

ICA 00261

A COLLECTION OF PAPERS

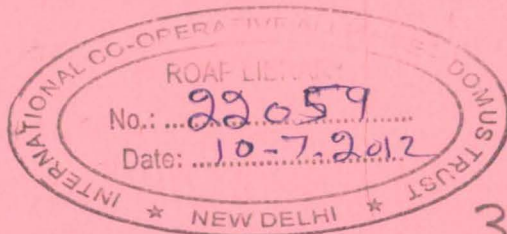
PRESENTED AT THE

42nd International Co-operative Seminar  
held at the British Co-operative College  
Loughborough September 1974

THE UNITY OF THE ECONOMIC AND  
SOCIAL FUNCTIONS OF CO-OPERATIVES



Price: £1.50 (including postage sea-mail)



334(100)

INTERNATIONAL CO-OPERATIVE ALLIANCE  
ALLIANCE COOPERATIVE INTERNATIONALE  
INTERNATIONALER GENOSSENSCHAFTSBUND  
МЕЖДУНАРОДНЫЙ КООПЕРАТИВНЫЙ АЛЪЯНС

11 Upper Grosvenor Street London W1X 9PA telephone 01-499 5991

ICA Library



The ICA gratefully acknowledges the assistance of many persons and organisations concerned with the arrangements for and conduct of the 42nd Seminar, and particularly :

The British Co-operative Union Ltd.

Mr R. L. Marshall, Principal, British Co-operative College who acted as Host and Joint Director

Mr B. Rose, Tutor, British Co-operative College who acted as Rapporteur

and the authors of the papers contained herein.

London

December 1975

(C) Copyright 1975 by the  
International Co-operative Alliance

ISBN 0 904380 20 3

ICA.X.5176

# LIST OF CONTENTS

----- \*\* 0000000 \*\* -----

	<u>Author</u>	<u>Page</u>
Editor's Note	B. J. Rose	1
The Experience of the USSR	G. G. Pougatchievsky	2
Agricultural Production Co-operatives in Bulgaria	M. Milanov	7
The Technical and Scientific Revolution and Co-operatives	S. Zsarnoczay	10
Co-operatives as Schools of Self-Government	A. Svarda	12
Social and Economic Unity in Indian Co-operative Organisation	N. K. Sinha	15
The Israeli Experiment	N. Fein	18
Japanese Agricultural Co-operatives	Y. Nomura	21
The Meaning of the Social Function of Co-operation	B. J. Rose	25
The Economic and Social Functions of Co-operatives	D. Martin	29
Experience within a British Agricultural Co-operative	W. H. Smith	33
Co-operative Housing in the U. K.	P. Elderfield	37
Social Function Management in Consumer Co-operatives	J. Lovet	39
Collaboration by Objectives in Co-operatives	Luikkonen	42
Fulfilment through Commitment to Self-Defined Objectives	R. Neale	45
Functions of Co-operatives		49

\*  
\*       \*  
\*

## EDITOR'S NOTE

-----oooOooo-----

The papers included in this collection are edited versions of papers on the theme "the Unity of the Economic and Social Functions of Co-operatives" presented at the 42nd International Co-operative Seminar. In preparing them for publication it has been felt useful to arrange them in a rough politico-geographical order rather than in the order in which they were presented. This arrangement recognises the basic differences, and the varying aspirations, in the economic, social and political systems represented, and helps to identify the main areas of common ground.

There are of course differences inside each of the groupings. Nevertheless, within the socialist countries, for example, there is sufficient common experience for them to comprehend each other's situations together with generally similar lines of development. From that point of view, the papers presented by representatives from the four socialist countries form a natural group. In addition, they have in common a confidence in what has been done, what is being done, and what will be done.

The three Asian countries are, on the other hand, a particularly disparate group possessing little in common but a somewhat strained geography and some of the characteristics of that much overdone epithet, "the developing country". Even allowing that the phrase has any useful meaning, it has to stretch more than somewhat here. Despite considerable development in certain industrial sectors, India is the nearest to the classical sense of that phrase ; Israel is a "developing nation" in a very special and unique way ; and Japan can only be included in the rather unusual sense of having had an agricultural sector lagging behind a spectacular industrial development.

Finally, the contributions from the western countries reveal a range and variety of views and doubts. Donald Martin's characterisation of the American "co-operative movement" in his paper is probably fair comment on all of the west as revealed in these papers.

B. J. ROSE

\*  
\* \*  
\*

## THE EXPERIENCE OF THE USSR

—ooo00ooo—

G. F. POUATCHIEVSKY, Centrosoyus, USSR

It is difficult to illuminate fully the problems of the theme which is being discussed here —the unity of the social and economic functions of co-operatives. For more than 150 years co-operatives have been fulfilling and continue to fulfil important tasks in economic development and social progress.

On the basis of experience gained by the co-operative movements of the USSR and other socialist countries, this report will touch only the most important problems of the theme.

### 1. Co-operatives as contributors to the building of the better society

The nature and the aims and tasks of co-operative movements of different countries are defined by the dominating economic and social order of any given society. Co-operatives born under capitalism turned out to be important organisations in the struggle for the better society. They started their activities by attempting first to create socialist communities and then to establish other forms of co-operatives which gradually adapted to the system of capitalist society.

In the conditions of the capitalist state co-operatives are connected with the capitalist economic structure by a thousand threads. Co-operatives cannot change their capitalist character under capitalism, they cannot leave the framework of the capitalist method of production. The bounds of co-operative development are narrowed since capital is the dominant factor in the field of production and trade where co-operatives carry out their activities. At the same time capital possesses political power since it possesses the bourgeois state, which defends the privileges of private property.

In the 19th century Marx and Engels came to the conclusion that during the transition period from capitalism to socialism and in particular in the field of small private peasant economy, the wide utilisation of co-operatives was necessary and imminent. Scientific conclusions about the role of the co-operative movement and its place during the construction of socialism were also reached in the works of Lenin.

The historical experience of the Soviet Union and other socialist countries and life itself proved the correctness of the views of the founders of scientific communism about the important role of co-operatives in the construction of socialism.

Under socialism, co-operatives pursue aims which are important not only for their members but for the whole society. They are one of the main instruments of socialist and communist construction and a school of public self-government.

## 2. The Relationship between Business Efficiency of Co-operatives and their Recognition by Society.

Under socialism co-operatives turn into active participants in the processes of production and distribution, into active and conscious builders of economic policy, legitimate participants in the economic and cultural life of their country. They play a most important role in the strengthening and further development of the whole system of the socialist economy and the results of their activity are highly recognised and approved by society.

The Soviet consumer co-operatives, for example, were awarded the highest reward of the USSR -the Order of Lenin- for their active participation in the development of the country.

For successful fulfilment of the eighth five-year plan and for the third year of the 9th five-year plan about 13.5 thousand consumer co-operative employees received Governmental awards and the best of them were honoured with the rank of Hero of Socialist Labour, the highest award in the USSR.

Now there are two major types of co-operatives in the USSR :

### (a) Agricultural productive co-operatives (collective farms or Kolkhoses)

Lenin paid special attention to agricultural productive co-operatives. He said that the victory of socialism, the construction of the socialist economy was impossible without the transformation of small-scale peasant production into large-scale public production, which could satisfy the needs of socialist industry and the whole national economy. And this could be implemented only through the replacement of individual peasant production by collective production.

In the process of collectivisation the most suitable and expedient form of socio-economic management was found to be the agricultural artel (collective) which allowed the most effective combination of interest with the personal interests of farmers. Alongside social production there exists farmers' households with private plots of land.

In place of 25 million private farms that existed before collectivisation, we have now in 1974, 31,600 collective farms. These are large highly mechanized economic organisations having in their possession 336 million hectares of land, of which about 107 million hectares are arable land.

The management of collective farms is democratically based. Important principles of collective-farm democracy are :



Active participation of collective farmers in decisions on all collective-farm affairs ; election of collective-farm authorities ; joint decisions on main problems ; reporting by executive and managerial bodies to collective-farm members.

A major factor of development of collective-farm democracy is the creation of collective-farm councils whose tasks are to decide upon the main questions and problems of collective-farm life. 2,504 councils were organised in the country to which nearly 84 thousand specialists and workers of collective farms were elected.

The creation of collective-farm councils is a step towards a united organisational structure within national agricultural co-operation. This is a new stage in development of collective-farm democracy and in the representation of interests of collective farms in the nation as well as on the international level.

Lenin's co-operative plan, which was successfully implemented in the Soviet Union, has great international significance.

Not only the experience of the USSR but that of the socialist countries has proved that the co-operatisation of agriculture is a common regularity of the farmers' movement in the creation of communist society.

(b) Consumer co-operatives

Consumer co-operatives in Russia were organised under capitalism, 35 thousand of them united in 1917 - 11.5 million members. These co-operatives created a big trading organisation and accumulated practical experience.

From the first days of Soviet power and in all the stages of development of the Soviet state, the Party and the socialist government attached an exceptionally important significance to the utilisation of consumer co-operatives in socialist construction.

At present the consumer co-operative movement in the USSR is the world's largest. In 1974 the membership of the whole movement was 62 million members united by 95 thousand co-operative societies. It renders services to about 50 % of the total population of the USSR. As a result of rapid growth of trade turnover the level of sales per capita in the rural areas is coming closer to that of the urban areas. The retail network of consumer co-operatives comprises about 370,000 stores, the assortment of which includes all sorts of commodities available in the market. In 1973 the retail turnover of Centrosoyus reached 54,6667 million roubles (above 55 billion dollars).

Consumer co-operatives play an important role in improving the working conditions and catering for the needs of the rural population, by establishing a public catering system (restaurants, cafes, canteens, etc.) and a bread baking industry.

At present there are 81 thousand catering establishments in the country able to serve 2.5 million persons. The turnover of catering establishments was in 1973 3,208 million roubles. The total number of bread baking factories belonging to Centrosoyuz is 12,152 by which above 70 % of the rural population is serviced.

Consumer co-operatives are one of the main purchasers of agricultural products and raw materials. During 1973 the value of purchases of agricultural products and raw materials was above 7 billion roubles.

The co-operative movement in the USSR is a constituent part of socialist system of economy. Its development is directed by the Communist Party of the USSR. The main source of the strength of the Communist Party is that its activity is based on the principles of marxism-leninism, developed and enriched by revolutionary practice and directed towards the needs of working people. The Party influences the society by orienting it to fulfilling the objectives of prime importance.

The Communist Party pays much attention to the activities of co-operatives during its congresses and plenums. Co-operatives are defined in the Program of CPSU as one of the means of involving the masses in communist construction and as an effective instrument and school of public self-government. The socialist economic system with its public property for production creates the most favourable conditions for successful development of co-operation.

The Soviet economy in general and all its parts in particular are developing on the basis of the general economic plan. The system of planned, proportional development replaces the competition and anarchy of the capitalist method of production. Planned development of consumers' co-operatives in the USSR develop in accordance with socio-economic tasks of society as a whole. Development of the co-operative movement is tightly connected with the plans of development for industry, agriculture, transport and with the State budget.

Members of consumer co-operatives take part in the formulation and discussion of plans. According to the working by-laws, meetings of the members consider and adopt annual and long-term plans of development for co-operatives. All this makes it possible for the co-operatives of the socialist countries to develop themselves steadily and rapidly.

Socialist order and democracy provide really democratic development of co-operatives. And co-operative democracy itself is part of the socialist democracy. In such conditions co-operatives get the opportunity to enjoy such co-operative principles as free and voluntary membership, equity of members, liquidation of different privileges for anybody with no discrimination on political, racial or religious grounds.

Considering all the above and taking into account the very wide experience of the co-operative movements of the socialist countries, we can conclude that during the existence of the



co-operative movement, economic and social functions of co-operatives have played an important role in the reorganisation of society. We can also say that these two functions are organically united.

At the different stages of socialist construction co-operatives were simultaneously solving economic as well as social problems, not only of the co-operatives but of the whole country.

Nowadays co-operatives in the socialist countries play a more and more important role in the social construction of society. Many millions of co-operators of our country take an active part in the day-to-day life of the socialist community and through this they gain experience in self-government and the communist attitude to the affairs which touch the interests of all members of the community.

\*  
\* \* \*  
\*

## AGRICULTURAL PRODUCTION CO-OPERATIVES IN BULGARIA

—ooo0ooo—

M. MILANOV, Central Co-operative Union, Bulgaria

The role of co-operatives in building a better society is unquestioned. This statement is particularly true in the case of agricultural production co-operatives. A striking proof of this can be seen in the experience of the Bulgarian Co-operative Movement which set up 65 agricultural production co-operatives in capitalist Bulgaria and, in spite of Fascist dictatorship, 29 of them managed to survive until the victory of the Socialist Revolution on September 9th, 1944. Even under the conditions then prevailing, the agricultural production co-operatives demonstrated their advantages over the private small-holdings, widely split up as they were.

