

What 's a workers' co-operative?



Co-operation is the principle of enterprises being managed by those that depend on them. A Workers Co-operative is a business which is managed by its employees.

There is a considerable range of variation within this. The largest co-operative enterprises have hundreds of workers, and elect a board of management from among them. The smallest may only have two members, meeting to decide their plans for the business. But both have made a radical break within traditional, capitalist enterprises: instead of the business being directed by the investors, all the decisions are made by the workers. Instead of capital hiring labour, labour hires capital.

History

This is far from a new idea. Robert Owen pioneered co-operatives in Scotland in the nineteenth century. His example inspired a group in Rochdale to set up a co-operative shop, owned and run by its customers. This 'consumer co-operative' prospered and became the Co-operative Wholesale Society that we know from its supermarkets and department stores today. However, Owen's more radical vision of worker run enterprises did not catch on so quickly. It was in Spain in the 1950s that a radical catholic priest read his ideas and encouraged local workers to set up the first of the Mondragon Co-ops. They today number over 200 businesses employing 50,000 people.

Workers Co-operatives now exist all over the world, and a recent international conference established the six co-operative principles: open membership, one member one vote, limited returns on capital, independence, education, co-operation between co-ops and sustainable development.

Do they work?

There are a number of misconceptions about co-operatives. The first is that they are bureaucratic - that every decision has to be taken by a committee. In fact, most successful co-ops - just like successful businesses - recognise the importance of delegation, specialisation, and giving subgroups and individuals the autonomy to use their initiative. Laziness over structure can lead to unwieldy decision making, but this is not a problem with co-operation.

Another is that they are unsuccessful. In fact the failure rate among co-ops is very low, a tiny fraction of the 80% failure rate among new capitalist businesses. Reasons for this include the greater support that a group can give each other, the wider pool of skills and experience they can draw upon, the support from other co-operative enterprises and support organisations, and a deeper

commitment based on the social and educational aims of the co-op. In many areas there will be co-operative support organisations that can further assist. In the 70s in Britain, a number of so called 'phoenix co-ops' did fail - but that was largely because the businesses were in crisis to start with.

So why are they rare? The aversion to risk of people with limited means is certainly an issue. Starting a business involves gambling a lot of time and effort (and possibly money) on the possibility of success, and it is a risk not all of us are in a position to make. However, the co-operative movement has now demonstrated that the chance of failure is extremely low. Even if the same incentives don't exist for co-operative entrepreneurs as for capitalist ones, there are still ways to ensure that founders are properly rewarded for their vision. There still remains, however, the need to create and foster a culture of participation in business management which has been eroded by people's experience of employment. A workers co-op with low levels of participation will soon cease to be a co-operative.

Another theory is underinvestment. Most investment takes one of two forms: debt or equity. Debt is a low risk investment, typically made by banks. These banks have not always been confident about co-ops, failing to understand what they are or how their creditworthiness can be assessed fairly. Fortunately, there are today a growing number of co-operative and ethical banks which we can work with.

Equity is a higher risk form of investment which gets returns in proportion to the success of the business. This kind of venture capital has usually taken the form of shares with voting rights. However, new 'multistakeholder co-ops' using more sophisticated types of share capital, and growing interest in ethical investment, have widened the scope for this.

Structures

A traditional company has a board of directors appointed by the shareholders, which takes the main decisions for a business which may have a small number of staff working as a team or a large number of employees organised into divisions. That can also be the case for workers co-ops, except that in place of shareholders it is members that democratically appoint directors - and all the workers (often including volunteers and other non-PAYE staff) can become members.

The structure used in Mondragon for larger co-ops has a number of specialised bodies elected by the members - a governing Council, responsible for appointing and directing managers; a social Council,

Somerset Co-operative Services CIC

A Community Interest Company no. 6018662

Reg Office 10 East Reach, Taunton TAI 3EW

Web

Telephone

Email

www.somerset.coop

0300 456 2265

services@somerset.coop

responsible for the conditions of work; and a watchdog Council which ensures that procedures are followed fairly, transparently and properly.

In most smaller co-ops - anything up to around twenty members - a much simpler structure of collective general meetings appointing just a couple of 'officers' (such as a company secretary and treasurer) and delegating work to subgroups may be sufficient. Many co-ops find that a process of consensus decision making is ideal for such meetings, as it includes all the participants in the decision rather than just the majority.

Legal forms

In the UK, co-ops use a wide range of different legal structures. The Co-operative Society is the most obvious choice; these are a bit like companies, but register with the FCA rather than Companies House. You must choose one of the 'model rulebooks' that is available – Co-operatives UK provide a simple Workers Co-op model, or our own Somerset Rules allow for more complex options such as having external investors with limited voting rights, a 'Commonwealth Council', and social accounting.

Many smaller co-ops find a Company Limited by Guarantee simplest, and there are some co-operative Companies Limited by Shares (but they need special rules in order to be truly co-operative). Workers co-operatives can also be Community Interest Companies which have a regulator to prove that they are working as social enterprises.

In general, you can assume that a co-op can do almost anything that a company can.

Why should you start a workers' co-op?

There are presently estimated to be just over 2000 active workers co-ops in the UK, operating in almost every field of business. They are particularly prominent in 'green' businesses, such as wholefoods, recycled paper and organic food. Why should you consider starting one?

- Because it is a more secure and principled way to carry out a business idea
- Because it challenges the domination of people by capital
- Because it promotes more environmentally responsible management
- Because it builds the skills and self esteem of the people involved
- Because you do not have to answer to a boss, nor shoulder all the responsibility of being the boss
- Because you do not have to pay shareholders dividends out of the money you earn
- Because you can integrate political, ethical or religious principles into your work
- Because you can create employment for yourself without having to be rich first
- Because you can set flexible hours and conditions that work for you