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CEMAS – what is it?

- CEMAS is a project within the International Co-operative Alliance working on the improvement of materials and methods for cooperative education and training in developing countries, with particular reference to the needs of members and committee members
- a clearing house for information and advice on education and training
- a production unit, producing prototype materials, manuals and reference booklets
- an ideas bank for the use of all cooperative educators and trainers

International Co-operative Alliance

Co-operative Member Education

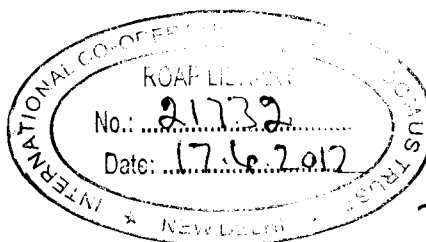
(Is There a Co-operative Solution?)

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Co-operative Education Materials Advisory Service



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Objectives

The objectives of this manual are :

1. To prepare co-operative field workers for their task of helping people form co-operatives.
2. To enable people assess their own situation and decide whether co-operative organization would help improve it in a rational way.

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Introduction

This manual is designed for the use of co-operative trainers, field workers and group leaders who may be thinking of helping people form co-operatives. It has been shown in many countries that co-operatives that are formed by members to solve their felt needs have a higher chance of succeeding. Because it is the members who own and control them, it is important that not only are they committed to, and knowledgeable about them, but that they also have realistic expectations of what their societies can and cannot achieve for them.

Through a series of mini-case studies of different kinds of co-operatives, this manual will show how ordinary people have improved their economic, social and cultural lives through co-operative action. It is hoped that it will encourage others to follow these examples.

In each case there is a description of the local situation, the co-operative initiatives and actions taken. There is also a series of discussion points designed to encourage further thought about particular aspects of the situation described. They can be considered by those studying the manual alone or by discussion groups led by co-operative field workers.

How to Use the Manual

This manual may be used

- (i) as resource and reference material for co-operative field workers and all such persons who, in the course of their work, may be called upon to advise and assist groups of people with a need and potential for organising themselves in co-operatives;
- (ii) as study material for potential leaders identified from a group and organized in one or several discussion groups.

When used as resource and reference material by people in the first category (co-operative field workers, educators, etc.), a set of questions for each case study is given at the end of the manual (see appendix). We suggest that people in this category should study each case thoroughly and work through the questions before introducing the case to a group.

When used as study material by a group of potential co-operative leaders, the co-operative field worker assisting the group should **select** a case or cases that come closest to the situation or needs of that particular group, ignoring for the time being the rest of the cases in the manual which are of no immediate relevance. Later on, however, when the point of the issues in the case has been made, other cases in the manual may be introduced and discussed so as to provide the group with a wider perspective of co-operatives in different situations.

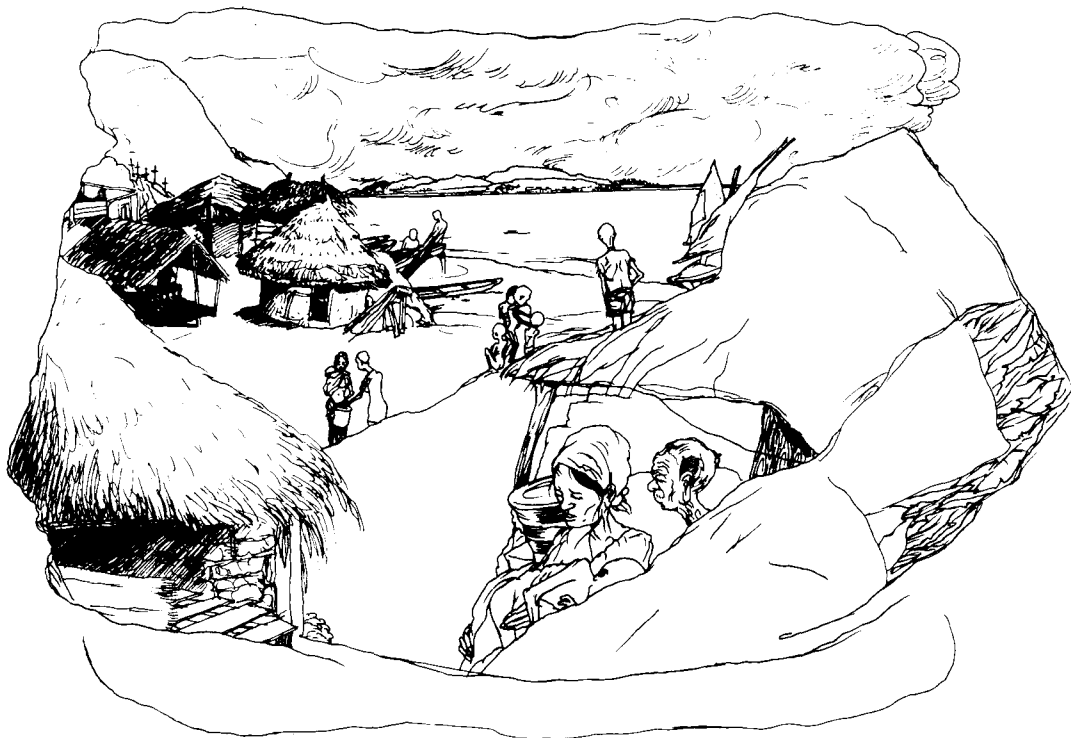
For each case in the manual there is a series of **Discussion Points** throughout the text. When the co-operative field worker (or whoever is assisting the group) has decided on a “story” of a certain situation with similarities closest to the actual one, he should then read the case for the group bit by bit, pausing from time to time for discussions whenever he comes across **Discussion Points**; then go on reading when the point is adequately discussed; stop again for discussion, etc. He may, if he considers it necessary, amend the story here and there to create more of the similarities. The same procedure should be followed even when cases of less direct relevance are introduced.

One last point. The material in this manual will, of necessity, be used under diverse social and cultural conditions. To make it more effective, it has to be adapted and where possible, translated into local languages. Co-operative field workers are encouraged to carry out the adaptation work. In doing so, they may wish to simplify the language to the level of their target groups and, where necessary, modify the examples to suit their individual circumstances. They should however be careful that such adaptation does not lose the thread of the story, or the message it is intended to deliver.

CASE STUDY I

A Community Initiative

Our first case takes us to an island which lies off the west coast of an imaginary continent, and concerns a community which has been declining over a number of years.



The Problem

The island of Dibba is only 20 minutes by sailboat from the mainland. Over the years the community has become poorer and poorer. Those who can have moved for better jobs and conditions in the mainland towns. Those who have moved include the young educated members of the community.

Ten years ago a critical point was reached. The island's fishing activities were becoming uneconomic and difficult to sustain. Children were suffering from malnutrition due to lack of suitable and sufficient food to eat. The death rate was high. It had now reached fifty deaths for every thousand inhabitants. Something had to be done - and very fast - if the situation was to change for the better.

The Motivator and Mobilizer

In this community there was a community development officer whose name was Counte. He had observed the community and had noted the following:

- The people of this island depended on fish for their livelihood. In fact, it was their staple diet.
- They still used the same old-fashioned methods and equipment their forefathers had used for ages; most of their labour was therefore not productive.
- The little fish they caught was sold to middlemen from the mainland who bought it for far less than it was worth.

The last two points, Counte noted, were the cause of the community's poverty. Due to this poverty, they could not buy modern fishing equipment which was more expensive and, to many, difficult to use than the traditional one. Those who were development conscious and willing to change had therefore no means to do so.

What could be done? Counte realized that the best way of changing the situation for the better was by **community** and not by **individual** action. First, as a community, they had to find an alternative way of marketing their fish. Secondly, they had to modernise their fishing methods and learn how to use new and more efficient fishing equipment. To do this they had to make the fishing equipment available and at prices most of them could afford. Finally they needed a common "pool of funds" from which they could obtain credit to buy equipment, pay school fees and contingencies such as hospitalization and funeral expenses. Without such a financial pool the fishermen would find it difficult to stop selling their fish to middlemen. Counte realized that his ideas pointed clearly to starting some kind of a co-operative.

For the co-operative to be successful however, he knew that the community had to come up with the idea themselves. He would only introduce the idea of co-operation to them, but they would have to make the decision themselves. The opportunity to do this arose shortly afterwards at a meeting convened by the local chief to discuss development on the island. All the inhabitants were invited to attend.

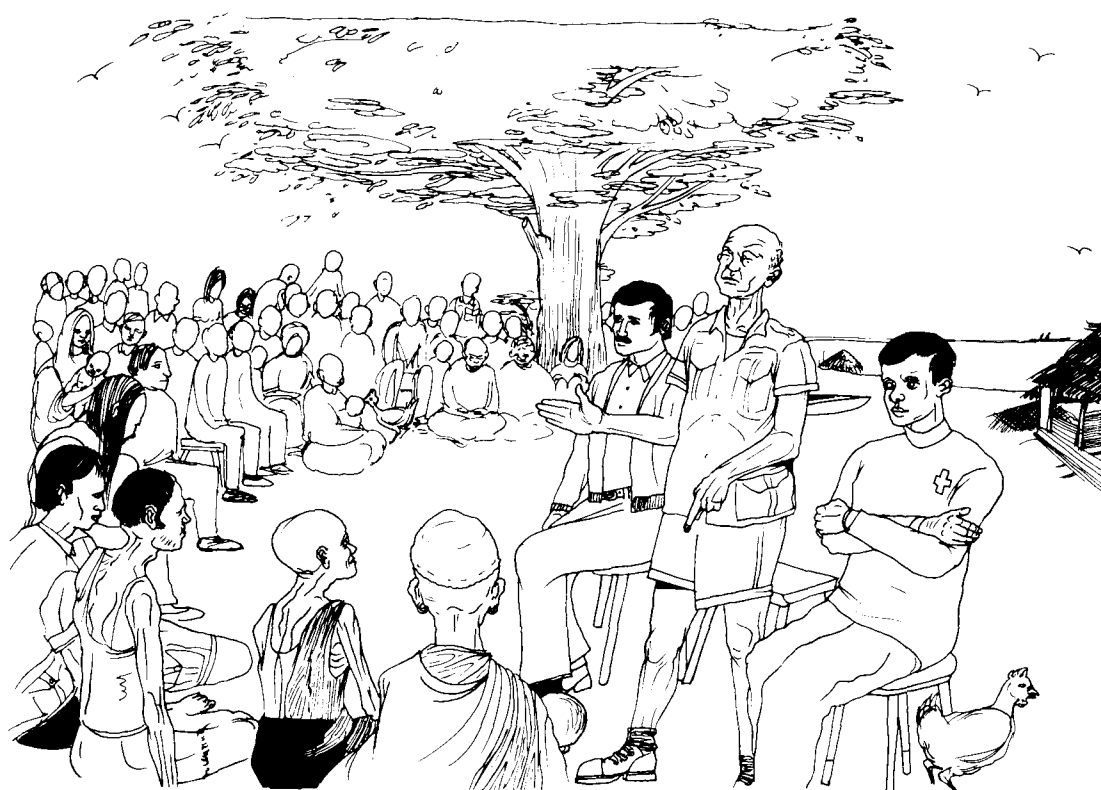
The Meeting

The chief formally opened the meeting and briefly outlined its agenda which was about development on the island. He stressed the need to come up with new ideas on how to stimulate development in the area in order to combat poverty. He pointed out that poverty was the cause of bad health in the community, particularly the children, whom he noted, were dying from malnutrition in large numbers. He then invited the island's health officer to talk about nutrition and hygiene on the island. After the health officer had spoken, the chief invited Counte - the community development officer of the island - to provide some ideas as to how the community could change the situation it was in.

Through a series of questions and answers he managed to "dig out" from his listeners the causes of their poverty. They attributed it in part to exploitation from middlemen who bought their fish at throw-away prices. They also noted that their fishing methods and equipment were outdated. One person then asked him "What can we do about this? We are not able to transport our small catch of fish to the mainland. If we did so we would make heavy losses!"

Another person asked “ Even if we had modern equipment and knew how to use it, where would the excess fish be stored? ” “ It would go bad long before we could manage to sell it on the mainland market ”, he observed.

In response, Counte praised the people for identifying their main problem and its causes. What remained now, he said, was to find solutions to the issues raised. He recommended that a small **enquiry committee** of the more knowledgeable members of the community be appointed to look into the issues and propose possible solutions. These would then be presented to the community at another meeting. A smaller group of people, he noted, had a better chance of exploring various solutions than would a large group of people. He promised to assist them by providing most of the background information they required for their work.



