

The Survival and Growth of Worker Co-operatives: A Comparison with Small Businesses

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WORKER CO-OPERATIVES MAY embody ideals that go beyond those usually associated with businesses, but they have to compete as businesses in what is essentially a capitalist world (Mellor et al 1988). The recent upsurge in the numbers of worker co-operatives has led to a renewal of theoretical debate and to general speculation about whether worker co-operatives can become a more significant force.

Historically there has been a good deal of scepticism about the ability of worker co-operatives to survive and prosper. Much of this scepticism can be traced back to Sydney and Beatrice Webb (1914, 1920, 1921). They argued that worker co-operatives were not a stable form of organisation; they would either be inefficient and fail or degenerate into capitalist forms of enterprise. While recognising some of the difficulties co-operatives faced in operating in a capitalist environment, the Webbs attributed the failure of co-operatives primarily to internal factors such as lack of discipline and workers' reluctance to innovate and adopt new working practices. It should be noted that while

the Webbs reported empirical findings on the failure of co-operatives they did not compare these with contemporary failure rates for small firms.

Since the war, prompted by the development of self-management in Yugoslavia and growing pressures for industrial democracy in the West, a good deal of effort has gone into developing models of labour managed economies within the framework of neo-classical economics (see e.g. Vanek 1970). This and other work in the behavioural and Marxist traditions has led to a variety of often conflicting hypotheses about the performance of worker co-operatives.

On the one hand there are those who argue that co-operatives will have poorer performance than capitalist firms, although their reasons differ widely. Neo-classical writers have emphasised internal problems such as workers' 'shirking', the lack of incentive for anyone to 'monitor' and control this behaviour (Alchian and Demsetz 1972), and the tendency for workers to under-invest (Vanek 1975, Furobotn and Pejovich 1970). Writers in the Marxist tradition (Mandel 1975, Clarke 1979) tend to emphasise the external pressures on co-operatives

operating in a capitalist environment that may lead to failure or degeneration.

Others argue that the co-operative structure will lead to performance superior to capitalist businesses. Increased worker motivation, reduced conflict between workers and management and less need for vertical supervision will lead to greater efficiency (see Abell 1983: 75-77 for a more detailed summary).

Since the early 1970s there has also been a revival of empirical studies of the performance of worker co-operatives in capitalist economies. Jones (1975) re-analysed historical data and suggested the Webbs were mistaken in concluding that producer co-operatives could not survive. A variety of studies of contemporary co-operatives suggests that their performance is not dissimilar to that of capitalist businesses (Abell 1983, Jones and Svenjar 1982) and may in some cases be better (Thomas and Logan 1982). Ben-Ner (1988) reviews quantitative data on 'worker-owned firms' in several industrialised countries and concludes that since the mid-1970s such firms have higher formation rates (compared to the small size of the worker-owned sector) and lower demise rates than capitalist firms.

A number of authors has suggested that the small size of the worker co-operative sector may be due not to poor performance but rather to the low absolute formation rate of co-operatives. Abell (1983) argues that it will not be in the material interests of potential entrepreneurs to establish a co-operative in preference to some other form of private enterprise as the entrepreneur will have to share both control and rewards. Aldrich and Stern (1983) reach similar conclusions. They suggest that co-

operatives are most likely to be materially attractive to workers when they lack other opportunities, for instance during periods of industrial restructuring or as a tactic during strikes. Alternatively co-operatives may be formed when purposive incentive, or incentives based on solidarity, are considered more important than material incentives. 'If people are committed to co-operation as an ideal, or if they believe co-operation is a means to some larger political objective, they might be willing to ignore the obvious disincentive involved in creating co-operatives...' (Aldrich and Stern 1983: 387).

A weakness of many theoretical and empirical studies of co-operative performance is that they have concentrated on established co-operatives. In contrast, in this paper we look at the formation, spread and survival of U.K. worker co-operatives and compare them with small businesses in general. In what follows, we look first at overall numbers, then at survival rates, and finally, briefly, at growth. (The data used also appears in Cornforth et al 1988, where it is supplemented by financial data and case studies.)