The role of agricultural production co-operatives in Bulgaria and the other socialist countries was even more striking after 1950 when there was mass collectivisation of farming without actual land nationalisation, and the agricultural co-operative showed itself to be a basic farming undertaking accounting for some 80 % of total agricultural output.

Farming production has a big share in the national income of most socialist countries, in spite of their rapid transformation from agrarian-industrial countries into industrial-agrarian ones. The task of agriculture is to provide big quantities of production for the population and for the food industry for export purposes to acquire foreign currency, necessary for the import of machines for the immense industrialisation programme. It is evident that in fulfilling this task the role of the agricultural production co-operatives becomes more and more important.

Applying creatively Lenin's Co-operative plan for establishing agricultural production co-operatives according to the local conditions, the process of co-operation was conducted, strictly observing the following basic principles :

- the principle of free will in joining agricultural production co-operatives ;
- the principle of gradualness in co-operation, without any haste ; not admitting to membership unconvinced co-operators ;
- the principle of democracy - free election of all managing bodies.

How does the role of the agricultural production co-operative emerge in the building of a better society ?

1. By creating conditions which provide a decisive stimulus to increased farm production.

Agricultural production co-operatives provide the answer to the fundamental problem of eliminating small-holdings and creating large

mechanised farming units. The shortcomings of the small-holdings system are well known. The 12 million plots of land existing in Bulgaria were grouped into 3,200 agricultural production co-operatives whose number, following the concentration achieved over the past few years, was reduced to 700 with an average of 11,250 acres of arable land each. Regrouping of plots ensured more rational working of the land and enabled the large-scale introduction of modern techniques and scientific advances.

By making the most use of the benefits offered by agricultural production co-operatives, a hitherto very backward Bulgarian agricultural industry was within a very short time to rank amongst the most advanced in Europe.

Thanks to the efforts of co-operative members and State aid, vast irrigation systems were established provide water for some 2,500,000 acres, representing about 22 % of the available arable land. At first there were machine and tractor "pools" which provided the co-operatives with the necessary technical facilities. Today the co-operatives themselves have at their disposal a stock of farm machines providing for the fully mechanised cultivation of a large part of agricultural crops together with automation in stock-raising methods. There are farm tractors totalling 164 horse-power to every 25 acres of arable land. On an increasing scale, rural aviation is being used for pest control, fertilising, rice sowing, etc. Prior to the creation of the co-operative system, chemical fertilisers were practically unknown in Bulgaria, whereas today over 80 kg of pure chemical fertiliser products are applied to each acre.

The large agricultural production co-operatives allow for proper crop rotation, ensuring increased soil fertility, the introduction of high yield crops and a consequent improvement in animal strains.

The results speak for themselves. Total agricultural production has increased over the past few years by two and a half times as compared with that achieved during the years preceding the Second World War, whilst the number of farm workers has been halved. The wheat yield per acre between 320 and 430 kg increased to 1,440 kg, that of maize from between 400 and 430 kg to 1,840 kg, and that of sugar beet from 7 to 14½ tons.

Today Bulgaria harvests four times more tobacco and potatoes, 20 times more tomatoes, and so on. The average quantity of milk obtained per dairy cow has risen from 450 litres to 2,700 litres ; the wool obtained from each sheep has risen from 1½ to 3½ kg. Similar results are likewise found for other crops and animals.

2. By increasing the earnings of co-operative members and reducing their work load.

Increased yield from farming made a substantial contribution to higher national revenue and increased earnings for co-operatives and for the members themselves. The bigger national revenue enabled the State to devote considerable financial resources to extending the processing industry and providing the country with an infrastructure and with an educational and health system measuring up to the new needs. The increased income of co-operative organisations ensured the expansion

of their material and technical bases and the achievement of various objectives in the fields of culture, sport, leisure and organised holidays. As compared with 1952, the earnings of co-operatives have quadrupled.

Scientific achievements, technical advances and mechanisation, widely applied to agriculture, played a large part in taking much of the hard work out of farming. Old-fashioned implements no longer have any place in agriculture ; the co-operative member now drives the tractor, combine harvester or some other farm machine, and his working day is limited to 8 hours.

3. By improving the living and social conditions of the co-operative members.

Agricultural production co-operatives brought a radical change in the peasant's way of life. Within a space of less than 30 years, some 30 % of the housing accommodation of co-operative members was rebuilt to meet standards of hygiene and were comfortably furnished. All villages have electricity and most of them are supplied with running water. The cinema, radio and television have become a necessity in the daily life of co-operative members. Many of them own a car.

Co-operatives also laid the foundations for the retirement on pension of co-operative farmers -at the age of 60 for men and 55 for women . Members enjoy social security benefits for sickness, accidents and maternity. 38 rest-houses and watering places situated in the most famous holiday centres in the country are available to co-operative members. Over 200,000 people spend their holidays each year in these establishments. Nurseries for children and babies, organised by the co-operatives, look after children when the mothers are at work. Education at the various levels and medical assistance are provided free of charge.

To conclude, all these achievements are due to the advantages offered by agricultural production co-operatives as compared with private holdings. These results go to confirm the statement that the agricultural production co-operative is able to ensure a better society and a prosperous life for the rural population.

\*  
\*     \*  
\*

## THE TECHNICAL AND SCIENTIFIC REVOLUTION AND CO-OPERATIVES

-----oooOooo-----

### S. ZSARNOCZAY, National Co-operative Council, Hungary

We Hungarian co-operators are very proud of the fact that our forefathers were among the first to become aware of the social function of the movement and that the ICA, which was formed in 1895, had a meeting in Hungary as early as 1905. However, it is not owing to our predecessors that in our modern socialist system co-operatives have become the means of social progress for millions of people proving that co-operation is only a system or form and the content is greatly influenced by the social environment.

Before 1945 there were only consumers' and credit co-operatives, but now co-operatives are also quite common in the field of production. Half of our businesses are co-operative enterprises. In Hungary at present there are 2,300 agricultural, 1,100 industrial production co-operatives and 600 consumers' co-operatives. Furthermore, there are 400 building, 230 special branch co-operatives, 110 water companies and 1,700 other associations which are in some way similar to co-operatives, including 2 million members altogether.

In our manifold co-operative system the agricultural production co-operatives play a decisive role. 77 % of the arable land belongs to co-operatives, the rest being owned by state farming associations. In 1933 the wheat yield per hectare was around 1,400 kg, now the average yield is 3,400 kg and most of the co-operatives are able to harvest 4,000-4,500 kg per hectare. The barley yield has increased from 1,300 kg to 2,900 kg and the maize yield has more than doubled (2,000-4,400 kg). 22 % of Hungary's exports are food products and in our quickly developing national economy the export of foodstuffs has become an important source of foreign exchange revenue. Since 1962 the income level of agricultural workers has reached that of the industrial workers. This is due to a considerable development in mechanisation and State aid, to say nothing of the diligence of the farmers.

Our co-operative movement confronts new historical objectives. Most of the countries in the world have come to the age of technical and scientific revolution. It is in food production where the progress and development is the most intensive, and in this particular field the differences and gaps between countries have deepened and widened. Only 3-4 % of the population is involved in highly mechanised food production and, parallel with modern trends, traditional, primitive methods are still used and in the majority of countries 70-90 % of the total population deals with food production. These figures might perhaps indicate why this transition in food production attracts the attention of sociologists, theoreticians and practical co-operative managers.

The complex analysis of this particular process, drawn in outline above, of its influence on the co-operative movement, and of its interpretation under different social environments and circumstances might be considered to be an exciting survey.

In the age of scientific-technical revolution the contradiction in co-operative production lies in the fact that the member is on the one hand a part-owner and on the other hand a specialised labourer in mass production. A farmer or a small-holder was able to have an eye on every phase of work due to the scale of production. In mass production a co-operative member has no possibility of knowing everything, of grasping the whole labour process. Not knowing every detail, the individual is unable to vindicate his rights as an owner, because of the scale of production and division of labour within the co-operative.

The co-operative as a collective enterprise maintained and run by part-owners came into being in a certain period of history when the technical-scientific revolution and the development of productive forces made it necessary to produce on a large scale. Because of the special division of labour within big estates there is no need for general empiric knowledge. In a modern division of labour experts are needed, viz. managers, and of course only a few of the part-owners (or members) can become managers. Though it is true that a manager or other members of the staff have one vote, just like any of the members, in a structure like a co-operative, the manager and the specialist staff members can much more easily decide, having more pieces of information at their disposal than any of the labourers. Thus it is extremely difficult for a specialised worker to vindicate his rights as a part-owner in all types of decisions on the same level as a manager. It is a real contradiction, hard to resolve. Among possibilities of lessening this conflict are, however, better information, the assertion and improvement of co-operative democracy and the limitation of scale in co-operative.

In Hungary the co-operative movement guarantees the chance to unite traditional agricultural methods and modern procedures specified by technical-scientific revolution. Some of the old farmers tend the livestock with tender care but their sons raise livestock in colonies of 600-1,000 cattle. Old peasant women pet their hens in the poultry yard but their daughters work in fully automatic "poultry meat factories".

In our country the co-operative is the melting-pot where the differences in wealth, nationality, religion and age have diminished in ten years and the co-operators, helping one another, work together in an atmosphere of socialist democracy and equality. The co-operative labourers in our country are no longer slaves but masters of land.

We Hungarian co-operators know that all we do and have done is only a faint dash of colour on the colourful map of co-operatives. We are proud of our successes. However, we are aware of the results of other more productive countries. That is why in all parts of the world we wish to learn new procedures and forms of organisation to help the Hungarian peasants to an even more prosperous life.

\*  
\* \*  
\*



## CO-OPERATIVES AS SCHOOLS OF SELF-GOVERNMENT

—oooOooo—

A. SVARDA, Central Co-operative Council, Czechoslovakia

### 1. Basic role of co-operatives within the development of society

As a movement of wide sections of the population, the co-operative movement organizes the initiative of its members for common activity with the aim of improving their living conditions in general. The co-operative movement will always seek to improve the society within whose framework it operates.

In the co-operative movement, unlike other mass movements, the endeavours to improve living conditions and the social system are based on its own economic operation. This fact sometimes leads to incorrect practices of separating the social and economic functions of co-operatives from each other ; furthermore, as economy has its own hard and fast rules and its results are usually more tangible than those of social activities, it may also lead to an incorrect overestimation of the economic function of co-operatives, as if it were the only decisive factor.

But a socially uninvolved orientation with purely commercial aims, as well as isolation from other progressive movements, must inevitably bring co-operatives and their members disappointment, which in turn leads to loss of interest, indifference and apathy —whereby such organisations gradually lose their co-operative character, even though they may continue to operate as successful economic enterprises. In such cases, as soon as economic difficulties appear (which can never be ruled out), they quickly lose members as well as their support.

Even in its current day-to-day practice, every co-operative society must bear in mind a main long-term objective which is understandable and challenging to its members, and such an objective can undoubtedly be found if it is identified with the people's desires for general progress, social justice and the assertion of human values. At the same time it is necessary for the co-operative society to pursue the specific aim of improving the material, social and cultural standards of its members. A programme worked out and approved in accordance with these principles then becomes a major link uniting members with their co-operative society, and hence a factor which helps to create the indispensable atmosphere of co-operation, initiative, mutual understanding and solidarity. For such an atmosphere to be created, however, an additional factor is also required : it is sensitive organizational work, not only on the part of the management and staff of the co-operative society, but also involving numerous active members, without whose co-operation the society cannot become a really sound and viable organization.

In Czechoslovakia, we have tried several times to define the socio-economic function of co-operatives. The present Constitution of the Czechoslovak Socialist Republic provides that co-operatives must have the following characteristic features of social organizations :

- voluntary associations of working people for common activity,
- for all-round active participation in the life of the society and of the state,
- and for exercising their rights.

In our opinion, this characterization of the social function of co-operative organizations, as formulated in Czechoslovakia's Constitution, is very comprehensive and stimulating. All the features specifically mentioned form integral parts of one organic unity, and this fact is apparently the most relevant aspect of co-operative activity and also a factor attractive to wide sections of the population. The Co-operative Law contains similar formulations.