Counte’s suggestion was met with some opposition by some of the islanders who preferred to discuss the issues there and then. Many, however, supported the proposal and when it was put to vote, it was approved with a large majority. A committee of seven people was appointed to look into the issues raised by the meeting and propose possible solutions. The chief summed up the main observations of the meeting and set the date of the next meeting which was three months later. The meeting then closed and the islanders dispersed, discussing amongst themselves the outcome of the meeting as they walked away.

DISCUSSION POINTS

1. What problems were being experienced by the islanders of Dibba? What were their causes? Which other communities you know have experienced similar problems?
2. How did those communities resolve their problems?
3. What solutions do you propose for the problems facing the Dibba community?

Dibba People Informed about Co-operatives

Three months were now over and it was time for the scheduled meeting for the people of the island of Dibba to receive report of the enquiry committee set up to look into issues raised at the first meeting.

The report containing proposals of how to deal with the various issues was based on information provided by Counte and also, with his help, by co-operative officials from the mainland. Study visits had also been made to some private and government corporations, and to some co-operatives on the mainland.

The chairman of the enquiry committee Mr. Marcoos, a respected elder, thanked the community for having appointed them to look into the various issues they had raised during the last community meeting. After briefing the meeting on how they went about gathering relevant information, he asked the secretary of the committee - Mrs Fatma Omar - to read and explain to the meeting the report prepared by the enquiry committee. Mrs Omar, a local school teacher, read the report in a clear, loud voice:

“We have decided that the best solution to our problem here is to form a co-operative. But before I go on to tell you what the co-operative will do, I must explain at length what a co-operative is, as this is a new type of organisation to most of us.

“The word co-operative comes from the word ‘co-operate’ - which simply means ‘working together’. So, when two or more people do something together for their own benefit we say they are co-operating. Of course people can work together with good or bad intentions. A co-operative is concerned with people working together with good intentions. It is a business which is formed, owned and controlled by a group of people who want to improve their living conditions by working together honestly and voluntarily. Usually the people coming together to form a co-operative have problems... problems such as the ones we have been facing here in Dibba: very little income, poor fishing gear, unfair prices paid by the fish buyers, poor health in our families, etc. As most people cannot solve such problems individually, the best way to solve them is through unity, for unity is strength”.

“In a co-operative” she continued, “all members participate actively and with equal rights in the running of the affairs of its business. The results of their co-operative effort are distributed fairly to each member according to his participation.

“Co-operatives follow six special rules. These rules are called **The Co-operatives Principles**. They are very important for the success of a co-operative.”

Mrs Omar then went on to explain the six Co-operative Principles which were:

1. **Open and Voluntary Membership**

Membership in a co-operative is **open** to all who can benefit from it. At the same time people join co-operatives on their own free will. This means that unless there is good reason no one should be prevented from joining a co-operative if he can benefit from it and is ready and willing to play his role as a member. It also means that no one should be forced to join; membership should be voluntary.

2. **Democratic Control**

Since a co-operative is formed and owned by its members, it must be run and controlled by the members and for the benefit of the members. All members have **equal rights**. The co-operative is governed by a **general meeting** which all members have the right to attend. All major decisions in a co-operative are made by members at their general meetings (which are usually held once every year). At such meetings **each member has one vote**, irrespective of his or her status in the community. The general meeting elects a committee which is authorised to supervise the work of the co-operative on behalf of the rest of the members. Each member has the right to be nominated for election to the Committee and each has one vote in the election.

3. **Limited Interest on Shares**

A co-operative will require money to start and maintain its business. Money will be required for things like buildings, furniture and other equipment. In the case of a trading co-operative it will also need money to purchase goods (stock) for resale. The money used to buy such things is called **Capital**. Although it may sometimes be possible to borrow some capital, much of it must come from the members. Every member is therefore required to contribute some money to the capital of his or her co-operative. This money is called **Share Capital**. Although the share capital is used by the co-operative, it remains the property of the members who paid it.

For using the member's money (share capital) the co-operative is obliged to pay something to the member. The amount paid by the co-operative for using the member's share capital is called **Interest** or **Dividend**. Banks, too, pay interest when one saves money with them. The amount of interest to be paid is fixed by the members or by law and is usually comparable to the rates of interest payable by commercial banks.

In a co-operative the savings made (after all expenses have been made) is called **surplus**. In private businesses it is called **profit**. Regardless of whether a co-operative has made a big surplus, the rate of interest it should pay on members shares must remain the same fixed amount. Since the rate of interest cannot be raised above the amount fixed, it is said to be limited. *This is one of the differences between co-operatives and private companies. In a private company the interest paid on share capital depends on the profit made. Thus if a big profit is made the amount paid as interest increases proportionally.*

Co-operatives do not follow this system because their main purpose is to give the best possible **service** to members, at the lowest possible cost and not to make a profit for shareholders.

4. Patronage Bonus

In a co-operative business any surplus made belongs to the members. Since the surplus is created by members' business dealings with the co-operative, it should be distributed according to the amount of business that a member has done with his or her co-operative. Those who do more business with the co-operative should get a larger share of the surplus than those who do less.

For example: A fishermen's co-operative buys fish from its members and sells it on the mainland. During the year Marcoos sells 20 tons of fish to his co-operative, while in the same period Counte, who is also a member, sells only two tons. At the end of the year, after the co-operative has paid all its expenses, there is a saving. Now, this saving or surplus belongs to the members and should be distributed to members according to the volume of business with the co-operative (that is, according to the amount of fish sold by each member). Naturally, Marcoos who sold 20 tons will get a larger share of the surplus than Counte who sold only 2 tons. This is so because it was the amount of fish sold by members that made it possible for the co-operative to make surplus and, therefore, those who sold more must be rewarded accordingly.

Again this is where co-operatives differ from private business. In private business one is not obliged to do business with his company at all. All he has to do is to buy as many shares as possible, and when a profit is made, it is distributed according to the number of shares one has in the company. Thus, companies are more concerned with making profit on their share holders' money than providing services and catering to their social needs.

Instead of distributing cash bonus to members in proportion to the business each member has done with it as already explained, a co-operative may also decide to use the surplus to expand and develop its business (for example by investing in a building, purchasing a motor vehicle or by putting it in a savings account either to earn interest or for contingencies). It may also decide to use the surplus to provide other services to members, for example education.

5. Promotion of Education

Member awareness and effective participation are necessary for the success of a co-operative. These can only be realized through member education. A co-operative should provide education to its members so that they know what co-operatives really are, how they are organized and how they work. Education will also help the member understand and exercise his duties and obligations in managing the co-operative. In a co-operative education is not confined to the members; it must also be provided to the elected leaders (the Committee) and the employed personnel. Where possible, it should also be extended to the wider public, from whom future members will be drawn. Neither should it be confined to issues relating to co-operatives only; it should also cater to the immediate and general needs of its members.

6. Co-operation Among Co-operatives

For co-operatives to gain strength and the co-operative idea to survive, there should be co-operation among co-operatives. This can be done in different ways - for example by trading between co-operatives, interlending of money and materials and by exchange of ideas and experiences.

DISCUSSION POINTS

1. Why do people co-operate?
2. What do you understand by the words "co-operative" or "co-operative society"?
3. What are the main differences between a co-operative and a private company?
4. Why is education considered necessary for members, committee-members and employees of a co-operative?

Having explained what co-operatives were and their guiding principles, Mrs Omar then asked Mr Counte whether he wished to elaborate on any of the points she had made. Mr Counte said he only wanted to stress on the difference between co-operatives and other organisations as he considered this very important. He said that while most other types of business organisations such as proprietorship (one owner), partnership (joint ownership) and corporations (public companies) aimed at making profits for their owners, co-operatives aimed at providing as many services or goods to their members as possible (for example: supply of animal feeds, fishing equipment, etc.). But, he pointed out, it was not just a matter of providing many different types of services and goods; the services must be efficient and the quality of the goods must be high. At the same time, the cost of such services and goods must be competitive.

He went on to say that co-operatives differed from other business organisations in their decision making process. He explained that members of a co-operative all participated **equally** in decision making since each of them had **one** vote - irrespective of the number of shares one had. In other organisations, the owners voted according to the number of shares they had. Therefore those who had the majority shares controlled the way the organisation was operated.

At this point Mrs Omar continued. She summed up the three major qualities that made co-operatives particularly suitable for a community such as Dibba's:

- (a) Co-operatives were wholly owned locally and controlled on the basis of **one member-one vote**. All members participated **equally**, regardless of social or economic differences.
- (b) Co-operatives emphasized provision of services **at least cost** and not maximisation of profits - hence, they discouraged payment of high interest on capital.
- (c) All the economic benefits of a co-operative circulated within the community.

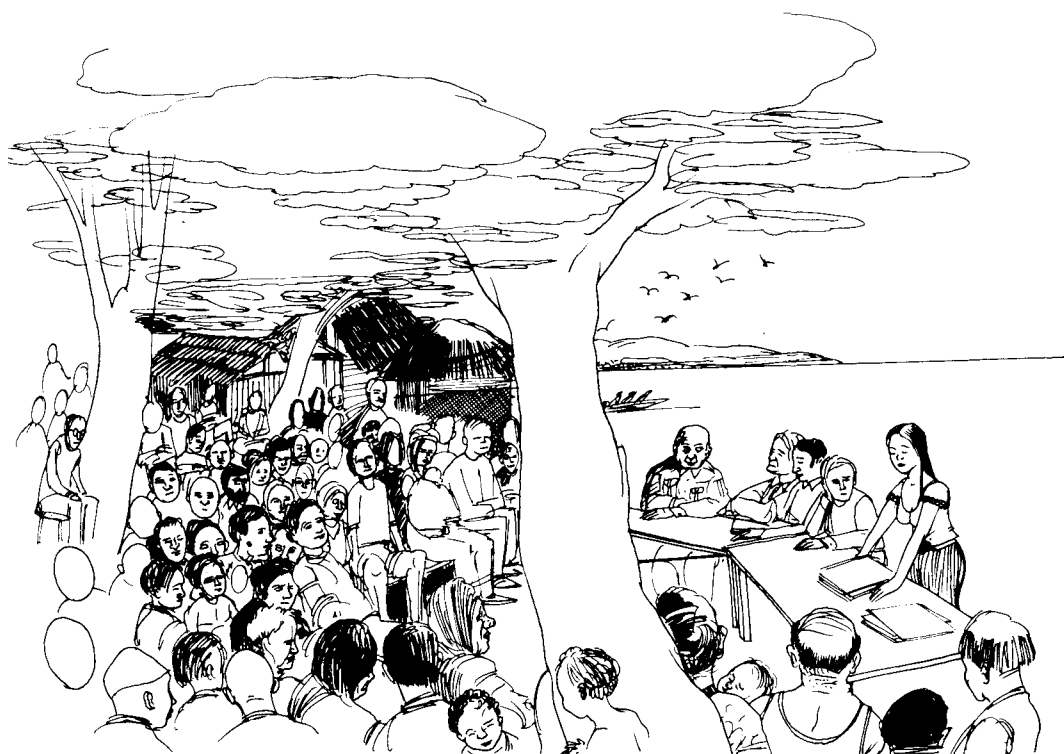
The Dibba Community Co-operative Society

"Now", Mrs Omar continued, "coming back to the recommendations of the enquiry committee, we have proposed the formation of a co-operative to carry out the following functions:

- (i) provide education - initially on co-operatives and on modern methods of fishing, and later on, on other topics of immediate benefit to our people;

- (ii) create a local savings fund from which members can borrow in case of difficulty or emergency;
- (iii) provide fishing equipment to our fishermen
- (iv) market the community's fish.'

She explained that the enquiry committee had agreed that a co-operative would help solve most of the problems in the community. Use of improved equipment and methods of fishing (services provided by the co-operative) would mean more fish. Co-operative marketing of the fish caught would ensure better bargain and higher prices. Continued member education, savings and lending facilities provided by the co-operative would help ensure wise use of money and improved standards of living for the community.



“If we are truly determined to change the pathetic situation in which we are”, she said, “it is the committee’s opinion that a co-operative society is what we need. But it is not enough just to have a co-operative; a co-operative is nothing without people who are loyal and committed to it, willing and ready to help themselves. If we agree at this meeting that we should form a co-operative, then each of us must bear the responsibility of organising and running it, so that united we can create the strength we need to combat our problems. Thank you for listening.”