The Spread of Worker Co-operatives in the U.K.

Historically the formation rate of worker co-operatives has tended to vary cyclically. Table 1 shows how the numbers of co-operatives trading has varied since 1880. A period of approximately 60 years elapsed between the last surge of activity in the promotion of worker co-operatives and the recent wave - or series of waves - of new co-operatives. Some of the co-operative set up in the 1890s failed quickly, but many survived through two world wars, although their numbers

1980s. Their survivors were joined, first so alone, and "most small enterprises owners opt for a 'steady-state' business", i.e. shunning growth (Curran 1986).

In terms of major business sectors, there are virtually no worker co-operatives in agriculture and fishing and relatively few in building. There is a greater proportion of co-operatives in manufacturing than of small businesses. However, the largest number of co-operatives has been formed to create jobs or to save jobs on the threatened closure of a firm.

The number of co-operatives has pocketed over the last ten years, but the rate of formation is no longer increasing and has levelled off since 1984 at just over 300 per year. The number of jobs in co-operatives has grown less fast, from a low point of around 5000 jobs in about 70 (CMT) part of the sewing industry - and co-operatives in retailing is very close to the figure for small businesses, but the co-operatives are overwhelmingly in wholesales and book retailing. Many of the service sector co-operatives are in catering, cleaning or media of some kind. Although there are some co-operatives in high technology and professional services such as software consulting or language schools, there are a number of service areas such as hotels, estate agents or accountancy, where traditional small partners are important, with virtually no co-operatives at all.

Worker co-operatives are concentrated in subsectors characterised either by easy market entry in terms of capital and skill requirements (e.g. CMT), or by easy identification between the job and some kind of political or social commitment (e.g. printing), or both (e.g. wholesale retailing). Also important are declining

three people working for themselves do declined especially during the 1950s and 1960s. Their survivors were joined, first by Scott Bader (Blum 1968) and a few other 'emPOWER' co-operatives (i.e. successful private businesses that were converted into co-operatives because of the beliefs of their owners), and then during the 1970s by new co-operative that came out of the 'alternative' movement concentrated in areas such as wholesales and radical publishing and book-selling. More recently an increasing number of co-operatives has been formed to create services.

It is more revealing to look at the distribution of co-operatives into specific sub-sectors, as in Table 3. The figure of 27% of co-operatives hides the fact that these are concentrated in manufacturing, clothing manufacture - particularly the cut, make and trim (CMT) part of the sewing industry - and co-operatives in retailing is very close to the figure for small businesses, but the co-operatives are overwhelmingly in wholesales and book retailing. Many of the service sector co-operatives are in catering, cleaning or media of some kind. Although there are some co-operatives in high technology and professional services such as software consulting or language schools, there are a number of service areas such as hotels, estate agents or accountancy, where traditional small partners are important, with virtually no co-operatives at all.

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TABLE 1
ESTIMATED NUMBERS OF WORKER CO-OPERATIVES AND APPROXIMATE NUMBERS OF JOBS IN SUCH CO-OPERATIVES, 1980-1986

	Old (pre-45) co-operatives (mainly co-partnerships)		"New Wave" co-operatives		All co-operatives	
	No. of co-ops	No. of Jobs	No. of co-ops	No. of Jobs	No. of co-ops	No. of Jobs
1980	151	N/A	32	6003	15	N/A
1914	731	N/A	48	10003	73	N/A
1923	441	52001	289	25003	44	5200
1939	401	80001	402	37003	40	5200
1948	461	66001	718	63003	46	8000
1958	411	49001	32	6003	44	6900
1968	301	34001	82	6003	44	4000
1973	239	22003	48	10003	71	3200
1980	192	14003	289	25003	279	3900
1982	152	13003	402	37003	420	5000
1984	102	10003	718	63003	420	7900
1986 (end)	102	6002	1224	79003	1234	8500

