have concluded that they must ultimately find a way of supporting themselves and are determined to set up their society as soon as possible.

Society 6: The Free Foresters

Forest resources are becoming increasingly scarce, and the Government is enforcing strict regulations governing the cutting down of trees without permission. This has led to a severe shortage of wood in the very important local furniture industry, but the Government feels that the policy is necessary. A group of individual pit-sawyers who live near the forest have been prevented by the new regulations from continuing with their traditional work. The Forest Authority has encouraged

them to come together to form a workers' co-operative and start a modern saw-mill. They will be given a reasonably generous allocation of timber, including some of the allocations which were previously held by alien saw-millers.

Society 7: The Youthful Home Carers

A group of young people who have failed to enter the university and have also not succeeded to obtain employment despite many attempts, have decided to start a workers' co-operative, providing home services such as lawn- and garden-care, house painting, repairs and night security. They have been encouraged by a local politician, who is always anxious to help people who are committed and who display initiative in their willingness to help themselves. He has a number of good connections with industrialists in the community, but is unwilling to try to obtain any preferential treatment for the new group from Government or other official sources. He has, however, promised to do whatever he can to help them in other ways.

Society 8: The Skilled Mechanics

A number of young men who have received vocational training in vehicle maintenance have decided to start their own workers' co-operative, rather than to work for other people, although they are confident that they could get jobs in other garages. There is a particularly heavy demand for diesel repair services, but the centre they attended did not offer diesel training. The extra skills should not be too difficult to obtain on the job, but they feel that the society should be able to offer diesel repairs from the very first day it opens.

Society 9: The Landed Poor

A group of farmers whose land holdings are barely large enough to enable them to feed their families, have decided to rent out the land to others and to form a workers' co-operative offering construction and agricultural contracting services, using their existing skills. They do not wish to sell their land, as it is very valuable and has been in their families for many generations, but they have no other source of money.

Society 10: The Co-operative School

A number of young people who had benefitted from education wished to start a school as a workers' co-operative in their home area, to be owned and staffed by themselves, the teachers. They needed premises and furniture, in addition to the books and other teaching material.



Criteria for Membership

SESSION 11

CRITERIA FOR MEMBERSHIP

Objective : To enable participants to identify the appropriate criteria for membership in a workers' co-operative.

Time : 2 - 3 hours.

Material : Debating Briefs X and Y.
By-laws of local workers' co-operatives.

Session Guide :

- 1) In many countries the full range of options covered in this session may not be available. It is important to amend the debating briefs, and the session itself, in order to eliminate any options which are not available, and to include any which are available but are not covered in the material.
- 2) Remind participants of the previous sessions, and of the conditions necessary for the success of workers' co-operatives. Can the members of a new society, or anyone advising them, ensure that it will succeed by choosing appropriate regulations, by-laws and legal forms?
 - Clearly rules alone cannot ensure success; groups with no clear regulations at all have succeeded, while others with most meticulously drafted constitutions have failed.

Appropriate rules can, however, make it easier for a co-operative to succeed. Many problems arise because nobody thought about the details in the early stages, and misunderstandings arise which could have been prevented.

Many countries already have a set of regulations for workers' co-operatives, while others may only have rules for other types of co-operatives, such as consumer societies or agricultural service co-operatives. Ask participants why these may not be applicable to workers' co-operatives.

- The members of a consumer or service co-operative are its customers, whereas the members of a workers' co-operative are its workers. Their rights and responsibilities are clearly very different.

Worker groups may therefore have to make up their own regulations, or they may find themselves in difficulties, since there may be only one legal form available.

Ask participants how a group of workers who wish to form a co-operative can formalise their existence without having to conform to a wholly inappropriate set of regulations. Is there any way in which they can design a constitution more suitable for their own purposes?

- It may be possible to choose a quite different legal form, which can nevertheless be adapted so that it will be very similar to a co-operative. Refer to Session 2 and remind participants of the various forms of organisation that are available.

A limited company, a partnership or an association can be constituted in such a way that it closely resembles a co-operative. This is not perfect, but it may be preferable to co-operative regulations which are inappropriate for a particular group.

The participants in the course may be employed by a Co-operative Department and may be compelled to advise new groups to conform to local regulations, even if these are not wholly appropriate. If this is the case, discuss the problems, and elicit appropriate suggestions for how they might be overcome.

- 3) The actual details of the regulations and the form of organisation that is chosen will differ from one country to another. There are, however, a number of issues which must be settled. Warn participants that they are to have a debate on a selection of these which are relevant for workers' co-operatives in their countries.

Participants will be expected to argue for nominated positions, which may not necessarily be the views they would personally prefer. This should enable them to appreciate both sides of each ar-

gument, since there are advantages and disadvantages to each side. Members of a workers' co-operative, their leaders and their advisers must, if possible, select the best alternative in terms of:

- the country's regulations;
- the nature of the proposed enterprise;
- the circumstances of the particular group.

- 4) Divide participants into an even number of groups, each consisting of between three and six members. Give Debating Brief X to one set of groups and Debating Brief Y to the other set.

Depending on the number of participants, the time available for group discussion and the actual debate, allocate to each group one or a number of issues from their brief. The debating brief requires groups to argue for views which are not necessarily consistent with one another. This is deliberate, in order to force participants to see both sides of each issue.

- 5) Allow the groups twenty minutes to prepare their case for each proposition. Then reconvene participants, and ask a representative of one group with Brief X to present their opening arguments for item (a), for not more than two and a half minutes. Point out that this is an exercise in brief and concise presentation and ensure that participants keep strictly to the time allowed.