There was a great applause. When the noise died down, Mrs Omar sat down and Mr Marcoos took over. He thanked Mrs Omar for her presentation of the committee’s findings, and went on to suggest that the meeting should debate the report and decide by vote on whether or not the community should form a co-operative.

Those present then discussed the report and the recommendations as presented by Mrs Omar; asked some questions and received answers. Then the proposal was put to vote. It was approved by a narrow margin; some abstained from voting as they were doubtful as to whether a co-operative could succeed on the island. A few opposed the idea as they were afraid of change. But all in all the idea was approved.

The proposal to form a co-operative on the island of Dibba having generally been accepted, the meeting was informed that further ground work had to be done before the co-operative could be formed. This again would require the services of a small committee to attend to the various issues and procedures involved in forming a new co-operative. The meeting was therefore asked to appoint a new committee.

Because of the good work they had done, the same group of seven people was re-elected, this time as an **interim committee**, and was given the following tasks :

- (a) to formulate clear objectives of the proposed co-operative;
- (b) to prepare (with the help of co-operative officials on the mainland) an economic report to show the expected results of the proposed co-operative when it was fully operating;
- (c) to prepare bylaws of the proposed co-operative;
- (d) to raise share capital to enable the co-operative to start its operations;
- (e) to apply for registration of the co-operative.

Mr Counte then explained in detail what all these tasks involved and why they were necessary. He said that before a co-operative was formed it was necessary to have a clear idea of what its purpose was and how that purpose would be attained. This is what was meant by **objectives**. Furthermore, he went on, before a co-operative was formed, it was necessary to establish whether there were enough potential members; financial resources; sufficient quantities of the product that the co-operative was dealing with (in this case fish); and a good market for the product. If all these factors were present, and as long as the co-operative was well run by the employed staff and by the members through their elected leaders, it could be expected to have good results. To establish whether these factors were present required a careful study by a team of experts from the Co-operative Development Department working closely with the interim committee. The results of this study (or survey) would then be compiled to form the economic report already mentioned.

Mr Counte went on to explain that a co-operative required some guidelines - or rules - explaining how it should be organised and run. These rules were called **bylaws**. The bylaws would explain, for example, who could become members, how to become a member, election of leaders, meetings: how and when they should be called, etc. The Co-operative Development Department would help with the preparation of bylaws.

As regards the share capital, he reminded the meeting of the explanation given when discussing the Co-operative Principles.

Finally, concerning registration, he explained that before a co-operative was formed, the law required that it must be registered by the government Registrar of Co-operative Societies. This

made it recognised in the face of law as a legal body, allowed to carry out business, hold meetings, acquire property and enter into contracts.

After explaining all this, it was now time to close the meeting. But before doing so, the date for the next community meeting had to be decided. It was agreed that this should take place within the next three months. On the occasion, the interim committee would report on the progress of the proposed Dibba Community Co-operative Society. The chief then thanked all those present and declared the meeting closed.

DISCUSSION POINTS

1. What do you understand by the words "One man-one vote"?
2. How was a co-operative society expected to solve the problems facing the people of Dibba?
3. Why must members of a co-operative be loyal and committed to it?
4. How would you tell whether members were loyal and committed to their co-operative?
5. Is it necessary to set clear objectives for all the important decisions that we take?
Give reasons for your answer.

The Interim Committee at Work

Six weeks after the community meeting, Mr Marcoos the chairman of the interim committee convened its first meeting to discuss the matters assigned to it by the community meeting. Invited to advise this meeting were the co-operative officer from the mainland and Mr Counte, the community development officer. The chief was also invited to attend as an observer. Mrs Omar was asked to continue in her earlier role as honorary secretary. She would take notes on the discussions and all the decisions taken by the interim committee. These would later be included in a report to be submitted to the next community meeting.

Mr Marcoos explained that he would have called this meeting earlier but he had to wait for the results of an important work that was being carried out on behalf of the committee by Mr Counte and officers from the Co-operative Department. He said that later, during the meeting, the committee would be informed more about this work.

It was a long and exhausting meeting, but the committee members were determined and enthusiastic.

The committee considered carefully, first the needs of the community, and then the general purposes suggested for the proposed co-operative. The general purposes which were mentioned during the last community meeting were then refined into the following objectives:

- (a) to provide education to its members on different topics and, especially, on co-operatives and on efficient methods of fishing;
- (b) to increase fish production by using efficient fishing methods and by providing members with modern fishing equipment at competitive prices;

- (c) to process fish and fish products so as to earn members higher returns;
- (d) to search for and exploit suitable markets for members' fish and fish products which would earn them the highest possible returns;
- (e) to provide facilities where members could save their money or obtain credit at competitive rates of interest;
- (f) to act as a representative body of its members in all the relevant government departments and other organisations on matters relating to the economic and social welfare of the community.

On the question of bylaws, the chairman invited the co-operative officer from the mainland to advise. The officer introduced a set of model bylaws he had brought with him. He explained that the bylaws of the proposed Dibba Community Co-operative Society would be quite similar to the model ones. In the latter there might be some changes to reflect the objectives of the society, its name, area of operation, etc. He offered to prepare a draft of the new bylaws which he would present for discussion and approval at the next meeting of the interim committee. The suggestion was applauded.

The next point on the agenda concerned the economic report which the interim committee was supposed to prepare. Here again the chairman asked the co-operative officer to report. The officer explained that shortly after the last community meeting he had been contacted by Mr Counte who informed him about the proposed co-operative and sought his assistance in preparing an economic report. The two of them, assisted by other officers from the Co-operative Department had conducted what was known as a **feasibility study** - that is, an investigation into the practical possibilities of forming and running a co-operative on Dibba Island. As a result of this investigation they had found that on the island there was a great potential for a fishery co-operative. They had then prepared a feasibility report on the proposed co-operative. The report, prepared in a clear, simple language was presented to the committee. Members of the committee carefully studied the report, putting occasional questions to the two officers on points which were not quite clear to them. After some discussion the report was accepted and adopted by the interim committee. The chairman, on behalf of his committee, thanked the officers for the excellent job they had done.

Following this, the chairman introduced the next item on the agenda. This concerned registration of the proposed co-operative. The Co-operative Officer explained that once the bylaws and the feasibility report had been approved by a community meeting, and as soon as the interim committee had recruited not less than forty members, with each member having paid for at least one share, the next step would be to make a formal application for registration to the Registrar of Co-operative Societies.

He went on to explain that the application for registration which must be signed by at least ten members should be supported by two copies of the new bylaws and a copy of the feasibility report. He assured the meeting that once these conditions were met, he would help ensure that the co-operative was registered without delay.

The last item on the agenda was about raising share capital to enable the co-operative start its operations. After some discussion, it was agreed that each member should pay an entrance fee of D\$ 5.00* and buy **at least** one share of D\$ 20.00. This requirement would be included in the bylaws. Aware that raising funds for an unregistered society without official permission was

* D \$ = Dibba Dollar

illegal, the chief informed the meeting that he would seek authorization from the relevant government authorities for the committee to raise share capital while awaiting formal registration of the co-operative.

Finally the chairman suggested that the interim committee should meet again in four weeks time to discuss the draft bylaws prepared by the co-operative officer and at which time, hopefully, permission to raise money would have been obtained.

Four weeks later the interim committee held another meeting, this time at the Local School, Marina. The draft bylaws had been prepared and were submitted for discussion. They were unanimously approved. The chief presented a letter from the Registrar of Co-operative Societies, authorizing the interim committee to raise money for the Co-operative. It was agreed that a general community meeting should be convened in two weeks time to inform the islanders about the decisions taken by the interim committee and the progress made so far. Subject to the approval of the community meeting, the interim committee would then proceed with fund raising.

As the chairman did not foresee any serious objections from the islanders to proceed with the formation of the co-operative, he suggested that the interim committee should already start preparing for the work that lay ahead.

Each committee member volunteered to buy one receipt book to be used for fund raising. Mrs Omar promised to provide all the paper that would be required until the time the co-operative was organized and able to buy its own. The chief promised to loan a typewriter to the co-operative. He would also provide a book in which all members recruited would be registered.

The chairman then asked the chief to close the meeting. In his closing remarks the chief expressed his satisfaction in the way each member had contributed to the discussions. He said he was impressed by the zeal and sense of commitment demonstrated by members of this committee. He hoped that they would continue to serve their fellow members in this exemplary way, for it was in wise and committed leadership that the success of the proposed co-operative would be assured.

DISCUSSION POINTS

1. What is the name given to a written summary of discussions and decisions taken at a meeting? Why is it necessary to write down this summary?
2. In what ways can education and training help increase members' production of food and other commodities?
3. What is a feasibility study? Why is it necessary to carry out a feasibility study before a co-operative society is formed?
4. Why did the interim committee of the proposed Dibba Community Co-operative Society had to seek permission from the authorities to raise money?
5. Why is it necessary to issue a receipt for money received?

Six Months Later...

Six months after the last meeting of the interim committee at Marina School the Dibba Community Co-operative was already in operation. In between many things had happened. Shortly after the Marina meeting all adults of the island were called to a community meeting to discuss and approve the decisions taken by the Interim Committee. Previous to this, members of the committee had been holding informal discussions with the most influential members of the community, trying to explain to them the benefits of a co-operative on the island. Leading in this campaign was the chief who was highly respected in the community. Convinced about the idea, these influential people had, in turn, talked to members of the community about the advantages of a co-operative. So, when the community meeting was held, the report with the recommendations of the Interim Committee were almost unanimously approved. As permission to raise money had been granted, fund raising commenced immediately. In the months that followed application for registration was submitted to the Registrar; campaigns for membership and fund raising continued, and informal but regular meetings of the interim committee were held. Premises for the co-operative in the form of a disused local shop were acquired, renovated and modestly furnished, ready for use as a fish collecting point as well as an office.

Advance rent and renovation costs were paid, using part of the entrance fees and share capital money already collected. Future expenses for running the co-operative were to be met from a small commission charged on the sale of fish.

By the second month the co-operative had already been formally registered and could now exist and operate as a legal body. The same members of the Interim Committee had been re-elected at the inaugural **general meeting** of members, to serve on the Managing Committee of the new co-operative. Operations did not start however until four months later, after a loan of D\$ 100,000 had been obtained from the National Development Bank. Of this money, D\$ 75,000 had been used to purchase a few fishing boats and other fishing gear. The rest was still held by the bank, to be used for contingencies. Members had been taught how to use the new equipment. Campaigns for membership had continued.

Early Problems

By the time the co-operative started operating the amount of fish caught by members had increased considerably. However, the co-operative could not buy all the fish brought in by members as its storage facilities were not adequate for the unexpected large quantity. This meant that some of the members' catch could not be bought by the co-operative and had to be sold elsewhere. Those who could not sell all their fish to the co-operative were disappointed; a few misguided ones withdrew from membership, claiming that the co-operative was not serving them any useful purpose. They resorted to selling all their fish to middlemen from the mainland, just as before.

Another problem that arose at this time stemmed from the fact that market prices for fish sold by the co-operative on the mainland were not stable. Sometimes they were high and at times they were low, depending on supply and demand. Because of this uncertainty in prices, the co-operative could not risk offering members a price based on the highest market value as it would suffer loss if prices went down. The Committee had therefore decided that members should be paid an advance equivalent to 75 per cent of the average market price. After the fish was sold, the difference between the proceeds actually realized from the sale and the advance already paid to members would be calculated and distributed to members according to the amount of fish each had delivered - this, of course, after deducting all the overhead costs, including instalments on the bank loan when they were due.

Middlemen from the mainland, craftily determined to undermine the co-operative (which they saw as a potential threat to their lucrative trade), exploited this situation. They offered the full average market price on the spot rather than the 75 per cent advance paid by the co-operative. This attracted some members who preferred immediate full payment to part payment, even though they were still using the co-operative's equipment and facilities. Sometimes the middlemen even offered prices slightly higher than the market ones in order to weaken the co-operative, even if they suffered loss in the process.

As a result, fewer and fewer members delivered their fish to the co-operative. The society's income from commission on sale of fish was diminishing. The co-operative was finding it difficult to raise enough money to pay rent on the premises and other operating costs. Soon it would start repaying the loan after the expiry of the six-months grace period. There was no money forthcoming. The future looked bleak; the committee was worried.

