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Citation

Thornley, Jenny (1980). The Product Dilemma For Workers' Co-operatives in Britain, France and Italy. Occasional Paper 1; Co-operatives Research Unit, The Open University.

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THE PRODUCT DILEMMA FOR WORKERS' CO-OPERATIVES

IN BRITAIN, FRANCE AND ITALY

by

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THE PRODUCT DILEMMA FOR WORKERS' CO-OPERATIVES
IN BRITAIN, FRANCE AND ITALY

By

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THE PRODUCT DILEMMA FOR WORKERS' CO-OPERATIVES IN BRITAIN
FRANCE AND ITALY

Workers' co-operatives in Britain make a wide range of products, and produce a variety of services. Many are struggling to survive. This paper looks at how far their success is dependent on the type of goods or services they produce and why co-operatives are limited to certain sectors of the economy. It questions the assumption frequently made that co-operatives are rarely able to compete in capital intensive industries, and can only survive in the less profitable, low wage, labour intensive sectors. British co-operatives are compared with co-operatives in France and Italy where they appear to have achieved a stronger position in the economy. The paper examines the specific problems and opportunities for co-operatives in each country to discover what we can learn from other countries, what constraints are peculiar to Britain, and what potential exists for co-operatives to develop here in future.

CONSTRAINTS

1. Ideological

The growth of workers' co-operatives in Britain over recent years stems from the wide base of political support they receive, and from the many ideological beliefs that have attracted people to this form of enterprise. In the political arena support is no longer limited to the labour movement. The Liberal and Conservative parties have an interest in them as enterprises

which encourage good industrial relations and where the profit motivation of worker-ownership will stimulate a self-help philosophy, generate higher levels of productivity and boost the number of small firms. As long as workers' co-operatives remain small and confined to labour intensive or particular areas of industry there will be limited conflict between political parties over policies to assist them. They have become recognised as an acceptable type of small firm that can be encouraged to overcome temporary problems in the economy during the current economic crisis.

There have been many occasions when workers' co-operatives have been actively opposed, or they have not been given the level of assistance needed to make them viable. In highly competitive industries the workers' co-operative is regarded as having unfair advantages over private firms. By putting into practice a form of workers control a co-operative is challenging the effectiveness of normal management practices in private firms. If, after half a century of decline among co-operatives, they are now seen to be successful, a great deal more pressure might be exerted by trade unions on governments to give them further support. The reality of co-operatives' ideological basis must have influenced governmental decisions over funding Meriden and Kirkby Manufacturing and Engineering Limited.

There is another reason why the state and private sector in Britain have limited their support for workers' co-operatives. The workers themselves are often prepared to work for very low wages and work

free overtime hours in order to overcome temporary financial difficulties. The co-operatives aim not only for viability and growth but for security of jobs and a more democratic decision-making structure. It is inevitable that many will practice 'self-exploitation' in the start-up period. Since so many co-operatives in Britain are new and struggling to survive, competitor firms and indeed trade unions have come to believe they have an unfair advantage in the market, and will use the commitment of the workers to undercut competitors. Co-operative Build in Connah's Quay, North Wales collapsed because it was unable to get building materials on credit from suppliers. Its members had no support from their union, UCATT, which expressed the fear that:-

"In such a fragmented industry like the construction industry, it (the co-operative) could lead to a cloak for labour, only sub-contracting and unscrupulous lumpers could use this to give an air of respectability to their activities."

Letter from UCATT Flint PD Branch to the co-operative on 19th May, 1978.

It appears that this co-operative was felt to have trading advantages enabling it to take work away from existing firms, and it was prevented from getting off the ground.

A similar argument by the Manpower Services Commission has limited the production possibilities for JCP and STEP co-operatives. A condition for funding 'enterprise workshops' was they they should

not cause other local jobs to be lost as a result of their trading. The official reason given was that the MSC's primary function was job creation and so the creation of permanent jobs in one firm could not lead to the destruction of jobs in other firms. This contradicts other government policies to stimulate industrial development. Finance is given, e.g. by the NEB, to make firms viable where help is not available from other sources. If other firms collapse subsequently, this is considered to be part of the normal competitive process. Probably the real reason why the MSC laid down their condition was ideological. Central government cannot be seen to be favouring the co-operative type of enterprise over another type. Many local authorities and the Welsh and Scottish Development Agencies have also taken this view. Most will help co-operatives but to a very limited extent, and prefer to treat them as ordinary firms.