Allow a group with Brief Y to present their opposing view for item (a) for a further two and a half minutes. The debate should then be open to contributions from any participant outside the two selected groups for a further five minutes.

The issue should then be put to the vote. Participants should not at this stage refer to particular circumstances when one or other view may be more appropriate, but should deliberately present a biased view.

- 6) After the debate, ask participants to suggest situations when each view should be preferred. List them on the chalkboard/ohp, and then proceed to item (b) from brief X and item (b) from brief Y.

Continue in this way until each issue has been debated, and the relevant situations identified for which each point of view is appropriate.

It is important that the arguments in favour of each view, and the circumstances favouring it, should be relevant to workers' co-operatives in the conditions actually faced by participants. The following suggestions are merely indicative, and should be changed and supplemented to reflect local conditions.

(a) All workers in a co-operative must be members.

In favour:

- This avoids two classes of members, with different objectives and protects the homogeneity of the group.
- All workers can participate in management, and achieve genuine unity and democracy.
- Exploitation can be avoided.

Appropriate when:

- Potential members have all the technical and managerial skills necessary for successful operations.
- The market demands are not likely to vary substantially.
- The group does not wish to over-expand very quickly.

Against:

- The co-operative cannot respond to changes in demand by increasing or decreasing the workforce, and may suffer heavy losses if the workforce has to be maintained when there is not enough for them to do.
- The co-operative cannot take on part-time workers.
- The co-operative cannot make use of the services of qualified specialists who may be willing to work for the group but who do not want to be members for one reason or another.
- This allows prospective members to "try out" the society without committing themselves to membership.

Inappropriate when:

- There is likely to be a need for specialised skills, temporary or part-time workers.

(b) Workers and only workers can be members.

In favour:

- Outsiders cannot use the co-operative for their own purposes without contributing their time to it.
- All the members are fully committed and share the same objectives, and problems of lack of interest or commitment are reduced.
- People who stop working for the society have to give up membership. This prevents the development of an external hostile group, who stop working but continue to interfere.
- People who do not depend on the society for a living, and who are not committed to its success, cannot have a voice in its management and cannot gain from its success.

Appropriate when:

- There is not likely to be a need to recruit the services or 'support of people who are either not qualified or would not wish to be members.

Against:

- The society cannot enlist the genuine committed support of well-wishers, advisers and benefactors who may wish to join but cannot work for the society.
- People who wish to play a major part in initiating and founding the society, but who cannot work in it, cannot play a full part either at the beginning or subsequently.

Inappropriate when:

- The society is likely to need committed support or foundation assistance from non-workers. (In some countries there are special regulations for non-working founder members as a special group, who must resign at a specific period

after the society has been formally constituted. No other non-worker members are permitted.)

- (c) The society should restrict new membership through qualifications, age, a probationary period or an absolute limit on numbers.

In favour:

- The fruits of success should not be indiscriminately available to those who do not suffer in the early struggles.
- The co-operative spirit developed in the early stages of a workers' co-operative is the best foundation for the future, and the unity of the society is likely to be broken if others who have not shared in this experience, join at a later stage.
- A society can easily grow too big to be genuinely democratic and flexible.
- There should be as many "excuses" as possible to allow existing members to exclude new applicants who they feel would not be compatible in a personal sense.

Appropriate when:

- The members do not wish their society to grow rapidly.
- There is unlikely to be a rapid need for extra workers or members.
- Working non-members are permitted.

Against:

- Open membership is a fundamental principle of co-operation, which should aim to help everybody and not be exclusive.
- Restricted membership discourages potentially valuable people from applying to join.

Inappropriate when:

- Rapid growth is likely and desirable.

- New and different skills are likely to be needed as the society expands.

(d) Members should not be allowed to be members of trade unions.

In favour:

- Trade unions traditionally serve the interests of workers against their employers. Members of a workers' co-operative are workers and employers at the same time.
- It is difficult for people to be loyal to two different organisations, particularly if they have different objectives.
- Trade union members may demand job demarcation, minimum wages or other conditions of work which are unsuitable for a workers' co-operative, particularly in its early days.

Appropriate when:

- Local trade unions have a tradition of confrontation rather than co-operation with management.
- Local trade unions are themselves exclusive and demand total loyalty from their members.
- Some members are unlikely to be associated with trade unions, and might therefore clash with members who are also members of unions.

Against:

- Trade union members are often the most skilled people in their trade; a workers' co-operative should not deprive itself of their contributions.
- Trade unions are often very powerful, and their support can be of great value to a struggling new society.
- Trade union members often enjoy benefits such as health services, insurance and other protection which a workers' co-operative cannot afford to provide.

Inappropriate when:

- Trade unions are very strong, and include most of the skilled workers in the activity undertaken by the new co-operative.
- Trade unions enjoy general support from Government and management, and try to work for general development rather than sectional interests.

- 7) Briefly summarise the conclusions of the "debate"; are participants' conclusions, as expressed by their votes, consistent with local regulations and practice? Ask participants to compare the situation of workers' co-operatives with which they are associated with the list of situations where one or the other view is appropriate. Are the co-operatives adopting regulations which are likely to help rather than hinder their survival and profit? If not, how can they be helped to change?

Distribute copies of by-laws of local societies, or, if these are unobtainable, ask participants to describe the membership criteria used by societies with which they are familiar. If these are inconsistent with participants' conclusions from this session, remind them of the need to consider amending by-laws, or even of alternative forms of organisation. Stress that it is vital that the by-laws of any workers' co-operative should be framed in accordance with its particular situation, and not according to any political dogma.