## 2. Full and active life within co-operatives -source of their strength and viability

What are the main sources of the strength of co-operatives ? They are particularly the following : the voluntary activity of their members ; their consistently democratic character ; co-operative self-administration ; the feeling of joint responsibility for a common cause ; close and informal relations among members. In other words, the strength of co-operatives stems from those human qualities which are most valuable from the moral and social points of view and for which, accordingly, there can be no substitute.

How should the members' participation in the administration and control of the co-operative society be promoted ? The decisive factors include regular, well-planned and co-ordinated work on the part of all the elected officers and bodies, a careful preparation of the annual meetings of members and of their draft resolutions, as well as active involvement of the members organized at the level of the basic organizational links, i. e. self-administrations, general stores, local sections, workshops or co-operative residential houses (blocks).

The above mentioned basic-level organisational links have become centres of considerable activity throughout the Czechoslovak co-operative movement. For example, the self-administrations operating at the level of local general stores of consumer co-operatives (traditionally known as "supervisory committees") number nearly 13,000 committees consisting of more than 73,000 elected members. In 1973 alone, these committees held approximately 24,000 meetings of members at local shop level, with a total attendance of almost 1,889,000 members of consumer co-operatives. The active involvement of members through these self-administrations represents an efficient instrument of supervision over the functioning of various co-operative services ; it also gives rise to numerous suggestions for improving various aspects of the co-operative society's business, as well as for organizing various cultural events, educational programmes, advisory services, etc. Consequently, the local self-administrations can rightly be regarded as sources of members' activity and initiative, on the basis of which an impressive amount of voluntary work is done for the benefit of the co-operatives.

The democratic principles of co-operative life and self-administration, which often require a very sensitive treatment of groups of members in the endeavour to bring their interest into harmony with those of the co-operative society as a whole, are by no means in contradiction with the application of modern,

efficient forms of business management in co-operatives. On the contrary, the experience gained by the co-operative movement in Czechoslovakia indicates that efficiency in business tends to be promoted, to a significant degree, by being based on wide-scale initiative of the members and on the democratic character of the society's management. In order to make maximum use of these potentialities, it is necessary, while striving for greater business efficiency, to combine social aspects with rational ones in the management of co-operatives. It is essential to find and introduce in each co-operative society such a system of management in which democratic control and active involvement of the rank-and-file members support the leadership in running the society's business on a highly rational basis. Efficient management must not only respect the social character of co-operatives, but also take advantage of it.

### 3. Participation of co-operatives in social and public life

As active social organizations, co-operatives inevitably also play an important role in the development of their villages, towns and districts, especially in the economic, social, educational and cultural spheres. These areas provide good opportunities for co-operatives to make some specific contribution to the cause of social progress in general. Without such endeavours co-operatives would lose their social character and cease to be attractive to their members, who are entitled not only to use the services of their co-operatives, but also to exercise influence on public life through them.

### 4. Main objectives of the Czechoslovak co-operative movement aimed at the improvement of life of the society

The Czechoslovak co-operative movement's membership totals nearly 4 million, which means (taking into account the plurality of membership in co-operatives of different kinds) that approximately every fifth citizen of the Republic is a co-operative member, so that practically every family is involved in the co-operative movement in one way or another.

With regard to the results achieved so far, it is becoming increasingly certain that the socialist co-operative movement, based on the democratic control and involvement of its members, will contribute considerably to the attainment of the objectives comprised in what we mean by introducing a socialist way of life. This entails giving high priority to moral and cultural values, the establishment of sincere comradely relations among citizens on the basis of mutual co-operation, general respect for work done for common benefit, voluntary discipline, systematic care for the young generation, qualitatively increasing requirements of the members, as well as endeavours to bring these requirements and interests more and more into harmony with those of society as a whole. The involvement of co-operatives in the pursuance of all these aims also makes it easier for them to apply principles of high efficiency in their economic operation.

\*  
\* \*  
\*

## SOCIAL AND ECONOMIC UNITY IN INDIAN COOPERATIVE ORGANISATION

—oooOooo—

N. K. SINHA, Bihar State Co-operative Union, India

### Recent Trends in Co-operative Development

There have been in recent years far-reaching changes in the sphere of co-operative activities in different countries. Co-operation now enjoys the pride of place in both Capitalist and Communist economies, and in developed and developing countries. The pace of development and diversification, however, varies from country to country depending upon prevailing socio-economic and political conditions.

The position of Co-operatives has undergone transformation in the last two decades specially after the Second World War. The socio-economic and political conditions in which the co-operative societies have been functioning have also undergone radical changes. The world economy has been passing through a new kind of Commercial Revolution particularly in the spheres of marketing and distributive trades. The organisational structure of co-operatives has shown new trends involving concentration and centralisation, consolidation and integration. The process of integration has been vertical, lateral, regional and national and in some cases even international. Intense competition has developed between the co-operatives and the private enterprise in many spheres of economic activities. This has resulted in penetration of private capital into economic activities previously dominated by the co-operatives. Co-operatives, on the other hand, have also extended their influence into areas which were monopolised by the private sector.

Another important factor with wide ramifications has been the deliberate use of co-operatives by the State as an instrument of socio-economic development. As a result of marked shift from the policy of Laissez-Faire to that of State paternalism, co-operation has been assigned a vital role in schemes of planning, development and reconstruction. Co-operatives have been found ideally suited for planned development in under-developed countries with preeminantly rural population and small-scale productive units. Even in the developed countries, co-operatives have been enthusiastically provided in the field of agriculture. Co-operatives have also been utilised for solution of extra-ordinary problems—distribution of controlled commodities, for procurement and price support operations. The co-operatives are today expected to play an important part in any scheme of public distribution system.

The changes in the size, structure, strength and status of the co-operatives, as indicated above, have created a number of problems some of which are threatening to undermine the basic philosophy for which co-operation stands. Unlike earliest co-operation, a modern co-operative society has dual objectives. As a co-operative, it has to endeavour constantly for fulfilment of social objectives, but as a business organisation, functioning in an

atmosphere of intense competition, it has also to attain maximum business efficiency. These two objectives are not always compatible. The biggest problem before a co-operative society today is how to stay in business and yet retain its co-operative character.

### Trends Towards Professionalisation of Management

Democratic control has always been one of the cardinal principles of co-operation. Co-operative movement is essentially the movement of the people. The rank and file of co-operative movement are unable to take adequate interest in the affairs of large societies because of growing complexity of modern business management. Many of the Directors elected by the A. G. meeting of the Societies do not have either time or willingness or professional competence to control and direct the affairs of a large society. There is an increasing trend towards professionalisation of management in the private sector. The co-operative sector, however, has been slow and reluctant to adopt it because it does not easily fit in with the traditional concept of democratic control.

### Infiltration by Private Traders

The increasing competition from the private sector has also exposed the co-operatives to a number of threats which hinder them in proper discharge of their social obligations. The private traders, first of all, endeavour to tarnish the image of co-operatives and thereby persuade and pressurise the Government to permit them to enter into these fields of economic activities where the Co-operatives occupy the commanding position. The traders have managed to infiltrate into the co-operative organisations as members. The excessive dependence on private traders is one of the corrosive influences on co-operatives. These devices adopted by the private sector also affect the democratic character of the co-operative movement and in that respect the societies are not in a position to discharge their social obligations effectively.

### Undue Anxiety for Expansion and Profit

The growing emphasis on vertical and horizontal integration has been creating undue anxiety in co-operatives for expansion and profit. This has led many co-operatives to seek a monopolistic position so that they can safely function in the protected spheres of the economy. The dependence on privileges makes the co-operatives complacent and diminishes the urge for improving economic efficiency. Co-operatives should place greater premium on efficiency and endeavour to set their house in order so that they can function effectively in a competitive situation. The undue anxiety for obtaining profit very often makes the co-operatives forget their basic obligations towards their members. As has been aptly observed, "the co-operative movement, while fattening its body, is in danger of losing its soul."

### State Interference

State participation in capital and management of co-operative societies, which is a common feature in most of the under-developed countries, has also been responsible for undermining the co-operative character of the society. The growing state interference in shape of nomination on the Boards of management, supersession of the Board of Management and various restrictive and regulatory legislations curtails the democratic character

of the society. The situation becomes in some cases alarming when the co-operatives become intensively politicised and the co-operative movement is identified with one political party. As a result of this factor, the business efficiency also suffers.

### Cleavage between Social Objectives and Business Efficiency

An attempt has been made, so far, to highlight various factors which have been responsible, in recent years, to create growing cleavage between social objectives and business efficiency in a co-operative organisation. This is a problem which has to be tackled in a careful manner if the co-operative society is to march ahead on the right lines. The real difference between a co-operative and other forms of organisations lies in the way in which a co-operative is owned, controlled and operated. The society is an organisation of human beings instead of an organisation of capital ; and social obligations must therefore be of paramount importance. If a co-operative society is guided purely by consideration of business efficiency and behaves with its members just like a private trader, it will cease to be a co-operative. Co-operative activity in the real sense of the term cannot come into being until it is realised that co-operative movement is social no less than economic.

A co-operative society, as has been indicated above, is also a business organisation, It is, therefore, very important that it should function in such a manner as to make itself strong and self-reliant. The problems of management are much more complex in the co-operative movement. The society must be able to compete effectively with other agencies operating in the field. It must render efficient and economical services to its members. The loyalty of members cannot be retained for a long time if its services are costlier. Enthusiasm cannot be substitute for economic benefits. Too much emphasis on social objectives without due consideration of business efficiency will ultimately land the society into trouble and jeopardize its growth and survival . The failures of societies have been caused more often by the lack of efficiency than by any other reason. The efficient management is, therefore, a sine-qua-non for the success of a co-operative society.

The basic problem confronting a modern co-operative organisation is to strike a judicious balance between social objectives and business efficiency. These two objectives can be properly reconciled if continuous efforts are made to educate members and retain their patronage by means of efficient performance. It must be remembered that a co-operative society is a means, not an end in itself. Members join a co-operative society for business considerations and if the expected results are not achieved, they do not hesitate to desert the society. A strong and viable society can be more successful in achieving social objectives also. If the society has to survive and grow in the modern competitive world, it must, at least, attain a level of economic efficiency comparable to that of a private enterprise or a public undertaking operating in the same field. The combination of social and economic unity alone can make a co-operative society a real and effective force. It must, however, be borne in mind that the economic efficiency is just a means ; the attainment of social objectives must be the ultimate goal.

\*  
\*   \*  
\*



# THE ISRAELI EXPERIMENT

-----oooOooo-----

N. FEIN, Hevrat Ovdim, Israel

1. Co-operatives in Israel are Socio-Economic Organisations, based on international co-operative principles : namely voluntary association, democratic rule, equality, and mutual aid.

The entire co-operative movement in the country functions within the framework of 10 Audit Unions which may be thus defined as voluntary Apex Organisations.

Co-operation in Israel is dealt with by the Ministry of Labour. Attached to the Ministry of Labour is the General Council for Co-operation which comprises all sectors of the movement and assists the Ministry in an advisory capacity.

2. The range of activities of the Israel Co-operative Movement

There are hardly any areas of the economy where one does not come across co-operative activities as may be seen from the following :

Agricultural Societies	-	1,125
Production, Services and Transport	-	215
Housing	-	285
Credit and Saving	-	105
Others	-	270
<hr/>		
Total	-	2,000

The direct membership numbers approximately 700,000 people, representing about 29% of the total population in the country.

3. The role of the co-operative enterprises in the plural system of the economy

The Israeli economy is a mosaic of enterprises owned and run by private individuals and firms, co-operatives, Government, (local government) and semi-public organisations. The economic sectoral division is as follows :

- 50 % a private or capitalistic sector
- 30 % Government and semi-public sector
- 20 % Co-operative of workers sector (Histadrut)

The part played by co-operatives in the various areas of the economy looks as follows :

Agriculture.....	78 %
Industry.....	18 %
Construction.....	26 %
Credit and Finance.....	15 %
Transportation.....	20 %
Public and personnel services.....	45 %

Israel is a free democratic country with a liberal economy, developing at average annual rate of 8 %-10 %. The country is poor in natural resources and faces the problem of growing population, mainly stemming from immigration of Jewish people from all over the world.

The fact, that we are a developing country provided an opportunity to build within and outside the existing economy a new one, on the basis of Industrial Democracy. This led to the emergence of new social and economic ventures, primarily co-ops.

In addition to the public sector the private and the co-operative systems are functioning simultaneously in competitive market conditions, the main purpose of the growth of the economy being to strengthen the economic independence of the country.