An emergency management committee meeting (to which co-operative department officials were also invited) was convened to discuss the problems and find immediate solutions. Among the co-operative officials invited to the meeting was Mr Guru, the regional co-operative training officer. He was well trained and had many years of experience in co-operative education and training work. After listening to the problems facing the young co-operative he suggested that a members' meeting be convened immediately to discuss the problems. This meeting would also provide an opportunity to teach members about their role in rescuing the co-operative and in its future development. He further suggested that member education meetings should then be held regularly - at least once every week.

Towards a Solution

The first and subsequent educational meetings were conducted under the guidance of Mr Guru. These meetings were informal. In addition to teaching about co-operatives and the role of members, he organised group discussions which analysed the problems facing the Dibba Community Co-operative Society. During these discussions members were encouraged to search and find out what was causing the problems and give suggestions as to what actions should be taken. After a few weeks of these educational meetings and group discussions, members summarized the following factors as being the cause of the problems facing their co-operative:

- (i) Facilities for fish storage at the co-operative were inadequate, leading to the co-operative's inability to handle all the fish brought in by members. This had, in turn, forced members to sell to middlemen.
- (ii) The co-operative did not have enough money to expand the present store, much less to construct a new one.
- (iii) More and more members were abandoning the co-operative and selling to private middlemen - not just because the co-operative had storage problems but because the other buyers were paying the full price, and at higher rate, for that matter.
- (iv) The middlemen were bent to ensuring that the co-operative collapsed, even if they lost money in the process. Paying higher prices for fish was just one among other tactics they employed to destabilize the co-operative.
- (v) In addition to these problems there was a general lack of loyalty by members towards their co-operative. They did not give it the necessary support.

Having identified the above as causes of the problems facing their co-operative, members then made some suggestions which, after thorough debate, were summarized as follows:

1. Expanding storage facilities

- 1.1 There was need for the co-operative to create ample facilities to accommodate all the fish brought in by members. This meant constructing a new building for the co-operative.
- 1.2 The chief was requested to provide suitable public land on the island for the new building. He agreed to do so.
- 1.3 As their duty and obligation towards the co-operative, members would undertake to construct a new store by volunteering their own labour or money - or both.
- 1.4 As schools were closed on Saturdays, parents and teachers would be requested to release and mobilize school children in the upper classes to help with the construction work on those days. (Parents present agreed to do so. Mrs Omar and other school teachers present agreed to co-operate.)
- 1.5 The chief was requested to make available services of builders from the local authority to help with the construction work. He agreed to do so, adding that he would also look into the possibility of a truck from the District Council being loaned to the co-operative for the purpose.
- 1.6 The unspent part of the loan (D\$ 25,00) would be used to purchase essential building material such as cement, timber, nails, roofing sheets, door locks, etc. (Other materials such as stones and sand were easily available locally.)

2. Members' loyalty

From the information provided by Mr Guru and his colleagues, and through group discussion, members realized that at the initial stages the co-operative would not be able to offer competitive prices, but would pick up and pay more than the middlemen if members would maintain their loyalty to the co-operative. It was in the interest of the community to ensure that the co-operative operated successfully. In the short run the members agreed to forego better prices offered by middlemen and to persevere any initial problems.

They also realized that as long as they stood united, loyal and dedicated to their co-operative, the middlemen, however much they connived against the co-operative, would eventually succumb to the power and influence of co-operation. In any case, the middlemen's tactics were only temporary, for they could not afford to go on incurring losses for ever.

Implementation of the Decisions

In the months that followed, construction work on the store was carried out and completed. True to their word, members had volunteered labour and money for the construction. School children and their teachers had helped a great deal during weekends. So had building technicians from the local authority who had been loaned to the co-operative during the construction period.

There was now enough space to accommodate all the fish brought in, and more. Faithfully, members were selling all their fish to the co-operative, ignoring the inducement offered by middlemen.

Education

In the meantime Mr Guru and his colleagues continued to offer weekly classes and lead discussion groups for members. Some of the topics covered in these classes concerned :

- the structure and functions of a community co-operative
- the role and responsibilities of co-operative members
- qualities and duties of committee members
- how to elect a good committee
- duties and responsibilities of the chairman
- co-operative rules and bylaws
- co-operative funds : sources, control and use
- co-operative assets : basic control
- proper management of co-operatives
- interpretation of financial statements
- efficient methods of fishing
- proper use of money.

Sometime later, other classes were added to deal with fundamental topics of benefit to members and the community as a whole. Among these were literacy and numeracy classes for illiterate members of the community, nutrition, hygiene, child care, budgeting and proper use of family income. There was a great deal of women participation in these classes.

DISCUSSION POINTS

1. Can you identify the most influential members of your community?
2. Why does the price of a commodity often goes **down** when the supply of that commodity is in abundance, and goes **up** when it is scarce
3. Why did the middlemen consider the young Dibba Community Co-operative Society a threat to their trade
4. What were the most important factors which helped solve the initial problems facing the young co-operative

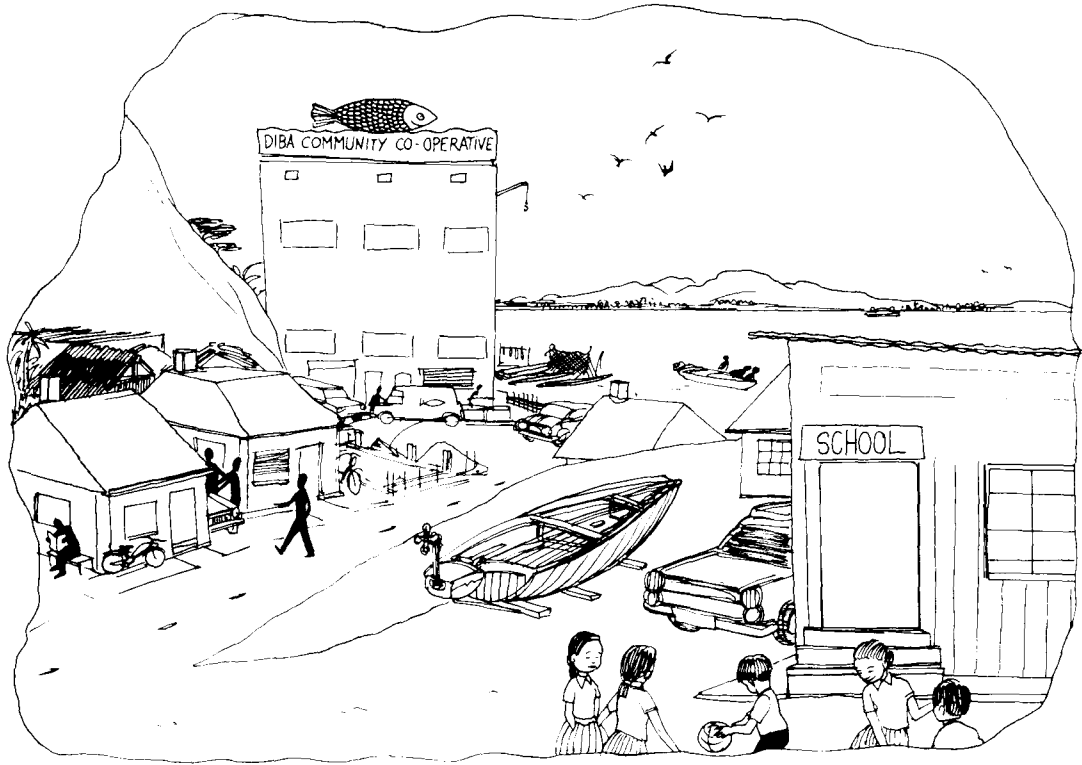
Progress of the Co-operative

All the foregoing events took place during the eighteen months since the co-operative idea was first introduced to the community by Mr Counte, the community development officer.

The progress of the co-operative in subsequent years can be summarized as follows :

- YEAR 2: ● Building of co-operative store completed and open to members.
● Member education programmes continue vigorously.
● Almost all members are selling their fish to the co-operative, despite lower prices.

- YEAR 3: ● 1510 tons of fish are delivered to the co-operative as compared to 425 during the first year.
● Better prices are offered to members, but still slightly lower than those earlier paid by middlemen.
● A full time manager and a clerk are employed.
● Member education programmes continue.
- YEAR 4: ● Two fish marketing centres are opened at different parts of the island.
● Member education programmes continue.
● Membership doubles that of the second year.
- YEAR 5: ● Last instalment of loan from National Development Bank is repaid.
● One more fish marketing centre is opened.
● Store for resale of fishing equipment is opened.
● Member education programme continues. Staff training is launched.
● Better prices are paid to members. This time slightly higher than those earlier paid by middlemen.
- YEAR 6: ● Savings and credit activities start within the co-operative.
● 4900 tons of fish are delivered during the year.
● Member education and staff training programmes continue.
- YEAR 7: ● Cold storage facilities are installed in fish marketing centres.
● Member education and staff training programmes continue.
- YEAR 8: ● Refridgerated vessel to transport fish to the mainland markets bought.
● 9220 tons of fish handled by the co-operative.
● Member education and staff training programmes continue.



The Changing Face of Dibba Island

Now, ten years later, the Dibba Community Co-operative Society has made remarkable progress, growing from strength to strength, eliminating the middlemen altogether, and improving the living conditions of the islanders. Times have been good in recent years; people who had left the island to seek employment on the mainland have been returning to join the booming fishing industry. The death rate has decreased substantially as people are now eating better and abiding by health instructions. Most adults on the island can now read, write and count. Better and more modern houses have been coming up on the island recently. There are three buses serving the community and a ferry boat to carry people to and from the mainland. There is a dispensary and a maternity clinic. In the evenings a father is heard whistling; a mother singing, and healthy children are seen happily romping about.

Times are good indeed...

* * *

CASE STUDY II

An Artisans' Co-operative

The Dibba Community Co-operative Society was a good example of how a co-operative can be formed to serve the needs of a community. The following case illustrates how a workers' co-operative was formed to serve the needs of young artisans.

The Problem

Like many other young men in Domingo Town, Manuel was unemployed. He was in his mid twenties and had completed a four-year training course in general mechanics and metal work at one of his country's regional polytechnics.

He had spent several months in his home village after this training, but finding no job there he had come to Domingo Town to look for employment.

After weeks of searching for work it dawned upon him, much to his chagrin, that there was intense competition in the town for jobs. He discovered that there were many "expolitecs" – as graduates of polytechnics fancied to call themselves – who had come to Domingo Town with the same dream of getting good jobs in industries, only to find there were none. Industries were training most of the artisans they required and employed very few from politechnics and similar institutions. Even where ex-polytechnic graduates were employed, they had to undergo several months of on-the-job training in order to gain experience before they were accepted as regular employees.

Unable to cope with life in the town with no regular source of income to sustain themselves, some of these young men had accepted casual jobs in factories owned by unscrupulous entrepreneurs who exploited the young artisans' desperate situation – paying them such low wages that they could not afford two good meals a day and bus fare, much less decent accommodation. Others with some modest support from family and friends had volunteered to work in government-owned workshops and in private industries without pay – just in order not to remain idle, and to pick up some experience – in the hope that a regular job might fall vacant for them to fill.

Manuel, belonging to the latter group took up voluntary work here and there in some privately owned industries. But he was not really happy. It was not just that he was paid nothing for the long hours he toiled in the factories, he felt humiliated and exploited. He could not stand the rudeness and arrogance of the foremen and managers in some of the places he worked. Some of these people were much less qualified than he was, yet they shouted at him, bullied him and made some unpleasant remarks about him. His mood had not improved in the least when he heard the jokes that the neighbourhood was making of him and his artisan friends. They were no longer "expolitecs"; they were being referred to as "exploitables" – a reference to the fact that they were working for nothing and being exploited by the factory owners. Unsavoury app-
elatives have a stubborn tendency for survival; this one stuck with the group.



On visiting some parts of the town Manuel observed that a number of people with skills similar to his had started one-man, small-scale industries. They made items such as simple fuel-saving stoves, farming implements, furniture, leather goods, toys and a variety of other items. Others operated repair workshops for motor vehicles, bicycles and different kinds of machines. From discussions with these people he realized that trained people who were unemployed like himself could be self-employed and, if they worked very hard, could earn even more money than those smart, young white-collar workers and their sleek motorcycles he had secretly admired for so long. But then, he pondered, how did one acquire the necessary capital to start this kind of enterprise?