The effects of this ideological constraint in Britain have been to curtail drastically co-operative development. In France and Italy workers' co-operatives have become a recognised form of enterprise which may be large or small, and which can produce efficiently, flexibly and at competitive prices certain goods and services essential to industry and the housing market. Assistance to them is more formalised and more substantial than it is in Britain.

In France and Italy workers' co-operatives have never suffered a near total decline as they did in Britain. While the co-operative movements were severely reduced during the fascist period, they

retained enough strength to expand again quickly after 1945. Since then the number of co-operatives in France has grown to over 600 and in Italy there are many more. While the exact number is not known the membership of the total co-operative movement, including 900,000 consumers, is $5\frac{1}{2}$ million and 7% of gross national revenue is accounted for by producer and service co-operatives.

In both countries a number of co-operatives exist which employ over 500 workers. Like in Britain co-operatives cover a wide range of industries, but they are concentrated in the building industry and in other fields where the public sector is their main market. AOIP, for example, in France employing 4,650 workers in 1978 has made mechanical equipment for the French Post Office since 1906. Since 1888 building co-operatives have been offered state contracts. In Italy, Edilfornaciali employed 680 workers in 1977 and made bricks and tiles and prefabricated concrete panels. About 20% of the concrete panels were sold to local authorities, and 20% to other co-operatives in the building industry. Matisa constructs and maintains railway lines for the state, and employed 260 workers in 1978. Co-operative Imolese Reconstruzione (CIR) employed 365 in 1978 and, among a range of products, sold dentistry equipment to the Italian Health Service. Manuten employed 850 in 1976 and provided a cleaning service in schools, hospitals and other state buildings, as well as in the private sector.

2. Assistance to Co-operatives from the Co-operative Movements and the State

These sources are examined together because of their frequent close relationship. It has become increasingly clear that co-operatives have special problems which mean they often need more help than private firms, at least during their start-up period. In Britain this has not been available on the scale required to develop the co-operative sector significantly.

The International Common Ownership Movement (ICOM), the Co-operative Productive Federation Limited (CPF), Commonwork and the Co-operative Development Agency (CDA) exist to promote workers' co-operatives but all have very small resources from trusts, member firms and the State. Local CDAs and regional branches of ICOM are now being formed widely for promotional purposes, but again they lack finance and they are not large enough to offer the specialist expertise needed. To overcome this some are drawing up registers of skilled people who will give their time free to co-operatives.

Very little finance is available specifically for co-operatives. So far, almost all has been given by the state, from co-operative members or retained earnings. Under the Industrial Common Ownership Act 1976, £30,000 per year over 5 years was allocated for advisory services to co-operatives, and £250,000 over five years for financing co-operatives. A few local authorities have given special help. However, apart from the power under S.3 of the Inner Urban Areas Act 1978 to give £1000 in administration costs for co-operative formation, they have recourse only to the 2p rate

provision in the Local Government Act 1972 (1973 in Scotland). Since this power was not specifically intended for this purpose, local authorities are taking a risk by using it to allocate funds to co-operatives. Fife took legal advice recently on this question and was told the power could not be used to fund co-operatives and other firms because it would give the state unfair inside information on trading matters from which it would benefit commercially. Wandsworth took the same advice in 1977 and was given the opposite opinion. So far few local authorities have given loans to co-operatives. In future, it is likely that the cuts in public expenditure will reduce the money available even further for new experimental schemes such as this.

Regional authorities have been even more cautious. The Welsh Development Agency and the Scottish Development Agency both say they will help co-operatives in the same way as they help any other firms. In practice the SDA has given them sympathetic consideration. The Highlands and Islands Development Board and the Low Enterprise Development Unit in Northern Ireland have acted differently. Both have been positive towards co-operative formation in areas where traditional types of assistance to firms has not been enough to stimulate private investment.

Where co-operatives have not looked to the state directly for assistance they have found difficulty in raising finance from banks and other financial institutions.