#### 4. Mutual Relations between the Co-operative and the Trade-Union Movement in Israel

The unique feature of the overwhelming part of the co-operative movement in Israel is the integration of co-operative and Trade-Union activities within the overall framework of one Apex organisation.

The members of the "Histadrut", the general Federation of Labour in Eretz Israel (with about 1,250,000 active members) are simultaneously members of a Primary Co-operative Society called "Hevrat Ovdim" (meaning "Workers' Commonwealth"), dealing with and supervising all co-operative and economic functions of the labour movement.

Accordingly it may be stated, that the major part of co-operative activity is based on a broad range of social-economic precepts, and encompasses about 65 % of the population in the country.

#### 5. The Stages of Social and Economic Ties between the Society members in various kinds of co-operative enterprises

Although all definitions regarding co-operatives stress that the co-operative society is built upon a group of people engaged upon a common economic undertaking, the mutual relations between these two largely depend upon the nature of these two factors and on the classification of the society.

...

We may apply many criteria in order to determine these mutual relations, but I propose to apply the criterion of the members' economic dependence on the society, or the extent of his economic involvement.

The intensity of the contact-points between the member and his society, be it either daily contact with full economic dependence or remote contact, vary from one co-op branch to another. This also shapes the social involvement of the member in his society.

6. Members reliance upon their co-op, demonstrated by two main types of Co-operative Societies

According to the Israeli experiment, there are two main co-op groups. Firstly there are Societies whose members are living and earning their income without dependence on the co-operative society, though they get various services from the co-operative. For example, a member of a Credit Union may be a wage earner, artisan, a farmer or exercising a liberal profession. His economic relations with his society are rather loose and may take the form of applying for a loan, once a year or even less than that. Likewise, a member of a consumer society, though his connection with the co-op is more meaningful.

The second group of societies include members drawing their income from a co-operative society. For example -members of industrial co-ops who are working and getting their wages from their society, or farmers in multi-purpose co-op societies where the whole turnover and income are generated and distributed within the society, as would be the case in a Kibbutz or Moshav in Israel. In this case, the social and economic activities are overlapping.

We may define and distinguish the character of these two groups as follows : in the first case it consists of partial economic relations between the members and his society, while in the second it consists of a way of life, a full-fledged integration of the social and economic elements. Social activities cannot develop if the relationship between the member and his society are purely and exclusively commercial. This also applies to credit or single purpose agricultural societies. The situation is entirely different in a multi-purpose agricultural society or in an industrial one.

In Israel, we have two examples in agriculture, e.g. -the Kibbutz, the collective agricultural settlement and the Moshav- the fully co-operative multi-purpose village of smallholders. In both cases there is a unity and harmony between the economic, social and even municipal activities. In these two types co-operation is practiced from cradle to grave.

7. Ways and means of strengthening social activities in various kinds of co-operation

It is common knowledge that conditions of one country cannot be transplanted into another, but we can learn a great deal from each other. The best way to keep the social-economic ties between the member and his society, is to enlarge the number of co-operative services given to him in all possible directions. This can be done either by enlarging the scope of the society or by merging into one multi-purpose society, especially in agriculture.

The Israeli experiment illustrates methods of maintaining links between member and society. We have succeeded in doing this in our agricultural settlements, in our urban societies, and in the general framework of the Workers Movement in the form of Hevrat Ovdim's versatile activities.

## JAPANESE AGRICULTURAL CO-OPERATIVES

-----oooOooo-----

YUZO NOMURA, Central Union of Agriculture Co-operatives, Japan

### Some Institutional Characteristics of Japanese Agricultural Co-operatives

One notable feature of the Japanese agricultural co-operative movement is that virtually all farmers are organised into it and are members of co-operatives.

The Japanese agricultural movement is predominantly of the multi-purpose type, and multi-purpose co-operatives are doing many phased activities in order to cater for the needs of their members in both their farming and their lives, both in production and consumption.

It is particularly at the primary level that our movement is multi-purpose. In other words, the primary societies are the so-called multi-purpose type of agricultural co-operative. But the upper organisations at the secondary (regional) and the tertiary (national) levels are organised for specific functions.

That is to say that a federation is established in a given prefecture for credit and banking activities, and it is called the prefectural credit federation. Then institutionally a completely separate federation is organised for economic activities (agricultural marketing, farm inputs and consumer goods supply) consisting of the same primary societies and covering the same area as the credit federation. Likewise, a federation specialised in co-operative insurance (or mutual-insurance as we call it) is organised. On top of that, a Union is established for non-business type of activities such as education, guidance, organisational matters, and policy representational or legislative actions, etc. All the foregoing applies to the national level, also.

The prefectural federations are organised by the primary societies as their members, while the national federations are organised by the prefectural federations which are their members. The Union, however, is established by both the primary co-operatives and the federations. It is financed by the membership subscriptions from its members.

There are two types of membership in the primary co-operatives. One is the regular membership which entitles a member to have and exercise a voting right (open only for agriculturalists). The other is the associate membership open for non-agriculturalists residing in the area of operation of the agricultural co-operative society who might wish to benefit from the facilities of the society. Associate members are not entitled to a voting right.

### Recent Developments in and around the Agricultural Co-operatives

There was a law by the name of the Agricultural Basic Law enacted in 1961. The law was meant to achieve the target of creating independent farms which were able to earn income comparable to urban wage earners' income through

enhanced productivity based on rationalisation of agriculture or farm management.

Yet, in practice, even the small scale farmers would not sell their land in the face of an expected rise in the value of land. As a result, the number of independent farmers whose livelihood is exclusively dependent upon farming has decreased while that of part-time farmers (earning off-farm income) increased.

During the 1970's when the Japanese economy has had unprecedentedly high growth, the policy priority placed on industrial development and a trend of increased food imports has gained momentum. As a result, domestic agricultural produce prices have been depressed, affected by the price level of imported foreign agricultural produce. Under these circumstances, the production drive of Japanese farmers has been weakened, most notably with the crops grown during the winter season whose production has decreased to an almost negligible amount. Many farmers today are engaged in off-farm jobs (in the form of seasonal migrant labour, etc.) during this period.

Another notable aspect of the Japanese rural community today is that due to development in the means of transportation and the increased dispersion of or building of factories in rural areas, there has been a gradual urbanisation of rural areas. As a concomitant of this, the number of the non-farming or wage earning population has increased (immigrant in part), and these people are acquiring associate membership in nearby agricultural co-operatives in order to purchase consumer goods, take housing loans, deposit money and so forth. The associate members are not entitled to voting rights, as already pointed out, and how best to treat them in this respect is posing a problem.

In the agricultural co-operative sector per se, amalgamation of primary societies has been promoted in the light of changes taking place in economic circumstances, which require enlargement of a unit co-operative from the viewpoint of sound management. Due to progress in co-operative mergers, the number of primary societies has decreased (more than halved since the early 1960's) and the size as well as business volume of the primary societies remarkably expanded.

As a result of this trend, some primary co-operatives (notably the largest) have sought to by-pass the regional federations and deal directly with the national federations.

#### The Social Role played by Agricultural Co-operatives

The social functions effected by agricultural co-operatives in Japan may be classified into the following three categories :

1. Activities contributing to the improvement of the social status of co-operative members as a whole, though not necessarily bringing direct economic benefit :

In this may be grouped the welfare services (the running of co-operative hospitals or clinics, the promotion of indirect medi-care activities like members' health control, activities for promoting better living -not exclusively better management of home economy- and activities to enhance the consciousness of members as co-operative members as well as cultivating an attitude of jointly achieving improved living. Particularly,

the better living activities and the educational activities to enhance members' co-operative consciousness are practiced by organising members into sub-groups in which mutual communication or exchange of views among the members themselves is facilitated.

2. Activities which contribute to the improvement not only of co-operative members but of the community as a whole:

One particular example of this is the intention to create a farming-cum-residential town, presently promoted by the movement in consultation with the administrative authorities and related institutions with a view to correcting the disorderly development of housing areas (centred around the suburban farming communities and promoted by private capital and construction companies to the detriment of farming interests and a sound environment), a phenomenon seen in the general trend towards intensifying urbanisation. The movement's scheme is meant to allocate residential and farming zones in a community area.

Increasing numbers of agricultural co-operatives are acquiring processing plants, etc. with the prime objective of enhancing the value of their members' produce. This has, however, the side benefit of giving the community additional job opportunities ; opportunities of earning extra income within their own area rather than having to migrate to distant urban centres.

3. Activities that unite the wills and interests of individual members to realise their economic demands (in policy terms) and functions that correct social ills like pollution and misuse of private capital :

This function of the co-operative movement should be the most important. This function gets stronger, the stronger the wills of individual members are united. Yet, in practice, co-operatives themselves sometimes appear as the cause of damage to members' interests with the excuse that co-operatives have, now and then, to adopt the same ways and means as their private competitors, or that co-operatives have to survive as businesses. Excessive sales drive in supply and insurance business cannot be entirely denied, for example. Such an inclination should be corrected, based on democratic reflection of the members' opinions. Also the officials of co-operatives should always consider and bear in mind the essence of the co-operative movement and behave according to the principles and spirit of co-operation.

### The Need for Education

As stipulated in the principles of co-operation, there is no denying that education is important in the co-operative movement. Based on this concept, the Japanese agricultural co-operative movement is practicing co-operative education in the following ways :

#### Official and Staff Education

Co-operative personnel are given opportunities of education by the prefectural union of agricultural co-operatives etc. in different categories of ranking, i.e. officials, managers, middle cadre, and freshmen, etc. at the co-operative educational institutions, where education is provided to enlighten the participants in better ways

...



of dealing with co-operative business or organisational matters. But along with those kinds of education, presently the emphasis is placed on the issue of co-operative principles and their application to the contemporary movement in Japan.

### Member Education

Education is provided for members or their family classified by sex, position, etc. e.g. youth groups and women's groups. Member education is practised through business activities by means of commodity-based producer groups within a co-operative society where members having common interests or engaged in a common sector of farming are organised into groups. In this case, training of group leaders is of importance. Some Co-operatives purposefully take up the problems of co-operative societies emerging from the changing socio-economic environment as a means of member education, concentrating on core or nucleus members.

### Education for the Coming Generation (Future Co-operators)

We have reference to or issues relating to co-operatives positively included in textbooks of school education. The Central Union is publishing reading books on agriculture and co-operation, and is distributing them to agricultural high schools free of charge.

\*  
\*   \*  
\*

## THE MEANING OF THE SOCIAL FUNCTION OF CO-OPERATION

oooOooo

B. J. ROSE, Co-operative College, U. K.

"The primary aim of the Co-operative institution is the improvement of its members' economic position, but through the means which it employs and the qualities which it demands of its members and develops in them, it achieves a higher purpose. The goal of co-operation is to make men -men with a sense of both individual and joint responsibility, so that they may rise individually to a full personal life and collectively to a full social life."

Georges Fauquet

Fauquet's statement quoted above illustrated one of the most important aspects of the inter-relationship between the social and economic aims of a co-operative society. Ideally the distinction between social and economic in the co-operative context should be an artificial one since one of the intentions, whether conscious or unconscious, of the co-operative method is to integrate the social with the economic by bringing the control of economic activity into the group that is primarily concerned with it. It realises a coincidence, in the words of one writer, of "a community of economic needs and a community of sentiment".

Nevertheless it remains true that there is a tendency for the two functions to separate so I should perhaps attempt some preliminary definitions of functions and I would suggest, following Fauquet, that the main economic function of a Co-operative is to promote the economic well-being of its members and that its social function is to promote co-operative and fraternal self-reliance. It would be my contention and, I imagine, that of most Co-operators that these two functions, the promotion of the members' well-being and of a co-operatives self-reliance are interdependent. The former is to be achieved by the latter, the latter will be facilitated by the former. The co-operative self-reliance is what makes it a Co-operative.

However, an organisation that sets out to be a Co-operative is likely in time to experience difficulties. The age of the organisation is itself an obstacle since it is less easy for the third and fourth generation of members to identify themselves with a society that they have inherited as a going concern than it was for the founder-members who experienced all the problems of foundation and brought it to life. When that ageing process is accompanied by external changes (such as improvements in the services provided by the movement's competitors making the justification for the movement's existence less immediately obvious) then the problem is intensified.

...

A further difficulty arises from the tendency for Co-operative organisations to increase in size due to age, or to changes in technique, or to more intensive competition. This leads to problems of identification for the ordinary member and, more appositely for our immediate interest, puts a question mark against the self-reliance. However big a Co-operative society becomes it remains an exercise in self-reliance, but isn't self-reliance in this respect rather like justice, something which should not only be done but be seen to be done ? How does one promote a sense of self-reliance in a large Co-operative ?