Sources:
1. PA Management Consultants (1988).
2. ICOM Worker Co-operative Database. Modified (see text).
3. Own approximation, using estimates from a variety of sources sometimes contradictory

industries where there are few alternative for people with particular skills (e.g. engineering). However, for the very newest co-operatives, this concentration

operative start-ups have been in only seven boroughs. These are mostly the localities with the longest-established local CDAs, reinforcing Taylor's (1983)

TABLE 2
SIZE DISTRIBUTION OF WORKER CO-OPERATIVES

No. of employees (full-time equivalents)	Worker co-operatives in this size range early 1987		Full-time equivalents	(Previous estimates of % of co-operatives in each size range, mid-1985)
	No.	%		
1-4	522	59	1438	(54)
5-9	239	27	1560	(30)
10-19	89	10	1174	(10)
20-49	28	3	827	(4)
50 plus	13	1	1695	(2)

Source: London ICOM Worker Co-operative Database

Note: For the 1987 figures about 350 co-operatives where number of jobs is entered as zero or unknown are excluded.

into particular sub-sectors, while continuing, may be becoming less marked. With continuing high unemployment and more activity from local CSOs a wider range of people appears to be starting co-operatives. In addition, activists and agencies committed to co-operativism are setting out to overcome the difficulties for co-operatives of raising finance so that they can enter a wider variety of businesses.

Worker co-operatives have been spreading in all parts of the country, but not quite evenly. The greatest concentration is in London, with 32% of all co-operatives currently trading, whereas the South West and the rest of the South East have relatively few co-operatives (See Table 4). Within each region, it is urban areas with relatively high unemployment rates that have on the whole spawned most co-operatives.

Co-operative formation tends to be further concentrated in certain localities within the urban or metropolitan areas; for example, in London, 65% of new co-

finding that areas with local CDAs have more co-operatives set up than other areas, or than before they had CDAs. It may also be that the influence of these local CDAs is part of the trend towards smaller co-operative start-ups. It will be interesting to see if the recent spread of local support for co-operatives to cover much more of the country leads to a more widespread increase in co-operative start-ups, not so concentrated in areas of high unemployment.

As for the origins of co-operatives, we believe that we have a reasonably accurate record of co-operatives formed from failing businesses. Some of these we call 'rescues' when they are an attempt to save the existing business; others we call 'phoenixes' when workers from the old business start a new business from the ashes of old. We are less sure of the figures for those formed from conversions of successful businesses. The earlier conversions, following Scott Bader, were endowments of ordinary small businesses by philanthropic owners,

and these are easy to identify. However, more recently there have been conversions from community projects of various kinds and from partnerships with

We estimate that 67 of the co-operatives trading at the end of 1986, i.e. between 5% and 6%, were 'rescues' of 'phoenixes'. We do not have such a

TABLE 3
NUMBERS OF CO-OPERATIVES AND JOBS IN CO-OPERATIVES, BY SECTOR AND MAJOR SUB-SECTOR, EARLY 1987

	No. of Co-operatives	Jobs in —measured in full-time equivalents	% of co-operatives in this sector (and % of businesses in the sector, end 1985)
Fishing, forestry & agriculture	18	78	2 (13)
Building & construction	77	301	7 (15)
[General building	44	218]	
Manufacturing, engineering, production (incl. mining, metals, energy, water supply)	307	2762	27 (10)
[Clothing, footwear, furnishings	70	803]	
[Printing & Publishing	115	564]	
Retail	168	763	15 (18)
[Retail—books, etc.	31	133]	
[Retail—food, etc.	89	428]	
Transport	22	177	2 (4)
Wholesale	28	198	2 (8)
[Wholesale—food, etc.	19	175]	
Other Services	501	2166	45 (32)
[Restaurants, catering	73	212]	
[Entertainments, cultural, media	178	720]	
[Computing, business services	48	136]	
Classification not known	137	244	
TOTAL	1258	6691	

Source: London ICOM Worker Co-operative Database. Final column based on VAT registrations, from *British Business*, July 31, 1987.

