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**REVIEW OF INTERNATIONAL CO-OPERATION**

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# ICA Committee on Co-operative Research (ICACCR)

A thematic committee of the International Co-operative Alliance, the ICA Committee on Co-operative Research is made up of a network of individual researchers from over twenty countries in Europe, Asia and America.

The Committee acts as a bridge between academic research and the co-operative world and aims to strengthen activities and make the work of researchers more visible. Selected papers from each conference will be published yearly in the Review of International Co-operation.

International Research Conferences are held every two years where possible in conjunction with ICA global meetings (General Assembly and/or Congress) and Regional Research Conferences are held regularly and where possible in conjunction with ICA Regional Assemblies.

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# Review of International Co-operation

Vol. 97 No 1/2004

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# Editorial



## *Welcome to the latest edition of the ICA Review*

This issue contains 9 papers by co-operative researchers from 7 countries. One is drawn from the Asia-Pacific Co-operative Research Conference held in Cebu, the Philippines in February 2003 and all others are selected from papers presented at the International Co-operative Research Conference held in Victoria, Canada in May 2003.

The former conference was organized in conjunction with the Regional Co-operative Forum and ICA Regional Assembly. It attracted 60 researchers and co-operative leaders from 15 countries and featured themes "Impact of Globalization to Co-operative Development" and "Gender Integration for Wider Community Participation in Co-operative Activity".

The latter conference on "Mapping Co-operative Studies in the New

Millennium" was organized by the British Columbia Institute for Co-operative Studies, the Canadian Association for Studies in Co-operation and the ICA Research Committee. Over 150 researchers attended the conference, this was the largest meeting of researchers in the field ever held.

It featured over 95 papers and presentations from more than 20 countries.

The focus of this conference was on mapping the emerging field of co-operative studies. Several aspects relating to co-operative studies were examined including its capacity to bridge theory and practice. In addition to the European approaches of social economy and social enterprises, the North American approaches including transaction cost theory or new institutional

economics were presented. So the primary goal of furthering discussion on this emerging field was achieved. Prof. Ian MacPherson chairing the conference plans to publish several volumes out of these papers. The papers included in this collection focus particularly on the practical aspects of co-operation.

If there is one theme that unites these papers it is about the **co-operative difference**. Ways of understanding it, measuring it and putting it into practice.

The nine papers fall into three broad groupings. The first three papers address how co-operatives and credit unions measure their performance, financial and otherwise and how they are linked with issues such as corporate social responsibility. The second group of three papers examines very practical aspects of co-operative operation, including aboriginal co-operatives in Canada, housing co-operatives in the Philippines and child care co-operatives in the US. The last group of papers ranges across several topics including perceptions of female leadership in Canadian co-operatives, making the social economy work in a global environment and finally worker co-operatives in Argentina.

Jessica Gordon Nembhard notes in her excellent paper the impact of co-operative businesses on their members and communities is often transformational. Dr Nembhard sets out a case for as well as ways of measuring these non-traditional co-operative benefits. She highlights the positive human, social, cultural and environmental externalities and multiper effects of co-operatives and worker owned enterprises.

The paper proposes possible indicators and methods to measure such outcomes and impacts.

David Seaman positions co-operatives within the topical debates on corporate social responsibility. He tracks how public confidence in for profit companies is decreasing in the wake of recent corporate collapses and scandals. Using the example of the UK Co-op group he makes the point that co-operative's because of their value base are in an ideal position to win and retain public confidence. The Co-op Group's Fairtrade initiatives are proffered as a case study of how to do this.

The third paper in this group by Noel Hyndman and Donal McKillop is on accountability and accounting within the UK Credit Unions. Their paper summaries some of the key themes from the first major research project on the financial accountability of credit unions in the UK. They find that reporting levels are mixed. This leads to the suggestion that the future development of the sector in the UK may well depend on more detailed reporting by credit unions.

Lou Hammond-Ketilson's paper draws on the findings of an extensive socio-economic study into aboriginal co-operatives in Canada. The paper introduces the context within which Aboriginal co-operatives exist, and draws not only on the findings of the impact study but also eleven case studies to illustrate the contribution that co-operatives are making within Aboriginal communities across Canada.

In her paper on housing co-operative projects in the Philippines, Hilda Felipe-San Gabriel highlights the role

these organisations can play in addressing what is a perennial problem for the country's urban poor. Her paper documents their struggle through people's own voices. Specifically, it focuses on social capital formation in housing co-operatives. It highlights the importance of people's participation and the critical role of cultural background for the effectiveness and sustaining of these initiatives.

The role of co-operatives in childcare is explored in Kim Coontz and Elizabeth Esper's paper. Their joint paper reports on an investigation into the feasibility of using co-operative models of childcare to expand the availability of quality child care at or near rural affordable housing sites in California. They found most support for the parent co-operative model. However, the authors note that until model co-operative programmes at housing developments are in place the proliferation of centres is unlikely.

In the first of the third group of papers in this edition, Cheryl Lans presents research she carried out on whether existing female leaders of co-operatives perceive differences between their leadership style and that of men. The research based on a series of interviews with female leaders in several British Columbia co-operatives concludes perceived differences of leadership style exist. She offers a series of practical suggestions to address the issue of different leadership styles. They include the provision of additional material on gender

leadership styles in traditional start-up manuals and the use of retired Credit Union experts to sit on the Boards of new co-operatives.

Mikel Cid's paper draws on his PhD research into the effect of social responsibility on the competitiveness of global market firms to address the question of whether one can make the social economy work within this global economy. Using a case study approach he advances his hypothesis that a firm competing within global markets can readily adhere to the seven ICA co-operative principles and still be competitive. The final paper in this research edition of the ICA Review by Gabriel Fajn examines the new social phenomenon of worker's self management of companies in crisis in Argentina. The paper notes that the last three to four years in Argentina have been a time of intense social struggle. A response to this has been for the workers to take over the management of the company. The author analyses this experience drawing on a survey of 85 such companies. Finally, we would like to thank Patricia Sullivan Vaucher who helped put this edition together as Secretary of the ICA Research Committee.

We hope you will find it interesting and enjoyable.

**Akira Kurimoto**

*Chair ICA Committee on Co-operative Research*

**Garry Cronan**

*Manager Communications ICA*

# Non-Traditional Analyses of Co-operative Economic Impacts: Preliminary Indicators and a Case Study

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by Jessica Gordon Nembhard, Ph.D\*

## Abstract

This paper explores ways to expand outcome measurement and economic impact analyses of co-operatives. The author analyzes methods and concepts to measure traditional and non-traditional economic and non-market outcomes and benefits to co-op members and their communities. In particular, the author examines positive human, social, cultural, and environmental “externalities” and “multiplier” effects of co-operatives and worker-owned enterprises. Included are preliminary findings about both individual and community wealth accumulation and asset development, enhanced eco-



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omic, social and democratic skills, and leadership development through co-operative ownership. Reporting on preliminary research in communities within the U.S.A., the paper proposes possible indicators and methods to measure such outcomes and impacts. The author also provides a case study of the Federation of Southern Co-operatives/Land Assistance Fund.

The impacts of co-operative businesses on their members and communities are often transformational. The ability to measure and evaluate not just traditional business achievements, but also non-traditional benefits and the



impacts of both on member-owners, customers (if separate) and the surrounding community – i.e., on all the stakeholders – is important to strengthen co-operative enterprises themselves and the co-operative movement as a whole. How to capture and illuminate such benefits is the challenge. Understanding and documenting the full panoply of co-operative outcomes requires an expanded notion of impacts and outcome measurement, and the creative use of interdisciplinary and possibly newly designed tools. Social auditing and social accounting methods are increasingly being used to help capture and measure the human as well as the economic inputs to, outcomes of, and benefits from not-for-profit organizations and co-operatives (see for example Quarter, et. al., 2002). Economists also have methods to examine and calculate the positive externalities and spillovers gained by communities from the presence of economic activity. This paper investigates ways and reasons to utilize, apply and adapt these and other methodologies to analyze co-operative impacts.

I have begun to combine theoretical and applied research on outcome measurement and evaluation of economic impacts to co-operatives. I use participatory community-based research to involve co-op members, co-op leaders and co-op developers in articulating social, cultural and political as well as economic impacts, and identifying relevant indicators to measure traditional and non-traditional outcomes. In addition to gathering information from workshops and

presentations and discussions at conferences, I utilize case studies and annual reports to glean co-op impacts and benefits, and understand a co-op's mission and history. I also have begun to use informal interviews, and in the future plan to use more formal interviews and focus groups, and formal surveys to continue to tease out articulation of issues and indicators of outcomes and benefits.

In this paper I delineate some of the kinds of indicators and measures that begin to illuminate co-operative impacts on members and communities. I suggest ways to identify, document and evaluate the outcomes and economic impacts of co-operative businesses. I discuss what we are beginning to know and understand, emerging concepts and indicators, continuing questions, and research needs. I then provide a specific example of a preliminary case study of the impacts of the Federation of Southern Co-operatives/Land Assistance Fund (FSC/LAF). I end with some conclusions.

## **Co-operative Outcomes and Benefits**

Co-op leaders often articulate traditional typical activities and benefits they provide their members. They are less likely to think “out of the box” about a wider variety of benefits and outcomes, and often do not know the impacts of their co-operatives on their communities. The situation is similar for co-op developers and researchers.<sup>1</sup> Members, funders, government agencies, and researchers rarely ask for

such information, but are beginning to. There are no or few established measures or indicators, and until recently the co-operative movement did not focus on such information. The social accounting field is beginning to help quantify the value of volunteer labor and continuous education and training used and provided by co-operatives, and show how certain taxes, wages and benefits can be considered distributions to communities.

Outcomes that most co-operatives traditionally report in addition to general business measures such as jobs, wages, revenues, assets, debts, inventory, are:

- a well trained board of directors;
- education and training of members, and sometimes the community, particularly through orientation brochures, information boards, and sometimes a workshop;
- the provision of affordable and quality goods and services; and
- an incorporated business (establishing a business, getting to the launch or start up stage).

Almost all cooperators agree that the commitment to democratic participation, economic cooperation, and the provision of specific affordable, high quality goods and services are what make them different from other businesses, and the effort worth undertaking. Democratic participation and democratic economic decision making, being a decision maker in the business, having a say in co-operative governance - are all considered major benefits of being a member of a co-operative, and a major accomplishment of co-operatives. There is much anecdotal

evidence of such activity and outcomes but little documentation.

Many new urban co-operatives include in their mission improving the quality of life and community empowerment. Most members of co-operatives and leaders feel that the benefits their co-operative gives to the community are empowering. Conversations and information are shared, especially about new kinds of products and new ways of doing business. Jobs are anchored in the community and local products supported. Good healthful local food or green energy are provided. The pooling of resources is empowering. Many co-operatives also tend to utilize local suppliers, share resources with other co-operatives and with community organizations and residents. Many co-operatives take their commitment to "concern for community" seriously, and put aside funds for community development and community charities. However, such activities, outcomes and impacts are rarely quantified and documented.

Erdal (1999) finds that social health and civic participation are positively related to measures of democratic ownership in Italy. He compares three towns with similar demographics which differ most in levels of co-operative ownership. Similar comparisons can begin to be conducted in the U.S. in areas with significant co-operative presence. In addition, co-operatives are much less aware of the effects and implications of their stability, as a business anchor in a local economy, in an increasingly global economy (see for example Williamson, et. al., 2002). Few

have a sense of the ways their businesses re-circulate dollars in the neighborhood and community. We still have no good measures of this multiplier effect. However, co-operatives that are conscious about being good neighbours and citizens often are also conscious about buying locally, hiring locally, borrowing locally - all activities which re-circulate dollars around the community. Large corporations, franchises and branch offices tend to send dollars and capital out of a community without circulating much within the community first.

I discuss in more detail below the following outcomes and/or impacts: leadership development; civic participation; policy and legislative advocacy; meaningful work, productivity and livable wages; wealth creation.

## **Education, Training, Skill Development**

Co-operatives are becoming more aware of developing human and social capital among their members. Co-operatives often point to members who "grew into" a position or became a leader within the organization or even out in the community (PTA leader, credit union board chair, community activist, etc.), but rarely articulate this as an outcome or impact of democratic ownership. Many worker-owned co-operatives include the development of human capital (skills and knowledge development) and social capital (team work, solidarity, consensus building, and meeting facilitation) in their training, and have

begun to share human and social capital development strategies at regional educational and networking conferences. The Federation of Southern Co-operatives/Land Assistance Fund bought land and established a training and agricultural development centre, training thousands of people (including youth) annually in co-operative principles, co-operative development, board development, credit union development, agricultural and forestry skills FSC/LAF 2002a and 2002b). Childspace Management Group is a worker-owned nonprofit child care co-operative in Philadelphia, employing low-income women and providing high quality developmental learning programs for children.<sup>2</sup> Childspace uses its worker-owned child care centres as demonstration sites and learning laboratories in the region to facilitate replication and create worker leaders in the field (see Clamp, 2002). Co-op education, particularly for members and board members, is one of the first things every co-op accomplishes. To begin to document, even the small efforts, co-ops could maintain a check-list of the kinds of education they provide to their members (introductory "Coop 101," general business orientation, board development), customers and the community; and the ways they provide it (brochures, bulletin board displays, workshops, on the job training). Co-operatives could also begin to track the activities their members engage in outside the co-operative. Other questions to ask and impacts to document include: if and how does the training

co-operatives provide increase members' skills, and how and does this help individuals, the co-operative and/or the community; did the coop training provide the person more confidence and a job outside the co-operative if needed; did member's financial literacy increase; did members use new skills in other areas of their life, civic participation, political engagement, at home, in religious institution, etc.

## **Leadership development**

Leadership development is often assumed but not well articulated. Many co-op members talk about feeling more comfortable actively participating in their child's PTA at school, engaging more with their child's teacher, starting a community-based organization or being a board member first of the co-operative and then in other organizations in the community, running for office (and in other ways being more active and assuming leadership outside of the co-operative where the leadership was encouraged and groomed). Several of the staff of the Federation of Southern Co-operatives/Land Assistance Fund, for example, believe that leadership development has been one of the organization's major accomplishments, in addition to providing a means of making a living for, and improving the quality of life of many if not all their members. Many former staff and/or coop members went on to hold significant positions in their region including: Congressional representatives, state and local legislators, county commissioners, school board members,

program directors, and bank managers.

Weiss and Clamp (1992) find, by interviewing women worker-owners, those co-operatives "afford women a number of important benefits, including empowerment, leadership training, learning opportunities not available in traditional work settings, and increased self-esteem" (p. 225). Some of the majority women members of the Watermark Association of Artisans in North Carolina, for example, became generally active in their communities, completed college degrees, and served on the local PTA after becoming members of the co-operative.<sup>3</sup>

## **Civic participation**

Democratic participation and decision-making, as well as skill and leadership development often spill over into other arenas, co-op members become more active in civic organizations and politics.

Greenberg's (1986) study of the Plywood Co-operatives, for example, examines the relationship between workplace democracy and political participation. He observes:

*With the exception of voting, about which no differences are found, worker-shareholders were significantly more active in all phases of political life than workers in conventional firms. Furthermore, the gap between workers in co-operatives and conventional firms increased over time, suggesting the existence of a political learning process. Finally, the data suggests that the experience of participation by worker-shareholders in enterprise decision making serves as the principal educative tool for*

*political participation and increases involvement with various voluntary and community organizations (p.131).*

Nembhard and Blasingame (2002) find that *the political learning and governance experience from democratic workplaces help to develop transferable skills and capacities in their members for increased political participation. "Co-op members and employee owners become used to the transparency and accountability in their own organizations (open book policies, one member one vote, shared management, etc.). They come to expect transparency and accountability and help re-create this in civil society and political arenas." Networking and working together become normal behavior in similar situations, and the skills to facilitate this are developed in most co-op members. Co-operatives similarly develop and empower young people (although more research is needed in this area). Members of housing co-operatives are also found to be more civically active (see for example Co-operative Housing Coalition, 2000; and Kleine, 2001).*

To document increased civic engagement, questions can be asked about community involvement, civic and political engagement: are co-op members more involved in their communities, join more organizations, assume leadership, run for office, etc.? Do fellow members or outsiders notice an increase or notice greater involvement by co-op members?

## **Policy and Legislative Advocacy**

Worker-owned co-operatives such as Co-operative Home Care Associates

(CHCA) in New York City, and Childspace are advocates in both the training and policy arenas. They bring together coalitions, for example, to influence policy to increase working conditions, pay and benefits in their industry. CHCA helped to form The New York City Home Care Work Group to promote restructuring of the industry; created the nonprofit Paraprofessional Healthcare Institute to provide training in this area and now also replication of the CHCA model; and is developing, in cooperation with other health care and consumer organizations, the nonprofit Independence Care System, Inc., to serve people with disabilities who receive Medicaid (Glasser and Brecher, 2002). Childspace also collaborates with unions, child care advocates, other practitioners and the public sector to advocate for public policies to support increased quality of life for child care workers (Clamp, 2002). The FSC/LAF has initiated and supported legislation at the state and national levels, and engaged in class action suits, helping farmers file petitions and make legal claims (FSC/LAF, 2002a).

## **Meaningful work/ Livable wages**

Co-ops often are able to provide meaningful work and a good work atmosphere for their members and/or employees. Levine and Tyson (1990) find that co-operatives provide superior working conditions and that both participation and ownership have a positive effect on productivity. Many of the worker-owned co-operatives, in

particular, increase industry standards in wages and benefits, as well as provide self-management or team work between management and “labor,” job ladder opportunities, skill development and capacity building, and general control over income and work rules.

Are wages in the co-operative higher than in the industry, were higher wages for the sector or in the community established to compete with the co-op’s wages? Were more opportunities for advancement created in the co-operative? The answers to these questions appear to be yes (see NCBA, 1998, for example), although much more research needs to be done. Fifteen Mutual Benefit Service Sector Co-operatives in California provide higher wages for members than the national minimum wage and wages higher than comparable entry-level jobs (for the unskilled, non-English speaking immigrants who are their members), engage in profit sharing, return surplus earnings to members, and provide some form of benefits (Nancy Conover, Frieda Molina, and Karin Morris, 1993). Childspace’s co-operatives provide above average salaries for the industry, with full medical coverage, child care services for all worker-owners, and access to a career ladder (Clamp, 2002; and “Providing Living Wages...,” 1998). Rainbow Grocery Co-operative, Cheese Board, and Ink Works are also worker owned businesses which pay living wages (above the industry average) with a variety of benefits often including vacation time and other leaves, health insurance, and/or retirement accounts (see Off Center Video, 1999).

Here in addition to tallying the kinds of benefits, the increased monetary value of the benefits can be added and we can develop a multiplier to reflect the increased benefits that go to members and/or remain in the community. How many jobs were created, what kinds in the co-operative itself and from the existence of the co-operative, are other businesses developed to service or supply the co-operative, is a second store or business opened? Did credit unions give loans for new businesses or to expand businesses – how many, what kind, what jobs? Business climate changes within the organization, the sector or in the community can also be noticed and documented. Did relationships between companies in the community or at the workplace improve because of the co-operative’s existence or something specific that the co-operative did? There are many aspects to meaningful work, and many ways that co-operatives can be seen to contribute to that.

## **Wealth Creation**

Many co-operatives are explicitly interested in helping to create wealth in their communities, or at least helping their members make good wages, save money, and find affordable low cost products and services. Stable jobs, increased equity in the business, patronage refunds and other returns on their investment do provide member-owners with wealth, although this is often difficult to document. The co-operative development community has begun to investigate the ways that economic co-operatives provide economic

stability, wealth and quality of life to their members and their communities, particularly in the forms of living wages, and asset and equity development. Housing co-operatives, for example, provide homeownership opportunities for many people who might not otherwise be able to own a home on their own or can't assume all the risk. Recent research suggests that homeownership provides equity accumulation and tax advantages; and home owners accumulate more wealth in general than renters (NCBA, 1998, pp. 27-31; AFL-CIO Housing Investment Trust, 2000; Co-operative Housing Coalition, 2000). Credit Unions also help their members create, or accumulate and store wealth through access to financial services, home and business mortgages and loans, and through interest accumulation.

Survey's and interviews with CEOs and directors about the history of patronage refunds and distribution systems help give a picture of individual member wealth creation through ownership in co-operative businesses (for assets of farmer-owned co-operatives in 1998 see Chesnick, 2000, for example). Co-operative business ventures and employee ownership provide investment and business ownership opportunities, often to people who might not otherwise be able to afford such opportunities as individuals. Worker-owners of Co-operative Home Care Associates earned annual dividends between \$250 and \$500 on their initial investment of \$1,000 during the first ten years in existence (Shipp, 2000), and continue to disperse dividends as well as earn living

wages with benefits (setting the standard for their industry). The Childspace Development Training Institute maintains an individual development account program (IDA) to promote savings for its worker-owners in child care (those whose incomes are 200% or less of the federal poverty level; Clamp, 2002).