The problem is complicated by the other trends in the tendency towards larger size. One is obviously the increasing professionalisation and specialisation of management. The need for such a development is clear enough and is part of the process of promoting the economic well-being of the members. But it immediately reduces any feeling of self-reliance on the part of the membership and there is an apparent tendency for full-time management personnel to play a bigger and bigger part in the control of the enterprise while the role of the members and their representatives in this control process diminishes. Another trend which bears some relation to this growth in management power is the changing financial structure of Co-operatives. Again, it is possible to offer all kinds of sensible reasons for Co-operatives depending increasingly on reserve capital rather than on withdrawable share capital but is a sense of self-reliance to be promoted by a feeling that members' share capital is superfluous and that the organisation can be self-financing ?

A consequence for the Co-operative is for the separation to be made between social and economic functions. The majority of our managers are trading managers appointed to improve a society's economic performance. It is scarcely surprising that they concentrate on the economic function of Co-operation and largely ignore the social function or even try to suppress it if it makes their lives or jobs more difficult. Without active promotion and support the social function of co-operative self-reliance will tend to atrophy anyway once professional management is introduced, so that one of the control of economic activities within the group most actively concerned with it, tends to diminish. Control of economic activity tends towards a relatively small and specialised elite and the social function tends to get interpreted in ways that keep it out of any real relationship with the society's basic economic purpose.

There are three areas of fairly specific interest that relate directly to a Co-operative's social function. They are membership, democratic self-government, and education.

### Membership

There can be no dispute that membership is of crucial and primary importance to the social function of a Co-operative as I have defined it : the promotion of co-operative self-reliance. Unless we can attract other people to join us then co-operative self-reliance never becomes a reality. All of us would claim to be meeting some need, of course, whether it be for consumer goods, credit, farm requisites, marketing services, or work. The problem is that those needs have alternative sources of satisfaction in most instances so we have the task firstly of making our activities as attractive if not more attractive than the alternatives and, secondly, persuading the potential member that their membership is going to make some positive difference (a) to themselves as individuals, and (b) to the organisation.

But there are at least two points to be made about this. The first is that particularly in the larger Co-operative this membership is not simply going to materialise out of the blue. Conscious and sustained effort is necessary if membership recruitment (with particular reference to consumer societies) is not simply to give way to customer attraction. It is an area where much more professionalism is needed and I hope it is one that we shall hear more about from colleagues. The second point about membership recruitment is that if membership of a Co-operative society is going to mean anything more to the Society than having a name collected like a trophy, then members must be made aware of responsibilities, possibilities and opportunities, an exercise which will involve information and propaganda, education, and the exercise of democratic responsibilities on the part of other members.

It is undoubtedly a difficult task, but I am convinced that many people are dissatisfied with the centralisation and bureaucratisation of society in general and that co-operative forms of organisation provide alternatives, providing that those co-operatives don't themselves become part of the same process. This is undoubtedly a severe test of the flexibility and adaptability of Co-operative organisation.

#### Democratic self-government

The trend is and is likely to continue to be one of growth in size of Co-operative societies, a trend which is not confined to consumer societies. If the economic function is to be carried out, it is a trend which is unlikely to be reversed but it makes the attainment of a sense of co-operative self-reliance (which seems to me to be as important as its reality -and, indeed, necessary for it) that much more difficult. It arises particularly in this area of democratic control. In the large society it is possible to create a constitution, perfectly democratic in form which prescribes annual elections for a board of directors, ten or twenty strong, which is the end of the democratic process. There is a very real danger that differing levels of interest in Co-operative societies are not fully utilised because of an undue concern with the formal machinery. The fully active are well taken care of by such machinery but how do we set about utilising and mobilising germinal and tentative interests? Such seeds are unlikely to spring into full flower overnight, especially in the large organisation -they need careful nurture and development which are unlikely to be achieved by mere attendance at formal business meetings. We must create structures sufficiently flexible to allow any level of interest to be expressed and differing levels of influence to be exercised.

If such a process is to be at all effective, it is clearly one in which management have to be involved. Ideally this means that at every level of member activity management from the appropriate level should also be involved. One has to accept that management responsibility requires lower and middle management to be responsible to their superiors in the management hierarchy rather than any more immediate group of members but that is not to say that some liaison cannot take place between managers and members. If nothing else it serves the useful purpose of helping mutual understanding and should go further to bring about a more positive partnership at every level.

And ultimately there must be recognition that the management is responsible to the membership, requiring an informed and intelligent membership and an educated and discriminating leadership capable of formulating sensible policies, testing management advice and of judging its performance. It also requires managers who are not merely puppets doing the members' bidding but trusted advisors and executives.

### Education

And so finally we come to the third aspect of this social function. This one is so basic and fundamental to the performance of any Co-operative function that it scarcely seems worth mentioning. The two previous areas discussed - membership and democratic self-government- both rely quite fundamentally on education. That education can and should take many different forms. There is the need for educational provision of different kinds, both formal and informal. And Co-operative societies, more than many other kinds of organisation, are able to offer the very effective method of "learning by doing". But vital though that is, many Co-operatives have been guilty of neglecting educational provision with the consequence that they have developed an uninformed and unaware membership and, consequently, a democratic leadership which reflects much the same quality.

Thus, if the social function of co-operation is to mean anything, a great deal of emphasis must be placed on the recruitment and motivation of members, making some reality of democratic self-government, and fully utilising all opportunities for educational provision. When that function is being performed as effectively as the economic one, then we can say, with Fauquet, that we are not only supplying a service, we are also making men.

\*  
\*       \*  
\*

## THE ECONOMIC AND SOCIAL FUNCTIONS OF CO-OPERATIVES



D. MARTIN, Rochdale Institute, USA

From the inception of Rochdale, even prior to opening the shop on Toad Lane, as well as in the co-operatives which preceded it, there has been the division between those who view co-operatives primarily as businesses, those who view them as a social movement, and the few who had the vision to see co-operation as a means of creating a more just and equitable social and economic order through the operation of successful co-operatives. One such person who had this vision in the United States was Murray D. Lincoln, former president of the Co-operative League of the USA. Once he said, "Co-operatives are the type of businesses in which man can make all the money in the world and still be a failure, and they are the type of businesses which can break even and still be a crashing success."

Understandably, I speak primarily from my experience with co-operatives in the United States, which I consider an underdeveloped nation as far as co-operatives are concerned. The Co-operative League of the USA, which represents co-operatives in the International Co-operative Alliance, claims that almost 24 million Americans are affiliated with co-operatives which make up the League's membership.

While there is a definite structure for a co-operative movement in the States, comprised of local, regional and national organisations affiliated with the Alliance, I hesitate to claim that we have a co-operative movement. For to have a movement, it is essential to have a common philosophy, and that, I submit is the essential factor which is largely missing. This fact is germane to the subject we are here to discuss.

In the States, and within the League, we have co-operatives which view co-operatives only as businesses which are part of the private profit, so-called "free enterprise system". This is really the prevailing co-operative philosophy in the United States.

Secondly, we have a very small minority of co-operators who view co-operation as a total way of life. They still look forward to the establishment of the co-operative commonwealth as the millennium which they believe will eventually be achieved.

Third, there are those members who view the objective of their co-operatives to be yardsticks or balance wheels against which other businesses may be measured.

Finally, there are those, and they are a minority, who are in the mainstream of international co-operative philosophy, who believe the co-operative sector should provide effective alternatives to other economic and social systems.

With all of these differences, sometimes existing within the same societies, it is not difficult to understand the lack of a cohesive, dynamic, unified,



effective co-operative movement in the United States, and if I may say so, elsewhere as well.

There is no question that co-operatives are established to provide their members with specific needs, be it food, housing, credit, insurance, furniture, drugs, medical services, funerals, whatever. There should also be no question whatsoever that if co-operatives are going to fulfil their economic objectives, they must provide these services efficiently and as economically as possible. The non-profit, non-speculative co-operative sector must be as efficient if not more so, than other sectors of the economy. For unless a co-operative is successful in achieving its economic purposes, then it will not be able to go on to achieve its social objectives.

Co-operation might be compared to a coin. Each side is equally important to the total value of the whole. Without the social value side of the coin, the co-operative business side becomes meaningless. Similarly, without effective co-operative businesses the social values become unattainable. This is what we mean by the union of these dual functions of co-operation. This is a simple premise to state and to understand. The question is, why is it so difficult to practice ?

There are, indeed, many reasons for our shortcomings, but none perhaps as poignant as the dearth of effective leadership the movement has produced in 130 years. I am, of course, not discounting the great contributions of the handful of co-operative leaders who might be classified as giants who have appeared from time to time in one nation or another and who have left indelible impressions on the movement. But taken as a whole movement with local, regional, national and international organisations, I submit, the democratic process which we covet so highly has not produced adequate leadership - leadership with capacity, vision and inspiration to substantially advance both the economic and social objectives of co-operation.

Lay leadership, in a peoples' democratic movement, is something which must be cultivated and not left to chance. I am referring to the need for membership education and particularly to leadership education programmes. Both are neglected fields in large segments of the co-operative movement. If co-operation is to advance, this must be emphasized at all levels of the movement, but particularly in local societies which are, after all, its foundations. Where local societies cannot provide their own educational programmes, it should be incumbent upon regional and national organisations to provide professional assistance.

Those who devised the co-operative principles of open membership, and one-member-one-vote, did so to foster the possibility of people having a meaningful voice in their own affairs. One-member-one-vote means a system of economic democracy. However, if the system is going to work, it does require active participation by the membership. In a society which is dominated more and more by big impersonalised institutions, where computers and numbers have taken the place of people, co-operatives which are owned and controlled by people provide a unique means for maintaining the worth, value and dignity of people as individuals. This is perhaps the greatest difference there is between co-operatives and other kinds of businesses. It is, however, only through participation that one-member-one-vote has meaning.

In a society where individuals stand alone against giant institutions, in which they have no voice or any control in teeming urban centres, most people live, as Thoreau said, "lives of quiet desperation". In this society of bigness, most people believe they can do nothing about anything. Co-operatives provide practical alternatives. With meaningful ownership comes

dignity of the individual, an opportunity for his or her views and opinions to be expressed, for the member to have a meaningful vote. Thus people have a means for participation, for control and some responsibility over their own destinies. These are but some of the social values of co-operation.

I would like to illustrate these points by relating a few examples from a co-operative community which is part of New York City. The example I select is called Co-op City. It is but one local co-operative housing community of twenty five, which comprise the membership of the United Housing Foundation. Except in the matter of its size, what I have to relate about Co-op City could be said about almost all of the other co-operatives affiliated with the United Housing Foundation. What makes Co-op City unique is its size, for the co-operative is comprised of 15,372 families, or about 45,000 people. If it were a separate city outside of New York City, it would be the 8th or 9th largest city in the State of New York.

The economic function of this co-operative is to provide its members with good housing at the most reasonable price possible. Its social function is to create a community in which people may enjoy a good life.

Co-op City was built on 300 acres of vacant land in the northeast corner of the City of New York. The co-operators invested nearly thirty-three million dollars in equity ; a mortgage of \$390 million dollars was obtained from a housing agency of the state of New York.

The co-operative returned 90 acres to the City for schools, parks, streets, a library and a firehouse. The community consists of thirty-five high-rise buildings of three different designs, 236 three-storey townhouses, three large community shopping centres, a central power plant which distributes electricity heat, hot water and air conditioning in the summer time, and eight six-storey garages. Five schools were built in an educational park to serve the community. The co-operative buildings cover fifteen per cent of the land ; the remaining area is used for gardens, playgrounds, sitting areas and walks. 22,000 trees and 22,500 bushes were planted in the community.

The average monthly carrying charges in the co-operative are \$40.00 per room, per month, far below what most New Yorkers pay for comparable shelter.

Occupancy of the first section of the development started on December 10, 1968. Final occupancy took place in March 1972. During the organisational development and building stages of the co-operative, an intensive educational programme was carried on with the future co-operators. Among other things, a credit union and a consumer co-operative society were organised. By the time the initial occupancy took place, thousands of families had joined the consumer co-operative. Today the consumer co-operative operates three large supermarkets, three pharmacies and two optical centres. Last year this co-operative did nearly forty million dollars' worth of business.

One of the keys to achieving the "good life" objective of the co-operative is getting the participation of people in the life of the community. Another key is to have the physical facilities available for such participation to be possible. Extensive community facilities were incorporated into the plans of the co-operative to provide the accommodations for the extensive social, cultural, spiritual, educational, recreational and political interests of large numbers of people. At last count there were over three hundred different groups of all kinds functioning at Co-op City.