Debating Brief X

Below you will find a number of statements, advocating certain regulations regarding the membership of a workers' co-operative. Prepare a concise two and a half minute presentation in favour of the statements which have been allocated to your group. You may not agree with all the statements, but your group's chosen representative must nevertheless be prepared to present and defend the case for your allocated statement(s) against another group who will be presenting the opposite point of view.

- (a) Everyone who works in a workers' co-operative must be a member of that co-operative.

- (b) A workers' co-operative should not confine membership to those who work in it, but should also admit others who can make some contributions even if they do not work in the society.

- (c) The original members of a workers' co-operative should restrict new applicants by specific requirements in terms of age, qualifications, a probationary period and/or an absolute limit of numbers.

- (d) Members of a workers' co-operative should also be permitted to be members of an appropriate trade union.

Debating Brief Y

Below you will find a number of statements, advocating certain regulations regarding the membership of a workers' co-operative. Prepare a concise two and a half minute presentation in favour of the statements which have been allocated to your group. You may not agree with all the statements, but your group's chosen representative must nevertheless be prepared to present and defend the case for your allocated statement(s) against another group who will be presenting the opposite point of view.

- (a) A workers' co-operative should allow some people who are not members to work in it.
- (b) A workers' co-operative should only admit those who work in it for membership.
- (c) After it has been established, membership in a workers' co-operative should be open to all.
- (d) Members of a workers' co-operative should not be permitted to be members of a trade union at the same time.



Registration, By-Laws and Regulations

SESSION 12

REGISTRATION, BY-LAWS AND REGULATIONS

Objective : To enable participants to guide members of new workers' co-operatives through the procedures necessary for formal registration.

Time : 2 - 3 hours.

Material : Specimen Application for Registration.
Specimen Model Rules, "ICOM 1982".
(These specimens have been provided by the courtesy of ICOM - Industrial Common Ownership Movement, Leeds, U.K. They should be replaced or at least supplemented by locally equivalent documents and examples of by-laws of local co-operatives.)

Session Guide:

- 1) Ask participants to suggest why formalities such as registration and by-laws are necessary; why should it not be possible for a group of people who want to work together, such as the Ex-Service men in the case study in Session 9, to do so without the administrative burden, delays and expense involved in official procedures?

Elicit suggestions such as:

- Members need to know exactly what their rights and responsibilities are.
- Disagreements will arise even in the most friendly and cohesive groups; by-laws reduce disputes because they state exactly what can and cannot be done.
- Co-operatives have often been exploited by unscrupulous members; registration, by-laws and the accompanying reports provide some protection against this.
- The co-operative will have to deal with the outside world as suppliers and customers. Outside organisations and individuals must know whom they are dealing with, who is responsible and for what.

- By-laws are usually based on the accumulated experience of local and other groups, over many years and in many countries. They can help a group to avoid the mistakes made by others.
 - Government or other support may be available for co-operatives; there have to be some clear criteria as to which organisations are eligible for such support.
- 2) In spite of these good reasons, many groups are reluctant to adopt formal by-laws and to go through the other formalities involved in registration. Ask participants if they have encountered such reluctance; why should people be unwilling to conform to formalities which are designed mainly for their own protection?
- They may not understand the reasons for the formalities.
 - The procedures may involve delays which will damage the future of the group.
 - Registration may involve expensive fees, legal costs and travel.
 - The record of officially registered co-operative societies may be discouraging; a new group may wish to disassociate itself from past failures.
 - The regulations may require the group to conform to onerous rules such as having cheques countersigned by Government officials.
 - The group may fear that official registration will lead to the Government attempting to "use" them for political purposes.
 - The requirements may be impossible for the group. There may, for instance, be a minimum membership rule which is "too high".
- 3) Ask participants to suggest how they can overcome such reluctance. Stress that they must first attempt to find out which of the above reasons, or others, underlies the group's reluctance to register. An adviser who merely demands registration as a condition of assistance or who states that the group will be breaking the law if they do not register will permanently damage the enthusiasm and commitment of the group.

- The regulations may allow probationary or pre-co-operative registrations, which is easier to obtain.
 - The adviser should help the group with the procedures, and should "bridge the gap" between them and the official bureaucracy.
 - The adviser should himself be quick and efficient, and should encourage other officials in the Registration Department to behave similarly.
 - The adviser should act as the representative of the group in the Department, and should prevent political or official interference and bureaucratic delays.
 - The adviser should ensure that the group are fully aware of their rights and responsibilities, and should help them when necessary to draw up by-laws which are genuinely appropriate for their particular circumstances.
- 4) Ask participants to imagine themselves to be a banker, a landlord, a supplier or a customer who have been approached by a new group which intends to establish some sort of business relationship with them. What questions would such people ask about the group, as a basis for discussing the details of whatever relationship was proposed?

Elicit suggestions of questions such as the following, and summarise them on the chalkboard/ohp.

- What will the new organisation be called?
- Where is it going to operate?
- What is it going to do?
- Who are the members?
- Who will be in charge?
- Where are they going to get their capital from?
- What will stop the group from disappearing with their money?

Distribute copies of the "Application for Registration - Form A" or, preferably, a locally equivalent document. Ask participants to read it through. Go through the questions already listed on the

chalkboard/ohp, and show them how items (a) to (n) in this application registration are in fact providing answers to this type of question. Ensure that participants understand the necessity for legal language, and the real meaning of the various items.

- 5) Divide participants into groups of not more than five members each. Distribute copies of the Specimen Model Rules, "ICOM 1982", or preferably, local sets of by-laws, and allow the groups up to sixty minutes to read the by-laws, and to be prepared to present to the participants:
 - Any questions about the meaning of the rules which they have been unable to answer within their group.
 - An explanation of why each rule is included, in language which a proposed society's members would be able to understand.
- 6) Reconvene participants, and ask the groups first to share any problems of understanding which they may not have been able to settle. Elicit explanations from other groups, where possible, and ensure that these are in simple language. They should, if appropriate, be translated into local vernacular tongues, rather than official legal language.