Notes:

1. Figures include all co-operatives still trading. If the 10 co-operatives started before 1945 are excluded, the total jobs reduces to 6083.
2. Co-operatives with numbers of jobs unknown are included as though they had no jobs.

an existing co-operative or activist orientation, and these are less clearcut. For example we know of one enterprise that has always worked co-operatively but remains, 14 years after starting to trade, an unincorporated partnership that might appear to be a new conversion if it took on an incorporated co-operative constitution.

figure for conversions, though in a survey of local CSOs we estimated that 3% of the co-operatives they deal with are conversions, as against 6.5% that are rescues or phoenixes (Cornforth and Lewis, 1985). This means that approximately 90% of worker co-operatives are new starts. However, rescues and phoenixes, though much

smaller than the three well-known Benn co-operatives are substantially larger on average than new starts.

Survival Rates and Growth of Worker Co-operatives

Co-operative activists often claim that co-operatives out-perform small businesses without saying where their evidence comes from. For example, in a special issue of *The New Co-operator*, ICOM's newsletter, put out in Summer 1986 to mark the tenth anniversary of the Industrial Common Ownership Act, we read that the co-operative sector "...has already proved its worth over and over again in cost effectiveness and durability, with a staying power demonstrably better than that of small businesses in the private sector..."

This tendency to make claims without clear evidence goes for statements on small business performance too, but these usually say the chances of failure are high. Scott (1982), quotes seven examples, including a BBC TV programme "Can We Make Jobs?" of 6 August 1980, which stated categorically "Three-quarters of new businesses don't survive the first two years". Scott himself did a study based on all Scottish companies registered in 1969. He found that over 60% traded for more than 5 years, and most of these for the whole 8 year period of his study. 23% never traded and only 16% began trading and then failed within 5 years. In fact, the largest percentage of liquidations was only 6% of the total trading in any year.

Scott's study was of a sample of businesses, and they were registered companies, thus excluding many small businesses which are sole traders or unregistered partnerships. Several other studies based on regional or other

limited samples have given varied results. The two most authoritative sources of estimates of business failure rates both use large-scale data-bases.

First, studies at the Department of Trade and Industry (DTI) based on VAT returns for the UK as a whole show a higher failure rate than found by Scott, of 9% - 12% of total 'stock' per year (Ganguly 1983, DTI 1987b). (Ganguly (1988) gives slightly lower failure rates, but we have recalculated so as to make the definition of the total 'stock' of businesses consistent with our calculations for co-operatives.) These same studies also show that the early life of a small business, especially the first 30 months and particularly the period from 6 to 18 months, is the most risky (Ganguly and Bannock, 1985). The failure rate varies little from year to year or from region to region, in line with Birch's (1979) findings for the USA. Long term, the chance of survival seems to settle at around 40% - 45% of businesses continuing for ten years or more.

The other set of large-scale studies is based on the files of the credit-rating organisation Dun and Bradstreet, and gives broadly similar results, with a similar estimate of the chances of survival over ten years (Stewart and Gallagher 1985). However, the figures arrived at for the failure rate of the smallest firms (those employing between 1 and 19 people) are somewhat lower than those derived from VAT registrations, and this failure rate has apparently fallen, from an average of 7.5% for 1971-81 to 6.5% in 1981-82 and 4% in 1982-83. Gallagher and Stewart (1986) explain this by suggesting that, although insolvency rates among small firms have increased during the recession, the number of owner-

managers ceasing to trade for other reasons, such as switching to a new business, has fallen, perhaps because the lack of alternatives causes them to hang on to their present position at all costs. One should note, however, that Dun and Bradstreet's files produce a data-base which, though very large, is still only a

study, particularly the one based on VAT returns, give us the main points of comparison against which to judge the survival rates of co-operatives. Their sources of data have both been criticised as not entirely representative of small businesses in various ways, of which the discussion above gives an example (see

TABLE 4
REGIONAL DISTRIBUTION OF CO-OPERATIVES AND CO-OPERATIVE JOBS, EARLY 1987

	No. of co-operatives	Jobs in Co-operatives (full-time equivalents)	% of co-operatives in this region	% of businesses in this region (end 1985)
London	401	1896	32	33 (London & South East)
South East	52	444	4	
East Anglia	46	120	4	4
South West	52	267	4	10
West Midlands	94	321	8	9
East Midlands	94	1480	8	7
Yorkshire & Humberside	127	530	10	8
North West	126	418	10	9
North	79	297	6	4
Wales	92	363	7	5
Scotland	81	480	6	8
Northern Ireland	7	37	1	3
Region not known	7	32		
TOTAL	1258	6685		

Source: London ICOM Worker Co-operative Database. Final column based on VAT registrations from *British Business*, July 31, 1987.