At Co-op City, day and night the community is alive with activities of interest to people from pre-school children to senior citizens. These are not activities which have been organised for the people, but organised by people with similar interests. All of these groups operates on a non-profit basis, all are self-controlled. The community is a fine demonstration of people controlling their own destinies to a large extent.

Most people join housing co-operatives for one reason -to benefit from the low cost of the housing. It is most interesting to observe what living in a co-operative community can mean to the lives of those who wish to participate. Many share the view of the co-operator of advanced age who said, "I really became a new person after I moved into the co-op ; here I am somebody, before I was nobody.". This was a man who became president of the fishermen's club at Co-op City. A small group of mothers, the first summer at Co-op City, organised a club to provide activities for their children. This was the beginning of the Co-op City Day Camp Co-operative ; now some of the same mothers are directors of a co-op which last summer had three thousand members and a budget of over half a million dollars. There are three large senior citizens' groups operating programmes seven days and nights a week for those who have reached an age where they need not work and can enjoy the leisure they have earned.

Men and women being imperfect people, there are no such things as perfect organisations, even co-operatives. While housing co-operatives sometimes come close to striking a suitable balance between the economic and social function, I would not wish to give the impression that they have reached utopian levels in this respect. Housing co-operatives have many of the same kinds of problems found in other kinds of co-operatives. Perhaps some of these problems are even exacerbated by large numbers of people living in close proximity with one another seven days a week, fifty-two weeks a year. After all, even in "the best of families", there are problems and disputes.

I do not believe we are being unrealistic to seek to attain union between the social and economic objectives of co-operatives. We should always set our goals as high as possible. However, pragmatically, I believe we should realise that perhaps we are only going to achieve union after attaining some lesser objectives.

When we consider how wide the breach is between the economic and social functions in co-operatives at all levels of the movement, it should be obvious that we have to build a very long bridge to span the gap. It has taken us one hundred and thirty years to arrive where we are. It may take us many more generations before we achieve effective great perfection.

\*  
\*   \*  
\*

## EXPERIENCE WITHIN A BRITISH AGRICULTURAL CO-OPERATIVE

—ooo0ooo—

W. H. SMITH, Eastern Counties Farmers, U. K.

In Britain, something under 200,000 farmers supply half the food needs for over 55 million people and over the last 15 years the co-operative share of the huge sum spent by farmers on such things as animal foods, machinery, fertilisers and pesticides has gone up from about 12 % to 22 %. On this basis co-operation can be said to have been going in the right direction. However, other forces, in the shape of the big national and international companies involved in this market, have increased their share by over 50 times with a corresponding decline in the large number of private independent companies that used to serve the farmer. Thus the total number of suppliers to the farmer has declined sharply. Similarly, in the marketing of farm produce with the increasing influence of such developments as supermarket chains we see fewer, larger buyers who exert increasingly stringent quality control standards and firmer contracts. The net effect of all this over the 15 years has been that despite a somewhat greater market penetration for the co-operative farmer, he has become progressively smaller in relation to the other forces around him.

Eastern Counties Farmers is the second largest U. K. agricultural co-operative. It was formed in 1904 and has grown steadily to its present turnover of around £30 million. It embraces the whole range of agricultural requisites, machinery, animal foods, fertilisers, fuel, etc., as well as marketing members' produce in the form of grain, livestock, peas, etc. E. C. F. is probably only unusual in that in 1969, for reasons outside the scope of this paper, the annual report showed a loss of £212,000. The founders of the Society had been long since gone and a complete draining away of confidence on top of a previously seemingly disinterested membership, produced a situation where even survival became very much in doubt. A crisis of this order is very conducive to "clearing the mind" and E. C. F. began to re-appraise what its purpose was :-

1. Were the conditions which led to the formation of E. C. F. still applicable in the 1970's ?
2. Was it possible to regain not only the confidence but, even more, the involvement of the farmer-members ?

The first question was easily answered, present day trends made the case for having a strong co-operative very much more necessary than when E. C. F. was formed. The second question was not so easily answered but the new management team brought in to sort out the crisis felt that the need for E. C. F. was such that if the concept could be put over effectively it could not fail to gain support.

The decision was therefore made to go back to square one and devote a major portion of management time to promoting the case for co-operation, rather than to promoting merely the products that were sold.

First step was to define the objective and after much thought this was defined as :-

"...TO PROVIDE A CONTINUING INDEPENDENT FORCE STRONG ENOUGH TO EXERT AN INFLUENCE ON THE MARKET FOR THE BENEFIT OF AND WITHIN THE CONTROL OF ITS TRADING FARMER MEMBERS".

It could not be claimed that of itself this objective was sufficiently exciting to re-enthuse the disillusioned farmers of East Anglia but examined in detail it could be seen to bring together the economic and social functions.

An attempt has been made to train the sales force in the skills of using the "Unique Selling Points" to sell the concept of co-operation, rather than its products. It is felt that far from being a naive idealistic approach this technique is more commercial than one that ignores the unique benefits. It seems likely that the conventional product-orientated sales approach by co-operative representatives has in effect compelled members to regard their organisation as "just another merchant". Training the sales force in the way indicated is only a small part of mobilising the potential strengths of a co-operative, the major strength lying within the "grass-roots" members themselves. If a smallish group of farmers were getting together today to form a co-operative from scratch it is extremely unlikely that they would go to the expense of employing staff to persuade each other that they were doing the right thing. The problem is, therefore, on the one hand to grow to the £100 million turnover that begins to influence the market whilst on the other hand creating a local image which encourages member involvement. E. F. C. have tackled this problem in the following way :-

1. Company policy is defined by a board consisting of five farmer directors (in the event of a controversial decision only two executive directors have voting rights, thus ensuring farmer control). The farmer directors are involved in the decisions of policy making right from the germination of ideas to the point at which the decision is made. This contrasts sharply with co-operatives where a large board of members effectively "rubber-stamps" decisions taken by executives by choosing one of a number of alternatives presented to them. The role of the farmer director ends, however, with the decisions on company policy. The implementation of that policy is the responsibility of the Managing Director and his fellow executive directors and there is no interference in the running of the business.
2. The Board reports to and is elected by a management committee of some thirty farmers who are consulted on all major decisions suggested by the Board and who also bring up ideas from the "grass-roots" for consideration by the Board.
3. The final link with the farmer-member is made by nine Local Committees each consisting of up to 21 members.

There are thus up to 200 office holders and it was felt that if these could be selected from the ranks of the leader or opinion forming farmers and seminars could be held to explain their role it should be possible to mobilise a force with a real ability to influence the whole climate of opinion in an area.

...

How then has the plan worked :- E. C. F.'s profits have moved as follows :-

1969	-	- 212,000 (loss)
1970	-	84,000
1971	-	246,000
1972	-	462,000
1973	-	757,000

turnover has increased from £13 million in 1969 to £28 million in 1973 and in 1974 is £19 million in the first six months.

Summarising then : the aim has been to unite the economic and social functions by running an efficient commercial organisation and involving both members and staff as a team in the promotion of the concept so that ideas are generated from the "grass-roots" and not imposed from the "centre". It must be admitted that training the sales force in the skills of selling ideas rather than products has been more difficult than expected and the process has only really started, nevertheless, a small switch of emphasis has been sufficient with tight commercial control to bring the success so far achieved.

What happens next? Having created a climate of success the next step appears to be to look for committal from members and to achieve this local syndicates of farmers willing to commit certain of their requirements to the Society are formed. These are small enough to create a local image and may well not grow above, say 200 farmers, in this way the idea of the co-operative as an extension of the farmer's business "beyond the farm gate" is promoted, bringing the benefit of involvement in small groups and at the same time allowing the society as a whole to grow large enough to achieve influence. The committal of requirements through the Syndicate brings two main benefits :

1. Once a farmer has committed his main requirements the representative ceases to call on a regular basis and contact is made by telephone. Theory being that a telephone call at 6p is cheaper than a visit costing, say £5. This saving is only realised in fact if the sales force can be released to tackle new potential but an estimate of the saving is made and this is given as an allowance off invoice. The sales force does not resist the idea as the co-operative is expanding so rapidly that there is no threat to their jobs and they become responsible for twice the turnover possible the conventional way. In the event of trouble the salesman is still there and will call to sort things out.
2. Committed tonnage has an influence on the market out of all proportion to its volume. A major national or international company supplying the agricultural market is no longer impressed by sheer volume of business as in most cases it is aware that were one company to cease trading the business would remain available with very little effect on the major brands in the market and each one's share would remain similar. Committed tonnage however is a very different matter and where a co-operative can bargain with a significant volume of business firmly committed before terms are agreed then influence begins to be effective. Where this influence brings savings these are repaid retrospectively and dependent on the committed volume of business keeping pace with previously agreed targets.

Having got these major economic functions agreed in the Syndicate then the social function can be developed by providing, for example, a buyer's card so the farmer's family can buy better using the co-operative's accumulated buying strength ; meetings can be arranged on topics of interest in a local area ; farm walks are laid on ; visits abroad, etc. and the split into "us" and "them" of farmers and staff is progressively broken down to achieve the unity.

The stages then in working towards this unity would seem to be :-

1. Define the Objective ;
2. Promote the concept of co-operation rather than products and price ;
3. Aim for committal and small local operating units on a decentralised basis.

It cannot be claimed that there is a great deal of original thinking in the approach, only that the passage of time appears to "cloud the issues" and a return to basic principles has in one Society and in one set of conditions produced a satisfactory response.

\*  
\*   \*  
\*

## CO-OPERATIVE HOUSING IN THE U. K.

-----oooOooo-----

P. ELDERFIELD, Est Midlands Housing Association, U. K.

It must be a surprise to our colleagues from other countries who are members of the ICA at the apparent failure of the Co-operative Movement in this country to have played a significant part in the most important social function of all, the provision of dwellings for ordinary people in a satisfactory living environment.

There is a total housing stock of approximately 19 million. 49.5 % in owner/occupation, 30.5 % Local Authority, 14.9 % private rented and 5.1 % Voluntary Housing which includes co-operatives.

The contribution to housing developments in the United Kingdom by Co-ops has been severely restricted by the nature of the legislation governing social housing, but the government has now made special provisions to assist the growth of voluntary housing with the object of what it calls its "Third Arm" which it is intended shall take over the role of the private landlord not on only providing a variety of new dwellings but importantly to convert and improve old property in areas of stress and deprivation.

The voluntary housing societies are not however building co-operatives. They use private enterprise contractors and entrepreneurs for carrying out their operations.

The East Midlands Housing Association is (or was until recently) the only fully co-operative enterprise in the United Kingdom. It was formed in 1946 when a group of ex-servicemen demobilised from the armed forces, secured financial backing from a number of consumer Co-operative Societies in the East Midlands and the support of many interested people including trade union officials. As a matter of principle it was decided to recruit its own work force.

Once established we built up our resources and established the Association as a soundly built socially motivated top quality organisation. Frustrated in our efforts to promote large-scale developments in rented housing we turned our efforts to innovating housing activities in a variety of ways. We were pioneers in large-scale modernisation and improvements in substandard mineworkers' houses, much of it affected by mining subsidence.

We have built hundreds of low cost houses for owner-occupiers and have initiated various experiments within recent Government legislation covering cost rent schemes and co-ownership developments. We have successfully carried out special housing developments for the Defence Ministry within severely restricted time schedules for servicemen returning from overseas duties. We have provided special accommodation for employees of industrial concerns. We have a Contracts department engaged in a wide variety of social building work.

...



I am certain that those who have experience of large-scale housing developments in the countries of our affiliates will appreciate the obstacles to progress in this country.

It is because we have been so conscious of the need to survive, against the recent background of comparative failure of producer co-operatives and the declining influence of consumer societies, that we have neglected our co-operative social responsibilities and have tended to concentrated on efficiency, commercial viability, and profitability without which we would be marked down as another co-operative failure.

The situation however has changed for the better. The leading political parties, Labour and Conservative, have adopted a bi-partisan policy in respect of the provision of voluntary housing which is embodied in the 1974 Housing Finance Act.

The greatest obstacle in our opinion would have been to persuade consumer co-operatives to provide the initial finance to promote co-operative housing associations. (We hoped that the improvement in trade that has been manifest in recent years and the consequent improvement in finance would have permitted this.)

The 1974 Housing Finance Act however meets the problem of finance and opens the way for co-operative housing development. We would like to see a co-operative housing association sponsored by every Co-operative Society of any size in the United Kingdom. We are of the opinion that many young people would be attracted to such a worthwhile activity and it would do much for the image of the Co-operative Movement as a dynamic social force.