The Co-operative Bank, in 1978, set up a special scheme whereby

co-operatives would receive £1 for every £1 put in by their members, but this is not regarded by co-operatives as any better than normal commercial terms offered by other banks. ICFC also has a scheme for lending to co-operatives, but expects to take a participating interest and therefore will only be suitable for high fliers, rare amongst co-operatives. Sometimes co-operatives have funded themselves out of members' loans and those formed earlier this century such as Equity Shoes and Leicester Printers placed reliance on help in share capital and loans from both the workforce and sympathetic individuals and organisations outside the firm - trade unions, local co-operative retail societies, etc. Also they often built up substantial reserves before firms in general became more dependent on external capital. Despite these devices, a large number of old co-operatives have collapsed.

In France and Italy the size and strength of the co-operative sector in industry has meant the central co-operative organisations are strong and can offer assistance of a substantive kind. The state's role has differed between the two countries. In France a central organisation was formed in 1884, the *Chambre Consultative des Associations Ouvrières de Production*, to assist and co-ordinate the activities of co-operative enterprises. In 1937 it took on a greater promotional role and was renamed the *Confédération Générale des Sociétés Co-opératives Ouvrières de Production*. Since 1893 this central body has had access to funds. At first the *Banque Co-operative des Sociétés Co-opératives Ouvrières de Production* acted as an arm of the *Chambre Consultative*. Then in 1938 the *Caisse Centrale de Crédit Co-opératif* was set up by

government, with its financial backing, providing a more substantial source of external finance at favourable interest rates for new or expanding workers' co-operatives and other forms of co-operatives. In 1970 the Banque Co-opérative des SCOP fused with the Banque Française de Credit Co-operatif (a subsidiary of the Caisse Centrale) thus consolidating the major sources of external finance under a single organisation, the Caisse Centrale.

Despite these events there is not enough loan capital available for co-operators in France. This is because loans are harder and more costly to make to a co-operative venture. They are made by taking account of a broader range of factors than in a private firm, including the share capital, the age of members and the history of the co-operative. In 1976 workers' co-operative borrowed only 1% of the total funds in the Caisse Centrale, and 2% in 1977. After 40 years of experience, expertise in assessing the risk of a loan is still being developed and any loan made is still considered to be a high risk for the bank. Capital is sometimes raised from other banks, at normal interest rates, particularly by the larger co-operatives, but the movement is heavily dependent on the Caisse Centrale for the bulk of external capital.

Besides finance, expertise is available from SCOP to new co-operatives or co-operatives in difficulty. In the case of Manuest in Châtenois, a co-operative making furniture formed after the collapse of a private firm and an occupation in 1974, two full-time advisers were sent by SCOP to produce a feasibility study. When a favourable report was produced, the co-operative received finance

from the Government and banks, and support from the unions involved, and one SCOP adviser stayed on as manager because of his commitment to the co-operative. In the case of SCOP Cogné, a dressmaking co-operative handed over to the workforce by the owners in 1978, advice was given from the SCOP Regional Office at Rennes.

In the building and printing industries, federations have been formed to share information, but these have not been as important as the Italian consirtia - trading organisations - in helping to make co-operatives more competitive. Finally, co-operatives benefit from state contracts for work, as mentioned earlier.

A wide range of assistance is available to co-operatives in Italy though the state has been more selective in the co-operatives it assists than in France. Co-operatives are recognised as a form of enterprise under the protection of the Ministry of Works and Social Services in Article 45 of the 1947 constitution. In 1971 the Ministry was empowered to take positive initiatives through the three federations - to develop co-operatives, to spread co-operative principles and to set up courses for professional training of co-operative directors.

There is a Central Commission for Co-operatives within this Ministry which is the main focus of consultation between government and the co-operatives over legal, financial and other matters. Also there is an interdepartmental committee dealing with credit and savings. This is linked with the treasury through the Banca d'Italia, and carries out policies regarding co-operatives in consultation with

the Banca Popolari and the Casse Rurali.

Co-operatives in Italy have become particularly attractive to local and central government over recent years because of their determination to preserve and create jobs. They have clearly demonstrated a more responsible attitude towards employment than private firms. It is notable that jobs in the workers' co-operatives sector have increased during the economic crisis. Assistance to co-operatives by the state is not given as a small scale job creation exercise however, nor as a political expedient. Co-operatives are recognised as autonomous enterprises, capable of achieving profitability, providing goods and services at competitive prices in essential industries and reducing state expenditure.