Successful co-operative businesses create wealth and help their members accumulate wealth in addition to giving members control over income generation, production and spending. However, there is a tension in co-operatives because often the first mission is not wealth creation but rather the provision of affordable quality products, opportunity to produce, procure and/or market particular kinds of goods and services, and workplace democracy. Studying and measuring wealth accumulation through co-operative ownership is difficult and raises questions about data collection and access to data, definitions, and measurement. Questions arise about the distinctions between income generation and wealth accumulation. Even though we know income stability contributes to wealth accumulation, we don't know by how much or how significantly, and often distinctions are not made between the two. How have profit sharing or the patronage refund and other additional income and disbursements from co-op membership increase or enhance wealth of members, the co-operative and the community? How best do we measure individual wealth through co-operative ownership is another ques-

tion. Is individual wealth from democratic ownership significant? Perhaps the significant measure is the collective co-operative corporate wealth of the enterprise itself, access to assets and wealth, and the wealth that economic anchoring creates or disseminates throughout the community. In addition, tensions between the goals of affordability and capital appreciation are significant. Many co-op members are genuinely ambivalent about whether or not they should be in the business of appreciating assets. How do members «legitimately» accumulate wealth and benefit from it if the goal of the co-operative is affordability or not-for-profit? These questions illustrate how much more research is needed in this area (see Nembhard, 2002).

Even when difficult to identify individual wealth creation, co-operatives do show increased revenues and assets which increase corporate wealth and thus individual wealth from democratic ownership. The National Co-operative Bank annually publishes statistics on the top 100 revenue generating co-operatives in the U.S. These companies have generally been increasing their revenues and assets over the past five years or more (especially between 1998 and 2000). In 2001 they generated over \$130 billion in revenues. Total assets of these companies range from a high of \$32 billion to a low of \$27 million in 2001 (the total for all 100 of the co-operatives was \$245.8 billion). The average value of the assets of the Coop 100 in 2001 was \$2.4 billion (see NCB, 2002, calculations by the author).

## **Affordable quality products**

Co-operatives are proud of the benefits they provide to their members and the communities in the form of affordable and quality goods and services, sometimes environmentally-friendly products and practices. They often promote local products, inspire the community with a vision of the alternative, and provide goods and services that neither the government nor the private sector provides or adequately or affordably provides. This is particularly true in the areas of health food, organic food, alternative and green energy, as well as child care, home health care, and house cleaning. Supporting local agriculture and developing food buying clubs, for example, are being seen as community building activities (“Building Community...,” 1998), and help lessen food insecurity.

In addition to providing lists of the kinds of products co-operatives produce and/or sell, and the competitive pricing, co-ops could highlight the uniqueness and ecological benefits of the products they create and sell, and calculate affordability, savings and/or the value of ecological and sustainable goods and services either directly to the consumer, or to society.

The above provide many general examples of the kinds of impacts and benefits co-operatives provide for their members and communities. Below is an example of how I begin to document this for one organization.

### **Case Study: The Federation of Southern Co-operatives/Land Assistance Fund**

I have begun to work with the Federation of Southern Co-operatives/Land



Assistance Fund (FSC/LAF) to help articulate and measure the federation and its affiliate co-operatives and development centre's impacts on their local communities.<sup>4</sup> The FSC/LAF maintains a comprehensive program for co-operative economic development in sustainable agriculture, land retention and acquisition, marketing, business and credit union development, affordable housing, education and training, youth development, international development, advocacy and policy development, institution building, and leadership development. The Federation/LAF has held together a membership of over 100 co-operatives, credit unions and community-based economic development organizations, involving 25,000 rural and low-income (mostly Black) families, including some 10,000 family farmers owning a half million acres of land. The Federation/LAF has grown from an organization with a budget of \$547,473 in 1970 to \$3,196,746 in 2001.

The Federation began in 1967 with 22 co-operatives and credit unions in seven southern states, many of which were organized through the civil rights movement. The co-operatives were primarily agricultural marketing and supply, although there were some fishing, consumer, handicraft production, housing and others included. Over its thirty-five year history, some 200 co-operatives, credit unions and community based economic development projects in 14 states were organized and assisted by the Federation and its state associations of co-operatives. Currently there are 65 dues paying members and

another 30 inactive groups carried on our membership rolls.

Over 35 years the Federation/LAF has leveraged resources five times the amount of direct funding raised (more than \$40 million). The FSC/LAF has facilitated the savings of more than \$27.4 million by 14,000 people in member credit unions, assisted 5,000 Black farmers to save over 175,000 acres of land, and assisted over 700 families with affordable housing. The Federation/LAF has employed and trained over 500 people in various positions, including VISTA volunteers, interns and employment trainees, which provide skills, knowledge, awareness and sensitivity to work creatively on behalf of poor people. Many of the former staff work in positions of significance in the region, including: Congresspersons, state legislators, county commissioners, school board members, program directors, bank managers, attorneys, social workers, college faculty, foundation staff and other positions.

While the Federation/LAF has provided services, learning and leadership experiences, saved family estates, reduced costs, increased revenues and enhanced stability for members (through producer, marketing, consumer and credit co-operatives), taught techniques and skills all of incalculable worth, a beginning estimate of the additional monetary impact of the Federation/LAF, for the past 35 years is over \$300 million. This includes:

- \$25 million of shares saved and \$17.2 million in loans outstanding; and 50,154 loans totaling \$97.5 million loaned to

low income families since these credit unions began operations;

- \$75 million in sales through co-operative marketing; an average of \$2.5 million per year in sales for the past two decades;
- \$26 million worth of affordable housing units constructed and rehabilitated; including four multi-family rental projects with 126 units;
- \$50 million mobilized in resources for support of member co-operatives and credit unions;

- \$87.5 million worth of land saved and retained (175,000 acres at an average of \$500 per acre).

The FSC/LAF's land retention activities have not only allowed members to keep control over inherited property but to make a living from farming, engage in sustainable agriculture, branch into alternative crops, increase their farm income, and decrease their off-farm income (see Table 1). The organization provides training and legal services - all which contribute to income generation, wealth creation and quality of life in these rural communities.

**Table 1: FSC/LAF Land Retention since 1995**

	ACRES	VALUE
Saved	4054	\$3,356,720
Purchased	1633.1	\$1,408,550
	1995	2000
Farms	125	192
Alternative crops	54%	87% (2001)
Avg gross income	\$40,665	\$55,413
Off-farm income	64%	52%

Calculated by the author from information in FSC/LAF, 2002.

FSC/LAF-sponsored credit unions have helped their members to gain access to financial services and credit, and even accumulate savings. While it has continued to be a challenge to keep these credit unions in business, especially when the large employers that were sometimes a credit union's base leave the area, the majority of the FSC/LAF-sponsored credit unions have remained in business and in-

creased their assets and number of members (see Table 2). In addition, the number of shares that members saved continues to increase, although assets per member began to decrease slightly between 2000 and 2001. Not shown in this table, assets per member did increase steadily between 1997 and 1999 (more economically booming years).

**Table 2: FSC/LAF Credit Union Data 2000 and 2001**

	as of Dec. 2000	as of Dec. 2001
Members	12,140	14,633
Assets	\$23.3 million	\$27.4 million
Assets/member	\$1,923	\$1,873
Member shares saved	\$19.35 million	\$22.45 million
Shares/member	\$ 1,594	\$ 1,534
Outstanding loans	\$17.32 million	\$ 17.23 million
Total loans		50,154
Total value of loans		\$ 97.5 million

Through the FSC/LAF individuals and communities create opportunities for themselves, find a safe haven and productive work that not only facilitate their economic well being and stability but also give them the support they need to improve their lives and remain active in civil rights and political arenas. Co-operative ownership provides meaningful and steady, profitable, work; access to financial services; human capital development and a panoply of increased opportunities. In addition, the FSC/LAF provides youth with skills, educational opportunities and economic activities that contribute to their becoming productive adults, good citizens, and partners with adults in co-operative enterprises.

Having completed this initial analysis of gross accomplishments, I hope in the next few years to be able to do the micro level analyses and data collection which will enable us to further examine the level of activity, types of benefits, economic impacts, and leadership and human capital develop-

ment from FSC/LAF's member enterprises in the areas of sustainable agriculture, land retention, housing, credit unions and financial services, co-operative development and marketing, training, international development, and policy development and advocacy.

## Conclusions

Major obstacles to helping co-operatives evaluate their outcomes and impacts include lack of time and personnel to engage in such activities, lack of adequate measurement tools and models to apply, and lack of data or data collection methods. Many co-operatives are preoccupied with securing their viability as a business based on traditional business evaluations. We researchers and academics can be the ones to begin to focus on ways to measure the externalities – the social benefits; the human, social and cultural capital created and nurtured the spillover effects around the community. Some outcomes such as job creation, buying from and out

sourcing to other local businesses, development of affiliated businesses, increased skill levels are fairly easy to measure once we associate them with co-operative outcomes. Others such as leadership development, more civic participation, wealth creation, and general community economic stability are more difficult to measure

and more difficult to attribute to co-operative ownership, yet seem to be correlated. More research is needed on how to quantify these benefits as indicators/measures and how to prove cause and effect from democratic co-operative ownership, not just correlation. □

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## *Notes*

1. These generalizations derive from the author's observations over the past 5 years; informal conversations and interviews with co-op members, co-op leaders and co-op developers; participation in and facilitation of co-op workshops, wrap up sessions, and conferences around the United States; participation on national-level coop committees (particularly on outcome measurement and urban cooperative development); and literature reviews and general scholarly research on cooperatives.
  2. Based on Clamp, 2002, and No date; and "Providing Living Wages for Child Care Workers," 1998.
  3. From Carolyn McKecuen, in Krimerman and Lindenfeld 1992, p. 25.
  4. Information from this case study comes from FSC/LAF, 2002a, 2002,b and 1992.
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# Corporate Social Responsibility and Co-operation

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by David Seaman\*

**“And there is no new thing under the sun”**

*Ecclesiastes. Chapter 1, Verse 8*

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## Introduction

This short paper is based on a presentation given at the Mapping Co-operative Studies in the New Millennium Congress. It covers the emergence of corporate social responsibility as a major and fashionable subject in business. The view is put forward that there is a growing alignment of the themes of corporate social responsibility and the values and principles of co-operation. This is illustrated by the activities of the Co-operative Group in relation to Fairtrade products.

## Ethics in business

The concept of ethics in business is not new and can be found in the Quaker owned businesses such as Cadbury’s and Rowntree’s and the work of Robert Owen in Lanarkshire.

The Rochdale pioneers had a strong ethical stance in their store at Toad Lane offering the “purest provisions procurable” at a time when adulterated food was the norm.

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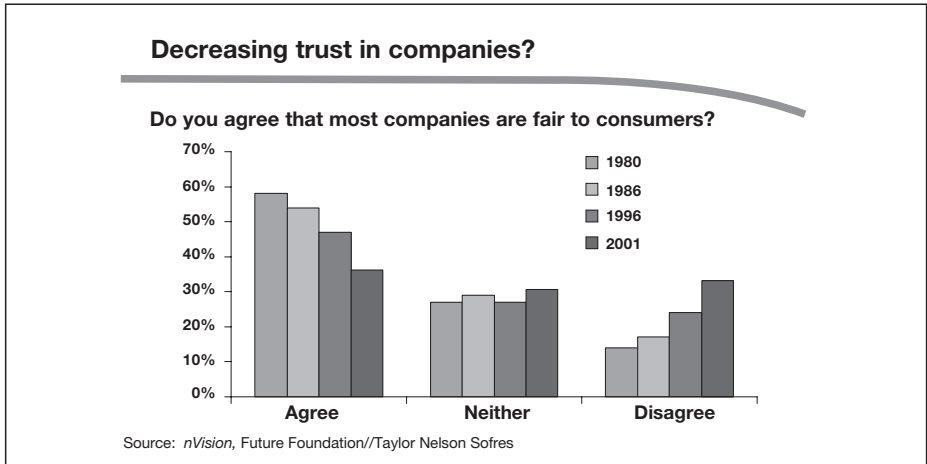
## Declining trust in business

We live in an age where anti-corporatism is chic. There have been a whole series of books starting with Naomi Klein’s “No logo” and including “The Silent Takeover” by Noreena Hertz and “Captive State: The Corporate Takeover of Britain” by George Monbiot that have attacked the behaviour of modern day business.

Evidence of this comes from the Future Foundation who have monitored declining trust in companies over the period 1980 to 2001. As can be seen in **Figure 1** the percentage agreeing that most companies are fair to consumers has fallen to below 40%.

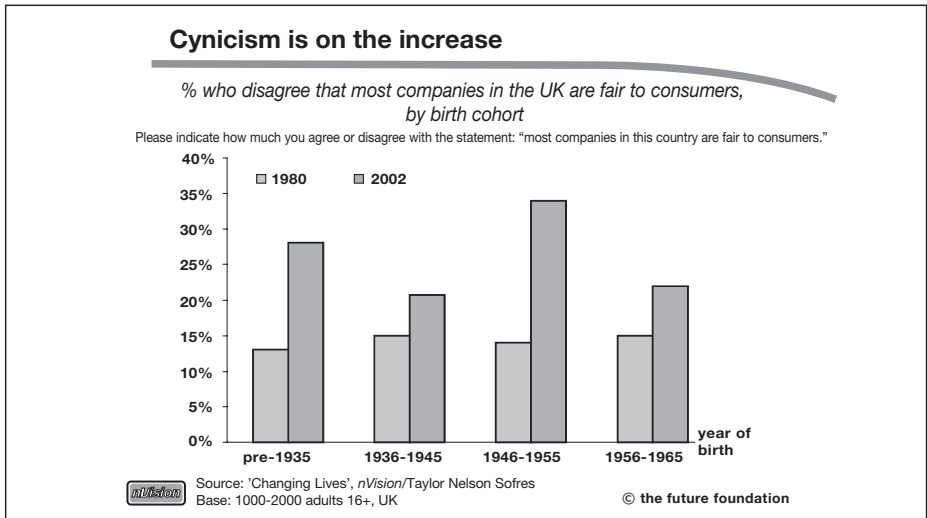


Figure 1



In particular it is the “baby boomer” generation who are particularly cynical about companies being fair to consumers as shown in Figure 2.

Figure 2



Consumers are also prepared to take direct action and demonstrate if a multi national company had done something wrong. Figure 3 shows that around a third of consumers would be prepared to demonstrate against companies’ wrong doings. Between 50 and 60 percent would be prepared to boycott the products of companies who had done something wrong. (See Figure 4).

Figure 3

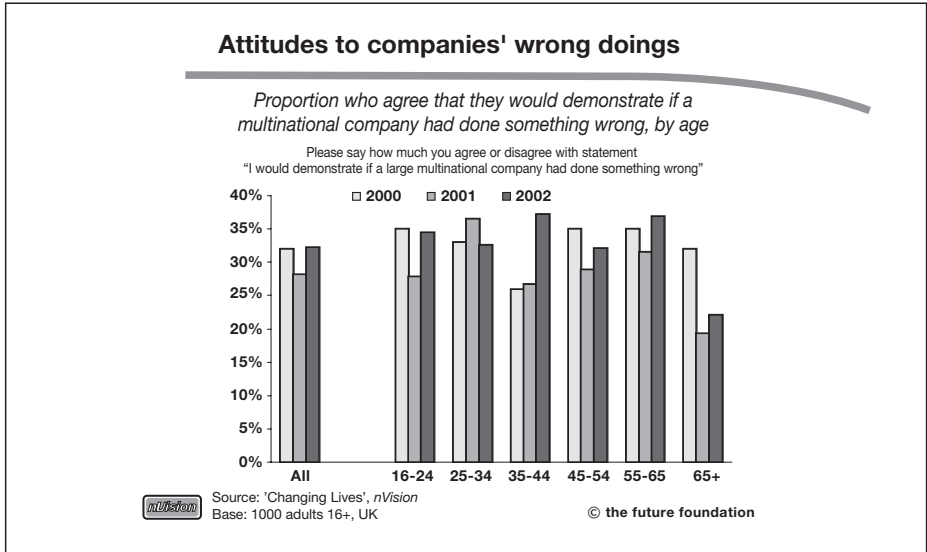
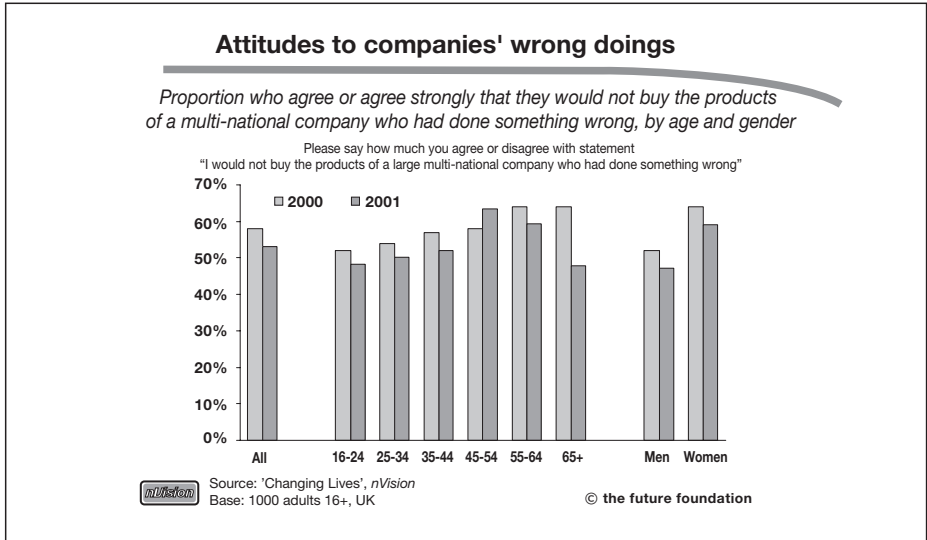


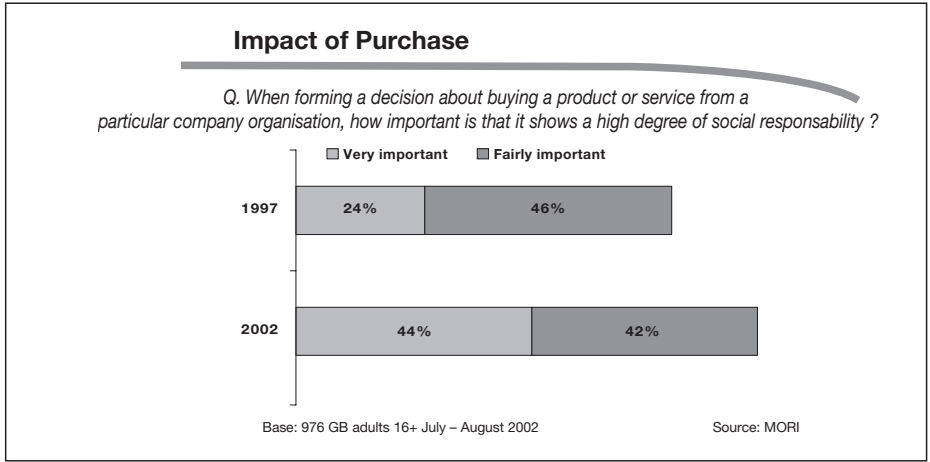
Figure 4



The percentage of consumers who feel that in making a decision to buy a product or service it is very or fairly important that the particular company shows a high degree of social

responsibility has risen from 70% to 82%. Particularly noteworthy is the rise in the percentage thinking it is very important which has climbed from 24% to 44% (see Figure 5).

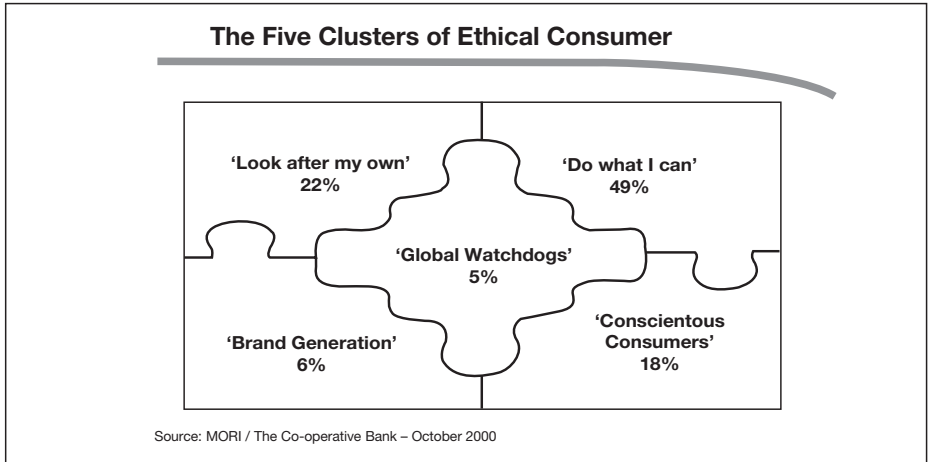
**Figure 5**



## Ethical Consumer Typologies

The Co-operative Bank has worked with market research agency MORI to produce five different types of ethical consumer (see **Figure 6**).