The East Midland Housing Association have been pioneers in developing a financially sound, experienced co-operative, prepared and willing to assist and guide the promotion of socially responsible housing associations within the co-operative movement in the hope that the next time the ICA meets in the United Kingdom, we will be able to present to our colleagues a much better picture in this important field of social engineering.

\*  
\*   \*  
\*

## SOCIAL FUNCTION MANAGEMENT IN CONSUMER CO-OPERATIVES

-----oo00oo-----

J. LOVET, National Federation of Consumer Co-operatives, France

### 1. CONTENT OF THE SOCIAL FUNCTION

#### (a) In the external world

##### (i) To demonstrate and provide evidence

Every co-operative venture demonstrates in principle the possibility of a democratic take-over of the economy (of production or distribution). This needs to be said, the more so where the social climate is hostile to democracy in the economy.

##### (ii) To participate and provide a lead

The co-operatives must play a part in developing social movements whose aspirations are closely aligned to theirs and even assume a leading role without confining themselves to the economic speciality which devolves on them.

##### (iii) To assist or oppose

A close analysis of existing circumstances should lead the Co-operatives at least to take up positions -possibly even to act. At all events, the aim is to make the existence of the Co-operatives felt and to provide them with an image which is that of a driving force in social progress.

Unity of action on the part of Co-operatives and concert between the various forms of Co-operation are called for here.

#### (b) Within the Co-operative

##### (i) To manage a democratic association, legally defined

e.g. See that the articles of association are adhered to ; develop recruitment ; develop information to members and staff ; develop their training ; develop participation.

##### (ii) To manage a society of men and women

e.g. Extend a welcome ; foster solidarity ; help to broaden the outlook of mankind through leisure and culture.

## 2. MANAGEMENT OF THE SOCIAL FUNCTION

This is a difficult form of management. Faced with consumers whom the consumer society has "brain-washed", a Co-operative can only react in a contradictory manner. In a liberal society, the attitude of the consumer -even though it be aberrant- is the fundamental fact for those responsible for the economic running of the Co-operative. Deference to it is a prerequisite of the commercial development of the Co-operative, and there is no co-operative at all without turnover. (But the same fact is also fundamental for competitors, so much so that today the immediate services of the Co-operative seem very similar to those offered by its competitors. And this, even from a strictly commercial viewpoint, is not an advantage.). Conversely, those playing an active part in the social function of the Co-operative who would like Co-operation to be a means of rationalising consumption can only find themselves in conflict with commercial realities and with the objective complicity between consumer and distributor.

For the moment, this presents a dilemma -to run counter to commercial practice and the consumer himself in the name of co-operative ethics or to thwart the Co-operative spirit in the name of the principle "primum vivere", at the risk of losing the Co-operative identity. This dilemma is a real one, the legal structures in fact only providing an apparent solution ; indeed, democratic participation does not hold much weight as compared with the essential drive of those responsible for the management.

But is such management possible ? The answer is YES. First of all, and despite the difficulties, consumer Co-operation in 1974 has not definitively renounced Co-operation. A considerable part of the work of any co-operative originates from a respect for principles. There is a heritage, and the incomparable advantage of knowing inside out the economic mechanisms.

Then a strategy is taking shape, perhaps better today than only ten years ago. Its elements could be as follows : in a Co-operative, the social function manager must not, in our view, set his sights on bringing about a direct change in the commercial organisation, because a commercial set-up in our liberal system strikes us as being ultimately always justified by the very approval of the consumers who place their trust in it and leave their money with it. Consequently, it is the consumer himself who must be the prime objective of the social function manager : changing the consumer means changing distribution. Now there is emerging a trend in ideas which should make populations more receptive to our concepts : "consumerism" and ecology, for instance.

### Methods and means available for management of the social function

#### (a) Action by Co-operatives on Co-operators

By training (which must also be economic) through information, co-operators must be made capable of enlightened choices. Without this, nothing is possible.

#### (b) Action by Co-operators on the Co-operative

by exploring the following avenues :

- change over from the democracy of control "a posteriori" to a democracy of arbitration.
- make sure previously trained Co-operators are offered genuine opportunities to choose, particularly where management requirements and Co-operative requirements are in conflict.

- base Co-operative activism on participation and not only on articles of faith, always difficult to uphold when the activists themselves do not have the opportunity of living up to what they preach.
- bring into the organisation of the undertaking a structure specially responsible for the social function, provided with targets and facilities, whose action is controlled with the same care as the commercial activity, which is represented at the highest level of the undertaking, and which is required to submit to the co-operative members a balance-sheet of the social function. (This would only mean recognising within the Society's programming the bivalence of the co-operative venture -necessarily of an economic nature but also necessarily an association of co-operators- and reorganising the taking over of distribution by the co-operators themselves, a take-over which only the Co-operatives offer the user. It involves handing over power to the co-operators, at the same time making sure that they are deserving of it.)

(c) In relation to the existing situation, investigations into innovation could cover :

- the theme and methods of training for co-operative members (with particular reference to elected members) ;
- the forms of democratic expression ;
- the setting of concrete targets for the social function both at the level of the co-operative and that of the entire national co-operative movement ;
- the supervision of the work of those responsible for the social function which, if it is not established, ultimately devalues the entire social function ;
- the training and selection of those responsible for the social function ;
- the acceptance of the right to experiment ;
- placing the social function on a budgetary footing.

In a word, to manage the social function means managing the co-operative difference. And recreating this difference, even within the Co-operatives, strikes us as being much more important than aiming at the so-called "renovation" of the Co-operative message.

\*  
\*   \*  
\*

## COLLABORATION BY OBJECTIVES IN CO-OPERATIVES

-----oooOooo-----

LUIKKONEN, Sok Co-operative College, Jollas, Finland

The purpose of this paper is to describe in brief the meaning of management by objectives in the co-operative societies of Sok. It may also be appropriate to explain why these co-operative wish to develop management methods through "collaboration by objectives" and how this development work is performed.

In future, every enterprise must be prepared to react to external and internal development trends and changes faster than today. It can be taken for granted that in the corporate planning of tomorrow the interest groups will have an ever increasing influence. This means that an enterprise can operate less than before "on its own conditions" -the expectations and conditions set by the environment of activity and valuation must be taken into account in all plans.

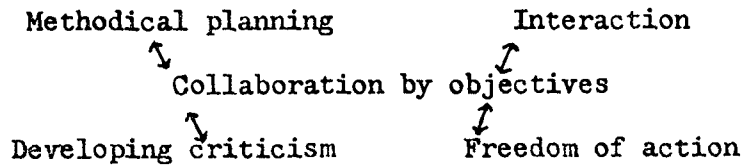
It is also certain that the frequency of changes and different disturbances will increase. Shortages of merchandise, disturbances in the labour situation etc. will in future be at least as frequent as today. It necessitates more flexible planning than before. Purposefulness, not "stubbornness" is needed.

In the sphere of Sok and of many of its member societies we found that we were not fully prepared to meet the challenge of the future. We realized that we do not appreciate or utilize to a sufficient extent the intellectual resources we have under our control. We are too cautious to deviate from our usual habits of management and action. We have communication difficulties based on our personal qualities and on the informations systems of our enterprises, as well as what is perhaps most surprising in the co-operative movement (which was founded because of its need) working together seems to be difficult.

Thus it was realized what the future required from us and the opportunities we had to meet these requirements. We found that the management methods of today were no trump card for tomorrow. Thus for the removal of obstacles to efficiency we organized a corporate planning project to train "technicians" of management and a working group to study the application of management by objectives with the aim of improving the "tactics" of management.

The four members of the said MBO working group, supported by 24 participants of a managerial further training course, developed management by objectives especially for general application in consumer co-operatives. The result of this development work is at least as much a pattern of thought as a system. It emphasizes the influence and inter-action of all individuals working in the organisation where attempts are made to achieve a continuously developing and objectively-minded activity. Collaboration was "brought back" to objectively minded co-operation. The result is collaboration by objectives.

Four essential characteristics of collaboration by objectives are



Methodical planning means to prepare for the future by creating in advance adequate planning, operating and control systems, by means of which plans can be accommodated to each particular situation. The basic system in this case is the personnel organisation in the enterprise. In the development of this organisation we must start from the requirements recognized by the enterprise and from the expectations of each individual. The same concerns the planning of activities. The management can define main lines and the uniform procedure but plans and objectives for areas of responsibility necessitate preparation work and approval in collaboration.

Methodical planning also means concentration on the most important matters. As to individuals it means concentration on the most essential tasks or on the so-called key tasks.

Interaction is based on the assumption that the objectives of superiors are common to them and their immediate subordinates. The superior is regarded as a collaborator, who coordinates the activities, develops the activity of group and guides its members -that is, he assists in achieving the objective. Depending on the case the group can make plans, carry them out and assess the results together. Though an ever more effective group working is recommended, one should not forget the importance of the feeling of solidarity and participation.

The primary measure intended to increase interaction is the start of fundamental "collaborative discussions" between the superior and subordinate. The intention is to carry out these discussions two or three times a year. The plans of future activity and the success of the plans carried out are the objects of these discussions. On their basis individual objectives and objectives for areas of responsibility as well as development measures are agreed upon. In the course of these discussions the matters related to labour relations are treated in detail and attempts are made to achieve a more profitable collaboration.

<u>Input</u>		<u>Process</u>		<u>Output</u>
Performance	←-----→	Collaborative discussions	←-----→	Objective
Expectations	←-----→	Evaluation of activity and planning	←-----→	Development
Chances	←-----→		←-----→	Mutual understanding

Communication is affiliated to interaction also. In addition to information about the planning and follow-up of his work an employee must get sufficiently correct information about the other matters concerning the enterprise. We think that the more every employee knows about the enterprise the more he feels worthy of confidence and thus he is also more loyal to the enterprise.

Freedom of action covers also a sufficient authority and a chance to work alone. This freedom of action can be examined from the view point of superiors and subordinates as well. From the superiors' point of view it can be said

that collaboration by objectives facilitates management. The superior knows what every subordinate must achieve and by what means. On the other hand he can concentrate himself on other matters more important to him. The subordinate, for his part, knows what he can do and how. If needed he gets help from his superior otherwise he can work alone. The objectives and authority agreed upon in collaborative discussions are in writing at the disposal of the subordinate and his superior. When one gets accustomed to this freedom of action more responsible tasks can be entrusted to the subordinate.

Developing criticism requires every person to view his own activity critically and to accept the criticism of other people. All this takes place for the development of corporate activities. Employees' general rights and responsibilities and their job descriptions already as such tend to development. In addition to so-called routine objectives there must be also development objectives. Collaboration by objectives creates a good foundation to reward and train individuals.

#### The cycle of objectives

As stated earlier corporate planning was developed together with the collaboration by objectives. Through this a new planning and control system has been developed. From this overall planning work we go over to practical work by means of collaboration by objectives, which for its part gives feed-back for corporate planning.

In the framework of one year this means that during a couple of months the main stress is laid on a more extensive long-range evaluation and planning of activities.

As a result of this different levels of authority in the organisation get background information for the following year's planning. Every person makes his own suggestion for the plan of operations and objectives and prepares them together with his own superior. Finally at the end of November/beginning of December the management approves the plans of operations and budgets for the cooperative society. The plans are carried out and the results followed during the period of action in the way agreed upon. The rating of the success of the period of action takes place in collaboration after the operational and economic results have been cleared up, that is in February/March.

#### Experience

Collaboration by objectives is a "new old" thing. Therefore if a person is not sufficiently acquainted with the technique he can suppose that this kind of management has already been adopted. In our organisation it has been considered such a good thing that we have started to apply it immediately without any preparations, although sometimes it has been considered that collaboration by objectives causes extra work for superiors

In the application of collaboration by objectives the importance of criticism must be taken into account. If in an enterprise one cannot criticize what the management regards as collaboration by objectives there does not exist any collaboration by objectives at all. It has also been emphasized how important it is to prepare the matter and inform about it; to begin slowly and go step by step. Further it has been emphasized that management by objectives is intended to facilitate management. The matter can be understood only after one has adopted the way to think in terms of management by objectives. Cold systems without a warm spirit cannot create any real collaboration by objectives.

## FULFILMENT THROUGH COMMITMENT TO SELF-DEFINED OBJECTIVES

-----oooOooo-----

R. NEALE, Director, Willson Associates International, U. K.

Karl Marx said "Man is truly himself, truly human, only when his activities are willed by himself, when he is not manipulated by others, by blind forces or by brute thin as a mere object. Only when he chooses rationally to act as his own human essence dictates."