Italian co-operatives are almost all affiliated to one of three federations which are divided politically. The Lega Nazionale delle Co-operative e Mutue is predominantly supported by the Communist Party, Socialist Party and Republican Party. The Confederazione Co-operative Italiane is supported by the Christian Democratic Party. The smaller Associazione Generale delle Co-operative Italiane is supported by the Social Democratic Party and Republican Party. However, since the late 1960s, the federations have loosened their ties with these parties and have developed stronger links with one another to encourage a wider political base for their support, to devise and carry out a common programme, and to build a forum for negotiating collectively with public and private agencies. The federations, like SCOP, are strong and can offer a wide range of business expertise to co-operatives through central and regional

offices. Access to finance has been a greater problem than in France. There has been no single body providing loan capital on advantageous terms to co-operatives. Banks and other financial institutions have had little sympathy for co-operative objectives and few have developed specialised skills for assessing the peculiar nature of the risk involved in lending to co-operatives, or are willing to lend at lower interest rates. The state has provided loans, at favourable interest rates, for the production of particular goods and services, like materials for the building and maintenance of housing. Also, co-operatives have tried to overcome their financial and other problems by limiting growth, by building up reserves, borrowing from their own members and by forming consortia (consorzi).

Conсорzi are a very important development. They act like holding companies on behalf of co-operatives, centralising functions such as the acquisition of raw and semi-finished materials, negotiating for finance and contracts, the sale of finished goods, and the compiling of expertise. They have sprung up since the late 1960s because there was a need for new trading structures to make co-operative production more efficient. They can achieve more than parallel federations in the private sector because they are part of a democratic organisation with economic planning objectives.

While these consorzi improve the competitiveness of co-operatives external capital has to be found increasingly. The co-operative movement is currently putting pressure on the Government to release more funds because of co-operatives' poor access to finance in the

private sector. Applications for government loans are made through the medium credit banks and they are given if the Government considers it is in the national or local interest. Since 1945 building co-operatives have most frequently received state loans because of the recognised severity of the housing shortage in Italy and the efficiency of co-operatives in this sector. Matisa has been in a more unusual position, receiving regular state loans and other assistance for its work on the railways; but unlike the building co-operatives Matisa receives all its finance and contracts from the state, but must with compete with other firms in this field.

The co-operatives affiliated to the Confederazione receive slightly lower interest rates on loans from the Casse Rerali because of the historical link between the two. In addition, Co-opercredito was set up as a special division of the Banca Nazionale del Lavoro to give credit to co-operatives. However, the funds at its disposal are restricted to endowment funds and reserves and exclude savings, so they are very limited. Also, loans are given at normal commercial interest rates.

Workers' co-operatives are, of course, eligible to compete with other firms for loans from any bank at normal interest rates. However, the weak capital base of cooperatives means they require terms which are more favourable than those registered with private firms and consequently they have met with considerable reluctance. Some sympathetic treatment has been given to co-operatives by the Banche Popolari, but relations between all banks and co-operative movement are weak. All these limitations have led to the recent

establishment of Fincooper by the Lega. It is an organisation which aims to negotiate on behalf of co-operatives with financial institutions and the Financial Commission for credit. It also intends to own assets and to underwrite loans to individual co-operatives, and enable loans to be at slightly beneficial rates.

Compared with France and Italy, co-operatives in Britain have suffered severely from being small scale and small in number, unable to support a large promotional body, unable to create trading organisations - except in the wholefood industry - and with poor access to sources of external capital. In addition, the willingness of the state to give contracts to co-operatives for work has been very limited. Contracts were given for sign-making and park bench manufacture in Milton Keynes and for school desk repairs in Warrington and Skelmersdale, but in the latter cases this was not done on a commercial basis.

3. Links with Large, Private Firms

Assistance to co-operatives from large, private firms or partnership arrangements between large firms and co-operatives have been developing recently in all three countries. It appears that large firms in Britain consider co-operatives in two ways. First, they are seen as small firms which contribute to the rebuilding of an entrepreneurial environment in decayed urban areas. Secondly, they are viewed as having better survival prospects as autonomous enterprises whose members are owners, than if they were part of a large concern. When job security is valued highly, it is

sometimes beneficial to large firms to sub-contract work which is less profitable than other lines, or where labour relations are difficult to handle, or in transitional periods when redundancies are being made ready for the introduction of new technology.