Notes: As Table 2.3

sample. In particular, it underestimates the numbers of very small firms, and of those smallest firms, the more stable and longer-lived are more likely to get a credit-rating, so that the figures arrived at may be unreliable and probably underestimate the failure rate in this 1-19 size range. Gallagher and Stewart (1986: 896) themselves argue that "the better figure is no doubt that found by Ganguly".

These two sets of large-scale data-base

e.g. Storey and Johnson 1986). However, the results have been derived very carefully and have a lot in common. If we also note that takeovers of successful companies form a fair proportion of deregistrations and liquidations, and many formations are not intended to trade long-term, the actual failure rate of small businesses must be lower than the 9% to 12% quoted above. Co-operatives must have a very low failure rate to have "demonstrably better" staying power.

Measuring Survival Rates for Co-operatives

It is quite difficult to work out reliable figures for co-operatives' survival rates. First what is a start-up? Just like small businesses, some co-operatives register and never really trade. Second, what is a but never really trade. Our data is updated to the end of 1986, and information on 1987 is ignored, but the figures for 1986 itself should be treated with particular caution, since full businesses they may merge with other co-operatives; their members may leave and form new co-operatives or companies; or they may simply disband voluntarily.

There are other measurement problems because of co-operatives forming such a new fast-growing sector. We can hardly measure how many co-operatives fail within 10 years when less than 100 of the new co-operatives were registered by 1976. The figure for how many co-operatives cease trading each year may look surprisingly high because the national directories *CDA 1980, 1982, 1984, 1986) and then allocating co-operatives' births or deaths to those on which we had full information.

Some Results

Several calculations were done altogether. First, we should note that in our revised data-set there have been 1896 ICOM "Worker Co-operative Database" worker co-operatives from 1946 to 1986, updated as far as possible with information from ICOM, the national CDA, various local CSOs and other. We added information on 'dead' co-operatives from the same sources but were left with a certain amount of incomplete data, e.g. co-operatives known to have ceased trading but at an unknown date.

If we did not know the year of start of trading we assumed registration date was start date. Then we had to decide which co-operatives to include in our analysis. We took those that began trading or registered from 1946 onwards, though there were very few start-ups before 1970, and most of our calculations take that years as the starting-point. Our data is updated to the end of 1986, and information on 1987 is ignored, but the figures for 1986 itself should be treated with particular caution, since full businesses they may merge with other co-operatives; their members may leave and form new co-operatives or companies; or they may simply disband voluntarily.

TABLE 5
ESTIMATED FORMATION, NUMBERS AND FAILURE RATE OF WORKER CO-OPERATIVES EACH YEAR FROM 1976

Year	No. of new co-ops that year	% still trading at end of 1986 (with comparable figure for all businesses)	Adjusted "stock" of co-ops that year	No. of co-ops ceasing to trade	Failures as % of "stock" with failure rate of all businesses ¹
1975	11	56%	73	2	3% (11%)
1976	29	52%	91	1	1% (11%)
1977	39	44%	124	0	0% (12%)
1978	82	40% (34%)	185	5	3% (12%) (7.3%)*
1979	83	49% (40%)	252	5	2% (9%)
1980	92	50% (44%)	325	16	5% (10%)
1981	94	45% (49%)	402	29	7% (9%) (8.3%)
1982	189	42% (51%)	619	52	10% (10%) (4%)
1983	270	49% (63%)	702	104	15% (10%)
1984	325	68% (73%)	895	143	16% (10%)
1985	308	84% (88%)	1069	120	11% (11%)
1986	317	97% (97%)	1261	186	15% (10%)

¹Source: 1571-81

Sources:
1. Estimated dates of births and deaths of co-operatives, based on London ICOM Worker Co-operative Database, as explained in the text.
2. Failure rates based on VAT registrations and de-registrations, *British Business* 12 Aug. 1983, 3 Apr. 1981, and 31 July 1987.
3. Final column from Dun and Bradstreet data (Stewart and Callaghan, 1985).