The Co-operative Idea

Occasionally he would go back to his people in the village to “borrow” money to sustain him in town. During one of these home visits he was persuaded by a relative to attend a co-operative meeting. The meeting, he was told, was organised by the co-operative office in the area to advise a group of villagers who wanted to form a ranching co-operative. Manuel, not really knowing what co-operatives were all about, attended the meeting – rather for having nothing better to do than a desire to learn something about co-operatives.

The meeting started with a co-operative education officer explaining at length what co-operatives were, how they were organised, how they functioned and the advantages they had over other types of enterprise. Co-operatives, he said, were formed to serve specific needs of their members. There were farmers’ co-operatives which bought farm inputs in bulk and resold these to members at competitive prices and also organized marketing of their produce; there were savings and credit co-operatives where members saved their money and borrowed when in need; consumer co-operatives which sold goods to their members; housing co-operatives which provided low-cost shelter to their members; workers and artisans’ co-operatives where people were self-employed in a joint enterprise, and many other types – including the ranching co-operative being proposed in the village.

Manuel was now very alert. He was becoming increasingly interested in what was being said at this meeting...

“How can a co-operative help its members to raise the capital required for operations?” one person asked. The co-operative education officer explained that they could accumulate capital by buying shares in the co-operative. The shares bought collectively could amount to a large sum of money. He also noted that members could contribute towards the expenses of the co-operative in its early stages of operation by providing free labour or a portion of their farm produce. It was also relatively easy, he said, for an organised co-operative to borrow money from financial institutions such as commercial banks or, better still, a co-operative bank, if there was one around.

Immediately after the meeting was closed Manuel approached the co-operative education officer and asked to be informed more about workers’ co-operatives. The officer gave him some general information about how such co-operatives were organised, the type of people who could form them, their operations and management.

After listening to the discussions at the meeting, and having talked to the officer, Manuel was stricken by an idea. He reasoned that together with other unemployed people like himself they could form a co-operative. It would help them raise the necessary capital, purchase equipment and material, and provide marketing channels for their products. The co-operative would also provide them with an opportunity for further education on co-operative organization and management as well as specialized training in small-scale industrial production. He decided to discuss these ideas with his friends.

On returning to Domingo Town, Manuel discussed with his friends the idea of forming an artisans’ co-operative. In the course of the discussions, however, he noted that he was not really that qualified to talk on co-operatives, despite being convinced that there was a co-operative solution for the young unemployed artisans. After much discussion it was decided that they should consult with local co-operative officials to obtain more information and guidance as to how a co-operative could help them become self employed, and how to form one.

DISCUSSION POINTS

1. Why do young men often leave their home villages in the rural areas – even when there is enough land for them to cultivate – and go to the big towns?
2. What problems do unskilled young people face when they settle in the big towns?
3. Why are most employers – especially in industrial enterprises – often unwilling to employ young men who have just finished schooling?
4. How many types of co-operatives do you know? Explain each type.

Formation Advice

When Manuel and his friends contacted the co-operative officials, the latter encouraged them to think clearly about what they really wanted and how they might achieve it. The officials stressed that a group had greater strength than individuals. However, mutual self-help required members’ **mutual trust and confidence**. The group members should feel a sense of

responsibility towards each other, and not seek to gain advantages at the expense of others. This was why those who wished to form a co-operative should have something in common – usually referred to as a **common bond**. The group members were then asked to give their views as to what they thought was their common bond. Different opinions were given and were finally summarized as follows:

- (a) All the group members were trained and qualified artisans.
- (b) All of them were either unemployed or exploited by employers who paid miserably low wages – or no wages at all.
- (c) They all lived in Domingo Town.
- (d) They were all willing to form and run a co-operative enterprise which they believed would help solve their problems.
- (e) They were all willing to help each other and share equitably the fruits of their labour.

The co-operative officials accepted these points as representing a reasonable common bond for the group. They stressed that the principle of “**one for all and all for one**” was the essence of the co-operative idea. They then provided the group with guidelines on how to go about forming a workers’ co-operative. They concluded by stressing that the co-operative would only succeed if it served the group’s priority needs and if the group members were loyal and committed to it.

After this meeting Manuel and his friends agreed to form a workers’ co-operative. They called it **Domingo Engineering Co-operative Society** – or DECOS in short. The group further agreed that they should start with a workshop to manufacture metal doors, window frames and grills. Later on they would undertake motor vehicle and machinery servicing and repair.

But there was still a problem. Although they were all qualified in the technical aspects of mechanics and metal work, they all agreed that it took more than just skills to operate a successful business. How about capital? How sure were they that their products would find a profitable market? To whom would they sell? Did they know anything about costing? How much did they know about marketing? How about competition from larger, well established rival industry owners? Unable to provide suitable answers to these questions they decided to approach the co-operative officials again for advice and guidance. Meantime they elected a care-taker committee of seven people to look into the practical details of forming the co-operative.

Three Weeks Later...

Three weeks after the group meeting another one was convened – this time with co-operative officials attending. The purpose was to discuss the questions raised at the last meeting and get advice from the officials. On the question of capital the officials stressed that it was absolutely necessary for each group member to contribute to the share capital. Even if the co-operative might later ask for help from government or borrow from financial institutions, there must be a paid-up share capital from members to show that they were serious and committed to their co-operative. There were no short cuts.

As regards lack of knowledge about costing, management and marketing, the officials advised that it was necessary for the members – or at least the committee to undergo training in these matters. It was possible, they felt, for the Co-operative Department which they represented, to arrange for special courses for the co-operative committee.

On the problem of finding a suitable market for the products and possible competition from other enterprises, the officials advised that:

- (a) there was need to carry out a feasibility study to establish the practical possibilities of operating a workers' co-operative of the type the group had in mind;
- (b) if the study confirmed that the business was feasible, and after the co-operative was formed, there was need for members to be efficient and maintain very high standards of production, turning out products which were as good as (if not better than) those produced by competitors, and selling item at competitive prices.

Finally the officials offered to assist the interim committee to carry out the feasibility study.

Feasibility

One month later the group met again, this time to receive report of the feasibility study that had been carried out by the co-operative officials assisted by the interim committee. The report showed that:

- (i) There was in the town seven factories engaged in the manufacture of metal doors, window frames and grills. Of these, three were of medium size and employed qualified and skilled workers; they were producing quality products. The rest were small, ill-equipped and run by half-skilled people, most of whom had no formal training in this field. As a result the quality of their products was inferior and barely acceptable. Besides poor workmanship, the quantities they produced were relatively small.
- (ii) The seven companies involved in these products did not satisfy the market. Hardware stores in town were selling imported versions of these products which, besides being sold at high prices, made a strain on the country's hard-earned foreign exchange reserves. The market share of the imported products in the town represented 70 % of total sales.
- (iii) Materials from which these products were made were available in abundance at hardware stores in town at competitive prices.
- (iv) The total cost of manufacturing locally a metal door or window frame of top quality was 55 % of the retail price of their imported version.
- (v) There was an increasing demand for these products in the booming building industry in town. In the near future this demand would rise even higher as a result of a decision by government, during its last budget session, to cut down on importation, among other things, of building materials.

The report then went on to analyse figures which showed costs of the necessary equipment, materials, production and marketing, mark-ups, gross and nett profit for each item.

The officials assured the group that if the co-operative was well managed, and as long as all members were willing to work hard and produce quality goods, the enterprise could be quite profitable. Of course, they said, the beginning would be difficult as the group would not have adequate capital for equipment and material, but as time went by, and as they invested part of their surplus into the business, the co-operative would be able to acquire more equipment and materials. There was also a possibility of a bank loan but this could only be realized when the co-operative had been operating for some time and could prove its ability to repay.

Having discussed the feasibility report, the meeting then talked about education and training for the group. It was agreed that in addition to training the committee in basic management, costing, accounting and marketing, the Co-operative Department would arrange classes for all group members to learn about co-operative principles and practice, duties and responsibilities of members, co-operative rules and bylaws and the organisation and management of an artisans' co-operative.

Meantime the interim committee was asked to attend to the practical details concerning registration of the co-operative, acquisition of capital, working premises and equipment.

Raising the initial capital proved to be a serious problem, but the group members were determined. Some borrowed, others used their meager savings from casual employment while some sold their watches and radio sets. In the end they had just about enough for a modest start... or so they thought.

Finding suitable premises for their co-operative was not easy either. Although, thanks to intervention by the Co-operative Department, a plot had been allocated to the group in the industrial section of the town, the group had no money to put up a building. Attempts to raise a loan from the banks invariably met with a gruffy "No, you chaps may have a good idea, but you have no collateral!"

In Domingo Town there used to be an abattoir in the industrial section. As more and more factories were built in the area the abattoir was considered to be a health hazard. The Town Council had had a new slaughterhouse constructed farther out of town, leaving the old one abandoned. It had remained so for several years. When the interim committee learnt about this, they promptly went to inspect the premises and considered them suitable for their purpose – at least for a start. The committee appointed a delegation of three people to see the Mayor of the town and seek his permission to use the old slaughterhouse. When they emerged out of the Town Hall they were all full of joy, for they were carrying a letter signed by the Mayor, allowing the group to use the premises without any charges. When the rest of the group members were informed about this they were all very happy. They spent their free time cleaning and renovating the place, making it ready for use.

Meantime the Domingo Engineering Co-operative Society had been duly registered and could now start operations once they had the necessary equipment and materials.

They acquired two used and one new electric welding machines, paint sprayers, some used work benches and the most essential tools. For some of the equipment they paid cash while the rest were acquired on hire-purchase. The rest of the money was used to purchase material – angle bars, welding sticks, sanders, paints, etc. It proved advantageous for the co-operative to purchase material in bulk so as to benefit from quantity discount and save on transport. It was not a lot of materials the society purchased at first, considering its meager resources, but they had at least enough to last them for 2 months. They were now ready to start work.

DISCUSSION POINTS

1. Why is it important that co-operative members must have mutual trust and confidence in each other?
2. What common bond do you have with your fellow community members which might be considered if you wanted to form a co-operative?
3. How is the capital of a co-operative raised?
4. What kind of knowledge and skills did the interim committee and members of DECOS need before they could start a successful co-operative?
5. Why were such knowledge and skills necessary?



In the Beginning

With the basic equipment and material now available, DECOS started its operations. All the group members worked at the co-operative. Those with casual employment had left their jobs to work at the co-operative, even though no steady income was guaranteed during the initial stages. But no sooner had the co-operative started operating the members realized that they lacked certain skills necessary for them to produce high quality products that could compete with imported ones or, indeed, those produced by the other, well established competitors. They made this shortcoming known to the Co-operative Department and, through it, an expert from the Ministry of Industries was seconded to DECOS to advise its members on quality production. Soon after this, the quality of the products improved.

But this was not the only hurdle the young artisans had to clear. Although many of the members were dedicated to their co-operative, often working late into the night and on weekends without extra pay, some could not cope with the strain and quietly left the co-operative and reverted to casual employment elsewhere. The departure of these members had a demoralizing effect on those who remained but, ironically, it served to strengthen the co-operative, for it meant that only those who were truly committed to it remained.

Experience was acquired over time and despite the initial frustrations common in a young co-operative with inexperienced members, it started to perform well. The quality of the products won the admiration of building contractors. The turnover increased steadily. A few machinery were added; those bought on hire-purchases were paid for. Members/workers wages were increased steadily. There were visible signs of progress. But the members did not relax; they remained dedicated and hard-working.

The society was now receiving orders from construction companies to supply them with its products. However, most of these orders were too large for the co-operative to handle, considering its capacity; it just did not have adequate equipment, working facilities and funds for purchase of material. It was forced to either sub-contract some of the work to the other workshops in town or turn down orders.

Two years later, encouraged by the progress of DECOS, the government guaranteed it a bank loan from the Industrial Development Bank which would enable the co-operative to build suitable premises of its own and purchase more equipment and material. Another two years later DECOS moved into its own building comprising a fully equipped workshop with ample working space, offices and store rooms. DECOS could now handle large quantity orders from building contractors and from the government's department of works.