One example of a large firm's involvement with co-operatives is in Fife. In 1979 GEC was involved in forming a holding company, Inwork, which is expected to spawn a number of small firms, including co-operatives, to carry out sub-contracting work in the electronics industry and a variety of other activities. In London, LENTA (the London Enterprise Agency) was set up in 1978 to respond to requests from small firms and projects - including co-operatives - in need of various forms of assistance, by providing expertise from appropriate members firms, encouraging local authorities to provide land and buildings by sharing the risk with them and occasionally by providing finance. Help to small firms is also being provided all over Britain by the Action Resource Centre. This mainly involves seconding staff from large to small firms. Various local enterprise trusts are also springing up which are partnerships between private firms and local public bodies to help small firms.

In Italy the co-operatives are playing major role in economic development. Because of the size of the movement, large firms more readily think of a co-operative solution to restructuring problems, and opportunities exist for the federations to promote many co-operatives which are large and in a variety of industries.

Recently, ENI (the state petrol agency) approached the three federations to hold talks to set up co-operatives in areas becoming unattractive to the private sector. There are dangers, of course, for the co-operative movement in accepting these developments, and suggestions have been turned down. For instance, the federations turned down an offer from Louisa Spagnoli, a clothing and knitting firm which wanted to hive off sections making collars and buttons to co-operatives. They wanted to keep their label in the market and control the price which would have meant the co-operative had little autonomy. The federations now agree to these schemes only on condition that the workers want and can have self-management, and the co-operative movement is in control of the co-operative, and not the private firms.

As well as promoting co-operatives out of the hived off sections of private firms, or failed private firms, the federations are also involved in major new ventures. For example, they have recently set up Conar jointly with Fiat, ENI and ANCE (the National Association of Construction and Building) which plans to rebuild Freole, after damage by an earthquake. The federations were invited into this partnership because of their expertise in the building industry.

WHERE DO THE PRODUCT IDEAS COME FROM?

It is common for groups of people in Britain to want to set up co-operatives before knowing what to produce or examining the market. Without strong sectors of co-operatives existing on which new co-operatives can be based, the main thrust comes from the isolated groups of ideologically motivated and educated people. Few have business expertise or experience themselves, contacts in business, access to rejected lines of production or prototypes.

Frequently, they start by producing something with a wide demand, in

competition with large and small firms and, during an intensely difficult start-up period, they try to develop a specialist product of their own.

ICOM, the local CDAs and local authorities have made studies to isolate products suitable for co-operatives, often duplicating each others work. They have looked for export substitution products, gaps in the local or national markets, and opportunities for acquiring contracts for work with the state. Wandsworth Council, for example, proposed to set up an innovation centre which it hoped would produce prototypes that would be developed in and marketed by co-operatives. Previously, the council commissioned a consultancy firm of 20 products to examine lists of patented designs from which suitable ideas for co-operatives could be extracted.

The Centre for Alternative and Industrial Technological Systems (CAITS), on the other hand with its strong industrial links, hopes to tap the expertise of trade unionists in large firms to develop product lines for co-operatives. They plan to form co-operatives which manufacture goods with a social value, such as insulation material for council homes.

So far, a lot of effort has been exerted in this area of product development for little reward. The people involved generally have little experience in the work. It seems likely that greater potential exists in organisations like LENTA and the LETs, but with the obvious dangers that co-operatives in Britain, without a strong central organisation, will become the repositories for less profitable

areas of industry, dependent on contracts from large firms, and where self-exploitation is perpetuated.

The situation is similar in parts of France, such as Brittany, where unemployment is high and money is available for job creation ventures. Potential sponsors, as in Britain, are looking for new product ideas. The types of schemes started this way are just as marginal to the economy. Co-operatives have been formed doing electrical work, car maintenance, toy manufacture, building repairs and fish breeding. However, the fastest growing area of co-operation in France is the service sector. Included in this are architecture, engineering, market research, computer software and acting, where workers with skills are ideologically committed to co-operatives. Co-operatives are also growing fast in office cleaning and security services.

In Italy the formation of co-operatives less often occurs among isolated groups and is frequently planned by the federations. Fifteen per cent of co-operatives are created spontaneously, mainly in the building industry; 25% are converted from private firms to co-operatives, when firms are in financial difficulties or where owners decide to sell. The latter occurs especially in the building industry, because new tax laws favour this; 60% are promoted by the federations.