Notes:

1. Estimate of 1981 failure rate for businesses may be affected by civil servants' industrial action.
2. Figures for VAT registrations are constantly updated; above table gives slight readjustment between 1979 and 1980.

TABLE 6
YEAR BY YEAR FAILURE RATE FOR CO-OPERATIVES UP TO END OF FIFTH YEAR AFTER START (PLUS COMPARISON WITH ALL BUSINESSES)

	Total number starting	Co-operatives ceasing trading:				
		by end of year after start year	by end of 2nd year after start	by end of 3rd year after start	by end of 4th year after start	by end of 5th year after start
Co-operatives starting 1975-81	410	31 [8%]	72 [18%]	108 [26%]	144 [35%]	170 [42%]
Co-operatives starting 1982-83	469	103 [22%]	177 [38%]	233 [50%]		
Co-operatives starting in 1984	325	58 [18%]	103 [32%]			
Co-operatives starting in 1985	308	49 [16%]				
VAT regulations for 1974-79 (478 000)		(15%)	(32%)	(42%)	(49%)	(54%)

Sources: As Table 2.5

TABLE 7
COMPARISON OF SURVIVAL RATES OF CO-OPERATIVES AND BUSINESSES WITH DIFFERENT TYPES OF SUPPORT

Type of business/support	Proportion surviving 3 years
All VAT registered businesses (registered 1974-82)	63%
Worker co-operatives (starts 1975-83)	66%
Worker co-operatives (starts 1982-83)	56%
Enterprise Allowance Scheme businesses (starts from 1983)	53%
Enterprise agency clients (1987 survey)	85%
Enterprise agency clients (less than £20,000 turnover)	68%

Sources:

Rows 1-3—as Table 2.5

Row 4—Employment Gazette, Aug. 1965 and Oct. 1986;
 Labour Research, Jan. 1987

Rows 5-6—Business in the Community Survey, 1987

operatives began trading since the beginning of 1978, of which 1154 were still trading at the end of 1986, a survival rate of 66%, whereas only 60% of VAT registrations from 1974 inclusive were still registered at the end of 1982, a similar time-span.

Column 7 of Table 5 shows the failure rate each year from 1975 as a percentage of the 'stock' of co-operatives trading in that year. The figure used for total 'stock' is the number of co-operatives trading at the beginning of the year plus half the number starting to trade during the year. You can see that the failure rate has fluctuated but generally got worse over the years, particularly in 1983, 1984 and 1986 with failure rates of around 15%. This compares somewhat unfavourably with the rates for all businesses of 9%-12% based on VAT de-registrations, but this difference can probably be explained by the high proportion of co-operatives still in their first two or three most vulnerable years.

Table 5 also shows, in Column 3, the percentage of co-operatives started in each year still trading at the end of 1986. From 1986 back to 1982 the survival rates get worse as one might expect given the chance of failure compounding for any one co-operative as each year goes by. Particularly for co-operatives starting in 1982 or 1983, the survival rates are somewhat worse than the rates given in Column 4 for all businesses. However, the survival rate of co-operatives registered in 1981 or earlier is about the same or greater than the figure for 1982, implying that those co-operatives established earlier survive better. Almost half of co-operatives from 1979 have survived 7< years, the same proportion as those from 1983 that have survived just 3< years. Although the numbers of early co-

operatives were small, the 'staying-power' of those established before 1982 was certainly better than that of conventional businesses.