Scramble for Membership

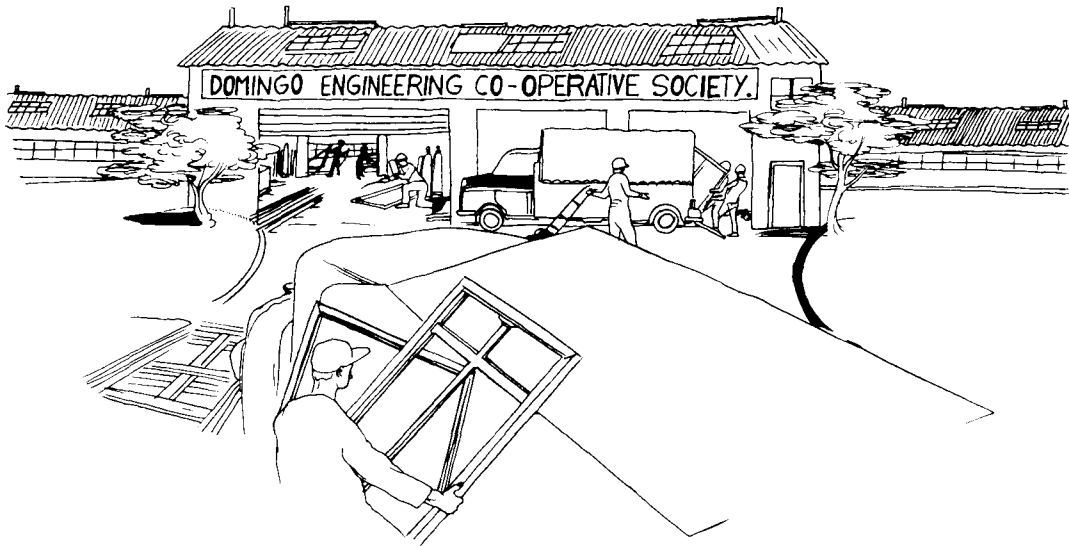
The success of the co-operative was gradually being noticed. Those members who had left it during its early days were now asking to be readmitted. Many employed artisans – including untrained ones – were “lobbying” to join the co-operative. Although the members abode by the co-operative principle of **Open and Voluntary Membership**, they were cautious about accepting members who had nothing that would bind them to the co-operative – particularly those opportunists who wanted to join just because the co-operative was successful and could offer them well paid jobs. It was also difficult, considering the number of applicants, to accept everyone who wanted to become a member as there would not be enough working space for all of them. Recruitment of new members was therefore done with these considerations in mind.

Basically, all people who applied would be accepted into membership as long as they satisfied the conditions in the by-laws of the co-operative which required, among other things, that a member must be a mentally sound adult having no previous criminal record; trained and skilled in the trade in which the co-operative was engaged; residing in Domingo Township and being able to buy at least one share from the co-operative, and willing to participate fully and actively in the work of the co-operative. The bylaws also stated that the character and integrity of an applicant should be considered before he was accepted as a member, and that even if one met the above membership conditions, he would only be accepted if there was room for additional members.

In keeping with co-operative principles, no new members were turned away purely on tribal or sex grounds, or because of their political or religious beliefs. A great majority of the members however were men; there were very few women. This was because there were not many women artisans in Domingo Town.

DISCUSSION POINTS

1. What are the problems common in newly formed co-operatives? Why do such problems occur?
2. From the Feasibility Study report presented to the group, what were the prospects for the development of the new co-operative?
3. Why did some of the members leave the co-operative?
4. Why didn't the co-operative accept everybody who applied for membership in the co-operative?



Ten Years Later...

Today a members' general meeting is in progress. It is ten years since the day the young artisans held that first meeting with the co-operative officials. There were twenty-three of them at the time. That number has increased substantially over the years. Today at this meeting there are two hundred and two members. They are all self employed through their co-operative – DECOS.

Among those present here today at the meeting is Manuel. He is now the Production Manager of DECOS and is held in high regard by his fellow members. He is happy with the co-operative and has reasons to be so. The co-operative has grown rapidly during the past ten years. Apart from the building housing the main workshop, offices and stores which had been constructed with the help of the government guaranteed loan, DECOS has, over the years, constructed another warehouse for storage of material and finished products. The society is also operating two motor vehicle and machinery repair workshops in different parts of town, as well as a filling station.

Manuel is amused as he looks back through the years. He thinks of the time he had drifted in the town as a jobless “expolytec”, and had borrowed money from relatives to sustain himself without knowing how he would repay it; he thinks of the time he had been bullied and pushed around by arrogant bosses, and had been called “exploitable”. He thinks of the early days of Domingo Engineering Co-operative Society which had been formed with money raised from small savings, private loans, and from sale of watches and radio sets, and which had started in an abandoned slaughterhouse.....

His mind shifts from this reveries as he hears the chairman saying to the meeting: “.....we have made great strides during these past few years and there is no limit to where we can go as long as we remain loyal and dedicated to our co-operative. We have confidence and the means to shape our destiny.”

DISCUSSION POINTS

1. Do co-operatives appeal to you? If so, in what ways
2. Why did the young artisans resort to a co-operative instead of individual efforts to change their conditions?
3. Why was government willing to help the co-operative group rather than individual artisans?
4. What was the most important factor contributing to the success of the co-operative – especially in its early days?
5. Although, according to the co-operative principles, membership in a co-operative is open and voluntary, what factors would prevent a person from being accepted as a member?
6. What factors prevent women from participating fully in co-operatives? What can be done to help women participate more actively in co-operatives?
7. Suggest other ways in which co-operatives could help provide employment for young people.

* * *

CASE STUDY III

A Women's Co-operative

We have now presented two different kinds of problems which were overcome through co-operative action. Each was in a specific area and for a specific group of people – that is – fishermen on an island and a group of unemployed artisans in a town. One common feature in the two stories is that the people who played the key role in forming the co-operatives were mostly men.

Our next example concerns women. It shows that women, besides being home makers, can, and do play a very important role in social and economic development. It also shows that co-operatives are not only formed by men; women too, can form and run co-operatives to solve problems facing their community and improve their living conditions. What we mean by this, and how it can be achieved will become clear in the story.

The Problem

In a small town called Ritsville, a number of women used to meet casually when shopping at the local market. Most of them faced common problems. The husbands of many of them, unable to find employment in the area, had left for the big cities hundreds of miles away where they were now working. The women had to run their homes on their own as their husbands could not visit home more than once every year. Although their husbands sent home a good part of their salary, the wives could not manage quite well on it. Conditions at home, and for that matter, in the whole country were becoming increasingly difficult. The economy of the country relied very heavily on agricultural production of **cash crops** such as rubber, cotton, coffee, tea and cocoa – crops which the government exported to earn the country foreign money. Besides these cash crops, there were **food crops** produced for local consumption – such as wheat, rice, maize and vegetables.

Several years of persistent draught in the country in the recent past had had their toll on agricultural production of cash as well as food crops. The country had to import food, using its scarce foreign exchange reserves. To make matters worse, there had been a sharp decline in the world market prices of the cash crops exported by the country. So, the situation was such that not only was the country producing less crops to earn itself foreign money with which to import food and other essential commodities, but the cash crops were fetching less money on the export market. At the same time the prices of **imported** foodstuffs and other essential commodities went up. The government was therefore forced to reduce the amount of imports and, as a result, there was a serious shortage of food, among other things. To effect a fair distribution of the little that was imported, the government devised a system of rationing for basic commodities.

At first this system had worked out reasonably well. Even if people were getting less than they actually needed, at least one got a little of whatever was available – at a high price, of course.

Somewhere along the way, however, the government system of distribution had broken down in some rural areas, and later in many urban centres – including Ritsville. Supplies of rationed goods often failed to arrive, sometimes becoming available on the black market at highly inflated prices. The government became aware of such malpractices but seemed unable to control the situation, especially in such remote areas as Ritsville where the women lived. The monthly remittance they received from their husbands in far-away cities was now buying less and less as the situation worsened. Soon the children of some were being sent home from school as they could no longer afford school fees, uniform and books.

Talking together the housewives realized that they had hardly no means to change the situation they found themselves in. Of immediate concern to them was how to manage on their slender means in the face of the sky-rocketing black-market prices. No matter how thrifty they were, they found it extremely difficult to stretch the money they had to meet their basic necessities. They felt that they had too little money and therefore too little power to change the situation.

One of the more vocal members of the group, Jasmine, suggested that one way to solve their problem was for them to purchase bulk supplies of food items from the nearest government warehouse in Gamlastad, 120 kilometres away, and distribute them among themselves. The idea was laughed at.

“Look”, said Mariam, another women in the group, “we have no money for bulk purchase, besides, we have no transport. How could we collect the rice and flour from such a distant place?” The others agreed that these were unsurmountable problems. But the following week, Maureen, another member of the group, said that she had been thinking the matter over during the interim period and felt that there could be a solution to their problem, if they would be patient to listen. They listened to her with some doubts but did not turn down her idea out of hand. The idea was that they should make a weekly collection of money from each member of the group. Over a period of time this would build up into a sizeable capital fund with which to buy in bulk the commodities they required. The weekly contribution should be fixed at an amount each member could afford.

“You see”, explained Maureen, “if fifty of us put in two dollars per week, in ten weeks we would have 1000 dollars. In another ten weeks we would have 2000 dollars. Think of what that could buy us. Quite a lot of flour, rice and sugar.”

“But we don’t know what the wholesale price will be” another woman said. “We only know the retail price we pay in the market and in the local shops. How sure are we that it would be cheaper if we bought in bulk. Besides, there is the question of transport.”

“That is true”, said Maureen, “we don’t know the wholesale price, but surely the retailers in town do buy in bulk and make a good profit, even after they have paid for transport. If we bought in bulk, the profit made by the retailers would come back to us as we would not want to make a profit on ourselves. What is more, there would be no distribution costs as we would do the distribution ourselves.”

“But we should not forget” another woman said, “that most of the retailers in town have their own transport; we don’t.” Everyone agreed, but they decided to leave the question of transport aside for the time being while they tackled other issues.

“How sure are we” asked a young lady, “that once we have raised enough money – assuming that we have secured transport – we shall get enough supplies of essential commodities? Can we simply walk into the government warehouse and get whatever we want? Would it be that easy, really?”

There was silence in the group. They looked at each other uneasily, wishing someone would come forth with a reassuring answer. Finally Maureen spoke:

“She is right! It won’t be that easy. I think we ought to find out the possibilities first. Perhaps we should send a delegation of two or three people to see and discuss with the officials at the government warehouse about our plans and ask for their help.”

The idea was accepted. The group suggested that Fatma and Maureen should make up the delegation.

“Could the delegation make the trip on a Tuesday?” asked a shy lady.

“Why Tuesday?” the group wanted to know.

She explained that her husband, a van driver, drove to Gamlastad every Tuesday morning and returned in the evening. He could provide them with transport. The idea was applauded and it was agreed that the visit to Gamlastad should be made the following Tuesday, if the lady could talk to her husband about providing transport for the delegation.

On the agreed day Maureen and Fatma travelled by van to Gamlastad where they visited the government warehouse and spoke to the Manager. After explaining to him their plans and enquiring as to whether they could be assured of regular supplies, the manager said that he was sorry but this was not possible. He explained that government directives forbade selling of rationed goods to unregistered traders.

“As it happens,” he said, “you have no organisation, no address, and not even a name! How sure can one be that a group like yours is not just another bunch of racketeers trying to acquire goods for resale on the black market at inflated prices? I am sorry you cannot be considered for supplies.”