Ask the groups in turn to explain, in simple language as before, the reasons for each of the rules number 1 to 21. Many of these are self-explanatory, but the instructor should of course, in advance of the session, ensure that he or she clearly understands the meaning and reasons for each of the rules in the specimen, or the local example which should be used instead, if possible.

The following points may be useful to help explain some items of the ICOM rules:

Rule 2: The objects should be described as widely as possible, since it is not appropriate for any new enterprise to be prevented from grasping new opportunities, or dropping redundant activities.

Rule 5: The shares carry no right to dividend or bonus in themselves, although members may receive dividends or bonus as a result of their work. This is to ensure that a member who has not worked for some reason, cannot claim a dividend.

Rule 6: Founder members, who will not be employed by the co-operative, are sometimes necessary in the early stages. This rule allows them to be temporarily associated with the co-operative, and ensures that they cease to be members as soon as it is properly established.

Rule 6(b): The actual qualifications for membership will include rulings on part-time workers, length of employment and so on. Most workers' co-operatives demand a probationary period of, say, one year, for new members, once the co-operative has started operations.

Rule 8: This ensures that people who are dismissed from employment in the co-operative, either because of misconduct or because there is no work for them, cease to be members.

Rule 9: It is very difficult for any new organisation, and in particular workers' co-operatives whose members are not rich, to raise capital. This rule allows members and others to lend money to the co-operative; the interest rate limits are included to avoid members paying themselves excessive interest on their loans, but may be amended to allow higher interest to be paid to outside lenders, if this is necessary.

Rule 12: The time limit for the Annual General Meeting ensures that the accounts are prepared by that time.

- 7) Participants should note that the rules do not lay down how the bonus should be calculated, or what proportion of the profits should be used for each of the three purposes (a) to (c).

Similarly, Rule 6(b) does not state exactly what membership qualifications should be, Rule 8 does not list the reasons for dismissal, Rule 10 gives very wide limits to the number of committee members and so on.

"Model" rules of this sort cannot be specific on these and other issues, because members' wishes, and the situation of each group, will differ. The rules provide a framework, and show members of a new workers' co-operative which decisions they have to make for themselves.

Detailed rulings of this sort can be incorporated in the by-laws; ask participants why this may not always be desirable, even if it is possible:

- The rules must be in proper legal language, to avoid any ambiguity. Lawyers may be needed, who cost money and take time.
 - If the by-laws are quite different for every workers' co-operative, particular items may be omitted. Model rules have the advantage that everything is covered, even if not in any details.
 - The members may not be in a position to decide in any detail on various issues at the early stages of a co-operative, but they must have by-laws as a condition of registration and as a basis for their initial operations.
 - The details of regulations may and often should be changed with changing circumstances. It may be administratively difficult to change the by-laws, which are the legal basis of the whole operation, every time a change in detailed regulations is needed.
- 8) Ask participants to describe any additional information or documents that may be needed for registration. The regulations differ from one country to another, but in some countries the following are demanded as well as by-laws:
- The signature of a "sponsor" which may be an established organisation, or responsible individual, who vouches for the seriousness of the group. This does not usually involve any legal guarantee, but is like a reference for someone seeking a job.
 - Evidence, such as a bank receipt or pass book, that shows that members actually have collected and deposited their initial subscriptions in the name of the proposed co-operative. In some cases, the name cannot be used until registration is complete. A bank can usually arrange a temporary name in these circumstances.
 - The signature, or other evidence from a co-operative officer or other recognised official, stating that he has examined the application, and recommends registration.

9) This session has concentrated on legal requirements and procedures. Remind participants of the conditions for workers' co-operatives' success which were evolved earlier in this course. To what extent are the official regulations consistent with these conditions, and how can participants, as advisers, ensure that the initial enthusiasm and commitment of any group is not weakened by the need to conform to regulations?

- They should avoid threatening a group with by-laws and regulations, but should at the same time use the legal requirements to stress the seriousness of what the group is undertaking.
- They should not write the by-laws for a group, but should work with them so that they understand the decisions that they must make for themselves.
- They can use the tasks of making decisions, collecting lists, submitting documents and so on as ways of testing and developing the commitment of the group and its leadership.
- Many groups are full of initial enthusiasm but weak on details of what exactly they are going to do and how. If they have to decide on rules for themselves, this will help to "bring them down to earth".
- Official registration confers status and recognition. An adviser can use this as a means of enhancing the confidence of any groups who may be nervous and unsure about what they can do.

10) Participants may be tempted to regard registration as an end in itself, particularly if they are under pressure to promote certain numbers of co-operatives every year, and a registered co-operative can be "counted" towards the target.

Stress that registration is only a means to an end; in many countries, worker groups have had to find alternative forms of organisation, and the very term "co-operative" has acquired a bad reputation, because of Government interference, bureaucracy and political manipulation.

Participants should use registration in working towards the goal of establishing genuine self-sustaining workers' co-operatives. If

they do this effectively, they will find that it will help them to help more groups to establish themselves, and thus to achieve their targets and satisfy their employers.

INDUSTRIAL AND PROVIDENT SOCIETIES ACT 1965

Application for the registration of a society, pursuant to section 2 of the Act

To the Central Office of the Registry of Friendly Societies

1. We, the undersigned, being seven members and the secretary of a society hereby apply for the registration of the society under the Industrial and Provident Societies Act 1965 under the name HARDWORK CO-OPERATIVE

Specimen

..... Limited and herewith send two printed copies of its rules, both of which copies are signed at the end thereof by each of us.