**Figure 6**



The largest segment (49% of the total) are the “Do What I Can “ group. This group has ethical concerns but does not hold them very strongly. They are the most active recyclers of household waste but otherwise their altruism is limited. They are unlikely to buy or avoid products because of a company’s reputation for responsibility, but look for recycled products and, to

a lesser degree, GM free items. MORI describes them as semi-detached, in terms of the homes they live in and the attitudes they hold.

The second largest group is the “Look After My Own” segment (22%). They are the least concerned with social, ethical or environmental causes. They feel powerless and would not regard themselves as ethical consumers.

The third major grouping at 18%, the “Conscientious Consumers” are more upmarket. They are more likely than the two previously mentioned groups to be concerned about ethical issues, especially the treatment of workers and companies’ environmental impact. Being interested in companies’ behaviour, they will both buy and avoid products because of companies’ reputations.

At the cutting edge of ethical consumerism are the “Global Watchdogs”.

This segment is ethical hardliners. They are members of campaign groups, they buy and boycott on ethical grounds and talk to friends about issues.

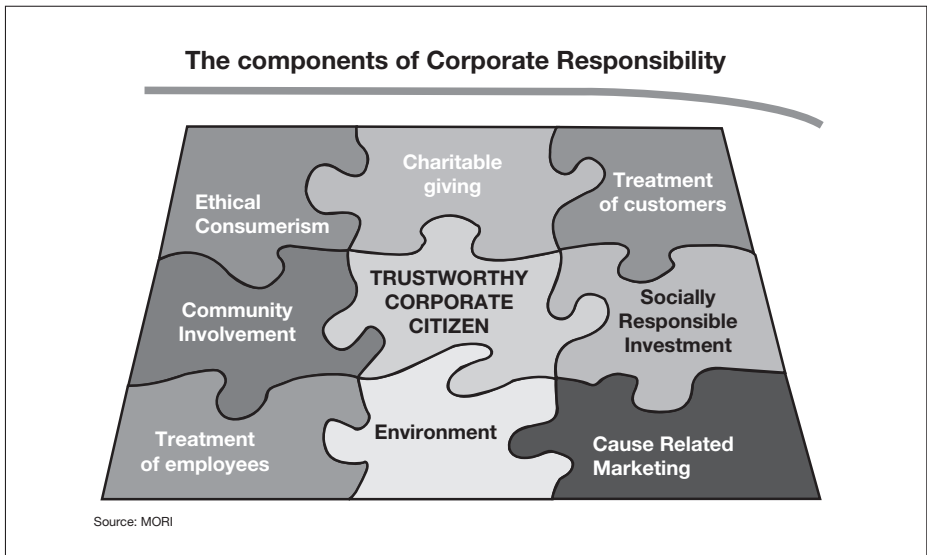
The “Brand Generation” is brand driven with little time for ethical issues.

## Components of Corporate Social Responsibility

Corporate Social Responsibility is a wide ranging term that embraces a number of different areas.

It includes the promotion of ethical consumerism, charitable giving, the treatment of the customer, involvement in the community, the relationship with employees, socially responsible investment and cause related marketing. All these can coalesce to create the trustworthy corporate citizen. The CSR kaleidoscope shown in **Figure 7** illustrates the many faceted aspects of corporate social responsibility.

Figure 7



## The notion of Citizen Brands

In an excellent book Michael Willmott of the Future Foundation has introduced citizen brands as an alternative and, possibly, more appealing term to corporate social responsibility. In his book entitled "Citizen Brands", Michael Will-

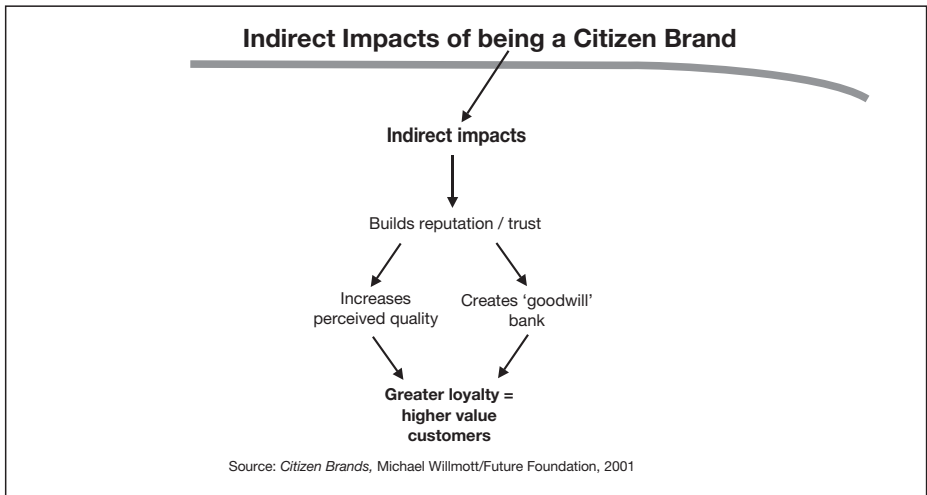
mot argues that being a citizen brand involves "putting society at the heart of your business".

This brings both direct and indirect impacts and these can be shown schematically. (see Figures 8 and 9).

Figure 8



Figure 9



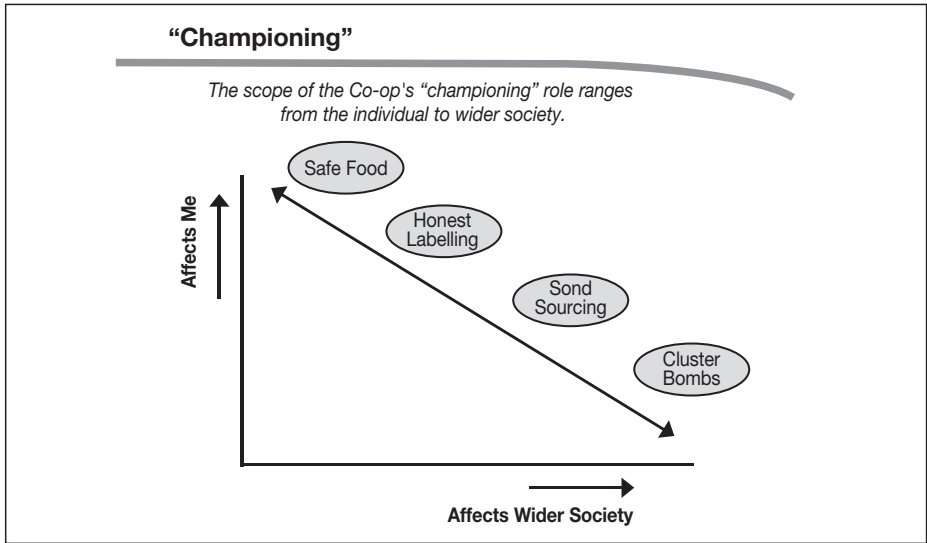
## The Co-operative Group as a corporate citizen

The Co-operative Group is the largest consumer co-operative in the world. In the UK, the Group employs over 70,000 people, operates more than 3,000 retail outlets as well as on line and business to business operations. In 2002, the sales topped £7.7 billion. The Co-operative Group has taken a

number of specific initiatives to demonstrate its Co-operative values by championing a responsible way of doing business.

The scope of the Co-op's "championing" role ranges from issues affecting an individual and her family through to matters of international importance such as the deployment of cluster bombs. **Figure 10** makes this point.

Figure 10



## The Co-operative Group and Fairtrade

The mission of the Co-operative Group is to be the world's most successful consumer co-operative business. The guiding values and principles of Co-operation have strong links to those of Fairtrade. The relevant values are equality, self help, solidarity and social responsibility allied to principles such as autonomy and independence, con-

cern for the community, education and information and co-operation amongst co-operatives all chime with Fairtrade. The Co-operative Group has the objective of being the leading supermarket supporter of Fairtrade. Equally important is to bring Fairtrade into the mainstream of UK retailing.

The first step to achieving this objective was taken in January 1999 with a strategic stocking move. The intention was to carry a selection of Fairtrade produce in

all Co-operative grocery stores. This had the effect of dramatically increasing the availability of Fairtrade products and resulted in the Co-op having more outlets selling Fairtrade products than any other retailer.

A further breakthrough occurred in January 2000 when the Co-op became the first UK retailer to introduce Fairtrade bananas. In March 2000 the Co-op launched the UK's first own brand trade product, a chocolate bar. This was followed in September 2000 by the first own brand Fairtrade coffee and in February 2001 the Co-op became the first supermarket to offer a fairly traded wine. This had the memorable slogan "We trample the grapes not the growers".

Other Fairtrade Co-op brand products have been added; mangoes (January 2002), white chocolate (March 2002), instant coffee (September 2002), chocolate cake (October 2002) and pineapples (December 2002). These moves have been supported by press advertising to increase consumer awareness, and media coverage has targeted opinion formers. Co-operative customer members have been particularly supportive of the move.

## **The Co-operative Fairtrade Case Study**

In December 2002 the Co-operative Group was involved in a specific initiative to promote Fairtrade chocolate. This involved visiting the Kuapa Kokoo Co-operative in Ghana accompanied by a BBC film crew. The intention was that all Co-op brand block chocolate was to be fairly traded in origin. To highlight the move a chocolate report was made

available which campaigned for Fairtrade and argued for an end to exploitation.

The Co-operative initiative led to a doubling of the UK Fairtrade chocolate market. It increased Kuapa's Fairtrade sales by 30% and provided the growers with the stability of a long term contract.

The move to make the Co-op brand chocolate range a Fairtrade offering was widely acclaimed in the media and the Co-operative Group and the cause attracted a great deal of positive publicity.

## **Social Reporting Practice**

As a responsible organisation, the Co-operative Group is committed to reporting on its activities in this area. So in 2004, the Co-operative Group plan to publish a social accountability report.

A set of key performance indicators has been developed which can be measured throughout the Group and reported on annually. The key performance indicators will offer a Group wide view as to progress in overall commercial, social and environmental performance. Activity in relation to Fairtrade will provide a major input into this monitor.

## **Conclusion**

It is hoped that the activity in relation to Fairtrade carried out by the Co-operative Group demonstrates the fit between corporate social responsibility and Co-operation. The current environment of the early 21<sup>st</sup> century are uniquely conducive to the values of Co-operation, benefiting people's lives as well as bringing commercial advantage. □

# Accountability, Accounting and Credit Unions: A Study from the UK

by Noel Hyndman and Donal McKillop\*



## Introduction

Credit unions are member-owned, voluntary, self-help democratic institutions that provide financial services to their members. As member-owned, not-for-profit organisations (NFPOs)

they are value-driven and committed to serving the financial services needs of disadvantaged communities and individuals, many of whom have been abandoned by mainstream banking. They have a distinct eco-

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conomic and social philosophy, and are unique not-for-profit, financial, co-operative institutions. Their co-operative credentials encompass a number of attributes including open membership and democratic control. Equally, limited returns on share capital with any surpluses belonging to members are also indispensable defining features. The role of education, so that members can exercise real control of their co-operative, is similarly essential to co-operative identity.

Given the social consciousness of credit unions, an obvious question relates to their accountability, particularly to their members. Accountability has been defined as 'being obliged to explain one's actions, to justify what has been done' (Government Accounting Standards Board, 1987, p. 21). Discussions of this concept in the context of NFPOs have been commonplace in the last decade (Likierman and Creasey, 1985). This is an important issue for credit unions as they are currently constituted, and is becoming of greater importance as, in the UK, they are provided with greater freedom to expand the provision of financial services. This paper draws and builds upon a continuing programme of research undertaken by the authors to highlight the importance of good accountability by credit unions and the state of current practice (Hyndman, McKillop, Ferguson and Oyelere, 2002).

### **Accounting, Accountability and the Annual Report**

The UK credit union industry is relatively young, with a large number of recent formations. By 2000 there were

866 credit unions in the UK, of which approximately 170 had been established in the last five years. Total assets of these organisations are £533 million, with a membership base of 659,000. A large proportion of these credit unions are relatively small (115 have an asset level greater than £1 million, 242 have assets between £100,000 and £1 million, and 509 have assets of less than £100,000).

A modern view of accounting has been to see it in terms of providing information to satisfy the information needs of users. With specific reference to credit unions, this notion of user needs is promulgated by the Canadian Institute of Chartered Accountants (CICA, 1984) in a research study that is the most comprehensive extant consideration of financial reporting by credit unions. Here it is argued that (CICA, 1984, para. 4.7) 'one has to consider who are the users of financial statements and what information would they find useful in making economic decisions'. This view of accounting seems clearly linked with ideas relating to accountability. Rutherford (1983) considers the need to provide information to users in terms of the concept of accountability. He views the concept as being the requirement to be answerable for one's conduct and responsibilities. Accounting information can provide an important and regular mechanism through which major aspects of accountability are discharged, although, as Jones and Pendlebury (1996) highlight, accountability, in its widest sense, is more than accounting (however widely accounting is defined).

The above discussion of accounting and accountability highlights the paramount importance of the users of the information. A logical progression from this position would be that a consideration of the information needs of users is necessary prior to the determination of the information that will be provided by the reporting entity. To apply this to credit unions requires the identification of those groups that have a right to receive information and the determination of the information that they need. This paper concentrates on the information needs of members of credit unions. The CICA (1984) research study highlighted such a group as a main user of accounting information.

Members are similar to the users *The Corporate Report* (Accounting Standards Committee (ASC), 1975) was concerned with when it identified a large class of general users to whom a responsibility to report is owed who are not in a privileged position to enforce special demands. The majority of members normally have no easily exercised right to demand information and they must primarily rely on credit union annual reports for information. Annual reports (which normally include financial statements and other information disclosures) are recognised as key documents in the discharge of accountability to external users in many organisations as they are (ASC, 1975, p. 16) 'the primary means by which the management of an entity is able to fulfil its reporting responsibility'.

Credit unions must provide accounting information to various stakeholders. This is an aspect of accountability,

with the provision of financial statements prepared on the basis of appropriate generally accepted accounting principles (GAAP), and capable of being compared over time and across the sector, often seen as important. Indeed, in other not-for-profit sectors, a lack of consistency in financial statements is seen as a weakness (Bird and Morgan-Jones, 1981). Such information can support the decisions of a range of stakeholders, including credit union members, as they make judgements and decisions.

## **Research Method and Key Findings**

While recognising the importance of 'social performance' information in the discharge of accountability by credit unions, this research seeks: to present the results of a basic content analysis of the financial statements of UK credit unions; and to present a brief summary of the results of a series of interviews with key stakeholders ('Managers' and 'Regulators') with respect to the discharge of financial accountability by credit unions. In judging financial accountability, the focus was on the quality of financial statements, judged in terms of the provision of financial information published using appropriate GAAP. While there is no definitive list of the principles that are appropriate for credit unions in the UK, issues were selected by reference to legislative requirements and research studies. In a sense, the items of information selected as the basis for analysis ('basic items' of information) represented a normative model of credit

union financial reporting. The model was composed of 16 information types (as shown in Table 1) that formed a basic framework for financial reporting by credit unions in order to meet the financial accounting information needs of members of credit unions. Each one of the 16 infor-

mation types included in the model is justified by reference to legislation, GAAP or relevant research findings (for fuller explanation, see Hyndman et al., 2002). The model consisted of six broad categories of information and ten specific accounting policies and other notes to the accounts.

**Table 1**  
**Sixteen Information Types Forming the Model**

<b>Information Type</b>	
<b>Broad content of financial statements</b>	
1	Responsibilities
2	Audit report
3	Income and expenditure account
4	Balance sheet
5	Preceding year information
6	Cash flow statement (or equivalent)
<b>Specific accounting policies and notes to the accounts</b>	
7	Basis of preparation
8	Accounting policy – fixed assets
9	Accounting policy – bad debts
10	Fixed assets
11	Investments
12	Related party transactions
13	Bad debts
14	Loans
15	Shares
16	Reserves

One hundred and twenty annual reports of credit unions were analysed to ascertain the quality of the financial statements (quality being judged in terms of compliance with the model's recommended disclosures). The analysis was undertaken across three size-related classifications (large, medium and small credit unions). In addition, in

order to obtain a more in-depth understanding of the issues, fifteen interviews with key stakeholders were undertaken, focusing on the financial accountability of credit unions through the medium of the annual report. To encourage interviewees to be as open as possible, it was stated that the interviews would be reported in such a way

as to prevent specific statements being attributed to particular individuals. The reporting of the interviews (below) is structured to achieve this by presenting them in two groupings: the 'Regulators' (including a senior representative from the Financial Services Authority (FSA), the Registrar in Northern Ireland, and senior individuals within the trade associations); and 'Managers' of credit unions (senior representatives of individual credit unions).

The main findings of the research were:

### ***UK credit union reports lack quality***

This research suggests that, at present, financial accountability is weak. For instance, when focusing on the quality of financial statements, it was found that the disclosure of 16 fairly basic items of information was, at best, patchy, with the overall average disclosure of these items being 73 per cent. Such a situation may undermine the ability of users, and in particular members, to make appropriate judgements and decisions. Given that the powers of direct interrogation by members of credit unions are limited, such weaknesses can disadvantage members. However, without external pressure there may be inadequate incentive for credit unions to change existing reporting practices. Appropriate credit union focused guidance, provided by the trade associations or by the accounting profession, would help considerably. Without it to assist preparers and auditors of accounts, the danger of misrepresentation, misunderstanding and fraud is increased. The widespread adoption of suitable guidance would

also provide for greater confidence in the control processes within credit unions, which may be a desirable (or indeed necessary) condition for further growth of the sector.

### ***Multiple accountability confusion, and limited resources and expertise may be possible explanations of low quality reports***

The substantial non-disclosure of fairly basic and fundamental information in the annual reports of credit unions may be related to the problem of credit unions having multiple accountabilities and being confused as to priorities and the information needs of particular stakeholders. This phenomenon may be related to the issue 'under accounting', as each user assumes that another user is taking a close look at finances, actions and results (a problem identified by Edwards and Hulme, 1995). It is suggested that many of the concerns expressed about weak accountability relate to the difficulties in prioritising and reconciling multiple accountabilities. It is possible in the case of credit unions that the accountability to the Registrar or the FSA through the need to complete the annual return<sup>i</sup>, which demands fairly significant information provision, may take priority over providing information to members and others through the annual report. In addition, UK credit unions, which are run primarily by unpaid volunteers who have no particular training in detailed accounting matters, may lack the resources and expertise to be proactive in the provision of comprehensive information. Whereas the FSA and the Registrar may be perceived as having

formal authority with respect to the completion of the annual return, the relatively weak position of individual credit union members may lead to few, if any, concerted calls for improvements in annual reports.

### ***Little difference in financial accountability with respect to size***

Overall, there are very few significant differences in the quality of financial reporting between credit unions of different sizes. The overall average disclosure percentage for all 16 items was 76 per cent for the large credit unions compared with 71 per cent for small and medium sized credit unions, yet few statistically significant differences were found. For example, when large credit unions were compared with small credit unions, higher disclosure by large credit unions was only deemed statistically significant with one item of information (out of 16). Studies in other NFPO sectors have shown much greater differences in financial accountability when size is the focus of analysis, with large organisations being identified as having better quality financial statements than small organisations (see Connolly and Hyndman, 2002).

### ***'Regulators' dissatisfied with current reporting and encouraging change***

The interviews revealed that a number of 'Regulators' saw current annual reports as deficient in meeting the information needs of members and argued for a radical rethink of information content and form of presentation. One in particular argued that the style and structure of today's credit union annual

report was 'redolent of the sort of nineteenth century sort of voluntarism...I know it has got to be done, but it's sort of old-fashioned in a way, and of little interest to members.' However, in general, they demonstrated a positive view of the potential of the annual report as a medium through which accountability could be discharged, and saw it as a means for effective and direct communication between the credit union and its members. In addition, the 'Regulators' viewed both financial information and 'other information', particularly relating to a wider social accountability and governance, as of importance. Such emphases stress the need for more member-focused annual reports.

### ***'Managers' view the annual report as having limited importance***

Additionally, the interviews highlighted that 'Managers' perceive that the annual report is rarely read by, and of limited interest to, members of the credit union. To some extent, these perceptions provide some explanation of the state of credit union reporting via the annual report. The interviews depicted reporting by credit unions that was: constrained by convention; reactive rather than proactive; and often relied overly on accountants and auditors for direction. While notable exceptions were identified, most credit union 'Managers' displayed a lack of motivation, because of limited knowledge of detailed financial issues and, perhaps, also because of inadequate resources, in changing reporting practices. Given that 'Managers' have some influence regarding the contents of annual reports, per-

ceptions of a lack of readership or understanding by members could, at the very least, lead to an ambivalent attitude as to the importance of such documents. However, most 'Managers' articulated a desire to improve reporting to members, but there was little evidence in the interviews that significant changes had occurred in the recent past, possibly suggesting that major future changes are unlikely without external intervention.