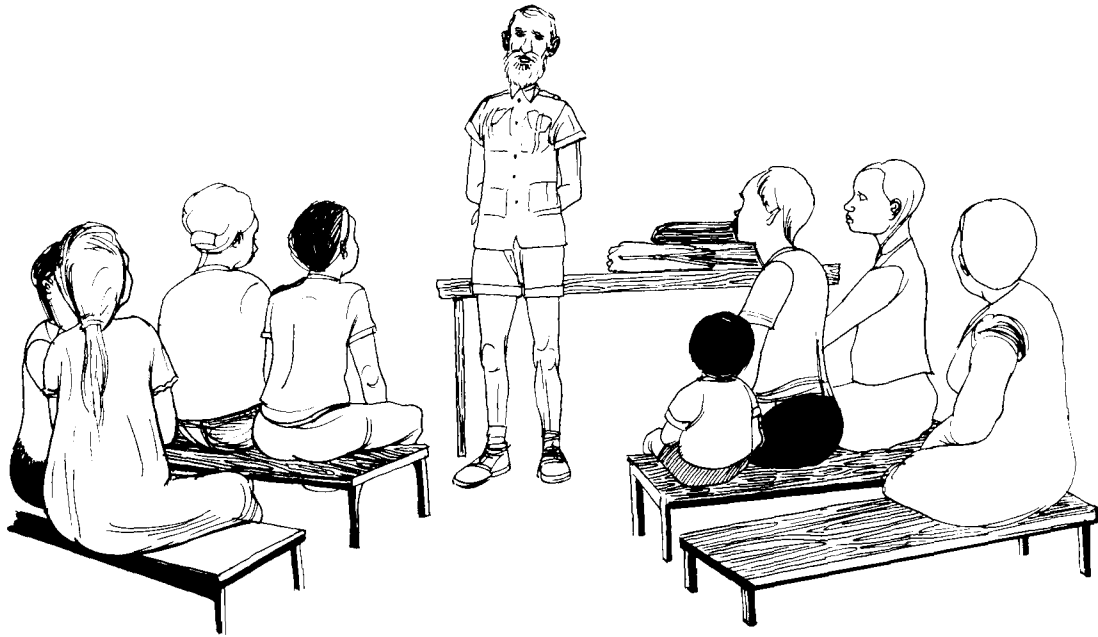
Maureen and Fatma returned home despondent. However, as it turned out, the warehouse manager had not altogether dismissed their idea.

DISCUSSION POINTS

1. What does a country need foreign money for?
2. What were the problems facing the women of Ritsville?
3. What advantages did the women see in purchasing goods in bulk from Ritsville?

The Motivator

A few days later, in Ritsville, Maureen and Fatma were visited by Mr Liddar, chairman of the Regional Co-operative Union (RECU), whose headquarters were in Gamlastad. Mr Liddar who had been informed about the women by the warehouse manager told the two ladies that he knew of their problem and felt that there could be a solution. He persuaded them to call a meeting and invite as many women from Ritsville as possible. The meeting would discuss the problem further, and he might have some suggestions for them. The meeting was called and more than forty women attended. The RECU chairman was also present. Maureen introduced him to the women gathered at the meeting and invited him to address the group.



Mr Liddar started by explaining how he had come to know about the women of Ritsville through the wholesale manager at Gamlastad. He said he perfectly understood the situation in which the women were and praised them for the efforts they had so far made in trying to seek solution to their problem.

“I understand” Mr Liddar said, “that you intend to collect money over a period of time, and when you have raised enough, use it to buy consumer goods in bulk which you would then distribute among yourselves. Is that correct?”

“Yeess!” the women answered in a chorus.

“That” Mr Liddar went on, “is a very good idea, for it ensures that you not only get supplies cheaper, but also that they are distributed fairly among the group members. But while your intentions are good, there will be some practical problems which I would like to discuss with you.

“To start with, it is against the law to collect money without authority. Secondly, even if you had the permission to collect money, you would not have a safe place to keep it as you have no bank account. Thirdly, as it has probably been explained to you by Maureen here, even if the two conditions were met, you still would not be allowed wholesale purchase of goods from the government warehouse without a trading licence. In short, you have no **organisation**, no name, no bank account, no address and no legal status. What you now need is to organize yourselves and form an **association** that would be registered and be allowed to operate as a legal body. Personally I would advise that you form a **co-operative society**. I believe that this would provide a solution to your problem.”

The women raised many questions. They wanted to know what a co-operative society was, how did it work? how could it solve their problems?

To answer these questions Mr Liddar first explained what a co-operative society was, how it worked and what its advantages were. He explained that a co-operative society was formed, owned and run by its members. It was a permanent organisation that could only be dissolved by its members. Once a co-operative was registered (by the Registrar of Co-operative Societies), it enjoyed official recognition and could do business with its members and, on their behalf, with other organisations or individuals.

“If you formed a co-operative society” Mr Liddar continued, “it would make it easy for you to get wholesale goods from the government warehouse – more so because the government is encouraging retail distribution of commodities through co-operative societies to avoid hoarding and hiking of prices by black marketeers.”

He went on to explain that by becoming a co-operative, the women would give their group a formal legal structure and so protect their savings and their business. Legal status meant that the group had the protection of the law and that it operated within the law.

The group could, as a legal body, own and dispose of property under its own name, do business, sue or be sued. Legal recognition was very important particularly when dealing with cases of defaulting officials or persons and organisations that have failed to honour their obligations to the co-operative. He sighted the example of a treasurer of an unregistered group who had absconded with the group’s savings. Having no legal status, the group had found it difficult to take legal steps against the culprit. This would not have happened if the group had been registered as a legally recognised body – such as a co-operative.

“Who were the members of a co-operative?” someone asked.

“Anyone could be a member as long as he was above the age of 18 years, of sound mental health, and willing to abide with the rules of the co-operative”, Mr Liddar said. He went on to explain about the bylaws of a co-operative which spelt out the qualifications and conditions for membership and regulated the organisation and operations of the co-operative.

“Are women allowed to become members of a co-operative?” another lady wanted to know.

“Yes, most certainly” answered Mr Liddar. “Not only are women allowed to join existing co-operatives, but they can also form their own. As I said earlier, membership in a co-operative is open to everyone – men and women, young and old people, rich and poor. Co-operatives do not discriminate people on the basis of their religious, political or racial affiliation, or their sex, caste or creed. All members are regarded with equal respect and rights, and when making decisions each member has one vote.”

“How much money is needed to start a co-operative?” another woman asked.

“This depends on the type of co-operative you are forming” explained Mr Liddar. “If, for example, a group is forming a co-operative to buy houses for its members, it would certainly need much more money than a co-operative formed to buy and sell baskets. In your case you could form a co-operative with the amount of money you have decided to contribute over a period of time which, if I understand correctly, will be 2000 dollars contributed over a period of twenty weeks. Of course this will not be much, but should be about enough for a start.”

At this point Maureen spoke. She thanked Mr Liddar for the information he had provided about co-operatives. She said that although the group had still to learn more about co-operatives, she felt this was a very good idea which the group should take seriously.

“I think we should take a decision here and now as to whether we would like to form a co-operative. I think you will all agree with me that it is the only way we can solve the problems facing us. So, those who are in favour please put up your hands.”

A dozen hands went up. Then, rather hesitantly, another seven.

“You don’t have to put up your hand if you don’t want to join, but think of the problems we have. Think of the prohibitive prices we are being charged by the private traders and the black maketeers. Think of the shortages created by hoarding racketeers. Think of the way we have to stretch our little money in order to make ends meet. Some of us are already failing to pay school fees because we have to pay so much for food. Think of how a co-operative could save us from this plight. It seems to be the only solution we have. The decision is yours.”

Suddenly everyone put up their hands.

“Good... very good!” said Maureen. “So we all agree that we should form a co-operative to purchase goods in bulk and distribute them among ourselves.” Turning to Mr Liddar, she said “Now, Mr Liddar, can you tell us how to go about forming a co-operative?”

“To start with” Mr Liddar explained, “you need to elect from among yourselves a small group which will see to the practical arrangements of organising the co-operative. This small group will be the **Organising or Formation Committee** which, acting on your behalf, will seek permission for raising money, formulation of bylaws and submission of application for registration. I shall personally see to it that the committee gets proper guidance from the Co-operative Development Department. The Organising Committee will report to you from time to time on the progress they have made. However, all major decisions concerning your co-operative will be made by yourselves. The Committee can call upon me for assistance or guidance if and whenever they need such help.”

“How many people do we need to form the Organising Committee?” asked Fatma.

“About five to seven people” said Mr Liddar. “They must be well known and trusted persons who are able and willing to work for the group.”

Ten names were proposed, out of which seven were elected to serve on the Organising Committee. Of the seven, Maureen was elected Chairman, while Jasmine and Fatma were elected Secretary and Treasurer respectively. The other four remained ordinary Committee members.

In her new role as Chairman, Maureen thanked the group for electing her and her colleagues to the Committee. She went on to say:

“It is because you have faith and trust in us that you have elected us to serve you as a Committee. The responsibility entrusted to us is a heavy one; it calls for commitment, dedication, loyalty and wise leadership. My Committee and I do not know more about co-operatives than you do. In fact, all that we know is what Mr Liddar here told us today. As for our leadership role, we have hardly any experience as leaders. But we shall not let you down. We shall do all we can to make sure that we give you the best service. In doing so, however, we shall need your support and co-operation. Leadership becomes meaningless if the people being led are not co-operative. If, at any time, you feel that we are doing wrong, or that our performance does not meet with your expectations, do not hesitate to tell us so, because it is by being open and frank to each other that we can correct ourselves and get on the right track in achieving our goal.”

There was a long applause. Maureen went on:

“Now, back to the business of forming our co-operative. I am sure that if we tighten our belts we might, after several months, be able to raise just about enough money to buy the first stock of essential commodities. But I am still bothered about the problem of transport which we left unresolved last time. The money we shall have raised will not be enough to purchase goods and leave something for transport. The cost of transport from Gamlastad to this place is high. We simply cannot afford it.”

The other members of the group agreed with her. Their situation was hopeless, they said. They asked Mr Liddar if he had any suggestions. Mr Liddar, an experienced and highly regarded co-operative leader, gave the matter some thought. He finally said:

“I think I have an idea... mind you, it is just an idea, not a commitment. I understand that some of our trucks from RECU in Gamlastad pass through Ritsville on their way to the outlying villages to deliver farm inputs and collect produce from the buying posts. Because of poor harvest during these past few years of draught, the number of trucks coming this way has been reduced considerably, but we still do have a truck sent out here every now and then. I must check the exact schedules with our transport manager back in Gamlastad. Anyway, the trucks usually pass through Ritsville on their way to and from the villages. I do not think that they are always full when they are sent out from the Union – especially during the harvest season when the demand for farm inputs is very low. There is a chance... a slim chance, mind you, that they might be used to bring your goods on their way to the buying post. If such arrangement were possible, then you would save on transport costs. I shall discuss the matter with our General Manager and the Committee of our Union.”

There was much applause from the group. When the noise died down, Mr Liddar continued:

“You should not be too hopeful. As I said, this was only an idea; the permission of my executive committee must be secured first. I cannot take the decision on my own, even if I am the chairman of the executive committee of our union. We must all agree on the matter. I can only persuade my fellow committee members to consider your case. Personally I think this arrangement will be an excellent practical example of **co-operation among co-operatives** which is one of the co-operative principles.”

More applause...

“Now”, Mr Liddar continued, “talking about co-operative principles, I am reminded of the need for all members to be educated on co-operatives, their principles and practice. What I have told you today about co-operatives is very little. You need to learn more about what co-operatives are, how they are organised and how they work; rights, duties and responsibilities of members and committee members, etc. For this you need the services of a co-operative field worker with specialized training and experience in these matters. He will organise regular classes for you and help you form study and discussion groups. This service is available from the Co-operative Development Department in Gamlastad. Our Co-operative Union also employs a co-operative field education officer whose duty is to educate co-operative members of the societies affiliated to our Union. I suggest that your Chairman writes to the regional co-operative officer or to the general manager of our Union in Gamlastad requesting them to provide an officer to organise a member education programme for you. The services are offered free of charge. I shall leave you with the addresses.”

DISCUSSION POINTS

1. Why was the group refused to purchase goods from the government warehouse?
2. What advantages did the women of Ritsville have in forming a co-operative?
3. What do you understand by equal rights? What does it mean in a co-operative?
4. If, as a co-operative member, you were asked to elect a committee, what qualities would you require of the people to be elected? (give at least six qualities).
5. As Chairman of RECU Mr Liddar had to seek permission from his Executive Committee to provide free transport for the proposed co-operative. Why didn't he take the decision on his own?
6. Why did Mr Liddar consider it necessary for the women to learn more about co-operatives?

Six Months Later...

Six months after that first meeting when Mr Liddar had introduced the idea of a co-operative, many things had happened. The Organising Committee had been very active: they had obtained permission for fund raising; prepared the bylaws of the co-operative with the assistance of officials from the Co-operative Development Department; collected weekly contributions from members of the group; applied for registration of their co-operative, and organised regular meetings with the group members. The Field Education Officer from RECU had organised classes for members and had taught them many things about co-operatives. Study and discussion groups had been organised where members met twice every week to learn about co-operatives and to discuss many issues concerning their own development. Mr Maalim, the field education officer had stressed from the very beginning that solutions to people's development should not always come from outside but should be generated from within the group. People must discuss and search for solutions to their own problems rather than waiting for other people to do things for them.