2. The rules contain provisions in respect of the matters mentioned in Schedule 1 to the Act as follows. —

Matters to be provided for	Number of rule
(a) The name of the society.	(a) 1
(b) The objects of the society.	(b) 2
(c) The registered office of the society, to which all communications and notices to the society may be addressed.	(c) 4
(d) The terms of admission of the members, including any society or company investing funds in the society under the provisions of the said Act.	(d) 6, 7, 8
(e) The mode of holding meetings, the scale and right of voting, and the mode of making, altering or rescinding rules.	(e) 10, 11, 12, 17
(f) The appointment and removal of a Committee of Management (by the name of) and of managers or other officers, and their respective powers and remuneration.	(f) 10 (c)
(g) The maximum amount of interest in the shares of the society which may be held by any member otherwise than by virtue of section 6(1) (a) (b) or (c) of the said Act.	(g) 5
(h) Whether the society may contract loans or receive money on deposit subject to the provisions of the said Act from members or others; and, if so, under what conditions, under what security, and to what limits of amount.	(h) 9
(i) Whether the shares or any of them shall be transferable, the form of transfer and registration of the shares, and the consent of the committee thereto; whether the shares or any of them shall be withdrawable, and the mode of withdrawal, and the payment of the balance due thereon on withdrawing from the society.	(i) 5
(j) The audit of accounts by one or more auditors appointed by the society in accordance with the requirements of the Friendly and Industrial and Provident Societies Act 1968.	(j) 15
(k) Whether and, if so, how members may withdraw from the society, and provision for the claims of the representatives of deceased members or the trustees of the property of bankrupt members, or, in Scotland, members whose estate has been sequestrated, and for the payment of nominees.	(k) 8, 19
(l) The mode of application of profits.	(l) 14
(m) The custody and use of the society's seal.	(m) 16
(n) Whether and, if so, by what authority, and in what manner, any part of the society's funds may be invested.	(n) 13

Signatures of Applicants	Full Names [BLOCK LETTERS]	Addresses [BLOCK LETTERS]
1. <i>R. Lake</i>	RONALD LAKE	12 CLOUD LANE RAINWORTH
2. <i>GM Rivers</i>	GEORGE RIVERS	3 CANAL STREET RAINWORTH
3. <i>Jane Rivers</i>	JANE RIVERS	3 CANAL STREET RAINWORTH
4. <i>JO Gutter</i>	JAMES OLIPHANT GUTTER	BANKSIDE, DRAINLEY NR RAINWORTH
5. <i>Percy Mere</i>	PERCY MERE	44 RESERVOIR ROAD RAINWORTH
6. <i>D. Waterford</i>	DIANA WATERFORD	12A RIVER MEWS LONDON SW1
7. <i>A. Seaworthy</i>	AMOS SEAWORTHY	7 SLUICE STREET RAINWORTH

Signature of Secretary.

GM Rivers

Full Names *GEORGE MEREDITH RIVERS*
Address *3 CANAL STREET*
RAINWORTH

Date *May 12th 1987*

Name and address to which communications are to be sent:—

HARDWORK CO-OPERATIVE Ltd, 42 CANAL STREET, RAINWORTH

Where a (reduced) fee is to be paid because the rules accompanying this application are the model rules of a promoting organisation and the application is being made through the organisation, that organisation should endorse this form in the space below before it is sent to the Central Office.

RULES OF HARDWORK CO-OPERATIVE LIMITED

(registered under the Industrial and Provident Societies Acts 1965-1978)

1. The NAME of the Society shall be HARDWORK CO-OPERATIVE

..... Limited (hereinafter referred to as the Co-operative)

2. The OBJECTS of the Co-operative shall be to carry on the business as a bona fide co-operative society of

(a) Manufacturing or selling WATER PUMPING EQUIPMENT

Specimen

~~Providing the service of~~

(b) Manufacturing or selling or hiring whether as wholesalers, retailers, agents, or otherwise, such other goods (or providing such service) as may be determined by a General Meeting.

In carrying out the aforesaid objects the Co-operative shall have regard to promoting the physical, mental and spiritual well-being of the community and especially those who participate in the activities of the Co-operative by reason of employment in or purchasing from or selling to the Co-operative and to assist people in need by any means whatsoever.

3. POWERS. The Co-operative shall have power to do all things necessary or expedient for the fulfilment of its objects, provided that the assets of the Co-operative shall be applied only for the purposes of those objects which do not include the making over of assets to any member except for value and except in pursuance of arrangements for sharing the profits of the Co-operative among the members as provided for in Rule 14(b).

4. The REGISTERED OFFICE of the Co-operative shall be at

42 CANAL STREET , RAINWORTH

NORTSHIRE

5. The SHARE CAPITAL of the Co-operative shall consist of shares of the nominal value of one pound each issued to persons upon admission to Membership of the Co-operative. The shares shall be neither withdrawable nor transferable, shall carry no right to interest dividend nor bonus and shall be forfeited and cancelled on cessation of membership from whatever cause and the amount paid-up thereon shall become the property of the Co-operative. A Member shall hold one share only in the Co-operative.

6. MEMBERSHIP

(a) The Membership of the Co-operative shall consist of all those who sign the Application for Registration (the Founder Members) and other persons. If an application is sent to the Chief Registrar of Friendly Societies for a certificate under the provisions of the Industrial Common Ownership Act 1976 that the Co-operative is a common ownership enterprise, any Founder Member who is not employed by (or by a subsidiary of) the Co-operative on the date when the application is so sent shall cease to be a Member on that date provided that if the Registrar refuses to give such a certificate each such former Founder Member may elect to be readmitted as a Founder Member. Except for Founder Members (who shall be subject to the aforementioned provision as to cessation of their membership) only persons who are employed by (or by a subsidiary of) the Co-operative may be Members of it.