Part of our theme is the consideration of ways in which we can enable man to find full scope for his own development in the accomplishment of collective activity. Seek to determine how we can organise the rich harvest of members' initiative. We wish to involve them in the shaping and implementation of co-operative policy.

When considering the transition from identification (of what is needed) to action, we cannot escape the multiplicity of nationalities, functions, power, economic strength, cultural background, language -we can go on for ever- which exist amongst members of the Alliance.

It would be easy to see the role of this Seminar as purely falling into the area of identification, and not able to even move towards action. It is my view that you should not be content to listen to lecturers painting pictures on the walls of your mind and say "Yes, I can identify myself or my organisation with that". You are entitled to be shown a common thread which runs through all the varied ingredients which make up the organisations you represent, knowing that your recognition is shared by all organisations which are represented in the Alliance.

In my work as a consultant I frequently find a Chief Executive of a Client Company saying "That sort of thing might be all right for them but our industry (our company) is different". This is a generalisation, and usually it is easy to show there are lots of problems or opportunities which are common property. This applies equally to you all, and if we are to talk about steps you can take to improve your enterprises we need to find that common thread.

I have said "common thread", but in fact it is a "GOLDEN THREAD", and certainly it weaves a beautiful pattern throughout the theme of this Seminar. I refer of course to the people who are the ICA -the men and women who, whether assistants in consumer co-ops, non-professional members of management committees or chief executives of large manufacturing or farming co-operatives- are capable of giving so much if we let them.

Let us see then what we can all do, in practical terms, to improve the effectiveness of the individual enterprise, enabling it to obtain a strong position in contemporary society as a result of economic success, at the same time giving greater fulfilment to its people.

We need to integrate the need for economic results with the desire for a meaningful participation by the members of the organisation.



We need :-

- ... to provide a sense of common cause and urgency.
- ... to help each person to understand the significance of his contribution to the overall enterprise.
- ... to focus the energy and resources of the whole organisation upon agreed enterprise priorities.

#### WHAT SHOULD WE DO ?

1. The first need is to define the overall purpose or mission of the enterprise -and do not believe that because it was originally defined- perhaps many years' ago- that it is fully understood and accepted by all the people in the enterprise, nor can you take it for granted that the original purpose or mission is still valid. My work and that of my colleagues in Canada and the United States has shown that even with senior managers there is often no clear understanding of purpose or mission, and yet without this they are incapable of full commitment.
2. We then must recognise the principles by which the enterprise is guided, and again it is essential to find out how the members of the enterprise see them as they are now. You will be surprised at the divergence of belief.
3. Next we must identify the needs and opportunities which exist in and for the enterprise. Not the needs and opportunities as seen only by the Chief Executive, or even his senior managers, but by a much wider section of the enterprise. Let us at this point remember what John S. Mill said in the mid-nineteenth century "The people it appears, may be progressive for a certain length of time, and then stop. When does it stop ? When it ceases to possess individuality". It is this individuality we must tap in the corporate good. Of course, this is a formidable task, best undertaken by a professional from outside the enterprise. The donor is more likely to be forthcoming to a stranger, particularly if anonymity is guaranteed, which is essential, and of course the analysis and synthesis of the responses to carefully prepared questions needs experienced handling. In a recent profile study I carried out I interviewed fifty managers, and they produced over six hundred comments and recommendations. From these we were able to present twenty major needs and opportunities for consideration by the Chief Executive and his executive directors.
4. The next step is to establish priorities from the needs and opportunities which have been identified by the members of the enterprise. I want to remind you of those things which the establishing of priorities involves.

First of all, why do we need to establish priorities, why can't we just go through the list ? The answer is obvious to you all -there are never enough resources in any organisation to do everything at once. It has been said that refusing to do the unimportant is vital to success, and the man who insists in getting 100 % of his job done either doesn't have enough to do or doesn't have the kind of stuff it takes to succeed in business. Trying to do everything requires no judgment -we should decide what is important and do it well.

...

It is as well also to remember that we must define what we mean in any particular case and at any particular time by priority. Is it relative priority or completion priority? If relative, to what degree? Let me explain what I mean by quoting W. Dickerson Hogue of Indiana University. He says "Let us assume that there are four projects under consideration -A, B, C, and D. If we are thinking of relative priorities we might have all four projects worked on simultaneously, but with more effort on those higher in priority. We may feel that of 1,000 man hours available per month A should have 400 per month until finished, B 300, C 200 and D 100. Even if everyone agrees that relative priority is the sort intended, there is considerable room for misunderstanding on the allocation of man hours. It may be that spill-over priority is intended -that all available effort should be put on the top priority project until it is completed, then on the next highest and so on".

A simple example of completion or relative priorities is that a building contractor who tells his site foreman the excavation has the first priority and pouring the foundation walls the second, clearly means completion priority. A sales manager who says his men are giving top priority this month to pushing a given product means relative priority.

5. When we have established the priorities we can invite each participant to make an offer, in specific terms, to use his skills, his experience, and his good will to the attainment of the objectives indicated in the priority list of needs and opportunities WHICH HE HELPED TO DEFINE.

It is tempting to use in the context of his offer the word "CONTRIBUTION" but my colleagues and I know this is not enough. We prefer to ask for "COMMITMENT". I remember many years' ago discussing rape with a police officer. He said that rape could be perpetrated by FORCE, FEAR and FRAUD. It is possible to get "CONTRIBUTION" by using these means -just think about it- but you can only get "COMMITMENT" by UNDERSTANDING and GOODWILL on the part of donor and recipient alike.

Helping to define the needs and opportunities, and then being invited to make "COMMITMENTS" which will help to satisfy the needs and grasp the opportunities requires a climate of integrity on the part of all concerned. It is not a bit of use striking attitudes, if this occurs we are only playing management games and what will happen is that the occasional success is attributed to "outstanding team effort" which is meaningless, and defeats are explained as "caused by factors beyond our control -and we are going to fire two people in personnel to prove we mean business".

6. It is essential that if "COMMITMENT" is meaningful that each commitment is capable of being assessed for achievement, so the donor must ensure a time scale within which review of performance is an integral part.
7. These commitments are now presented to the donors' immediate superior for approval and acceptance.

We now have, bearing in mind the part of the Seminar theme with which we are concerned today, a management tool which enables each participant to find full scope for his own development in the accomplishment of collective activity. He has found it possible to commit himself in explicit terms to the attainment of objectives which he helped to define. He knows and recognises the commitment of others, and easily identifies a mutual dependance and progression towards achievement.

We have achieved what we set out to do -organised the rich harvest of members' initiative, and we have involved them in the shaping and implementation of co-operative policy, for the same philosophy and process we have discussed for individual organisations, equally applies to national organisations, and indeed the ICA itself.

I believe the words of William Gallacher apply equally to the whole movement as to the constituent parts :-

"We are for our own people. We want to see them happy, healthy and wise, drawing strength from the co-operation of peoples of other lands, but also contributing their full share to the general well-being. Not a broken-down pauper and mendicant, but a strong living partner in the progressive advancement of civilisation."

\*  
\* \*  
\*

## THE UNITY OF THE SOCIAL AND ECONOMIC FUNCTIONS OF CO-OPERATIVES

—oooOooo—

### A Resume of the Discussion

In addition to the formal papers, much of the seminar was taken up with discussions, both in plenary sessions and in four discussion groups. The following summarises some of the main themes that emerged in those sessions.

#### Unity of the two functions

There was general agreement that ideally the economic and social functions of Co-operatives should be totally united : that in fact there should only be functions of Co-operatives, all of them of equal importance. However, it was recognised that there did tend to be a separation between the two types of function especially in such situations where Co-operatives existed in a strongly competitive environment which necessitated emphasis on their economic survival. In such circumstances, it was suggested, the economic functions tended to be stressed to the detriment of the social.

In addition, there was the suggestion that the more comprehensive the nature of the Co-operative, the more likely it was that the two types of functions would assume similar importance. Thus the housing Co-operative or agricultural settlement tended to be much more socially active than the consumers' retail Co-operative or the credit Co-operative.

This was a theme which naturally continued to be considered throughout the seminar. However, the initial easy agreement on this topic came into doubt as closer consideration was given to the precise nature of the economic and social functions of Co-operatives.

#### The meaning of the social function

On the economic function there was ready enough agreement. It runs through most of the papers and caused little disagreement in discussion. Generally the agreed function was something to the effect that it was to provide some service for the members of the society (or in a few cases, the wider community) at least as efficiently and preferably more efficiently than other agencies.

On the social function, however, there was rather more diversity. There was some argument, for example, about means and ends. Was the organisational form that Co-operatives adopted part of their social function or was it simply a means to perform their primary economic function ? One discussion group were forced to conclude that "we cannot always distinguish between means and ends in the case of Co-operatives. The economic function is a means to achieve social ends but the social functions can also prove to be means of helping us achieve economic ends."

Ultimately, however, one of the social functions that participants found they could agree upon was that of co-operative and democratic self-government or self-management. Despite this apparent agreement, however, there were dif-

difficulties of interpretation near to the surface. How, for example, was outside interference in the affairs of a Co-operative to be regarded? To what extent is a Co-operative operating within the confines of an externally conceived "plan" self-governing? Does the benevolence or the representativeness of the agency conceiving the plan affect this problem?

But leaving aside the soon apparent difficulties underlying the agreement on one social function, further social functions were also considered. It soon became obvious that there were considerable variations of view and action. The major variables here seemed to be the type of Co-operative concerned, the stage of its development, and the range of social provisions by other agencies in the community. Nevertheless, there was a general feeling that most Co-operatives could usefully promote forms of social activity that helped to create the spirit of association that was essential to a Co-operative and that Co-operatives should be actively involved in the social and public life of their community and country.

#### Members' participation.

It is an obvious condition of democratic self-government that there is participation by the members of the Co-operative. This was a concern expressed frequently by delegates, particularly among those representing organisations whose members had a relatively marginal relationship with their society, e.g. consumers' societies. There was the problem firstly of informing them of their rights and responsibilities, then of actually encouraging them to become more than simply nominal members, then further of making them well-informed members. This involved considerations of democratic structures, of developing and adapting structures which encouraged and enabled participation by members of varying levels of interest; it involved problems of motivation, of finding an appeal that would encourage customers to become members and members to become interested members; it involved problems of education.

#### The role of professional management.

To all of these areas it was agreed that one of the major requirements was that of more expertise. And expertise, it was generally felt, meant the introduction of more professional assistance into the whole area of the social functions of Co-operation: into member relations, leader education, member contact, general social activities, collaboration with other sympathetic organisations. This view is taken to its furthest point in the French paper which attracted considerable interest and most participants seemed to be persuaded that the sensible approach to the problem of lack of expertise in the social functions was to have management personnel responsible for the whole range of the social function and who were equal in status to those responsible for the economic function. There were those participants who doubted the wisdom or practicability of such a division in a Co-operative's management structure but it seems to have been a minority view.

#### The relationship between manager and member.

A further problem which came under consideration was that of reconciling the concept of democratic "self-government" with the employment of these specialised and expert managers. It was a constant theme of papers from all parts of the globe. In discussion it was acknowledged that the French approach to social function management attempted to come to terms with this problem by creating a situation where members were given the opportunity to make decisions (in a "democracy of arbitration") instead of merely rubber stamping decisions

and actions already taken. Also, although it was not specifically dealt with in their papers, there was some suggestion that the management approach suggested by Messrs Luikkonen and Neale enabled member participation in the establishment of objectives, that the "collaboration" should involve members as well as staff.

There was some interest too in the suggestions, more or less explicit in several papers, that since competitive pressures created a situation where the economic practices of Co-operatives were little different from those of other traders, it made commercial sense to stress whatever difference there was between the Co-operative and its competitors. The major obvious difference was the Co-operative's social function which was lacking in its competitors. Thus, the British agricultural society, Eastern Counties Farmers, had discovered that its major "unique selling point" was the concept of co-operation rather than the products it sells. In such circumstances, the apparent difficulties of management and membership pulling in different directions or being in a situation of mutual miscomprehension should come to an end.

#### Co-operatives as pressure groups.

Finally in the discussion sessions, there was widespread agreement that to fulfil all their social functions effectively, it was desirable for Co-operatives to work with other sympathetic and like-minded organisations, whichever they may be in any particular circumstances. There were likely to be circumstances when Co-operative action would itself be insufficient or too slow and in such circumstances Co-operatives should work on behalf of their members' interests by whatever means were most appropriate.

\*  
\*       \*  
\*