### **Concluding Comments**

This paper summarises some of the key themes from the first major piece of research on the financial accountability of credit unions in the UK. Overall, the quality of financial reporting through annual reports by credit unions is mixed. Because of this, the potential for adverse consequences, including inefficiency, a lack of member-interest focus and, possibly, fraud, is increased. Indeed, the increasing number of credit unions in the UK experiencing financial difficulties might suggest that change is needed. While there is an appetite to change, and this is demonstrated most

clearly with 'Regulators', there appear to be limited mechanisms through which change can occur.

The credit union movement in the UK is, to some extent, at a crossroads, with the FSA assuming the main responsibility for its financial regulation. It is likely that the FSA will place more emphasis on detailed reporting by credit unions, in line with the requirements that the FSA already places on other financial institutions. It would be a pity if this translates into solely the detailed reporting of largely financial data to a regulatory body. This research has demonstrated that this, however laudable it may be, will not encourage stakeholders (with the exception of the regulator) to become involved in monitoring, reviewing and engaging with the credit union. Given that credit unions are member-owned and member-run co-operative organisations, which emphasise self determination and democratic principles, it would seem essential that improved accountability to members be encouraged through the production of member-focused annual reports. □

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## **Endnote**

- <sup>1</sup> An annual return is a document required by the regulatory body and focuses on financial compliance. The annual return is structured in such a way that the regulator can rapidly extract ratios to assess the solvency of a particular credit union and its efficiency in the use of resources on a comparative basis with other credit unions.

# Aboriginal Co-operatives in Canada<sup>1</sup>

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by Lou Hammond-Ketilson\*



## Abstract

There are about 133 co-operatives in Canada in which the membership is predominantly Aboriginal. The largest number of Aboriginal co-operatives can be found in the northern regions of the Arctic, mostly among Inuit and Inuvialuit. Aboriginal co-operatives serve a wide variety of needs, the most common being the provision of food and supplies in remote communities. They are also important as marketers of arts and crafts, wild rice, fish, and shellfish. A small number have demonstrated the possibilities of housing in urban communities and financial serv-

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ices to First Nations communities, crucial needs with considerable potential for future development.

This paper introduces the reader to the contexts within which Aboriginal co-operatives exist, and draws upon the findings of a socio-economic impact study and eleven case studies to illustrate the contributions that co-operatives are making within Aboriginal communities across Canada.

## Aboriginal Economic and Social Circumstances

It is a vast understatement to say that the current state of economic develop-



ment within Aboriginal communities and nations is far from satisfactory. A national study by Indian and Northern Affairs Canada highlights many of the economic and social problems confronting residents of First Nations communities<sup>2</sup>. While the percentage of people fifteen years of age and older with no schooling or kindergarten only is dropping, it still stands at 5 percent; over 29 percent of the population over fifteen have less than grade nine education, more than double the national average. The percentage of the population on reserves with university education, while increasing, is not rising faster than the general population. The male labour-force participation rate stands at 58 percent, 15 percent below that of comparable non-Aboriginal communities and 24 percent behind the national average. The female participation rate is 45 percent, nearly thirteen percentage points below that in comparable non-Aboriginal communities and nineteen percentage points behind the national average. The low participation rate among young people is particularly troubling: it stands at only 56 percent, 14 percent below that of comparable non-Aboriginal communities and 18 percent below the national average. The unemployment rate across the entire community is 28 percent, much above the 10 percent typical of both comparable communities and the nation as a whole at the beginning of the 1990s. Self-employment is only 2.2 percent, significantly below the 9.8 percent to be found in comparable communities and less than half of the national average. The situation confronting Inuit, Inuvialuit, and Innu is similarly troubling. Unemployment rates of 50–70

percent are common in many Arctic communities. The opportunities for young people to build careers within market economies among their own people are difficult to pursue. Too many of the better jobs are still held by sojourners from the South.

Identification of economic and social development strategies capable of addressing community needs while remaining consistent with cultural priorities is critical as Aboriginal peoples seek to make the best possible use of treaty funds; to create sustainable communities; as they search for ways to circulate financial resources as frequently and as broadly as possible within their communities; and as they encourage new forms of entrepreneurial activities. Many different economic development strategies have been initiated in Aboriginal communities over the years. In some communities development has occurred through publicly owned businesses, while others have embraced entrepreneurship through small privately owned businesses. Some communities have worked closely with natural resource companies; others have chosen to pursue more traditional forms of harvesting activities. Yet others, more than has generally been realized, have used co-operatives as an effective way to develop their communities economically and socially.

The appeal of the co-operative approach is not surprising as it responds well to the priorities set out in the *Royal Commission on Aboriginal Peoples*<sup>3</sup>, and meets the criteria for economic development within Aboriginal communities as suggested by other reports authored by Aboriginal organizations.<sup>4</sup>

## The Extent and Nature of the Aboriginal Co-operative Movement Today

There are an estimated 133<sup>5</sup> co-operatives in Canada today in which a substantial proportion of the membership is Aboriginal<sup>6</sup>. Most of these co-operatives are located in smaller, more remote communities, although there has been increasing evidence of growing interest in communities located closer to the larger cities and among Aboriginal people located in urban centres.

More than half the co-operatives are in the Northwest Territories, Nunavut, and Nunavik. They had their beginnings during the late 1950s and expanded rapidly during the 1960s and 1970s. The co-operative approach has proved to be very popular in the Arctic and increasingly in the North generally; by the mid-1990s there were hardly any communities in the Far North that did not have a co-operative. According to Arctic Co-operatives Limited (ACL), over 95 percent of the memberships of the northern co-operatives are Aboriginal, the remaining 5 percent being made up of southerners residing in the North. Inuit are by far the largest single group within the membership, particularly in Nunavut and Nunavik. In the western Arctic, substantial numbers of Inuvialuit and Dene are also members, and in recent years the Dene have been joining existing co-operatives in increasing numbers and starting new co-operatives. The Arctic co-operatives have developed two distinct federations of co-operatives: one, Arctic Co-operatives Limited, serving co-operatives in Nunavut and NWT, and the other, la

Fédération des coopératives du Nouveau Québec, serving the co-operatives of Nunavik. These federations have been instrumental in stabilizing the northern co-operatives, in developing system-wide accounting, marketing, and employment standards, and in presenting a united voice to governments. In addition, ACL is a member/owner of Federated Co-operatives, a Saskatchewan-based co-operative wholesale owned by co-operatives in western Canada (and through ACL, northern Canada).

In Québec, a second membership network exists associated with the Mouvement Desjardins. In addition to six caisses populaires owned and operated exclusively by Aboriginal people, there are approximately twenty caisses populaires providing Aboriginal people with services specific to their communities.

The only other major concentration of Aboriginal co-operatives is to be found in northern Saskatchewan—the co-operatives that survive from an extensive programme undertaken by the Saskatchewan government during the 1940s and the 1950s. The remaining co-operatives are scattered across southern Canada, their origins being highly individualistic and their purposes quite diverse.

The Aboriginal co-operative movement is larger than most people might expect. At the time of the study, the seventy-seven reporting co-operatives<sup>7</sup> claimed more than twenty-four thousand members. This number is somewhat misleading in that the number of northerners using the stores is higher than that number would indicate. First, the store

also serves nonmembers—a person does not have to be a member to shop in them. Second, most memberships are held by families, often including extended families, so the numbers of Aboriginal people actually affiliated with co-operatives is substantially higher than twenty-four thousand. Northern Aboriginal people are four times more likely than southern Aboriginal people to be members of a co-operative.

The Aboriginal co-operatives reporting to the Secretariat annually sell nearly \$250 million in services and products, and the amount has been increasing steadily in each of the last ten years. They have nearly \$190 million in assets and member equity stands at almost \$90 million. Net savings have fluctuated somewhat around \$7 million each year, depending largely upon the extent to which the co-operatives have been improving their physical plant. The importance of the \$7 million in annual net savings cannot be overstated. This money is generated entirely by business in the community, making co-operatives one of the most effective forms of economic development in the communities where they exist. Virtually all of the savings are distributed within the community; most of it is spent in the community, stimulating further business and economic activities.

The co-operatives employ more than fourteen hundred people, the average co-operative employing about eighteen individuals. The vast majority of the employees are Aboriginal, the most common exception being managers, most of whom are non-Aboriginal,

although this pattern is slowly changing. On average, co-operatives tend to employ slightly more people than comparable firms owned and operated by non-Aboriginal people. They also appear to be more likely to keep employees in times of adversity, and to pay at a somewhat higher rate.

Additionally, co-operatives serve as an incubator for employment opportunities within Arctic communities. Employees move among the co-operatives associated with the Arctic federations. Many have moved on to jobs in the public service and with private companies after having been trained in the co-operatives. Others have opened private businesses, sometimes competing with the co-operatives.

## **Contributions to Community Building**

The following section identifies lessons learned from eleven cases studies of Aboriginal co-operatives. The sectors represented in the case studies are reflective of where the greatest number of Aboriginal co-operatives were found at the time of the study—predominantly in the retail sector, with potential for strength in housing, fishery, financial services and the natural resources sectors. Social co-operatives (health care, child care, medical care) have as yet not been developed, but this sector holds potential for development. Table 1 identifies the criteria utilized in the selection of the eleven case studies.

### *Origins*

The Aboriginal co-operatives included as case studies grew out of needs not currently satisfied or provided in

an unsatisfactory manner by existing organizations.

The need for a decent standard of housing and a sense of community, for example, led to the formation of the Native Inter-Tribal and First Nations Housing co-operatives in London, Ontario. The desire for more affordable and traditional food sources, along with a strengthened community, resulted in the creation of Neechi Foods Co-operative Limited in an inner city neighbourhood in Winnipeg.

The primary objective for establishing Caisse Populaire Kahnawake was to keep large influxes of seasonal wages in the community, and to enable Kahnawake First Nation to access credit and loans using their own lending criteria and rules.

The Anishinabek Nation Credit Union was established as a solution for Anishinabek Nation communities that had for many years experienced difficulty borrowing funds for economic development and other projects. Anishinabek Nation communities had not been well served by government programmes or conventional financial institutions.

In Nova Scotia and British Columbia, a scarcity of employment opportunities led to the formation of the Apaqtukewaq Fisheries Co-operative and Wilp Sa Maa'y Harvesting Co-operative respectively. In the more remote regions, where service delivery is provided by few if any businesses, the Akochikan, Ikaluktutiak, and Amachewespimawin co-operatives were formed by community members to increase competition and assert control over local economies.

Co-operatives in the Far North were started generally within Inuit, Inuvialuit, and Dene communities to provide competition for existing food merchants and to ensure that pricing of consumer goods fairly reflected costs. They also were established to provide for the controlled marketing of Aboriginal art. Subsequently, the co-operatives have expanded to meet numerous vital needs of Arctic communities, including snowmobile sales and repair, hotel accommodations, post offices and cable service provision.

### *Impact on Community*

Previous studies<sup>8</sup> examining the impact of co-operatives on communities have identified particular benefits associated with the formation of co-operatives in the following three areas: building/ strengthening physical infrastructure, building/strengthening personal infrastructure, and building/strengthening social infrastructure (social capital). An analysis of the eleven case studies found similar benefits.

*Building/Strengthening Physical Infrastructure* Co-operatives contribute to the development of the physical infrastructure—roads, telecommunications, services—of a community through the construction of facilities and provision of services inadequately or not currently provided by government or the private sector.

Within the remote North, co-operatives such as Ikaluktutiak offer retail services to provide food and housing essentials to the community, as well as other services—cable hook-up, for example. Through operating hotels and a craft-

marketing co-operative, they provide employment as well, while facilitating the development of the tourism industry. In response to the lack of infrastructure in Nunavik, Puvirnituq Co-operative offers a group of services to the community, including cable, banking, consumer loans, and insurance, in addition to a hotel and courthouse as well as a general store.

Apaqtukewaq Fisheries Co-operative manages the Chapel Island Band oyster-processing facility in Arichat, Nova Scotia, and is exploring the feasibility of opening an oyster-processing facility on reserve, further strengthening the reserve community's ability to provide employment.

Anishinabek Nation Credit Union facilitates the accumulation of savings, creating a source of credit for its members, as well as providing a full range of financial services not otherwise available through conventional financial institutions.

The Kahnawake First Nation had not been well served by the traditional banks, which often had little or no awareness of Aboriginal laws and culture, and had been reluctant to do business in the community. The criteria for granting loans—stable and permanent employment—was not consistent with the seasonal workforce living on the reserve in winter, and working construction sites during the summer. The lending rules established by Caisse Populaire Kahnawake recognized the cultural realities of the First Nation, thereby providing a mechanism to support personal and business loans, assisting with economic development in the community.

Native Inter-Tribal Housing Co-operative and First Nations Housing Co-operative in London, Ontario, vigorously addressed the need for the Aboriginal community to have input into and improved control over the quality of housing available to it within the city. Native Inter-Tribal Housing Co-operative has grown from twenty homes in 1983 to sixty-two in 2000. First Nations Housing Co-operative has added forty-two homes to the co-operative since its incorporation in 1987. Demand continues to far exceed the number of houses available in the co-operatives.

*Building/Strengthening Personal Infrastructure* The development of individual leadership (personal infrastructure) within a community has been demonstrated to be one of three aspects critical for the development and maintenance of vibrant and entrepreneurial communities. Education, training, and leadership development are central to principles of every co-operative, and examples within the Aboriginal co-operatives support the critical role leadership development plays in the success of the organizations. In addition to receiving training on the role and responsibility of a board member, members of the Native Inter-Tribal Housing and First Nations Housing co-operatives have gained life skills from their involvement with the co-op's various committees.

The Caisse Populaire Kahnawake has invested considerable effort in training its employees, with the assistance of the Fédération des caisses populaires Desjardins de Montreal et de l'Ouest-du-Québec. Most of the employees had never worked in a financial institution

before, so the caisse offered them complete on-the-job training.

Young people seem to be attracted to the jobs provided by Puvirnituk Co-operative, and regard the training programmes offered by the Fédération des coopératives du Nouveau-Québec via the local co-operative, as a source of personal development.

Participation in management training programmes available through Arctic Co-operatives Limited, as well as the opportunity to take part in leadership training and the democratic processes involved in running a co-operative, have contributed to the fundamental skills required to move on to positions of leadership in the newly formed Nunavut government. A large percentage of members participating in a human resource development initiative offered by Arctic Co-operatives Limited in the early 1980s went on to become hamlet managers, housing association managers, and Members of Parliament. At the time of the study, ten of nineteen sitting members of the Nunavut Legislature had significant experience and training within the co-operatives.

*Building/Strengthening Social Infrastructure*<sup>9</sup> Co-operatives enhance opportunities for the development of social capital within Aboriginal communities. By working through Arctic Co-operatives Limited, remote communities have accessed not only a broad network of suppliers for products and services, but they have also absorbed new ideas, training programmes, and managerial expertise not easily available in the North. On a local level, Arctic Co-operatives, in addition to the employment they have provided, have markedly

increased the capacity of people to understand effective business practice, to assess economic activities, to reach consensus on complex issues, and to contribute to community economic and social development.

Inuit co-operatives in Québec not only met the Inuit's needs for consumer goods, but also, above all, they created a sense of belonging. From as early as 1971, the co-operative movement supported the idea of an autonomous regional government in Nunavik. Caisse Populaire Kahnawake was the first banking institution to introduce a system of guarantees adapted specifically to the Aboriginal community. Under this model, known as a "trust agreement," trustees are used as third parties when loans are guaranteed. Because the trustees are members of the Aboriginal community, they may receive land as security and sell it to reimburse the caisse, in the event the borrower is unable to repay. The trustees are all volunteers and are politically independent—not appointed by a federal or provincial agency, or the band council.

The Caisse Populaire Kahnawake has contributed to the development of social infrastructure by providing a mechanism to contain and recirculate financial resources within the community. With the support of the Desjardins federation, management training and technical support are made available, enhancing the ability of the community to access additional resources to further economic and social development.

The founders of the Anishinabek Nation Credit Union believe that having their own financial institution is essential to achieving the goals of more

self-reliance, more independence, and more self-government. In support of that goal, the slogan for the credit union is "Put your money where your Nation is." In their words, "We have to use our own money to invest and start it up. We need to deposit our own savings in the credit union so it can continue operating. We need to borrow money from our own credit union so it can make a profit." In typically co-operative fashion, forty-three Anishinabek First Nation communities pooled their community and individual resources to build an institution that each of them on their own was incapable of establishing.

Co-operatives enhance social capital by the ways in which they contribute to their communities. Members of the Native Inter-Tribal Housing Co-operative developed an Urban Native Parents' Association, which was instrumental in having the Native language taught in the neighbourhood school. The co-op also provides space for community activities and administrative assistance to other community groups. Akochikan Co-operative has held many successful socials within the commu-

nity, strengthening social ties among its members.

In every co-operative studied, there were examples of how they provided a means for advancing Aboriginal traditions, whether it was offering a chance for employment in traditional pursuits, or emphasizing traditional foods, language, or cultural practices. All have strengthened social relationships, thereby contributing to the development of social capital.

## Conclusions

This paper has summarized a substantial record of accomplishment by Aboriginal co-operatives in Canada. Aboriginal co-operatives contribute to the development of physical infrastructure within communities; personal infrastructure is enhanced through education, training, and leadership development; the development of social capital builds capacity and further strengthens Aboriginal communities. Considerable potential exists for further development of co-operative enterprise among Aboriginal peoples in Canada. □

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## Notes

<sup>1</sup> This paper is based on the findings of a study of co-operative development in First Nation, Metis, Inuit, Inuvialuit and Dene communities across Canada. The final report, *Aboriginal Co-operatives in Canada: Current Situation and Potential for Growth*, was prepared on behalf of the Canadian Co-operative Association and le Conseil Canadien de la Coopération. It was made possible through funding from Indian and Northern Affairs Canada and the Assembly of First Nations. The full report, jointly authored with Dr. Ian MacPherson, is available in hard copy from the Centre for the Study of Co-operatives, and in PDF format on their website, <http://coop-studies.usask.ca>.

<sup>2</sup> *Comparison of Social Conditions, 1991 and 1996* (Ottawa: Indian and Northern Affairs Canada, 2000).

- <sup>3</sup> “Economic Development,” in *Report of the Royal Commission on Aboriginal Peoples* (Ottawa: The Commission, 1996).
- <sup>4</sup> See for example *Wahbung: Our Tomorrow*, Manitoba Indian Brotherhood, 1969; *Scone Report*, Northwest Territory Councils, 1989; *Economic Development among the Aboriginal Peoples in Canada: The Hope for the Future*, Robert Brent Anderson, North York: Captus Press, 1999; *Building a Sustainable Future*,” Inuit Tapirisat web site, (<http://www.tapirisat.ca>), January, 2001.
- <sup>5</sup> The author is confident that this number is significantly understated, partially due to difficulties associated with identifying co-operatives as Aboriginal. A co-operative has been classified as Aboriginal if it is located in a predominantly Aboriginal community, if the membership or customer base is predominantly Aboriginal, or if the co-op is owned and/or controlled by Aboriginal peoples. Only co-operatives that are formally incorporated as such, have been included in the data, although the author is aware that there are some Aboriginal businesses that are not formally incorporated as co-operatives but, in essence, follow co-operative practices.
- <sup>6</sup> The term “Aboriginal” has been used to refer to all people who consider themselves descendents of the first human beings to inhabit Canada: i.e., Amerindian peoples (status and nonstatus), Inuit, Inuvialuit, Innu, and Metis. The term “First Nation” has been used to refer to status Amerindians associated with the Assembly of First Nations.
- <sup>7</sup> *Socio-Economic Profile of Aboriginal Co-operatives in Canada*, in *Aboriginal Co-operatives in Canada: Current Situation and Potential for Growth*, 2001. Centre for the Study of Co-operatives, University of Saskatchewan. Co-operatives provide a report on a variety of measures on a voluntary basis to the Co-operatives Secretariat, Agriculture Canada. Those reports (77 of 133 identified Aboriginal Co-operatives) have been utilized to compile the Socio-Economic Profile.
- <sup>8</sup> Lou Hammond Ketilson et al., *The Social and Economic Importance of the Co-operative Sector in Saskatchewan* (Saskatoon: Centre for the Study of Co-operatives, 1998).
- <sup>9</sup> Social infrastructure is also referred to as social capital. Unlike other forms of capital, social capital is not a single entity but a variety with elements in common. It is brought about through networks, social norms, and social trust. Community members develop social capital only through co-operation and mutual aid.
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## Case selection criteria

Case Study	Region	Location			Sector	Date Incorporated	Size			Status	
		Rural	Urban	Remote			Members	Sales	Employees	On-Reserve	Off-Reserve
Arctic Co-operatives Ltd.	Far North			X	Wholesale	1982	41 retails	\$69 M	740		X
Ikaluksiak Co-operative	Far North			X	Multipurpose/Retail	1961	460	\$3 M	50		X
Caisse Populaire Kahnawake	Southern Québec		X		Financial	1987	7,000	\$58.9 M Deposits	N/A	X	
Puvimiuq Co-operative	Northern Québec			X	Multipurpose/Retail	1958	1,500	\$6 M	21		X
Apaqtukewaq Fisheries Co-operative	Atlantic	X			Fishing/Processing	1995	4	\$40,000	N/A	X	
Anishinabek Nation Credit Union	Ontario	X	X		Financial	2000	N/A	Target \$10 M Deposits	3	X	
Native Inter-Tribal Housing and First Nations Housing Co-operatives	Ontario		X		Housing	1980 1983	N/A	62 homes 42 homes	N/A		X
Akohtikan Co-operative	Prairie			X	Multipurpose/Retail	1996	1,800	\$12 M	N/A	X	
Neechi Foods Co-operative	Prairie		X		Worker Co-op/Retail	1989	7	N/A	7		X
Amadhevespimawin Co-operative	Prairie			X	Multipurpose/Retail	1972	1,000	\$4.5 M	50	X	
Wilp Sa Maay' Harvesting Co-op	Pacific	X			Processing/Production	1998	106	N/A	1		X

# People's Participation in Implementing Housing Co-operative Projects, Cultural Distinction, Emerging Trends, Factors for Sustainability: The Philippine Experience

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by Hilda Felipe-San Gabriel \*

## Introduction

The housing problem becomes perennial to the Philippine urban poor. Shortage in housing and the sharply increasing costs of housing units have come to the extent that the urban poor are unable to buy them. The current economic system, neo-liberalism is characterized by technological advancements. Job security is now an open question in the context of today's economic order. Recent developments tend to be unreceptive to the growth of communal interest from below. Middle income, more so the low income workers are becoming poorer and poorer in the context of their being unable to avail a decent and affordable place to live – a home



– a basic right to shelter has been shelved. Despite the fact that development interventions to improve the urban poor people are present to include among others: job security, employment generation in rural areas to discourage migrants to the urban centers, skills training and promotion of co-operative enterprises, and pro-

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vision of basic services, such as health, education, and low-cost housing, the efforts are not adequate.