(b) All persons who are employed by (or by a subsidiary of) the Co-operative may be members, subject to any provision in the rules about qualifications for membership which is from time to time made by the Members, by reference to age, length of service, or other factors of any description which do not discriminate between persons by reference to politics or religion.

7. **APPLICATION FOR MEMBERSHIP.** On application for membership and the payment of £1 by any person qualifying under Rule 6(b) above and who has attained the age of 18 years the Co-operative shall issue him or her with one share and a copy of the Rules of the Co-operative.
8. **CESSATION OF MEMBERSHIP.** A Member shall cease to be a Member if he or she:
- (a) ceases to be in the employment of the Co-operative for any reason whatsoever,
 - or (b) ceases to fulfil any other qualifications for membership specified in these Rules,
 - or (c) resigns in writing to the Secretary.
9. **BORROWING**
- (a) The Co-operative shall have power to borrow money for the purposes of the Co-operative in whatsoever manner it may determine including the issue of loan stock providing that the amount for the time being remaining undischarged of money borrowed shall not exceed £1,000,000.
 - (b) The rate of interest on money borrowed, except on money borrowed by way of bank loan or overdraft or on mortgage from a Building Society or Local Authority (or from a Finance House or Hire Purchase Company or Leasing Company approved by resolution of the Council of the Industrial Common Ownership Movement Limited) shall not exceed 6½% per annum or 3% above the Co-operative Bank P.L.C. Base Lending Rate at the commencement of the loan, whichever is the higher.
 - (c) The Co-operative may receive from any persons donations or loans free of interest towards the work of the Co-operative.
 - (d) The Co-operative may receive any sums of money within the total limit mentioned in section (a) of this Rule, from Members and others on deposit, repayable on such notice being not less than 14 clear days, as they arrange from time to time, provided that such deposits shall be received in instalments of not more than £10 in any one payment or more than £250 in all from any one depositor.
 - (e) The Co-operative shall have power to mortgage or charge any of its property, to issue debentures and other securities, and to charge any or all of its assets as security for money borrowed.
10. **MANAGEMENT**
- (a) There shall be regular General Meetings of the Members of the Co-operative called by the Secretary. The posting of a notice on a notice board giving the date time place and agenda seven days before the date of the meeting shall constitute adequate notice. The Secretary shall also call a meeting at the request of three or more Members delivered to the Secretary in writing.
 - (b) Each General Meeting shall elect a Chairperson whose function is to conduct the business of the meeting in an orderly manner.
 - (c) The Co-operative shall have a Committee of not less than five and not more than nineteen Committee Members, the number to be decided by a General Meeting. The Committee Members shall be elected each year at the Annual General Meeting. Retiring Committee Members shall be eligible for re-election without nomination. Nominations for the Committee shall be in writing and signed by two Members making the nomination and shall contain a statement by the Member nominated of his or her willingness to be elected. The nominations shall be delivered to the Secretary not less than seven days before the Annual General Meeting. Only Members shall be eligible to be Committee Members. Any Committee Member may be removed from office by a majority vote at a General Meeting called for this purpose. Any remuneration of Committee Members shall be decided by Members in General Meeting. The Committee may exercise all such powers as may be exercised by the Co-operative and are not by these Rules or statute required to be exercised by the Co-operative in General Meeting, subject nevertheless to the provisions of these Rules and any regulations not inconsistent with these Rules made from time to time by the Co-operative in General Meeting.
 - (d) A General Meeting shall elect and may remove a Treasurer under their direction to be responsible for the proper management of the financial affairs of the Co-operative.
 - (e) A General Meeting shall elect and may remove a Secretary under their direction who will have those functions numerated in these Rules and such further functions as a meeting may determine.
 - (f) No business shall be contracted at any General Meeting unless one half or more of the Members are present.
11. **VOTING.** Every Member present in person at a General Meeting shall have one vote, and questions will be decided upon a majority vote of Members present except for those questions to be decided in accordance with Rule 17.
12. An **ANNUAL GENERAL MEETING** shall be held within six months of the close of the financial year of the Co-operative, the business of which will include:
- (a) The receipt of the account and balance sheet.
 - (b) The appointment of an auditor.
 - (c) The election of Committee Members.

13. INVESTMENT OF FUNDS

The funds of the Co-operative may with the authority of the General Meeting be invested as follows:

- (a) In or upon security in which trustees are for the time being authorised by law to invest; and
- (b) In or upon any mortgage, bond, debenture, debenture stock, corporation stock, rent charge, rent or other security (not being securities payable to bearer) authorised by or under any Act of Parliament passed or to be passed of any Local Authority as defined by Section 34 of the Local Loans Act, 1875; and
- (c) In the shares or on the security of any other society registered or deemed to be registered under the Act, or under the Building Societies Acts, or of any company registered under the Companies Acts, or incorporated by Act of Parliament or by Charter, provided that no such investment be made in the shares of any society or company other than one with limited liability.

The Co-operative may appoint any one or more of its Members to vote on its behalf at the meetings of any other body corporate in which the Co-operative has invested any part of its funds.

14. APPLICATION OF PROFITS. The profits of the Co-operative shall be applied as follows, in such proportions and in such manner as the General Meeting shall decide from time to time:

- (a) Firstly, to a general reserve for the continuation and development of the Co-operative.
- (b) Secondly, to a bonus to Members.
- (c) Thirdly, to make payments for the social and charitable objects in connection with Rule 2.