Almost any product or service is encouraged. Industries are avoided only when they are in a state of decline, such as parts of the clothing industry. The LEGA which has the most aggressive policy towards co-operative development, does not believe co-operatives should be

relegated to the marginal and labour-intensive areas. As well as filling gaps they try to build up strength in competitive markets. They believe they can have a real chance of changing society only if they develop and influence trade unionists in major industrial sectors. The Confederazione's approach is more modest. Apart from the building industry, they consider the main role of co-operatives is in the service sector.

The LEGAs policy is to promote co-operatives, particularly in Southern Italy, and where there is a social need, such as food processing, housing and transport. And they try to make each industry self-sufficient by setting up co-operatives to produce each component part. For example, they are trying to promote co-operatives in all areas necessary to agriculture, from food processing to animal breeding and tractor manufacture. As well as providing protection within the market, this policy also enables co-operatives to exert a strong influence on the industry.

The federations have the advantage of large member firms doing research and development into products which can be used to spawn new co-operatives. The firms are large enough to carry out major surveys of the market, and to look for gaps in demand in the home and foreign markets. They have a political outlook which helps to focus their search in certain directions. Lastly, they are frequently approached by local and central government, private firms and trade unions, to form co-operatives out of failing firms, as part of the rationalisation and restructuring processes in industry and for specific tasks in the national interest.

THE PRODUCT RANGE IN CO-OPERATIVES

There are no co-operatives in Britain, France or Italy in highly capital intensive industries such as micro-electronics, despite what is hoped for by all the co-operative movements. However, co-operatives do exist in all three countries where a lot of capital investment is required for plant and equipment. In Britain Scott Bader makes resins. Bardrec is involved in precision engineering, Chieftain makes radiators, Landsmans makes mobile buildings for industry, Equity Shoes makes high class women's shoes. These are co-operatives which were handed over or sold to the workers by philanthropic owners, or taken over by the workers after the collapse of private firms.

In France, AOIP makes mechanical telephone equipment and mechanical devices for the Ministry of Defence for Air Force and Naval activity. CIR in Italy makes metal parts for buildings, specialised wooden frames, dentists chairs and safety doors. Edilfornaciai makes concrete building panels, bricks and tiles. Graficoop prints books and magazines for publishers. Matisa maintains state railway lines. Again these were formed in similar ways to those listed above.

Technological change, together with increased need for additional capital for investment, has led to the widespread collapse of co-operatives in Britain, but less so in France and Italy. Edilfornaciai, Graficoop and Matisa have all survived through mergers with other co-operatives. This enabled them to diversify product lines and avoid major redundancies, increase investment and increase the scale of production.

In France, AOIP has faced enormous difficulty with the Poste Télégraphe et Télécommunication decision to change from a mechanical to an electronic system. This will require less labour and involve a completely new production process. The investment needed is far beyond the capacity of the co-operative. In future AOIP plans to import the electronic parts from the USA, assemble them and test the final product, undertaking the least skilled and least profitable parts of the production process. If it became profitable to integrate all the production processes together, the PTT market could be removed altogether from AOIP. Consequently, AOIP is rapidly diversifying its products. It is now beginning to make specialist mechanical products such as measuring equipment, navigation instruments and mechanical industrial equipment.

In Britain, co-operatives are at a much earlier stage. The majority are in labour intensive industries, such as repairing school desks and televisions, repairing and renovating furniture, making toys, electronic circuits, crafts and clothes and wholefood retailing. It is doubtful that these will form the basis for larger, more capital intensive industries in future.

Despite their different stages of development, some constant patterns are emerging between Britain, France and Italy. In all countries the state has given contracts to co-operatives, not only on ideological grounds but for commercial reasons. Co-operatives are regarded as reliable and flexible; they can produce specialist goods in small numbers and produce goods and services at competitive rates. There are a large number of co-operatives in the building

industry in France and Italy and, with the decline in the role of direct works departments in Britain, co-operatives may begin to fill the gaps in this market. Co-operatives in professional services are growing in all three countries, and also in the printing and publishing industries. Lastly, co-operatives are forming out of collapsed industries because they can survive through better management and lower absenteeism (in Italy in particular).

CONCLUSIONS

Co-operatives as small firms have become acceptable types of enterprises in Britain, France and Italy as they are acceptable as firms of any size. 'Acceptability' means co-operatives have received support from financial institutions, large firms, the state and the labour movement to help make them viable and profitable, rather than primarily for political or ideological reasons.