The research undertaken served as an imperative material as it looks into how the urban poor people struggle amidst their condition, and document people's own voices and sentiments, how conflict was resolved, and how people's participation, cultural background becomes critical for both the effectiveness and sustainability of the project. Specifically, it focuses on social capital formation in the context of establishing organizations such as co-operatives that would address the need of the community the need for shelter. The research looks at insights into how communities, acting in participatory way, organize themselves and confront issues, difficulties, challenges and opportunities in trying to come up with their own housing solutions and on how these communities succeeded in the process.

Types of housing project include community-based, parish-assisted, university-based, homeowner associations, people's organization which stems from the fact that central to the issue of housing is the issue of land problem. Originally, people started to form an association with a common bond of interest, and would later on convert their organization into a co-operative to facilitate collection of monthly amortization. Later on, using the dynamics of the organization, it now becomes a co-operative way of life for the communities that were formed using the "concept of co-operative housing."

The case study done by the author is a descriptive and expository material

on the initiative of the men and women who comprise the following organizations:

1. one of the largest people's organization which evolved from a parish-based community, the Samahang Maralita para sa Makatao at Makatarungang Paninirahan (SAMA-SAMA); a peoples organization within the National Government Centre (NGC) that formed themselves into a credit co-op to beefed-up support for their move towards land tenure;
2. derivative of SAMA-SAMAs initiative, germinate another peoples organization from the NGC East Side Compound, the Samahang Nagkaisa sa Palupa (SANAPA);
3. Habitat for Humanity Philippine's Polo Transmitting Community Development Co-operative, Inc. (PTCDCI) Housing Project, uses the sweat-equity of project-beneficiaries-partners; and tapped volunteers in house building, and corporate social support;
4. the Nagkakaisang Bigkis Lakas ng Pasacola Dulo Homeowners Association (NABIGLA PO) is a member CMP-originator of the Luzon CMP-PO Network, in response to the growing need for housing facilities had community mortgage programme which are truly people initiated;
5. Baguio-Benguet Community Credit Co-operative housing project;
6. NATCCO-member affiliate with housing co-op projects in Visayas and Mindanao; the Mindanao State University-IIT Employees Multi-

Purpose Co-operative (MSU-IIT EMPC);

7. Couple's For Christ Gawad Kalinga Project; church-led project envisioning to help the marginalized acquire a decent place to live and provide livelihood assistance;
8. the faculty members and non-teaching employees of the country's premiere state university, the University of the Philippines, who formed themselves into a UP Employees Housing Co-operative (UPEHCO).

All cases presents "a community" examining their own housing problems and looking for possible solution to the problem by implementing and sustaining housing projects. It presupposes community participation processes in the stages of the project. Community participation can be expressed as the empowering of people in terms of their acquiring skills, knowledge and experience to take greater responsibility for their development.

Given the factors and indicators of successes in the people's initiatives and undertakings, the theory suggests the possibility of project replication. In the final analysis, the research offers an important substance for social movements in their popular struggle.

An analysis of these experiences has been used to derive the following lessons. Mass of urban poor present especially in slum area is widely perceived as equivalent to the mushrooming of squatters and the problem of lack of mass housing for the poor. This circumstance of lack of housing for the poor is but a manifestation of poverty that is prevalent in the coun-

tryside that drove people to seek "greener pasture" in urban areas because of the relatively low or no job opportunities in the countryside. The entirety of the problem served as a wake up call to focal point the development of the countryside.

## **Demystifying the Urban Poor**

There are 76.5 million Filipinos (as of May 2000, National Statistics Office) and approximately 20 million of them are urban poor. Urbanization level in the Philippines is placed at 11.1%. The phenomenon of urbanization is a product of a massive exodus due to extreme poverty in the rural areas. They live in slums and squatter areas. The life of an urban poor is miserable. They, in general pay more for their basic services. They live in breeding grounds of deadly diseases mostly affecting children and women. Infant mortality rate is 410 per 1,000 live births in the slum and squatter areas while 76 in non-squatter areas. There are approximately 7,000 per 100,000 TB patients in the squatter areas. Problems to access to safe water and sanitary toilets are also a major concern.

The phenomenon of the urban poor is a direct by-product of various forms of exploitation being suffered by 90% of peasants in the vast rural areas of the country. Peasants constitute 80% of the present 20 million urban poor and their continuing exodus from rural to the urban areas will not cease but still continuous to accelerate as urbanization spreads. Consequently, urban workers, composed by the employed, underemployed and unemployed as well as the vast number of semi-workers.

Since land is monopolized by a few big landlords, peasant families pay various forms of rent. Many are still landless, most owner cultivators and tenants have to work part time as seasonal farm workers, marginal fisher folks, carpenters or tricycle drivers, with an income of about a P50-70 pesos or a dollar a day, this harsh reality pushes 90% of peasants into utter destitution. As of year 2000, 7 out of 10 farmers are still landless, and worst they are often victims of all forms of usury and monopoly in terms of production inputs. On one side, the government's agrarian reform programme in its implementation of Comprehensive Agrarian Reform Programme has achieved way below 40% of its target. Worst is the continuing threat of exemptions, conversions of agricultural lands distributed or is still in the process of distribution, cancellation of certificate of land titles and emancipation patents still abound. More often than not, these unskilled, illiterate and semi-literate migrants find their ways in the squatter areas.

### **The Responsibility of the Government**

The Philippine government has embarked on three major socialized housing programmes: first, Community Mortgage Programme; second, the Retail Home Lending Programme of PAG-IBIG or the Home Development Mutual Fund; and third, the Resettlement Programme. Defining these three socialized housing programmes as categorized would give an over-all picture of:

- 1) Community Mortgage Programme is considered to be the most affordable option with a monthly amortization of up to Philippine Pesos 159.00. Communities need to organize themselves first to avail of a loan to buy the land on which they reside. Credit is payable for 25 years with a 9-12% interest.
- 2) Retail Home Lending/ Home Development Mutual Fund is a lending programme for low-income members. It requires a two-year membership and a regular employment for borrowers, typically, workers, teachers, and soldiers. Non-members and informal workers are therefore excluded. Average monthly amortization is Philippine Pesos 1,650.00.
- 3) Resettlement seems to be the government's primary response to the housing problem. While most households could hardly cope with the initial amortization of Philippine Pesos 400.00 a month, this figure increases by Philippine Pesos 200.00 every year for five years. On the sixth year up to the 30th year, the relocates would be paying Philippine Pesos 1,200.00 a month. The Direct Housing Programme which is done primarily by the private sector and the Local Government Units through a joint venture arrangement with the National Housing Authority could be considered as an effort to address the problem, aside from President Gloria Arroyo's initiative on facilitating the fast processing of housing requirements,

under Executive Order 45 “*Prescribing Time Periods For Issuances of Housing Related Certifications, Clearances, and Permits and Imposing Sanctions for Failure to Observe the Same.*” Executive Order 45 has the potential of solving a big aspect of the procedural bottlenecks in housing project application processing. The immediate issuance of these implementing guidelines and information dissemination complementing scheme should be the main concern.

## **THE PEOPLES’ HOUSING SOLUTION:**

### **Peoples’ Inventiveness in Approaches**

Inventions and struggles go together as a means so people would live and would have a place to live. Individually it has been proven, that it’s a herculean task, collectively, it is even harder due to cultural differences. The cases demonstrate that there are significant dissimilarities in the way housing initiatives started and follow through. These differences reflect levels of economic development, culture, local history. The approaches used by the urban poor and low-income earners vary; one uses the co-operative housing concept and the other, and the community mortgaged programmes. In the process the various types of housing project becomes synonymous in their benefit from social capital, sweat equity, and the community resources – such dynamics proved advantageous in the organization.

Housing project’s social orientation reaffirms the following:

- 1) cultivates self-help,
- 2) decent accommodation at low cost,
- 3) security of occupancy, members savings mobilization,
- 4) ensures quality on improved standards in housing,
- 5) creates amenities,
- 6) reduces speculation,
- 7) creates suitable environmental conditions, and
- 8) fosters community participation and development.

Housing projects may be perceived as initiatives of nongovernmental organizations that serve as conduits in the transformation of communities to avail housing projects. The cases highlighted the paradigm of *housing project for the poor as a viable option in the development of housing project with a strong sense of community participation*. If the objective of a project is to encourage ownership and responsibility, then it will be important to monitor how people’s participation in the project evolves over time from an initial more passive involvement to eventual active participation and responsibility. Indeed people’s participation is critical for both the effectiveness and future sustainability of the project. People’s inventiveness and participation recognizes empowerment. The study convoluted on the experiences of urban poor people that strive to bring about the conditions in which evocative democratic organization can exist.

### **Education and Orientation Components**

The education component of the project serves as a strong move and an effective tool to correct misinterpre-

tations on the projects and services being offered by the organization. Findings in key informants interview and focus group discussion revealed that majority of the members have a very high interest and participation during the building and construction of the houses.

Continuous education for members of the coop using seminar modules for housing co-operatives has been in placed along side with its aggressive information dissemination campaigns. Their orientation manual has the following components: 1. *Organizational principles in general*, 2. *Housing co-operatives/housing project structure*, 3. *Mortgage servicing*, 4. *The proposed by-laws, that deals with the specific rules reflecting the organization's culture, distinct history and direction*.

The housing project therefore, can be gauged as successful in using consultation, assemblies, meetings, and sense of involvement of the community membership in the actual project. Seminars, and technical, and skills training of members were dynamically done using the expertise of support and advocacy groups. Later on, the POs/COOPs are the one's conducting their own seminars.

## **Vibrant Community Participation**

The intensity of people's involvement is based on their individual aspirations. An aspiration is rooted in responding to a basic necessity—the need for a decent place to live. In this context, where housing project is a paradigm, a second look as an alternative to a structure needs to be assessed

in as far as how it was formed and what are the factors that made it successful.

A large degree of the process, on the other hand, which are qualitative in character have been explained and translated to achieve an understanding of how the transformation took place from the organizing nucleus, to the design and development of the project. The Philippine culture of *Bayanihan* and *Kapitbahayan* are felt and practiced by all communities in the study. The people carry out the concept of sweat-equity. In the development and implementation of housing projects, what provide members with the basis for their direct involvement in development initiatives include: *mobilizing members to unite on the housing issue and to struggle towards its concretization, meet and seek consensus on important issues, organize formal and informal gatherings to facilitate discussions and draw concerns of members, expansion of membership base, disseminate information actively through channels, and continuous education programmes skills-and-issues-based. Site search, construction and improvement, land development focus on the over-all community development concept. Devising short-term gestation projects that give way to longer-term programmes such as savings mobilization co-operative formation, livelihood projects in the housing site, day-care centers, coop health clinics/centers, and the conduct of teach-in programmes for the children of the members of the organization.*

Census conducted by community volunteers, engineers and surveyors in the area have been tapped. The maximization of community waste and

sanitation management, and environmental concerns (cleaning the immediate surroundings, planting trees) has been brought to the fore. Each community family constructs a septic tank and an allocated for the garbage depot.

Crime busting uses community security volunteers, employing a policy of shifting on security roving on the assigned area and implementing curfew.

### **The Politics and Secondment from Supporting Agencies**

The political nature of housing projects makes relationships with local leaders crucial to the success of the project. A strong political support is needed to the implementation and sustainability of the housing project. It relates to relationships with local leaders, cooperation across sectors and re-allocation of resources that are all critical to bring about changes in the project. Strong political support is essential to the implementation and sustainability of housing project. Inputs of non government organization working in the communities served as models of community participation which evolved with biased to local traditions.

### **Internal Strengths: Effective Leadership and An Efficient Secretariat**

Consistency in the leadership is important. Leadership assists in continuity and is often a feature of sustainable and effective projects. Effective leaders are those who can work with

people from a diversity of sectors and with community members. Conflict-resolutionist in nature, community leader facilitates, and serves as an inspiration and an ideologue to the people in the community. Vibrant, enthusiastic, and with good communication skills are also attributed to the community leaders. As leaders represent the community in numerous rallies and dialogues, negotiating skills and willingness to question existing practice necessitates as an advantaged leadership skills. Women leaders play a major role. Maternal role model-leader has had its positive effects in organizations especially in responding to domestic needs and familial concerns.

### **External Support and Advocacy Groups**

Crucial to the success of these initiatives is the external support from national coordinating units, and international development institutions agencies. Advocacy work is a tool for people/community empowerment as it is a mechanism whereby community members are mobilized to collectively act on issues that they encountered and resolved the same by exerting pressure on specific targets such as government agencies and individuals. It increases the people's bargaining power in the sense that their collective strength is realized when acting on specific issues that needs to be resolved, collective action is a manifestation of unity and as such issues that are resolved as a result of collective action is more empowering and it can only be achieved through conscientiousness of masses doing sus-



tained advocacy work. Institutional support from other funding agencies has been tapped by all the communities.

### **Constant Monitoring and Evaluation**

The benefit of evaluation is to assess the effectiveness of the project. Evaluation requires more critical reflection on the challenges posed by the projects and the reasons for successful initiatives. It is significant to monitor how people's participation in the project evolves over time from an initial non-involvement, to a relatively passive involvement, and would later be to eventual active participation. The monitoring and evaluation of people's participation would have to do with the output of the project, its impact and influence. It therefore, involves some concrete outcomes which are visible and are quantified, and which can be eventually measured. Fundamentally, there is a need to know what has happened as a result of the people's involvement. The monitoring of people's evaluation would have to do with the output of the project, its impact and influence. This involves concrete outcomes which are visible and are quantified and which can be eventually measured such as number of house and lot units awarded to member-beneficiaries, and financial standing or viability of the project.

### **Ensuring Sustainability of Peoples Initiatives**

Crucial factors to the housing project include community ownership, maintaining political support, and community commitment. Sustainability

depends on keeping the values, vision and concept. Local resource mobilizations and micro-credit schemes and co-operatives would allow economic sustainability of members of the community. The tasks undertaken differ significantly with development levels. In poorest of the poor areas, the provision of clean water and sanitation and basic urban infrastructure are of utmost importance, otherwise, an outbreak of air-and-water-borne-diseases. The typical arrangement in the organization that has been studied was that if a member fails to pay the house that he or she has availed or could not pay the loan amortization, she or he may be evicted from the house and lot that he or she got. Encouragingly, the officers of the Homeowners Associations and Co-operatives ensure the members on this aspect.

Government should therefore, reassess its urban planning capacity. It ought to recognize and support the roles played by co-operatives, individuals, private voluntary organizations, corporations, and civil society, that pursue alternative housing projects by institutionalizing it, providing incentives, and extending financial mechanisms and technical support. It is exasperating to expect more from an institution that has futile performance in the field of housing the poorest sector of society.

Housing project sustainability depends on various factors, of utmost importance and is central to the people involved, their financial standing, their capability to pay. Another aspect of project sustainability in housing co-operative project is the fact that

members do not have to feel the pressure of being evicted because their share contributions in the co-operative serve as their collateral.

Microfinance schemes such as co-operative credit formation and the like ensured peoples livelihood and additional capital for their informal businesses. Internally-generated funds were sustained by recruiting additional members and continued capital build-up. Such generation of funds served as additional sources of capital for future housing project sites. Member's contribution in the form of share capital was extended to the development of their housing units up to the land development. Self-build houses were facilitated by the POs using the savings that were generated from volume of units that more affluent would build. Financing is a major concern in the delivery of housing services. It is where the government is expected to provide for the poor the utilization of developmental and housing materials loans. And making such loans accessible with a complementing easy payment schemes. Institutional development concentrating on the creation of Department of Housing and Urban Development) would boost the existing housing framework and the initiatives of the people. This context should further pushed the government to involve POs, HOAs, Co-ops in the conceptualization, and implementation of its housing initiatives. Relocation, demolition that has caused the lives of many urban poor leaders should bring to an end. Since, housing initiatives has been concretely felt and seen as advocated by NGOs, institutions

and civil society groups. Idyllically, all sectors should enjoin in preventing illegal demolition since it is inhumane.

## **Models of Successes and Learning Institutions**

In substance, the housing project initiated succeeded as espoused by Community-based Associations, People's Organizations and Co-operatives which are society based formations in general, characterized by trust, reciprocity and mutuality. Their processes help people to understand their needs and abilities and that their markets take up the character of the culture and social structure in which they operate.

Their sociopolitical and economic dimensions have created a broad consensus for social change and have brought together formal and informal alliances between interest groups in society which could help bring about structural reforms. The housing project challenges the technical expertise of the officers and required the maximization of skills of members and their representative leaders.

The non-technical people however were maximized in their respective lines of work, namely, marketing the housing project and information dissemination and community organizing. Indeed people's participation is critical for both the effectiveness and future sustainability of the housing projects. It will be vital that its evaluation should be built into the project's monitoring and evaluation system.

Approaches to monitoring and evaluating people's participatory development

not merely on quantitative measurements and instead, concentrated in focal pointing the qualitative measurements which are processes. Essentially, there is a dire need to know what has happened as a result of the people's involvement. The examination of people's participation would have to do with people's efforts in confronting issues and the lack of security of tenure, and getting consensus on issues and mobilizing their own ranks to address various issues at a given period. The monitoring and evaluation of peoples own initiative as they narrate it and as it is being documented is an honest appraisal of how they view, monitor and evaluate their own development. Illustrating the participation and involvement of an urban poor organization that has emerged out of the inherent threat of dislocation and insecurity of land tenure in an urban setting, and to address a common need, should constantly be monitored and evaluated to serve as learning institutions and models of successes.

Community involvement happens at all stages of the housing project. The qualitative character of participation focused on the transformation that took place from member's non-participation at the start of the project, and a level of inhibition. But such initial passive character was overpowered by members' attendance in meetings that puts forward in the agenda the design of the house and the site where the houses will be built, and other components pertaining to project implementation. This development process requires time and resources because of the concept of peoples stakeholdership as it take account of the peoples interests

and struggles. It is high time that the peoples organization's housing projects initiatives paradigm be considered so that the poor sector of our society can avail of the constitutional rights of citizens to have a decent place to live.

Indeed, the project if managed and operated by people's organizations, given its dynamics and benefits, with less government intervention, is worth replicating. The next generation should learn the commendable output and harvest of the men and women who initiated the housing projects employing communal responsibility, and utilizing shared community resources, expertise and skills.

## **A Call for Peoples Participation**

Where the need for mass housing is palpable, the call is for everyone to participate. The problem of housing the poorer sector of society, as it is rooted in the issue of land security. Therefore, has to be dealt with urgency. Being able to work on a project, developing a stakeholder's esteem is what makes organization tick. When people are able to surpassed challenges within, overcoming such, and seeing their capacities as a group. These dynamics is what make peoples organization cohesive, as it is anchored on the collective strength of people. Such strength of people is reflected in their participation in crafting their own destiny. By virtue of their internal dynamics, communities are empowered to solve their own problems, and their liberating potentials are enhanced.

The housing project is a technical, as well as an economic social activity. Development means more than participation in economic benefits. It is a process that ranges from information, consultation, to local people's ownership of and responsibility for the development initiative. Development should intensify and emphasize the level of enjoyment of basic family rights as well as uplift the human condition and the quality of life itself.