Table 6 looks at how many years co-operatives survive from their start. Unfortunately, to see, for example, how many co-operatives survive 8 years we would be restricted to co-operatives starting 1978 or earlier, and the numbers involved are unacceptably small, so we have done this calculation only up to 5 years. For co-operatives starting 1981 or earlier, the failure is only 35% for four (or more like 4<) years, which compares well with the rate for small businesses of about 40% failure after four years. However, more recent co-operatives, as we have already seen, have a much worse failure rate, and in the lower part of Table 6 we can see this quite clearly. This is probably because more 'weaker' co-operatives have started more recently, rather than that the years from 1982 on have been more difficult for all co-operatives, though the latter may also be true to some extent. However there is also an indication that the worst years in this respect were 1982 and 1983, and that co-operatives starting in 1984 and 1985 are surviving almost exactly as well as other businesses - though the data on recent failures may still be incomplete.

Let us look closer at Table 6 and the pattern over one, two, and up to five years. For the earlier co-operatives at least, it seems to indicate that in the second year co-operatives are more vulnerable than before or after. When we remember that the first 'year' in fact averages about 18 months, it becomes clearer still that the tendency is for co-operatives not to fail quickly but then to become just as likely to fail as small businesses (see also Cornforth and Lewis

1985). It seems that while the peak period of risk is similar in both cases (see DTI 1987a for an analysis of business lifespan), for co-operatives it may be a little later. This may reflect unwillingness to give up an idea when that would involve questions of group responsibility and commitment; or simply the more ready availability of practical assistance and advice in the early stages of a co-operative's life.

Regional and Sectoral Differences

In order to get some idea of whether survival chances are affected by factors such as sector or region, we have used a single figure for survival rate, viz. the proportion of co-operatives formed since 1946 surviving to the end of 1986. As noted above, for all co-operatives this rate is 65%, though this has little meaning in itself since it combined a larger proportion of recently formed co-operatives with smaller numbers of older co-operatives that seem to survive better. However, on the whole we can use the variation in this figure as an indication of variations between sectors or regions.

Let us look first at the variation in survival rate between major sectors. For example, for small businesses, the retail sector has the second worst survival rate, perhaps because takeovers as opposed to closures are particularly common. However, worker co-operatives in the retail sector, particularly wholefood shops (83%), have one of the highest survival rates. By contrast, building co-operatives survive much less well than the average, whereas building firms in general come out a little above average. The same is true for co-operatives in production, though there the survival rate is pulled down particularly by a low rate (58%) for co-operatives in clothing manufacture.

Overall, it is intriguing to note that the sectors where ordinary businesses survive best tend to be those where there are most co-operative failures, and vice versa. Part of the explanation probably lies with the particular subsectors into which co-operatives are concentrated. However, this does suggest that some of the factors behind the survival of co-operatives may be different from the factors governing whether small businesses survive.

As for regional distribution of survival rates, our data shows little variation for co-operatives in the different major regions of the UK. Leaving aside Northern Ireland, East Anglia, the South East and the South West, all of which have few co-operatives anyway, the rate varies only from 63% for London and for the West Midlands up to 72% for Scotland, and these do not correspond particularly to regions with the lowest and highest survival rates of businesses generally.

Survival Rates for Rescues and Phoenixes

It is difficult to estimate reliably the survival rate for rescues and phoenix co-operatives, because of their small numbers. On our figures, 67 of the 87 known post-war co-operative rescues were still trading at the end of 1986, a survival rate of 77%. If this figure is accurate, it shows that rescues survive somewhat better than other co-operatives, which is perhaps surprising, given the difficult circumstances inevitably surrounding the rescue attempt.