Co-operatives often need more help in the existing economic climate than private firms particularly because of their weak capital base. They have consistently demanded external finance at reduced interest rates. This has been provided, despite the costs and high risks involved, because co-operatives are a reliable form of enterprise, can operate more flexibly than private firms, can survive longer and can be useful in performing certain functions in the economy.

In all three countries the state has been important in providing some of the assistance needed. In Britain, state assistance has often been given directly to individual co-operatives. Central Government and local and regional authorities have all provided grant loans on favourable terms and expert advice to co-operatives, though the number of cases where this occurred is still small. In France, loans at favourable interest rates are channelled through the Caisse Centrale which receives state subsidies. In both France and Italy state contracts are given to co-operatives, and in Italy government loans on favourable terms are made available for specific projects undertaken on contract to the state.

The co-operative movement in Britain, compared with France and Italy has no strong central organisations to help new or failing co-operatives. Also, co-operatives are not yet recognised by other co-operative sectors to be in a position to make commercial links with them. As a result, they are very isolated in the market. Occasionally they benefit from mechanisms devised to protect them in the short term, such as the schemes of group accounting at Skelmersdale, the Fife Inwork Scheme and Wandsworth Council's scheme for a development agency and a revolving loan fund.

In different ways assistance is inadequate in all three countries. In Britain, both finance and expertise are lacking. In France and Italy expertise is available from the stronger co-operative promotional bodies, but sufficient finance is lacking. Reluctance by banks to fund co-operatives is common to all three countries. Co-operatives are considered a higher risk than private firms and loans are more costly to administer, especially to small enterprises. Support from trade unions and the labour movement generally is valuable in offsetting some of the disadvantages to co-operatives in the market, but it is spasmodic. There is still a lot of ideological confusion within the co-operative movements themselves. This is particularly so in Britain where co-operatives are regarded with greater suspicion.

As a result, the growth of workers' co-operatives has been slow, especially in Britain where the movement is just beginning to grow again after the widespread collapse of co-operatives formed in the nineteenth and early twentieth century. In all three countries the aims of the movements have been more ambitious than the results.

The greatest expansion is taking place in service industries everywhere, such as in professional services, cleaning, security, and transport. Co-operatives in the service sector often require less assistance, because they are labour intensive or converted from private ownership when they were already profitable. Potential for growth in capital intensive industries is limited to those such as building, where co-operatives are already strongly established and where state contracts can be won, or to some areas of industry where rationalisation and restructuring is occurring in the current economic crisis, or where bad management is responsible for firms collapse, or a combination of both.

State contracts appear likely to continue and may increase in France and Italy, but so far there is little evidence of them growing in Britain. Except in isolated cases the state in Britain does not recognise co-operatives as a useful form of enterprise in particular sectors of the economy and they are supported largely for job creation purposes. Recently, unemployment in Britain has become a concern for private firms as well as the state. It is becoming regarded as a waste of resources, a cause of social instability, destroying communities which have the potential for wealth creation and destroying business environments where small and large firms once flourished. Private firms are beginning to take a more interventionist approach towards unemployment and are acting not in their commercial interests, but in the longer term interest of capital regeneration and accumulation. Because of this, mutual support is growing between the state and private firms to tackle unemployment. A corporate interest is developing in assisting co-operatives and

other small firms. For this reason, it is likely that the co-operative movement in Britain will continue to be supported mainly to create jobs and small firms, and co-operatives will increase in the low wage, labour intensive, marginal sectors of the economy.

State support for co-operatives will be vital for their growth in future but will be strictly limited and controlled in all three countries, through contracts, direct funding, partnership arrangements with private firms and small funds. While the support they receive will sometimes be given for ideological or political reasons it will mainly be given to keep the existing relations of production the same, to ensure the creation of wealth by viable firms and to contribute in a limited way to the process of capital regeneration and accumulation. This will have a major impact on the types of goods or services co-operatives can produce.

While co-operatives are autonomous enterprises, owned and controlled by their worker members, they have a limited choice in what they can produce. Their relationship to a market dominated by private firms in a capitalist mode of production is fraught with difficulties. Most severe is the problem of raising sufficient capital. Lack of finance is caused by structural weakness and is exaggerated by the nature of the current economic crisis. The only way around it is to attract state assistance by producing particular goods and services better than private firms and by creating jobs.