People's participation is a battle cry. It centers on the active involvement of grassroots communities in whatever undertaking that is aimed at uplifting and developing the socio-economic, political and cultural well being of the people. Participation takes place in reference to the idea that the government has the responsibility to provide direction in the development of the society and as such the people's involvement in what ever direction the development should go should be a major consideration because of the fact that the main reason for underdevelopment of communities be it at the rural or urban setting is the lack of people's participation.

Participation or the lack of it, takes off from the standpoint that any vision for development is not the sole responsibility of the government, as such people's participation becomes a necessity because of the fact that any development shall accrue to the people and without them taking part in the process renders development futile. It is therefore appropriate to view participation in the context of government providing a venue for it, however, it becomes more empowering on the part of communities that

they are the ones coming to terms with the kind of participation they wanted to be involved in. Meaning, tokenism and not being able to proposed and advocate their experiences in their communities is not participation at all. People's initiative differentiated from participation tells of a situation wherein communities acting collectively on their own to achieve a common goal of either attending to community issues or strategic issues such as land tenure security and housing by doing what they can, with what they have, without necessarily seeking legitimacy from government as long as they can visualize, and implement the same with the participation, and cooperation of each and every member of the community.

To promote people's participation, as in concretely be seen in sweat-equity concept, to people's engagements, from land acquisition to the progression of the housing project, is to be an explicit objective of a development programme, then both its outcome and effect will need to be both monitored and evaluated. It is an approach to evaluating people's participation, with its fastidious methodology that could be used across a whole range of development projects.

It is paramount to emphasize that participation in development means more than participation in economic benefits; it is a process that ranges from information, consultation, to local people's ownership of, and responsibility for the development initiative. If the objective of a project is to encourage ownership and responsibility, then it will be important to monitor how people's participation in

the project evolves over time from an initial passive involvement to eventual active participation and responsibility. Under these circumstances and given the intractability of poverty and inequities, sectors with the natural strength can help rebuild communities and cities in a sustainable manner.

## Summing-up

The global effort to make our cities and communities accessible, safer, healthier, more productive and sustainable has come to the fore from the co-operative movements of the world including the Philippines. About one billion people live in health-and-life threatening situations in slums, ghettos, or depressed areas in the cities of the world. Nearly half of the world's populations live in cities. Social scientists estimated that more than two-thirds of all people will be city dwellers by the year 2005. The Habitat City Summit and the succeeding world conferences served as vital step in the globalizing movement and efforts to focus on the communities and human settlements which we make and which we decide.

The Philippines has 80 million people and with a current growth rate of two and a half percent per year, two million Filipinos are added to the Philippines' population each year – one million of which reside in cities and towns. More than twenty percent of the additional urban population will be living in Metro Manila – the National Capital Region is the 16th largest mega-city in the world

As for rural to urban migration as one of the many causes of over popula-

tion, the need to focal point development in the countryside should be given priority, along with delivery of basic services to the urban poor populace.

There are about 14 million urban poor whose lives need to be improved through better jobs, adequate services, healthy environments and opportunities for advancement. The rural poor equally deserve the same benefits. Efforts in the past to address this concern proved to be inadequate. The Philippine government embarked on the «social reform agenda» with major reforms focusing on: 1) meeting the basic human needs utilizing their own energies with minimum government assistance, 2) widening their share of resources from which they can earn a living and increase the fruits of their labor, and 3) enabling them to effectively participate in the decision making processes.

The radical concept of poverty alleviation that developed strategies that would eventually fulfill the basic needs of the poor and hopefully would effectively deliver service. The establishment and holding of national anti-poverty summit and its respective commissions has been an overwhelming effort of the government to address the problem. Still the programmes fall short. The inadequacy has been felt strongly in large cities.

This is where the people's organizations, non-government organizations, and co-operatives, the private sector plays as an important tool. Developmental non government organizations work hand in hand in providing capacity-building programmes to bene-

fit their member-owner, disadvantaged groups, marginal sectors and the urban poor.

The Philippines co-operative movement are shaping and charting its own development not only to improve the quality of life of its members but also to ensure its shelter requirements. With the experiences of starting with credit co-operative and simultaneously forming capital for the guarantee of their members sustainable community.

Co-operative organization becomes an essential factor in people's participation in land and housing issues. The co-operative become the people's voice, identity and culture. People want a place to live, they get it through the co-operative organization.

The emergence of organizations addressing the problem of securing a place to live became the focus of the co-operatives that are providing housing services. The life of these associations, its struggles and gains are worthy of a second look. The alliances they create, the systems they make, the organizational dynamism, collective leadership, and active membership played crucial in the impact of the housing project.

Multi-sectoral participation increase rapidly as the problem of housing lingers.

Through the various support, housing is now viewed as a social responsibility. It is but a call to the government to provide financial mechanism or to cut bureaucracies in the processing of papers, encouragement by giving concrete incentive to private and co-

operative sector participation, provision of government lands for with the President's proclamation to low cost housing, and the promotion of co-operative housing. Thus, further advocating for the need to review the Philippines housing and urban development act. It is paramount to emphasize that people's participation in development means more than participation in economic benefits; it is a process that ranges from information, consultation, to local people's ownership of and responsibility for the development initiative. If the objective of a project is to encourage ownership and responsibility, then it will be important to monitor how people's participation in the project evolves over time from an initial more passive involvement to eventual active participation and responsibility.

The provision of infrastructure and basic services to meet increased demand is another urgent concern that these sectors attend to. Through public-private partnerships and the expansion of participants, localization and promotion of community participation has widen. Systems and methods have been uniquely designed by these people's organizations, co-operative groups that encourages their active participation, from project conceptualization — to implementation. The self-help concept and mutual aid is a precise demonstration of this people's initiative.

Capital formation from the co-operative has been tremendously improved through the credit operations that they operate. This is done with the presence of check and balance, internal and external auditing, and the

presence of control mechanisms. Such build-up and pooling of resources served as capital based of co-operatives in their housing project, specifically, generating members contribution and equity for the co-operative housing project.

Tapping private institutions, school-based and corporation-based, which served as volunteers, has been benefited from by the co-operative organization. These volunteers provide manpower in the construction of houses, and building materials.

Sweat equity and volunteerism are all social capital that has been maximized in human settlements. The presence of human resources tangibly seen in many non government, people's organizations and co-operative housing initiatives through "sweat equity" should be given value. Sweat equity and volunteerism served as emerging trends in the co-operative movement which are all rooted in the "bayanihan concept" that Filipinos are known for. The culture of helping one another in the community and is also renowned as a national symbol of unity.

Involvement in co-operative activities, people, who are member-owner themselves, begin to realize what the co-operative organization can do from conceptualizing the housing project, to mobilizing all their resources, implementing the project, and sustaining the momentum. Indeed such are the wonder of what the organization and united action can accomplish.

The steps when enumerated in detail would give us an over-all picture of conscientious progression of community participation and empowerment:

block identification, visual structural survey, census verification, authentication of members eligibility, planning design, approval of design, community discussion of design structure, preparation of subdivision plan, land development, housing structure development, movement of residents to the newly-built houses, preparation of certificates of ownership, awarding of certification, amortization of respective housing units, and the development of co-operative support systems such as playgrounds for children in the community, co-operative school, co-operative market, and co-operative clinics.

Community census as a pre-requisite of the housing project has been dynamically done using community volunteers, and generating resources to conduct such has been faultless. Intra-community dynamics which include waste management, reblocking processes and uniformity of housing construction, crime busting techniques and volunteerism has been effectively done. Fund generation initiatives to serve as community fund reserve has been in placed.

A process on community empowerment through housing co-operativism have transformed the way in which people of various social standing interacted and supported each other, thus, creating economies of scale.

The moral fiber of the organization can be traced from its leadership. Co-operative practicing its dealings in participatory way solicits active member's involvement in all aspects of the housing development. Such conscious efforts of the women and men that lead these people's organisations, and co-

operatives into what they are now, their valuable contribution, their dedication, expertise, commitment, and selflessness, their profiles and their leadership styles deserve a commendation.

The initiatives and tremendous efforts exerted by the members of the co-operative to cope with their family's daily expenses and the way the members of the co-operative place value on thrift and savings for worthy and beneficial projects is worth replicating, and propagating.

When people are able to surpass challenges within, overcoming such, and seeing their capacities as a group. These dynamics is what make peoples organization cohesive, as it is anchored on the collective strength of people. Such strength of people is reflected in their participation in crafting their own destiny. By virtue of their internal dynamics, communities are empowered to solve their own problems, and their liberating potentials are enhanced. Ultimately, the silhouette value of self-

help labor concretized as sweat-equity should be accounted, mathematically computed as an element of total investment in housing by the members of these co-operative societies, and peoples organizations. Expound, intensify and deepen the co-operative community practice of such model could serve as strong foundation for the future.

This can be exemplified by enhancing and living the co-operative way of life – the presence of co-operative community. It should be supplemented with continued promotion of community and co-operative consciousness through seminars, community meetings and focus group discussions. Existentially, and has been proven include “community-mutual-help-projects” which involves digging trenches for water mains, road concreting, obtaining building materials and soliciting support from private corporations, promoting environmental consciousness are among co-operative qualified successes. □



# Using Co-operative Child Care to Address the Needs of Rural Residents near Affordable Housing Developments

by E. Kim Coontz and Elizabeth Esper \*



In the United States, the 2000 census found that three-quarters of all American mothers were in the workforce.<sup>1</sup> The magnitude of the labor force participation of parents with small children makes child care a social issue of

particular concern to employers, educators, community planners, child welfare advocates, and parents. High costs, quality, shortage of services, proximity to work and home, hours that accommodate work schedules, and compati-

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bility with cultural and parental values are among the issues that make child care an ongoing concern for working families. Each of these issues is exacerbated for rural residents, and intensified for low income rural residents.

In 1997, when the US federal social assistance program, *Aid to Families with Dependent Children* (AFDC) was abolished, a gradual transition began for its replacement, *Temporary Assistance to Needy Families* (TANF). Little attention was paid to the significant ideological assumptions involved in the shift from one program to the next. AFDC was founded on the ideology that young children are best cared for at home by a parent. TANF mandates that each state establish mechanisms for moving parents on assistance into the workforce. The entrance of large numbers of low income mothers into the workforce increases the need and intensifies the issues surrounding child care.

Other US social service programs are designed to assist low income families providing grants and low interest loans to housing developers who must rent the housing units to residents whose incomes meet income eligibility. A number of private, non-profit corporations specialize in the development of these “affordable housing developments” in rural communities. Many of these developments contract with other organizations to offer a range of resident services that can include child care.

## **Project Overview**

This project was launched as a problem-solving effort to investigate the feasibility of using co-operative models of childcare to expand the availability of

quality child care at or near rural affordable housing sites in California. A portion of the study focused on discerning why programs that encourage the development of child care at or near rural affordable housing developments were not showing results. It also sought to examine whether co-operative models of child care were viable methods of addressing unmet child care needs in rural communities.

The feasibility study began by identifying opportunities and impediments to the development of co-operative child care in rural areas in California. Relevant literature was examined; existing US federal and state programs involved with child care for lower-income groups, as well as applicable public and private funding sources were identified and analyzed. Interviews were conducted with those involved in low income housing, early childhood development, welfare-to-work programs, and economic development in rural communities. Interviews also helped identify rural community housing sites to include in the site specific feasibility studies.

The thirteen rural sites selected for intensive, directed study met the following criteria: 1) they were in communities with acute child care needs; 2) non-profit housing developers demonstrated an interest and willingness to assist with co-operative development; 3) the housing facility or real estate environment near the facility was conducive to co-operative development. Sites selected were all rural but varied in population size, location, and accessibility. Site-specific co-operative child care feasibility studies focused primarily on the

compatibility of co-operative models of child care with the needs and interests of parents, affordable non-profit housing developers, and community leaders. Visits to the sites helped to assess potential construction needs and costs, and to clarify existing, site-specific services. Community child care resource and referral agencies and community development organizations provided information about regional and local child care needs and existing services. Resident surveys, focus groups, and meetings were used to discern resident needs and interests.

### **Characteristics of Child Care in Rural Areas**

Rural communities face unique child care challenges that are magnified for low income residents. Population patterns, shortages of licensed child care, the special employment characteristics of parents, transportation problems, and limited education and training of both caregivers and parents combine to restrict the child care options available to rural families.

Many child care problems stem from population patterns inherent to rural communities. Because the population is small and dispersed there are fewer child care providers.<sup>ii</sup> Center-based care is rare in rural communities because the scattered population makes the care less practical and transportation problems affect parent's ability to get to and from child care centers.

Labor market and employment considerations intensify child care problems in rural communities. Rural parents often travel farther to jobs, which means they need child care for longer hours, and are

more likely than urban ones to work non-traditional hours, which narrows the child care available to them.<sup>iii</sup> In rural resort areas, seasonal fluctuations in employment causes the supply and demand for child care to fluctuate, making it difficult for child care providers to sustain a stable business.<sup>iv</sup>

Rural caregivers tend to be less educated and trained than their metropolitan counterparts.<sup>v</sup> Interviews conducted with community child care professionals and regional data on licensed facilities revealed that center-based child care was rarely available and all of the communities involved in this study had a shortage of licensed family day care homes.

The child care needs of rural parents are met primarily by informal care arrangements with kith (friends and neighbors) and kin (family and other relatives).<sup>vi</sup> When these arrangements are possible they tend to be more affordable, and they may be better able to satisfy parent's specific cultural or child-rearing objectives.<sup>vii</sup> The primary (and sometimes significant) disadvantage with such informal arrangements is that they are usually unlicensed and the quality of child care is uncertain.

### **An Overview of Co-operative Models of Child Care**

Co-operative models of child care expand the options for quality, affordable, child care available to families. All co-operative models are non-profit, democratic, member-controlled programs for children. The primary differences among co-operative models revolve around the member/owners.

*Parent Co-operatives* are the most common co-operative program for children.<sup>viii</sup> It provides center-based care and enrichment programs for member-families. The co-operative is governed by a parent-elected board of directors, who make policy decisions, and hire a program director. The program director is an expert in early childhood education who makes other personnel decisions and runs the day-to-day operation of the center.

Employers, non-profit organizations, public agencies, or other entities may choose to form a *Child Care Consortium* so that they can jointly share the costs, risks and benefits of a child care program for their employees or clients.

A *Child Care Worker Co-operative* is owned by the program director, teachers, and sometimes classroom aides. Worker-owners may hire non-member employees. By combining their energy, capital, and skills, worker-members gain steady employment and income, participate in workplace decisions, and share the business profits made from their investment and labor.

In a *Family Home Child Care Provider Co-operative* each family home remains a separate business, but decides on key elements that member-homes share in common for marketing purposes, such as accreditation and special training. The co-operative is used for marketing, to improve purchasing power through bulk buying, ongoing education, and sharing business support services such as back-up care when the provider is ill or goes on vacation.

A *Babysitting Co-operative* consists of parent-members who exchange babysitting services with one another. Parent-member control assures that the organization reflects their ideals, needs, and values. Instead of paying for services, a system of points or coupons tracks parents' use and provision of services. Babysitting co-operatives are very useful for occasional child care needs but can be problematic when used as the sole type of child care.

### **The Case for Parent Co-operatives at or Near Housing Developments**

Establishing child care facilities at or near affordable housing developments provides needed care for working families. Site-based care addresses family preference for child care that is close to home, as well as one of the significant obstacles to child care in rural areas: transportation.<sup>ix</sup>

Integrating a child care center into a housing development makes financial sense. Financial incentives and programs at various levels of government have been established to encourage collaborations between child care providers and housing developers. Such programs can be an effective strategy for acquiring difficult to access capital for construction of new facilities. Developers also gain an important resident service that can strengthen its connection to the larger community.<sup>x</sup>

In this study, site visits, results of parent surveys, meetings and interviews with child care resource and referral officials and housing developers all showed a marked preference for the *Parent Co-*

*operative*. The most appealing aspect for all groups was the parent involvement. Indeed their preference is supported by decades of independent research documenting positive child outcomes from parent involvement—including elevated school achievement, increased child IQ scores, and reduced chances of adolescent crime, pregnancy, and drug problems.<sup>xi</sup>

As co-operative members all parents are involved with making key policy decisions that affect their child's out-of-home child care experiences. Parent participation and fundraising activities cut overhead costs and bring in sources of revenue. Even employed parents with schedules that don't allow work-day participation are involved with voting, participating in fundraising and parent meetings, and contributing support to the program.

Dialogue between the parent and early childhood educator is encouraged by parent involvement in the co-operative. The ongoing, simultaneous interaction of parent, child, and early childhood educator has something to offer each member of the triad. The parent is exposed to knowledge about how children develop, problem prevention and discipline strategies, and age appropriate behavior expectations that encourage more effective parenting. The teacher benefits in the co-operative because he/she is able to implement practical elements of training and develop 'hands on' approaches to sharing this knowledge and experience. The teacher is also able to more fully know the child and his or her individual needs by sharing information with the parent. At the center of the triad is the

child who benefits from the supportive linkages of home and preschool and shares important life experiences with his/her parent.

The interaction among parents, teacher, and children promotes parent empowerment and strengthens social capital.<sup>xii</sup> As parents participate, important decisions about the co-op, review financial statements and organize events they develop knowledge and skills that help them be better parents and more engaged in civic activities. Parents come to see themselves as partners in their child's education experience and become advocates for their children once they enter primary and secondary schools. Parents in co-operatives are actively involved in establishing participation requirements. The hours devoted to working in the program are established by parents. Parents who are unable to directly participate in the classroom perform administrative and service roles. In California some 300 preschool and child care co-operatives serve about 9,000 families.<sup>xiii</sup> Research demonstrates that they provide high quality care for children. The operating ratios of California parent co-operatives exceed the standards recommended by the highly respected National Association for the Education of Young Children and the American Public Health Association.<sup>xiv</sup>

## **Challenges to the Development of Parent Co-operatives at or Near Rural Affordable Housing Developments**

This study identified many encouraging positive reasons that child care co-operatives can meet the needs of rural working families. It also identified

several challenges to co-operative development. The primary challenges identified involve financial impediments and perceptions (including misperceptions) that make some key community stakeholders reluctant to embrace co-operative development.

### *Financial*

Access to start-up capital and initial operating funds is a significant hurdle to the development of a child care co-operative. The financial feasibility of a child care co-operative depends on securing financing for construction and renovation, equipment and related costs, as well as generating sufficient revenue to support initial operating costs and expenses.<sup>xv</sup> Given the income level of members, and elements intrinsic to this type of service co-operative, it is extremely unlikely that sufficient funds can be acquired through members.

This study identified a number of potential private and public grant and loan funding sources for development and start-up costs.<sup>xvi</sup> Still, the application process can add a year or more to co-operative development. Additionally the perception of co-operatives as “experimental” can hinder the likelihood of funding.

Once a co-operative is established, it is expected to be self supporting. Parent participation and fundraising activities reduce the overall costs of providing care, and federal government subsidy vouchers for qualifying families can be used to pay for child care at the co-operative because it is a licensed facility.

### *Perceptions and Misperceptions*

Interviews with housing developers

revealed a myriad of reasons why some are hesitant to embrace on-site child care. The explanations shared in interviews revealed thoughtful, reasoned decisions, as well as misperceptions. Probably the most cited reasons housing developers gave for their reluctance to embrace site-based child care services were their previous experiences. Many of the housing developers interviewed had past or present Head Start programs, federal child care programs designed for qualified low income families, located in an on-site building. The most common complaint was that these programs were serving fewer and fewer of the children from the housing development. The ‘triage’ allocation of Head Start services displaced residents because they were replaced with more impoverished non-resident families. Housing developers were frustrated that valuable community space was being used by a program that served as many, or in some cases more, children from outside the housing development as it did residents.

Misunderstandings about site-based child care included incorrect beliefs about licensing requirements, housing regulations, and funding restrictions. For example some developers thought that some of the primary public funding sources for affordable housing didn’t permit child care at their housing sites (in fact the same funders have programs that encourage the provision of child care). Some developers thought that funding and size restrictions prevented the development of child care centers. Several government programs suggest that integrating child care facilities into the overall land use planning and housing development process is financially

advantageous to the housing development and the child care center.<sup>xvii</sup> Indeed, affordable housing sites can benefit from planning for child care in new construction.<sup>xviii</sup> The center can be located in a vicinity of a development that allows for easier access for off-site families, while being conveniently located for residents.

For the purposes of this feasibility study, the receptiveness of the housing developer to the idea of an on or near-site child care co-operative was an important factor in site selection and in the feasibility assessment. A condition for initiating a site-specific feasibility study was that the housing developer was receptive, even welcoming, to the development of a co-operative child care center.