15. AUDITORS

- (a) The Co-operative shall in accordance with Sections 4 and 8 of the Friendly and Industrial and Provident Societies Act 1968 appoint in each year one or more auditors to whom the accounts of the Co-operative for that year shall be submitted for audit as required by the said Act, and who shall have such rights in relation to notice of and attendance at General Meetings, access to books and the supply of information, and otherwise, as are provided by the said Act.

Every such auditor shall be appointed by the Co-operative in a General Meeting, and in the case of any auditor so appointed who is a qualified auditor under Section 7 of the said Act the provisions of Sections 5 and 6 thereof apply to his/her re-appointment and removal and to any resolution removing him/her or appointing another person in his/her place.

- (b) Every year not later than the date provided by the Act or where the return is made up to the date allowed by the Registrar, not later than three months after such date, the Secretary shall send to the Registrar, the annual return in the form prescribed by the Chief Registrar of Friendly Societies relating to its affairs for the period required by the Act to be included in the return together with—
 - (1) a copy of the report of the auditor on the Co-operatives accounts for the period included in the return and
 - (2) a copy of each balance sheet made during that period and of the report of the auditor on that balance sheet.

16. RECORDS AND SEAL

- (a) The Co-operative shall keep at its registered office a register of Members in which the Secretary shall enter the following particulars—
 - (1) the names and addresses of the Members;
 - (2) a statement that one share only is held by each Member and that £1 has been paid, or agreed to be considered as paid, on each share;
 - (3) a statement of other property in the Co-operative, whether in loans, deposits or otherwise, held by each Member;
 - (4) the date at which each person was entered in the register as a Member, and the date at which any person ceased to be a Member;
 - (5) the names and addresses of the officers of the Co-operative, with the offices held by them respectively and the dates on which they assumed office.Any Member changing his/her address shall notify the Co-operative.
- (b) The Co-operative shall have a seal kept in the custody of the Secretary and used only by the authority of a General Meeting. Sealing shall be attested by the signatures of two Members and that of the Secretary for the time being.

17. AMENDMENTS TO RULES

- (a) Any rule herein may be rescinded or amended or a new rule made by the vote of three quarters of all the Members of the Co-operative at a General Meeting where all the Members of the Co-operative have been given seven clear days prior notice of the change to be proposed at that meeting.
- (b) No amendment of rules is valid until registered.

18. DISSOLUTION. The Co-operative may be dissolved by the consent of threequarters of the Members by their signatures to an instrument of dissolution provided for in the Treasury Regulations or by winding up in a manner provided by the Act. If on the winding up or dissolution of the Co-operative any of its assets remain to be disposed of after its liabilities are satisfied, the assets

shall not be distributed among the Members but shall be transferred to such a common ownership enterprise or such a central fund maintained for the benefit of common ownership enterprises, as may be determined by the Members at or before the time of the winding up or dissolution or, in so far as the assets are not so transferred, shall be held for charitable purposes.

19. DECEASED MEMBERS

- (a) Upon a claim being made by the personal representative of a deceased Member or the trustee in bankruptcy of a bankrupt Member to any property in the Co-operative belonging to the deceased or bankrupt Member the Co-operative shall transfer or pay such property to which the personal representative or trustee in bankruptcy has become entitled as the personal representative or trustee in bankruptcy may direct them.
- (b) A Member may in accordance with the Act nominate any person or persons to whom any of his/her property in the Co-operative at the time of his/her death shall be transferred but such nomination shall only be valid to the extent of the amount for the time being provided in the Act. On receiving satisfactory proof of death of a Member who has made a nomination the General Meeting shall, in accordance with the Act, either transfer or pay the full value of the property comprised in the nomination to the person entitled thereunder.

20. DISPUTES. Any such dispute as is referred to in Section 60 (1) of the Industrial and Provident Societies Act 1965 shall be referred to and decided by the Chief Registrar of Friendly Societies.

21. In these rules 'The Act' refers to the Industrial and Provident Societies Acts 1965 to 1978 or any Act or Acts amending or in substitution for them for the time being in force.

Signatures of FOUNDER MEMBERS

Full names in BLOCK LETTERS (no initials)

1.	<i>R. Lake</i>	RONALD LAKE
2.	<i>G.M. Rivers</i>	GEORGE RIVERS
3.	<i>Jane Rivers</i>	JANE RIVERS
4.	<i>J.O. Gutter</i>	JAMES OLIPHANT GUTTER
5.	<i>Percy Mere</i>	PERCY MERE
6.	<i>Diana Waterford</i>	DIANA WATERFORD
7.	<i>A. Seaworthy</i>	AMOS SEAWORTHY
Secretary	<i>G.M. Rivers</i>	GEORGE RIVERS

REGISTRATION CERTIFICATE (to be affixed below)



Action Commitment

SESSION 13

ACTION COMMITMENT

Objective : To enable participants to apply what they have learned in this course to their work in the field.

Time : Depending on the number of participants, a minimum of twenty minutes each.

Material : Action Commitment forms (two copies should be distributed to each participant at least two to three days before this session).

Session Guide :

- 1) Participants should be warned at the beginning of the course that they will be required at the end to present a plan of action whereby they propose to implement in their work something which they have learned on the course.

They should be continually reminded of this during the course, and encouraged to relate what they are learning to their own experience. Stress throughout that training of this sort is an investment; the "return" only comes when participants successfully apply what they have learned when advising workers' co-operatives in the field.

- 2) Each participant should be given two copies of the action commitment form two to three days before this session, in order to allow them time to think about what they propose to do, and to write it down in duplicate. Participants who work in conjunction with others on the course should also discuss their plans with them, to ensure that they are co-ordinated with one another and that they do not duplicate or conflict. Action commitments can often provide an opportunity for improved collaboration between different departments or institutions whose staff are represented on the course.