Comparisons with Other Small Firms Receiving Assistance

We also made some crude comparisons, in terms of survival rates, between co-operatives and small

businesses receiving different kinds of assistance. Table 7 shows a collection of results from different sources. Clearly, the different methodologies used in each study and the different times at which they were carried out make the comparison at best only indicative. However, whereas co-operatives survive about as well as businesses in general, it seems that businesses started on the enterprise allowance scheme survive less well and the clients of enterprise agencies, except for the smallest firms, survive better. We suggest there may be two factors at work here. First of all, local CSOs, like the enterprise allowance scheme, succeed in spreading the option of starting a co-operative, or other business, to a very wide range of people, including many groups disadvantaged in the labour market in various ways. Without continuing support, a higher failure rate would be expected, as with the figures for the enterprise allowance scheme. However, local CSOs do offer intensive support, which can offset the first factor and bring the survival rate back up again. Note that the years in which co-operatives' failure rate got worse correspond with the period when local CSOs were spreading rapidly; now that they and their methods for in-depth co-operative development (Cornforth and Lewis, 1985) are established, the survival rate is improving again. Enterprise agencies, by contrast, deal mainly with those defining themselves as entrepreneurs in the traditional sense, and, further, their clients are likely to be those sufficiently well organised to seek advice. In these circumstances, even though the support offered is not so intensive as that provided by local CSOs, it is not surprising that enterprise agencies achieve a high survival rate for

their clients.

Job Growth

Finally, we wanted to look at the growth in jobs of those co-operatives that survive and develop, by comparison with the frequency of job-loss through business failure. We looked at co-operatives registering or starting to trade in the two years 1979 and 1980, and attempted to find how many workers there were in 1980, 1982, 1984 and 1986 in each co-operative. Unfortunately the data available is quite incomplete and may be inaccurate. In particular, the number of workers given for a co-operative's first year is probably often over-estimated, since the co-operative may have registered with a greater number of members than could ever be realistically supported as workers. Again, different sources vary in the case with which they differentiate full and part-time jobs. After leaving out the most uncertain data and those co-operatives starting too late in 1980 to have 1980 job figures available, we were left with data for only 73 of the 155 co-operatives starting in those two years.

As expected, (see Table 5 above), slightly more than half of these had failed by 1986. Of the 524 jobs represented by these 74 co-operatives in 1980, 334 were lost again by 1986 through 41 of these co-operatives ceasing to trade within those 6 years, including several of the larger ones. However, of the co-operatives that survived six years, 20 grew in terms of jobs against six shedding jobs, with six retaining the same number, a net gain of 28 jobs. On this evidence, while those co-operatives that survive do not remain entirely static, their job gains or losses tend to be quite marginal, with a few notable exceptions. Some co-operatives

may have started over-ambitious and been forced to cut back. Others have grown fairly dramatically, but these are few in number. Storey et al (1987) point out for small manufacturing businesses that it is a tiny proportion that experience dramatic job growth. Although the growth of even the most successful co-operatives is on a smaller scale, the same finding appears to hold for co-operatives.

Conclusions

Altogether, it is reasonable for co-operative activists to be proud of the recent record of co-operatives, but not to overstate it. It is also clear that the surge in the number of co-operatives is not just a facet of the increased interest in small business; one must look elsewhere for the reasons for their spread, and their relative success. One aspect warranting detailed attention is the concentration of co-operatives of different types into particular subsectors, and the way the survival rates in those particular sectors vary in a different way from the survival rates of small businesses. This may give some credence to the suggestion that it is external factors such as dependency or market position, rather than internal questions such as commitment or rate of reinvestment, that have the biggest effect on the survival and performance of co-operatives.

However, commitment and sector are not unrelated. It is our contention that the concentration into certain subsectors derives in part from particular motivations for forming worker co-operatives. In some cases there is a clear ideological identification with the product or service provided, e.g. wholefoods, radical bookselling. In these subsectors workers tend to be motivated

by purposive rather than material incentives - though of course there is always something of a mixture of motivations in practice. Other concentrations of co-operatives occur in subsectors such as CMT or engineering where there are few alternatives for workers, who may have been made redundant or simply face particular difficulties in finding conventional employment utilising their skills.

This supports the arguments of Abell and Aldrich and Stern, reported in the introduction to this paper concerning the low formation rate of worker co-operatives. Unless the co-operative movement can find ways of promoting worker co-operatives in a wider variety of subsectors, particularly in more central areas of the economy, it is likely that worker co-operatives will remain limited in their impact in spite of their generally good record in terms of survival and growth.

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