A perception expressed in various ways by housing developers, community leaders, and others in professional and leadership positions involves the idea that low income parents lack the skills necessary to be co-operative members or co-operative board members. Their concerns centered around their perceptions that low income parents have low levels of education, inexperience with decision making, and in some cases, limited English language skills. While the idea that low-income parents lack skills crucial to co-operative leadership could be the topic of an entire paper, there are numerous successful co-operatives that contradict this perception.<sup>xix</sup>

## Conclusions

Innovative strategies need to be utilized to address the issues involved with

developing child care programs that meet the needs of rural families. As welfare policies become more focused on employment for parents of young children, the increasing need for child care, combined with the likelihood that subsidies for care will probably be inadequate, make the case for innovative strategies even more compelling.<sup>xx</sup> The wide variety of co-operative models that can be used to address rural child care needs represent this kind of needed innovation.

This study found the most support for the parent co-operative model. While this guided the feasibility analyses at the sites selected in this study, the other models should not be overlooked.

The development of co-operative child care centers at or near affordable housing sites is a viable method of addressing parental need for child care, and can address many of the concerns expressed by housing developers in this study. Nevertheless, until model co-operative programs at housing developments are in place the proliferation of centers is unlikely. This analysis is a first step in this process.

A final issue not previously addressed is the fact that many rural areas lack dense affordable housing developments.<sup>xxi</sup> Co-operative models of child care can also be a useful strategy for child care expansion in these communities. To reap advantages similar those gained by linking co-operative child care with housing developments, the co-operative can be integrated into schools, libraries, or religious facilities. □

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  - ii Colker and Dewes, 2000.
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  - iv Bailey and Warford, 1995:88.
  - v Ibid.
  - vi Colker and Dewes, 2000.
  - vii Stokley and Lessard, 1995.
  - viii For this reason they are often simply referred to as child care cooperatives.
  - ix Stokley, 1997.
  - x Ibid. Also Roberts and Sussman, 2000.
  - xi Bronfenbrenner, U. 1979; Powell, 1989; Phillips, 1977; Rim-Kaufman and Pianta, 1999; Zigler and Muenchow, 1992.
  - xii Dunlap, 2000.
  - xiii Coontz, Land and Spatz, 1999.
  - xiv Coontz, 2003.
  - xv Most of the financial incentives previously presented are applicable to new construction. Because of the nature of this study only existing affordable housing developments were included in the study.
  - xvi Esper and Coontz, 2003.
  - xvii Stokley, 1997.
  - xviii Roberts and Sussman, 2000.
  - xix Coontz, 2003
  - xx Community Care Licensing Division, June, 1999. Shields and Behrman, 2002.
  - xxi This fact led to working directly with several rural communities that lack affordable housing developments (these sites are not included in this analysis).
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# Perceptions of female leadership from three co-ops in British Columbia

by Cheryl Lans \*

## Introduction

This paper presents research on existing female leaders of co-operatives and their perceptions of differences between their leadership styles and that of men. It is an early exploration with a small empirical base. Women contemplating careers in co-operatives need to see or read other female leaders in order to see themselves as potential leaders. The research will also be relevant to women from groups who face multiple barriers such as differently-abled people, visible minorities, lesbians and First Nations.

## Why is this research necessary if women have already made it to the top ?

Women aspiring to leadership positions face a double standard in a double bind, claimed Deborah Rhode, Stanford Professor of Law. "The central problem is the lack of consensus that there is a serious problem. There is a widespread belief that full equality is just around the corner." Rhode (2001) claims that at the current rate at which women are gaining leadership jobs, it will be three



centuries before women achieve equal representation in corporations as men. Five female leaders agreed to participate in this un-funded research into female leadership in co-operatives in British Columbia. These leaders ranged from early to mid career, were university educated, and worked in resource-linked community co-ops that were less than ten years old. In one case the group that formed the co-op had been established decades earlier. One co-op is using the multi-stakeholder model. These leaders wanted to know how female leadership and management issues are handled in established co-ops and wanted positive examples of

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female leadership to manage change in their own co-ops. According to Monopoli (2002) knowing that you are not the only one experiencing resistance can help you persist in your goals. The leaders interviewed have experienced barriers to their leadership that they feel should be included in co-operative start up manuals.

## **Women in co-operative leadership**

Co-operatives portray themselves as agents of economic and social transformation. As such, they must have effective management based on member involvement and leadership accountability and equity and equality in democratic and management structure (Theis and Ketilson, 1995). Rather than equality, reports show that women hold 30% of lowly paid junior management positions in English-speaking Canadian co-operatives and their salaries as a percentage of men's are 77% (Conn et al., 1999).

While half (51.4%) of the top 500 companies in Canada have no women board members; 68% of Canada's largest co-ops have at least one female board member. The number is higher for small and medium-sized co-ops (78% have at least one woman), housing (65% have greater than 50% women) and childcare co-ops (87% have more than 50% women) (Standberg, 2002).

In October 1998 the conference "*Women Work in Co-ops*" was organized by WomenFutures and co-sponsored by OXFAM-Canada and Devco (Conn et al., 1999). The participants revealed that despite the contribution women make

to community economic development they are invisible actors. Participants revealed some of the challenges for women's participation: incompatibility of roles, lack of confidence about expressing opinions and different perspectives on power (working collectively rather than competitively). Additionally women were left out of informal networks and lacked role models.

There have been attempts to promote female leadership. The West Kootenay Women's Association (WKWA) developed and ran a free course for twelve women called *Women's Cooperative Ventures* from March to June 2003. The course consisted of modules that focussed on management, marketing, business and financial planning, customer relations, labour relations and co-operative matters.

## **Gender roles and work**

The social process of gender construction shifts very gradually to accommodate changing social norms. However there is an emotional investment in gender difference that maintains unequal social relations between men and women (Starr, 2000). This inequality means that women leaders are seen as women first rather than authority figures. Some men perceive gender equity in a competitive way; blaming feminism for men and boys current 'disadvantage' (Starr, 2000).

Female leaders experience oppositional behaviours at the workplace because of this competitive view (Starr, 2000). These behaviours range from sexualised attention, hostility and aggression, threatened violence or threats of

negative professional consequences, professional sabotage and the continual undermining of their work. As female leaders climb higher up the organisational ladder these behaviours increase incrementally and have physical, psychological, behavioural and emotional effects on women (Starr, 2000). Men acting in these ways are too focussed on their own self-interest for the system to operate in a co-operative way (Starr, 2000).

## **The research on female leadership**

The views on female leadership in three BC co-operatives were derived from interviews conducted in the summer of 2003. Results include various factors that limit women's participation in co-operatives at decision-making levels. A pre-determined list of respondents was developed based on case studies and literature at the British Columbia Institute for Co-operative Studies. One co-operative was visited and unstructured interviews were conducted with leaders and staff members. The other interviews were conducted at a co-operative conference held in Victoria, BC in 2003. The research questions below served as an interview guide, however the interviews were qualitative and open-ended.

1. Do women participate in regular, business or minor activities of the co-operative sector? Are meetings scheduled at times when women are available and are child care facilities made available?
2. Do female members run for election as office holders?

3. What is the ratio of men to women on the board of directors or management committees and how does it change over time?
4. How many women hold leadership or managerial positions compared to men?
5. Are there any legal, traditional or customary constraints to women's participation in co-operatives?
6. Are there more women leaders in co-operatives with more female members?

## **Preliminary results**

The statements below reflect the opinions of the female leaders interviewed. One female leader claimed that some women do not give the necessary 9-to-5 commitment to co-ops if they have children due to their perception of the flexibility of the co-op model. This comment may reflect a mismatch between what women with children were hoping for from the co-op model and the female leader's previous experience in the traditional business sector. Two co-ops with female leaders made decisions in their start-up phases that were not compatible with family or partner-friendly policies. They suggested that only co-ops with greater revenues and profits could have job sharing programs. This situation reflects the argument made by Rhode (2001) that women face two major workplace barriers in career advancement (that are not co-op specific): lack of opportunity and lack of social or supportive network for woman with children.

Studies have shown that working mothers are held to higher standards

than working fathers (Rhode, 2001). Women who want flexible workplaces are said to be unprofessional. Women who seem willing to sacrifice family needs to workplace schedules are considered to be poor mothers. These mixed messages leave lots of women with the uncomfortable sense that whatever it is they're doing, they are in the wrong (Rhode, 2001).

One female leader claimed that women have to spend more time doing extra unpaid research to back up all their ideas and decisions with hard facts whereas men can just take a position and be supported. Similar claims are seen in the literature (Rhode, 2001). Women often lack the presumption of competence given to men. They are held to higher standards; their competence is rated lower and they are less likely to be viewed as leaders (Rhode, 2001).

A female leader in one resource-based co-op was considered intimidating or abrasive if she asked pertinent or hard questions. Other studies have showed that women are rated lower when they adopt so-called «masculine,» authoritative styles (Rhode, 2001).

Women who were nominated to the Board by one female leader sat passively and silently at meetings. These “workhorses” took on Secretary and Treasurer roles. This particular obstacle to women's advancement has been termed “suffering from terminal niceness» (Young, 2003). Fear of being labelled «shrill» or a «feminist» deters women from speaking out (Young, 2003). Faludi (1992, p.14) has claimed that ‘... the anti-feminist backlash has been set off not by women's achieve-

ment of full equality but by the increased possibility that they might win it. It is a pre-emptive strike.’

One female co-op leader claimed that a network of men meets to talk to each other about her co-op's performance and she perceived this as “second guessing” and non-confidence in her leadership. This network suggested that she should get her ideas adopted through “drinking with the boys” rather than the board structure. In the literature “drinking with the boys” is referred to as masculine homosocialisation - the mateship system of male affiliations, which excludes women from informal information sharing, decision-making and resources (Starr, 2000). These mateship activities also increase the burden of household, child or aged care responsibilities on the partners of the men involved (Starr, 2000).

The following provides a brief overview of the other concerns of female leaders.

### **1. Barriers associated with women's leadership**

- Women don't find their voice until they are at least 28 years old.
- Female leaders from small communities experience difficulties because the co-op structure is perceived as entitlement to collective leadership.
- Women are involved in community-minded organizations that are un-funded by banks and conservative credit unions (sustainable food, fair trade, other products 'with a conscience' and food security).

- Women are invited to meetings as tokens – to give the appearance of democratic decision-making.
- When motivated by fear, men ask for repeated studies of a project or business in order to undermine or stop it.
- Co-ops that seek and receive external funding are more respected.
- Men think the co-op model appeals to women because it is associated with shopping – discrediting the co-op model.
- People in start-up co-ops have time: they are already established, semi-retired or empty-nesters (typically male).
- Women are not respected in business circles unless they “flash their MBA’s.”
- Women who advance are career bureaucrats rather than grassroots oriented.
- Women are not honoured by the movement.

#### *Inter-personal barriers*

- A strong communicator was told by a male colleague that she was not communicating things properly and was hard to understand – blocking her.
- In one co-op, items would be put on the Agenda for Board meetings and then the meetings would repeatedly run out of time. If the matter was left out of the Agenda in subsequent meetings and then brought up in ‘other business’ the men would ‘talk over’ the female leader.

- Information for members in one co-op was omitted from the newsletter or changed after the female leader included it because the directors did not think they should be answerable to the membership – top-down leadership.
- Directors in one co-op preferred a head table rather than a U-shape or round table.
- Women experienced resentment if they earned competitive salaries in small, community-based co-ops where pay scales for all staff were known.
- Small community populations leads to limited choices for co-op and Board members resulting in tribalism and inclusion of people who are not qualified or committed to the co-op model. Sabotage of persons and property can take place in these communities.
- Small communities have tremendous resistance to change, even positive change.
- Men bring their previous experience of delegating tasks to women to the co-op sector, they never envision themselves doing minor jobs; this undermines their female peers.
- Men take over co-operatives started by women as soon as they become successful. When the paid positions become available men come out of the woodwork. These men sometimes try to turn the successful co-op into a business, which then fails.

## 2. Women and men lead differently-according to the perceptions of the research participants

- Men intellectualize the co-op movement rather than focus on people solving problems.
- Men network informally in order to get their ideas heard.
- Men show resentment if challenged on their decisions and are not always willing to discuss problems openly.
- Men are said to be more likely to throw money at a problem and to want the 'biggest, brightest, shiniest, newest technology'.

### *Female leadership*

- Women actively nominate other women and youth to be directors.
- Women lead from behind and encourage and support their staff.
- Women are training others to gain management skills and replace themselves.
- Women lead by example and don't ask others to do things they wouldn't do.
- Some future female leaders with young children have already challenged ego-led Board meetings and asked for more structure.
- Some women do take their children and do breast feed at Board meetings.

- Female workers and workers with family commitments have sacrificed salaries or under-paid themselves in order to keep their co-ops functioning. They were not sure that men would do the same.

## Conclusion

The female leaders interviewed for this research wanted start-up manuals to go beyond the technical information and include this "fuzzy stuff" so that start-up co-ops can obtain funding to deal with these problems.

These leaders felt that funding should be made available to hire retired Credit Union experts to sit on start-up Boards. It was expected that these retirees would be the 'power behind the throne' necessary for the female leader to stand up to her male colleagues who were not necessarily receptive to the co-op approach but were using the model for their own short term advantage.

The co-op manual also needs to provide information to female leaders on how to manage their leadership roles and their relationships. Additionally these leaders felt that start-up co-ops should obtain funding to train their staff in management so that when the paid positions do become available the women who started the co-op can fill them from within. □



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# Making the Social Economy Work within the Global Economy

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by Mikel Cid, PhD. Candidate \*

## Abstract

This is the outline of my PhD thesis on the effect of social responsibility on the competitiveness of global market firms. One of the dominant models in business is the one represented by Milton Friedman and the Chicago School, whose key concern is increasing shareholders' value. The approach is to present cases of some co-operatives in the world, not concerned with just that issue but that are nonetheless competitive, as a challenge to the position that attention to social concerns will necessarily impede business efficiency. My hypothesis is that a firm competing within global markets can really adhere to the seven co-operative



principles of the International Co-operative Alliance (ICA) and still be competitive.

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## Market Economy and Its Problems

Looking at the situation of thousands of people in the world gives an idea of how selective the market economy is in giving opportunities for development. Many people suffer a lack of opportunity, high inequality and unemployment (Olive, 1987, p59). Since uneven development is an inherent feature of the capitalist system of production (Smith, N., 1990), capital-

ism creates problems that it cannot solve. There are two clear kinds of exclusion around the world (MacLeod, 2003, personal communication): on the one hand class exclusion due to huge differences in income within a certain society, and on the other geographical exclusion derived from the increasing gap in opportunities for economic development among different regions (Hudson, 2000, p99, p106).

In order to solve those problems created by the free market system, there are two possible approaches. On the one hand, there is public intervention into the free market system, and on the other, there is an alternative approach to economic activity derived from a different model of firm, one that is capable of surviving within the actual free market system while pursuing social goals. We can say that the first one is based on a macro approach, while the second one is based on a micro approach.

## **Free Market and Public Intervention**

Free market is the clearest expression of letting supply and demand work with no external intervention. It refers to the freedom of market agents to work on their own. Price agreement, as any other issue, is the natural result of this dealing. Public administration, as the rule maker within a country, has the power to interfere in economic matters. Even the slightest external intervention has effects within the market system. There are different positions about the role that a government should play in economy.

Even though public intervention may

be considered as a solution to the problems created by the free market system, the work reported here will focus on the second solution; that is to demonstrate the value of an alternative approach to economic activity derived from a different model of firm, one that is capable of surviving within the actual free market system.

## **Business Rationale**

Within the dominant free market system, supply and demand dictate the market rules over most economic activity. Product or service sellers only survive if they are competitive, that is they succeed in offering a better relation than competitors between two variables: the value they provide to customers and the price they ask (Johnson, 1990). Customers constantly choose firms whose products or services offer the best relation of value and price. Being competitive is what provides a firm with long-term profitability (Johnson, 1990). If enough customers don't buy the products or services of a firm, the firm will have losses, and if the firm is regularly denied profits it will collapse. This universal rule is as simple as it is true, and actually dominates the world.

Therefore, market laws make unviable any economic activity that does not succeed in making profit. No firm can sustain losses indefinitely. Having positive results is essential; otherwise, the economic activity will have to cease (Solomon, 1997, p280), because nobody is going to invest money to lose. Making profit is accepted as essential for survival, everybody must do it, simply because there is no other

way, unless the firm has other kinds of funding that are not directly related to its economic activity. This is the case of public enterprises, whose losses are paid by governments.

Within this worldwide context, the conventional way of doing business is based on profit seeking. It is widely admitted that the purpose of any privately promoted economic activity is to increase owners' wealth that is, to pursue individual self-interest.

### **Social Responsibility**

Some authors and groups disagree with the idea of increasing shareholders' value as the only purpose of economic activity. They claim that businesses should be concerned about more than just economic issues {Arrow, 1973, p217} (Olive, 1987, p221)(Solomon, 1997, p76). At present there is a growing tendency to ask businesses to be socially responsible. Even though there is no a general agreement on what businesses should do, there is a theory called Corporate Social Responsibility (CSR) that is the most supported and most extended expression of this wish ever {Henderson, 2001a, p39}.

There are different points of view on this topic. On the one hand, Friedman, in his most famous statement, says that the social responsibility of business is profit-making (Friedman, 1962, p133, p134). For Friedman any distraction from this single responsibility will of necessity reduce the firm's ability to make profits. On the other, Sen (1992) makes an interesting distinction between "public goods" (Samuelson, 1954) and "private goods". "Public

goods" are those of which one person's consumption does not exclude that of another, while "private goods" are those of which one person's consumption *does* exclude that of another. He adds that market mechanisms, since they are based on profit maximization, work badly regulating the distribution of public goods. For Sen the overall success of the firm is a public good, as long as all benefit from it, "to which all contribute, and which is not parceled out in little boxes of person-specific rewards strictly linked with each person's 'respective contribution'". He concludes that "... this is precisely where motives other than narrow self-seeking become productively important" (Sen, 1992).

It is precisely this distinction between public and private goods what gives us an idea of the nature of a new approach in doing business. The logic behind this need is basically the impossibility to develop any economic activity without taking into account the needs and wishes of all the agents affected by its functioning. Widening the concern of a firm beyond its owners and managers, and including the community as a real stakeholder, is the *raison d'être*, and not the consequence, of this fact. It will be clear evidence that it is the market where this need comes from, like requirements of price and quality, even though its origins are really much deeper, what will make firms understand that having social responsibility is a competitive advantage rather than an externally imposed nonsense and weakening obligation. As long as this process is also a matter of acquiring knowledge, the specific

internal structure of a firm will influence its adaptability to everyday practices. When finally social responsibility gained market value, it is obvious that firms used to work under some principles of social responsibility will have a competitive advantage to pursue.

### **Social Economy within Dominating Global Free Market**

Depending on the motivation that drives any economic activity, there may be different ways of doing business. However, within the actual dominant free market system, there is an absolutely dominant way of doing business that is, doing business with the main concern being profit through increases in shareholders' value. These firms act in a different way from firms whose main concerns include social improvement of the worker and/or community. We can express this as the difference between making profit as the main purpose of the firm and making profit as a means to pursue broader ends.

When managers make decisions they can be exclusively focused on issues related to economic performance or they can focus on issues that have no direct link with economic performance, such as social or environmental issues. Friedman, however, thinks that any motivation not related directly to conventional matters, in seeking economic efficiency within a firm, implies additional costs and will result in inefficiencies. He concludes that within the free market system competitors solely concerned with profit will drive socially responsible firms out (Friedman, 1962, p109, p110).

If there were no problems, there would not be any need of firms with a different organization and a different approach to doing business. It would make no sense to change any model of doing business if it did not cause problems. Friedman accepts that capitalism creates problems, but from his perspective, capitalism will create *fewer* problems than alternative systems and we have to live with problems it creates. In other words, capitalism minimizes our problems but any attempt to eradicate them entirely will fail; we can't do any better than this. If one disputes this position, the challenge is to find an alternative approach that not only reduces the problems generated by the dominant model but also avoids creating new problems. Any different model to the dominant one is reactive, because it is driven by a reaction to a certain situation created by the dominant model. Also, with a firm that has the conventional kind of limited organization described above, "it is not an easy job to turn profit-driven companies into principle-driven ones" (Olive, 1987, p121).

### **The Social Economy**

Firstly, in a broad way and focusing on motivation, Social Economy might be defined as all the economic agents for which the social improvement of members and society is a key factor in decision making as distinct from agents which make profit the key factor in decision making. And secondly, in a narrower way and focusing on organization, as all economic agents excluding government owned corporations that remunerate labor, where

decision-making is based on the person instead of the amount of capital, and equity and profit belong at least partially to community.

Focusing on some common points of these definitions, Social Economy presents some features that make it different from dominating firms within capitalism and communism. Members' participation in decision-making has been systematically denied in firms in both capitalism and communism. The main difference between both systems and Social Economy, however, has been the primacy of capital over labor in capitalism and communism. Labor has always been a hired resource. These two factors are radically different within the Social Economy. Membership per-se gives the right to participate in decision-making, and it is the service (work, credit, consumerism, housing, health, education...) that hires the capital to make the activity possible. It is said that while in capitalism and communism capital hires labor, within the Social Economy just the opposite happens due to the primacy of labor over capital. Co-operatives are the commonest kind of organization within the Social Economy, but there are others as well, and the author considers that today it is necessary further research in those practices that Social Economy is composed of.