When distributing the action commitment form, stress that participants must present a plan which they actually have a good chance of implementing themselves, and which does not depend on impossibly ambitious proposals to change the view of their superiors, or the total administrative system within which they work. Some participants may feel that it is impossible to implement any change, since they are so constrained by others. Stress that change in any organisation does not only come from the top, and that a training course of this type is a total waste of time and resources if it does not lead to some changes.

Stress also that the action commitment need not and indeed should not be over ambitious. If participants commit themselves to implementing even one modest change, which is wholly within their own capacity, this will be some improvement and should also lead to application of other lessons which they have learnt on the course.

- 3) Participants should complete the forms, briefly, in duplicate, in order to keep one for themselves and to hand the other to the instructor. Stress that you will follow up the commitments, personally or through correspondence, in order to ensure that participants have in fact attempted to implement their plans. Stress that the objectives of this follow-up are as follows:

- To remind, assist and encourage participants to make a serious attempt to implement what they plan.

To evaluate the training programme itself, and not the participants, since it is the fault of the instructors and/or the course material if participants are unable to make use of it in the field.

- 4) When handing out the action commitment form, go through the headings, stress that two or three lines are all that is required under each, and explain in particular the last two items:

- Participants must recognise that they will have to think at least as much about how they are to introduce change as about what change they are to introduce. Superior officials, colleagues in the same position or subordinates all have to be persuaded and agree to the change, as do members of existing or

proposed workers' co-operatives. It may be possible for participants, particularly those of a more senior level, to "order" people to do things, but they will not do them effectively if they do not believe in them. Sending a memorandum or making a written report is unlikely to persuade people to change.

- The final item on the form requires participants to commit themselves to a specific, measurable target by six months at most after the end of the course. This ensures that the action commitments are concrete and specific, rather than vague commitments to general improvement. A commitment to "improve the quality of the advice I give to prospective worker co-operatives" may be sincere, but nobody, including the participant who commits himself to it, can possibly state specifically that it has been achieved. "To assist the XYZ group to design a market survey, and to test their commitment by asking them to carry it out within a given period" is more modest, but it is measurable.

- 5) The instructor's copies of the action commitment forms should be collected from participants shortly before this session, in order to allow them time to incorporate whatever they may have learned from all the previous sessions. If possible, a brief summary of all the action commitments should be prepared and distributed to every participant, at the beginning of this session, in order to improve the quality of the analysis and advice which they offer to their fellow participants.

It may also be possible to combine this session with the official closing ceremony, if such a ceremony is to be held. The presence of a senior invited guest will underline the seriousness of participants' action commitment presentations, and will also be a means of informing the guests about the concerns participants may have and ways in which he can improve the situation from his level.

- 6) Allow each participant up to ten minutes to make a brief presentation of his or her action commitment. If time and facilities allow, they should have been given the opportunity to prepare flip charts, ohp transparencies or other means of explaining what they propose to the rest of their colleagues.

Stress that this presentation can be a "rehearsal" for any presentation that participants will wish to make to their colleagues on their return home; participants should aim to be brief, clear and persuasive.

After the ten minute presentation, allow a further ten minutes, or more time if this is available, for other participants to ask questions, make suggestions and generally attempt to assist and improve their colleague's chances of success.

Attempt to elicit possibilities of inter-departmental conflict or co-operation, and ensure that participants use this session as an opportunity for assisting one another rather than pointing out the reasons why their action commitment may not succeed.

Summarise the bare details of each action commitment on the chalkboard. At the end of the session, conclude the programme by going through the list, showing what a significant improvement will be achieved in the promotion of workers' co-operatives if all the plans are implemented, and stress that the training programme only really begins when the formal classroom sessions have finished; the seeds have been planted, but the programme will only have been a success if they come up and the fruits, in terms of successful workers' co-operatives, are duly harvested.

Note:

Participants should not be given suggestions for their action commitments, since the exercise of applying what they learn in the programme to their jobs is an essential part of the learning experience. The following examples of appropriate action commitments should only be used, with caution, if absolutely necessary; they are included more as guidance for the instructor than as suggestions for participants:

- "To work with potential Group X so that they appreciate their need to find suitable premises and obtain all the necessary information about availability costs, terms and so on. To use this task both as a means of obtaining the necessary information and as a way of testing their commitment and identifying leadership."

- "To develop and then translate into local vernacular a set of model. by-laws for a workers' co-operative."
- "To assist the members of Group ABC to design an appropriate market survey, to provide names of useful sources of information and then to agree with them a date by which this will have been completed, by the members themselves."
- "To reduce the delay between application and registration from six weeks to three weeks, by combining Form X with Form Y, eliminating Form Z and having fortnightly meetings of the Committee."

The "persuasion strategies" should be similarly brief, and may involve "lobbying" colleagues, bringing pressure to bear through news media or political channels, and other non-formal but perfectly legitimate ways of introducing change.

The "specific measurable achievement" must be able to pass the following tests: will the participant him or herself, and an outside observer, be able to say definitely whether or not it has been attained? It may only be an indicator of improvement, but should be quantified, or capable of a clear answer, "yes" or "no".

Participant's Action Commitment Form

Problem which the proposed change is designed to solve: _____

Action that is to be taken: _____

Persuasion Strategy by which the change will be introduced: _____

Specific Measurable Achievement:

By: _____ (a date not more than six months after the end of the training course) the following specific, measurable stage will have been reached in the implementation of this action commitment:

Signed: _____

Date: _____