However, there is a large amount of literature in determining the possibilities of the Social Economy. Among them, Friedman is probably one of the strongest opponents. He emphatically says "no" to it, because in his view a change in orientation can change the

capitalist rationality. Friedman's view is said to have prevailed both in business and society (Olive, 1987, p57). Capitalism has its own rationality, it must focus on satisfaction of individual needs, "the essence of the doctrine of the Chicago School was that since the dominant trait of humankind is avarice, it is useful to create an economic system that recognizes greed and harnesses it" (The International Encyclopedia of Public Policy and Administration, Ed. Shafritz J. M., 1998). The aim of this project is to test whether attention to social concerns is necessarily an impediment to business efficiency, using the following methodology.

## Methodology

The methodology used to measure socio-economic duality will be based on designing and using two scorecards: a social scorecard based on the seven co-operative principles designed by the ICA as an internationally recognized standard and an economic scorecard based on indicators from Robert Kaplan's Balanced Scorecard (BSC) and other internationally recognized literature.

Both tools have been chosen because they are accepted worldwide. The International Co-operative Alliance (ICA) with its seven hundred million members is a widely known organization, as well as its seven principles. Some research is necessary though, in order to develop indicators from each principle. This is the only way to measure the meaning of each principle, because the broad definition given above may be interpreted in more than

one way. All the co-operatives that are members of the ICA have actually accepted those principles, so they know them.

Kaplan and Norton's BSC is widely recognized as a tool to put strategy into action. It is used worldwide by very different kinds of organizations. It has brought a great revolution in the field of measuring performance, which was its original purpose, because it proposed a new idea of balance between different categories instead of the classical financial accountability. Today, this tool that was born under the umbrella of the Harvard Business School has been translated to multiple languages and is a central field of study for many academics.

Firms in this project will be industrial worker co-operatives chosen in each of these three regions, Quebec, Mondragon and Emilia-Romagna. Since these places are well known to have a deeply rooted co-operative tradition, it is more likely to find socially concerned worker co-operative firms than in any other place.

There are some criteria to choose such firms:

1. Being manufacturing firms (Technology, automation, assembly lines, CAD/CAM,...)

Manufacturing firms are more likely to be coping with global competitors than agricultural or services ones, because manufacturing firms are less likely to be geographically located in the market of just a certain area, and their competitors are, too. As well the higher technology, automation and use of CAD/CAM or similar techniques a firm has, the

more likely it is to have global competitors.

2. Working within global markets

Since global markets represent the clearest and purest form of capitalism, they are more likely to have a high level of competition. Markets protected by barriers limit global competitiveness. The more global the markets of a firm are the more difficult surviving within them.

3. Having a significant competitor anywhere in the world which is not a co-operative

Since co-operative firms are supposed to be working in apparent disadvantage in comparison to competitors that are not concerned about the seven principles, testing a co-operative firm competing with a significant competitor that is not a co-operative represents proving if the apparent disadvantage is real or not.

4. Being economically successful

They must be economically successful according to the opinion and criteria of literature written of those firms or the opinion of academics contacted in the area. The criteria within this point will be market share growth, profit growth, sales growth, job growth and lasting more than 10 years.

The purpose of this criterion in particular is to get a sample of firms a priori more likely to be economically successful in the final test according to the designed competitive scorecard, which will show how competitive each firm is.

5. Being a formal co-operative

They are legally registered as co-operatives according to the law in each country, Canada, Italy and Spain, so that they have a different structure of ownership in comparison to the limited firms.

6. Being located in Quebec, Mondragon and Emilia-Romagna, environments where co-operativism is “embraced”

These places are well known to have a deeply rooted co-operative tradition, and therefore more likely to have socially concerned co-operative firms.

7. Appearing to adhere to the ICA co-operative principles

They must not only ‘accept’ but also ‘adhere’ to the seven principles of the ICA according to the opinion and criteria of literature written of those firms or the opinion of academics contacted in the area.

The purpose of this criterion in particular is to get a sample in each area a priori more likely to adhere to the ICA co-operative principles in the final test according to the designed social scorecard, which show how committed to those principles each firm is.

The firms finally chosen will be tested twice. Firstly they will be analyzed through a social commitment test and secondly on the other through an economic efficiency one. The social test will be composed of several indicators related to the seven principles of the ICA, and the economic test will be composed of conventional indicators accepted worldwide.

## Designing the social scorecard

Each of the following co-operative principles of the ICA showed below has different dimensions, and each dimension has different indicators.

- Voluntary and open membership.
- Democratic member control.
- Member economic participation.
- Autonomy and independence.
- Education, training and information.
- Co-operation among co-operatives.
- Concern for community (The International Co-operative Alliance Statement on the Co-operative Identity. ICA, 1995, p16, p18).

There have been different attempts to develop a scorecard to measure the social concern of co-operatives. Alongside with the increasing concern about social responsibility in conventional business, co-operatives have developed different attempts to measure their social concern. In Spain, on the one hand Mondragon Co-operative Corporation (MCC) has developed its own indicators for internal social auditing of the multiple co-operatives established under its umbrella and on the other, Mugarra (2001) developed a large list of different indicators based on those principles as well. In Japan, Tsuda (2003) worked on the study developed by Co-op Kobe, the biggest consumer co-operative in the world, based on developing different indicators from some co-operative values and some economic goals, and comparing them along time series. In Canada, the Co-operative de Développement Régional de Québec (CDRQA) under the direction of Perron (2003)



has developed a list of indicators based as well on the ICA principles. Besides they have designed an evaluation method based on the ISO model, that seems to be an attractive solution to the problem of lack of social standards (Black, Frederick and Myers, 1976, collected in Bowie, 1982, p42) to compare the performance against. The short tradition of social accounting, if we compare it to the conventional accounting, is the reason for this problem. It is obvious that more research is necessary to provide some standards to compare the social performance of firms.

### **Designing the competitive scorecard**

This competitive scorecard will be based on Kaplan and Norton's Balanced Scorecard (BSC) as "a leader in performance measurement (PM) and performance management" (Amaratunga, Baldry and Sarshar, 2001). Significantly, a survey of 1400 global firms in the USA "shows almost 50 percent apply some kind of BSC approach" (Littlewood, 1999, cited in Amaratunga, Baldry and Sarshar, 2001), which goes further than the conventional financial measures. Kaplan and Norton say that "financial measures are lag indicators; they report on outcomes, the consequences of past actions", and that "exclusive reliance on financial indicators promoted short-term behavior that sacrificed long-term value creation for short-term performance" (Kaplan & Norton, 2001, p3). The BSC approach is clearly preferable: "While retaining an interest in financial performance, the

Balance Scorecard clearly revealed the drivers of superior, long-term value and competitive performance" (Kaplan & Norton, 2001, p22, p23).

Kaplan and Norton affirm, on the one hand that competitive advantage today has more to do with "the intangible knowledge, capabilities, and relationships created by employees than with investments in physical assets and access to capital" (Kaplan & Norton, 2001, p3) and on the other that "Intangible assets such as the skills and knowledge of the workforce, the information technology that supports the workforce and links the firm to its customers and suppliers, and the organizational climate that encourages innovation, problem-solving, and improvement" can contribute to value creation (Kaplan & Norton, 2001, p66). Since originally the Balanced Scorecard was a tool designed for measurement, it must be a proper tool to measure the competitiveness of the chosen co-operatives. It is based on the following four perspectives:

- Financial: The strategy for growth, profitability, and risk viewed from the perspective of the shareholder. Five measures (22 percent).
- Customer: The strategy for creating value and differentiation from the perspective of the customer. Five measures (22 percent).
- Internal business processes: The strategic priorities for various business processes, which create customer and shareholder satisfaction. Eight to ten measures (34 percent).
- Learning and growth: The priorities to create a climate that supports organizational change, innovation,

and growth. Five measures (22 percent). (Kaplan & Norton, 2001, p22, p23, p375).

## Conclusion

Once the firm is declared as an adherent to the co-operative principles there are five different answers to the hypothesis:

1. *Negative*. Yes, as a result the firm is less competitive, without principles it would be more competitive.
2. *Neutral*. Yes, co-operative principles have nothing to do with competitiveness.
3. *Positive*. Yes, co-operative principles support competitiveness.
4. *Double positive*. Yes, without adhering to principles the firm would not be competitive.

This research is based on the Case Study method, which is generally used as a qualitative research method, however, this methodology proposes some numeric indicators and the way to be measured and evaluated, thus the process will represent quantitatively both the social and the economic performance of those firms. Therefore, through this quantitative reality the main contribution of this research project is the potential empirical demonstration that a high social concern is not necessarily an impediment for a

high economic competitiveness. The objective is to test whether everyday practices linked to the seven principles impair everyday economic practices, as well as to test the possibility that both are either independent or perhaps even supportive. This project may provide empirical credibility to the notion that co-operatives are efficient business organizations that are able to survive in more and more complex conditions that firms confront within the global economy. As a result, it is obvious that this project will open further research needs in such fields like co-operative management, entrepreneurship and community economic development.

Writing doctoral thesis in Social Economics, focused on the value of social motivation, different to profit-making motivation asserted as unique by Milton Friedman and other authors within Chicago School, as the main driving force in making efficient wealth creation within the global economy. Based on a theoretical background and an empirical study within worker co-operatives in Quebec (Canada), Emilia-Romagna (Italy) and Mondragon (Spain), researching if attention to social concerns (ICA's seven principles) is necessarily an impediment to business competitiveness (Kaplan's Balanced Scorecard) is the goal of this project.

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# Companies in Crisis - Worker's Self Management

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by Gabriel Fajn \*

## Recovered Companies

The last three or four years in Argentina, have been the scene of intense social struggle, that have induced the irruption of new actors, and new original forms of unrest.

The structural conditions, the economic situation, the unemployment, the institutional weakness, and the fear that produced the possibility of social dismembering, are pieces of a never seen crisis, that conform a critical scenery. In this context the processes of recovered companies break out, expanding with unknown strength all throughout this period, where we found more or less 170 productive unities.

The following analysis is the result of a collective social research, based on the information recollected from the surveys done to more than 85 companies, and from the 'in deep' interviews. This article is a brief summary of a book nowadays being published.

## Periodization

The company take over has been a practice used by the Argentinean workers in several moments of their history. The



political opportunity structure, the conditions and resources of the laborer's movement, the role played by the trade union's heads, and the offensive strategies the workers carried out in that context, are very different from the new protest cycle opened in these last few years. After the backward movement the neoliberal politics meant for the workers, the taking over strategy and the recovery of the companies represents a defensive strategy –almost desperate- that inserts basically in the survival of the company and the maintenance of the jobs.

In the second half of the nineties, it can be seen an increase in the protest cycle of salaried workers and unemployed

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ones; and the appearance of some companies that are going through critical situations.

From the year 2000, to December 2001, there occurred a rapid intensification of the unrest, and a significant increase in the amount of the companies that were taken over. Since December 2001, important modifications are shaping the company recovery phenomenon. The recovery processes acquire more public visibility and social support. A greater articulation can be seen between the companies that are recovered or in the process of recovery, and also get together in different groups as ways of representation: *National Recovered Companies Movement* (MNER); *National Federation of work co-operatives of Reconverted Companies* (FENCOOTER); those that demand *laborer control* (*control of production*), among others. Finally there is an appearance of new organized social actors, such as the neighborhood assemblies, that actively take part in the takeovers and camping of some companies; and in other cases they even get to promote and directly propose their reappropriation.

## Actors and strategies

### The strategies displayed by the businessmen

It seems that the social defeat that the salaried sectors suffered with most intensity during the 1990's, did not only produced a huge deterioration in the income redistribution, important losses of the historical conquests reached by the workers, increased flexibility of the working contract, but also as "compensation", it got installed among the businessmen the idea of moral and legal

deregulation; thus, building a kind of "impunity habitus" where many businessmen disregarded the elementary matters in the observance of the law. Only over that supposed consensus and social atmosphere of impunity in which they were inserted and a deep anomia, the whole fraudulent practices that many of them carried out can be understood.

Anyway, the businessmen did not adopt a homogeneous behavior, and stated different resolution strategies facing their company's crisis, and the possibility of their closing.

1. The businessmen (former owners) did not display (did not want or could not) fraudulent or emptiness practices facing the cease of the company's activities.
2. Fraudulent bankruptcies and emptying out maneuvers.  
Mechanisms directed to:
  - ✓ Create new debts with fictitious creditors
  - ✓ Increase the debts already assumed, in order to negotiate and compensate economically a few creditors outside the legal scope
  - ✓ Do not state part of the goods and take them out surreptitiously from the industrial plant.
  - ✓ Eliminate from the stocktaking –previous arrangement with the trustee– part of the machinery the company owned.

### The resistance carried out by the workers

The company recovering process brought to light a group of novel and confronting practices adopted by the workers, concerning the economic crisis



of the companies, and in the legal setting. Not only did they present legal strategies through their lawyers, but also they carried out direct actions in this way: questioning judges, supervising the stocktaking, and watching over the machinery and goods.

## **From the conflict to the management**

We can say that the intensity of the conflict was developed since the particular dynamic of each organization, and the adopted strategy by the businessmen faced to the crisis, and the resistance level that the workers opposed (force measure).

From the two variables – force measure and duration – we have constructed a new one, which we have named ‘conflict intensity’, to distinguish between those companies that did not adopt any force measure and got an immediate solution (low intensity), and those that carried out any type of measures (company occupation, takeover, camping) and had a longer duration (more than a month) which we assumed of high intensity. It is possible to establish an important relationship between the intensity the conflict acquired in the companies, and the management initiatives adopted by the workers, during the first moments since the set on of the company recovery processes.

The collective social dynamic, produced a non planned qualitative jump that represented going from the bordering threat, which the closing of the company supposed, to a collective management. An unthinkable breakdown in the company’s history – and most of the times not even desired – that compul-

sive and immediately integrates the salaried, to manage their organizations destiny. There are no formal learning’s, nor previous assessments, just the conflict and the dispute that mediates between the workers that had a secure social disaffiliation path, and the new collective role they had to assume to manage the company.

What must not be understood and analyzed in a splinted way is the intensity of the dispute carried away by the workers in each company, and the reorganization of the companies since the new management practices. We greatly consider that the conflict level, reached, acquired, impregnated, and established new ways of ‘know how’ in the reopening of the companies. This moment will have important effects in the constructed ties within the workers, in the collective practices they experimented, and in the learning’s they incorporated since the dispute; becoming therefore a movable continuity between the dispute’s depth and the characteristics of the new model.

From a self management point of view, the reconstruction of the organizational space has as a prior task, that of the restructuring the capital-labor relationships, that are extremely hierarchized ones, relations of obedience and submission, and that in the small and medium companies were generally accompanied by an essential «paternalism» as distorted model of the management.

## **Self-management processes**

The work to *façon*, «*this is, sale of the processed industrial service to clients who provide the raw material and take out the product for its marketing or later transfor-*

*mations*», is one of the most common strategies the workers carried out, to capitalize and to balance again this situation during the initial moments. This modality of work achieves the initial aims of preserving their jobs, restarting the productive cycle, as well as recovering the clients and supplier's trust; though on the other hand, it implicates the reducing of the income levels, and «*generates ties of dependence with the clients - suppliers*» (Sancha, 2001). Consequentially, it is generally perceived among the workers as a temporary situation, until they can manage to obtain the raw materials.

As a consequence of these initial conditions, the majority of the companies are working at a lower level than that of their productive capacity. The results of our study indicate that, among the recovered companies that were operating, the average capacity utilization is near to 55%, being lower than 30% in half of the cases.

On the other hand, because of the possibility of better opportunities in other jobs, the negotiation of the retirement, and for the existence of a major solidar-

ity with the employers, there are few cases where hierarchic and/ or professional levels stayed (near 20% of the whole of the companies in activity, descending to about 15% between those who passed along more intense levels of conflict during the recovery process). Likewise and probably for similar motives, and though slightly major, there are also few cases where administrative personnel stayed (44% of the whole companies in activity and 33% of those who passed along high levels of conflict).

Though the majority of the workers have preserved their jobs, the need to cover the administrative and commercial positions facilitates a major rotation and polyvalence of the working places as well as a major flexibility in the division of tasks. Now then, concerning the remuneration criteria, about 70% of the entrepreneurs in activity have imposed egalitarian remuneration criteria, percent that climbs to 85% between the companies in which neither hierarchic, nor professional, nor administrative personnel stayed.

**Table N° 1 – Hierarchic / administrative personnel permanency by remuneration criteria**

		Hierarchich / administrative personnel permanency		Total
		No (%)	Yes (%)	
Remuneration criteria	Egalitarian	84.4	55.6	69.1
	Previous remuneration criteria	6.3	22.2	14.7
	By productivity (worked hs.)	6.3	8.3	7.4
	No data	3.1	13.9	8.8
	<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Those processes where necessarily deeper changes have been imposed in the organization logics and in the division of the work, the adoption of remuneration criteria, based mostly in considerations of justice distribution, than in a stratification criteria of the working places. The egalitarianism in the remunerative criteria acquires, for many of these co-operative societies, a symbolic content in which unity and solidarity principles are expressed, built and learned during the recovering process.

On the same way, it is common for all these companies the adoption of assembly practices, for the taking of decisions. And though this can stem from the adoption of the co-operative form as a legal way of functioning (adoption that corresponds mostly to a pragmatic criteria, than to an ideological one), in many of them, as a consequence of the organization and involvement of the workers during the recovery, there have taken place real situations of greater democracy in the taking of the decisions to the interior of the company.

That is to say, that though the adoption of co-operative ways of organization firstly happen because of pragmatic or legal motives, soon begins to generate a learning process in which the formality gives

step to real situations where the democracy and transparency in the management of the companies, turns into a strategic center of the organization.

The conflict that breaks up with the closing of the companies must be understood as the break of an "agreement" between the workers and the employers. This situation opens the path for the emergency of new ways of entail, through an informal learning process, and generally guided by pragmatic motives. In other words, the success of these organizations seems to be related to the capacity of the workers to articulate new logics of work organization, through the tools that the co-operative and self management organization offers.

In this aspect, factors such as the elimination of the employer's and management costs, greater flexibility in schedules of work and in remunerative levels, as well as the decrease in the conflict and the greater involvement of the workers in the production management, appear as the elements that allow these experience to go ahead. The following tables suggest that in fact, the success of these initiatives is greater in those companies where the processes have been more troubled and where the changes have been deeper.

**Table N° 2 – Production Capacity in use by Conflict intensity and Hierarchic Personnel permanency**

Conflict Intensity	Production capacity in use	Hierarchic / professional personnel permanency	Production capacity in use
Low intensity	36%	Yes	40%
High intensity	70%	No	70%
<b>Total</b>	<b>54%</b>	<b>Total</b>	<b>54%</b>

Based on companies in activity

But though the exploration of the potentials of the co-operative logics of work organization seems to be one of the factors of success of these experience, the lack of the initial capital as well as the difficulty of acceding to

credits or other forms of financing, impedes the possibility of changing the precarious situation that characterizes the first stages of development of these companies.

**Table N° 3 – % of work to faon by production capacity in use**

Production capacity in use	% mean of work to faon	Cases	Std. Desv.
Up to 20%	53%	12	49%
21% a 50%	48%	16	48%
More than 50%	41%	11	44%
Without inf.	27%	7	46%
<b>Total</b>	<b>44%</b>	<b>46</b>	<b>46%</b>

Based on Companies in activity

## Perspectives

The worker's self management of the companies becomes a new social phenomenon that takes importance in the Argentinean reality, through collective practices that can be understood as expressions of this crisis, and as explorative replies in alternative management modalities.

The conformation of co-operatives –and other associative ways- becomes the most viable solution that the workers find to this adverse situation. Thus, the collective property of the production means<sup>1</sup>, and the democratic participation in the management are combined. The dispute processes are strongly related to the self management way that each organization has assumed. This can be observed in the practices that have been carried out internally: egalitarian remuneration levels, collective

levels of decision, ways of representation, delegation and control; assembly dynamics, etc.

The self-management processes will demand of prolonged periods for their consolidation, will go through advances and setbacks and will be riddled with tensions and contradictions, though they can verify interesting steps in this direction where the assembly practices are outlined for the making of strategic decisions, the amplification of the participative frames, the constitution of deliberative instances and little by little the development of certain collective know how of the management.

The know how of the management will be a new and important territory of dispute, the collective reappropriation of the management from the company and the construction of organizational instances (review procedures, revoca-

bility, transparency of the information, etc.) will be the vertex of a new organizational model. Collective know how that constructs a new logic of power. (Foucault, 1975)

The self management of the companies is used as a survival strategy, through the creation of alternatives of insertion in a 'globalized economy' that pleads for the exclusion and, even it might be said, it takes part of a social "rescue" of the subjects by themselves.

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## Note

<sup>1</sup> Guaranteed by expropriation laws that contemplate the machinery and real estate availability for the period of two years, and that have been enacted by the municipal and provincial governments throughout 2002.

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