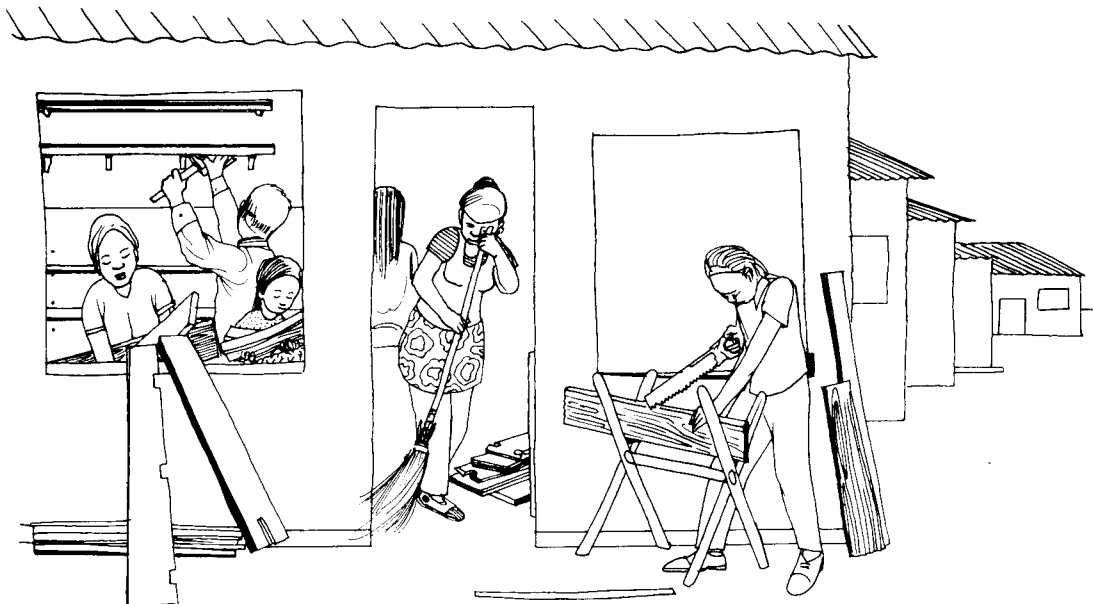
As word got around about what the group members were doing, other women joined them and in the first four months the number had grown more than was originally expected, and so did the contributions. The Regional Co-operative Union (RECU) – thanks to the initiative and persuasion of Mr Liddar – had agreed to provide free transport for goods bought by the co-operative from the government warehouse in Gamlastad. The co-operative had been registered and a trading licence obtained. It was called Ladies Cooperative Store. It was now ready to place its first order for goods.

But at this point new problems had developed – problems which the group had overlooked from the very beginning. To start with, the cooperative did not have premises of its own. All along, the meetings of the Organising Committee had been held at Maureen's home. It was her residence that had been given as a temporary address of the co-operative when applying for registration. Members' meetings which comprised a larger group were held at the school house where Jasmine taught. Now they suddenly realized that a co-operative shop could not operate from Maureen's house or from the school house. They also realized that they needed some equipment, material and fittings: a weighing scale, counter, cash box, books of accounts, packing material, shelves, etc. The money they had so far collected was only enough to purchase the first stock of goods and after that there would be nothing left for the other things.

By some luck the most serious of these problems – that of accommodation – was solved within a surprisingly short time. For many years after her husband's demise, old Mrs Pearl, the midwife, lived with her youngest daughter in the three-room house they owned in Ritsville. Lately her daughter had been married and now Mrs Pearl lived alone. She had been one of the original members of the group, and although she was not on the Organising Committee, she had remained a very active and committed member. When she heard that the Committee had problems finding premises for the co-operative, she offered the room in her house which had been occupied by her daughter before she was married, to be used temporarily as a shop. The Committee went to inspect the room. The house was in one of the back streets of town, not the most ideal place for a shop, but would do for the time being. The room had a door and a window facing the street and these were considered to be of advantage. There was a table which could be used as a makeshift counter. The Committee was most grateful to Mrs Pearl.

There was now the problem of a weighing scale, shelves and other items. The Committee had decided to delay opening of the shop until they had raised more money for these things. It was not easy; most members had stretched their savings to the limit. After a month of vigorous fund-raising campaign they had not managed to raise enough money for a weighing scale, let alone the other things. They discussed this problem in one of their regular meetings and decided to acquire a weighing scale on hire purchase by paying a small deposit and the balance to be paid over a period of time. The rest of the money collected would be used for the other items. But the problem of shelves still remained unsolved.

At an all-members meeting it was agreed that members should provide materials for the shelves. Some brought in old planks of wood; others went to the local saw-mill and begged for rejected pieces of timber. There was much enthusiasm in this activity. Little children joined in the effort, bringing in old nails, old packing crates, tea-chests, etc. Soon Mrs Pearl's front porch looked like a mini timber yard.



Some of the women with husbands in town brought them in to help construct the shelves. Some of the men brought hand-saws, others came with hammers and some with nails. They selected suitable pieces of timber, cut them to size and hammered them together into shelves – not the professional super market type, but they served their purpose just the same, at least for the time being...

The shop was now ready; business could start. Goods were bought in bulk from Gamlastad, transported by RECU vehicles to Ritsville and sold to members of the co-operative. As the co-operative did not have much money, the committee decided to buy only the most essential commodities: sugar, tea, flour, rice, salt, cooking oil and soap.

The Organising Committee had been renamed “Managing Committee” and now consisted of nine members. The original seven had been re-elected and two new ones had been added. Members of this Committee took turns serving at the co-operative on voluntary basis. Jasmine and Fatma were responsible for the money and the books of accounts. They had been taught how to do this by officials of the Co-operative Development Department.

Soon members realized that they were paying less at their co-operative than in the private shops for the same amount of goods, even though the co-operative was making a good **surplus**. (They did not call it **profit** because the idea was not for members to make profit on their **own** business but to get essential goods at fair prices). It had been decided at an early stage that the surplus (profit) made, instead of being distributed to members as is common in most consumer co-operative societies, should be re-invested into the business so as to make the co-operative stronger. The co-operative would then be able to purchase a wider variety of goods in larger quantities. When the co-operative was strong enough the surplus could then be distributed to members. Members were happy to note that the profit which normally went to the private traders would now go to their co-operative which they had total control of.

Two years after the co-operative started its business it had grown slowly but steadily. More members had joined, the surplus had increased, and the shop, still located at Mrs Pearl’s house, was now stocking a larger variety of goods. At this point members decided that a portion of the surplus realized from trading should be distributed to them. The other portion would be retained by the co-operative for running expenses and for expansion. Distribution of surplus was made according to the Co-operative Principle of **Patronage Bonus**. This meant that each member got a share of the surplus according to the amount of business she had done with the co-operative – that is to say, the member who bought more goods from the co-operative shop got a larger bonus (from the surplus) than one who had bought less. Thus: more purchases – more bonus; less purchases – less bonus. The reason for this was simple: it was from members’ purchases that the co-operative was able to make a surplus, and it was from this surplus that the bonus was distributed. Therefore, the member who bought more, enabled the co-operative to create more surplus. If members bought very little or nothing at all from the co-operative, then it would make very little surplus – or nothing at all. This is why distribution of bonus was in proportion to the value of goods bought.

The bonus paid to members at the end of a trading period when results were declared meant that members gained money which they could save or spend on other things.

The portion of the surplus retained by the co-operative was used to cover running expenses and the balance put in the co-operative’s **reserves**. Reserves are the **collective** savings of a co-operative; they provide an important source of capital for future development. The reserves of Ladies Co-operative Store had grown at such a pace that the co-operative was able to improve its services to members and expand its operations in new directions. Thus the co-operative was benefiting its members both **collectively** and **individually**.

A simple example will show how this worked:

Every dollar’s worth of goods bought by the co-operative from the warehouse was sold to members for one dollar and twenty cents (the difference between the buying and selling price is called a **margin**). At this selling price the co-operative was charging less

than the private traders. But at the same time it meant that the co-operative made 20 cents **gross surplus** on each dollar's worth of goods sold. Out of the 20 cents the co-operative paid for its running expenses: water, electricity, packing material, etc. This took 10 cents leaving a balance of 10 cents for every dollar's worth of goods sold. Of the 20 cents the co-operative paid a bonus of 5 cents to members for each dollar's worth of goods they purchased. That left a balance of 5 cents for every dollar's worth of goods the co-operative sold. This balance or **net surplus** was put into the co-operative's **reserves**.

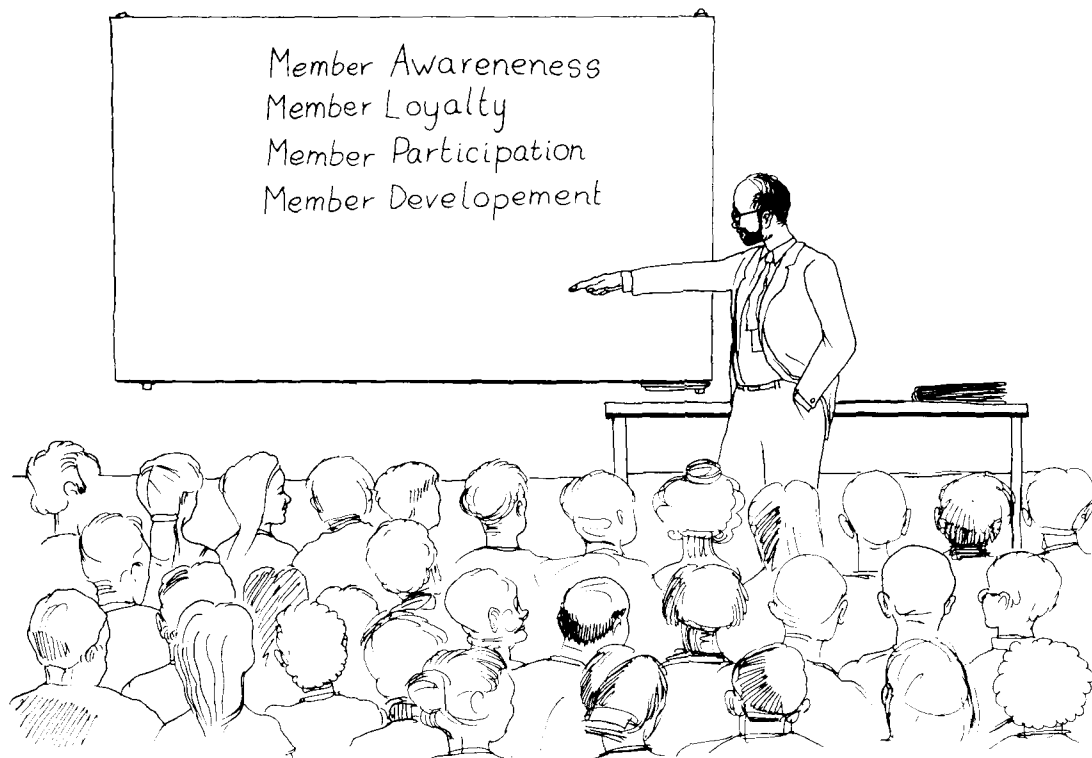
DISCUSSION POINTS

1. Why is it important that people should strive to find solutions to their own problems rather than wait for government or outsiders to do things for them?
2. Self-help is a very important factor in people's development. From the story you have just read give examples of self-help activities initiated by the women of Ritsville.
3. Why was the women's store able to sell goods cheaper than the private traders?
4. What benefits did the women get from their co-operative?
5. In your own words explain how a Patronage Bonus is distributed in a co-operative.
6. What are reserves? Why are reserves important in a business such as a co-operative's?

Education and Training

Such co-operative practice was not always easy for members to understand. Yet it was very important that they understood these matters. Again the Committee invited Mr Maalim, the field education officer from RECU to help educate the members. This time he brought his colleagues from the government Co-operative Development Department to assist him as the group had grown too big for him to handle alone. One of the officers brought from the Co-operative Department was a specialist in consumer co-operatives. Together they conducted education programmes for members and specialised courses on consumer co-operative management for the Committee. The original members understood well the aims of the co-operative and their duties and responsibilities towards it. But members who joined later did not always understand these matters. Too often they saw the co-operative as a means of obtaining scarce commodities at low prices, and receiving a bonus at that.

Mr Maalim and his colleagues spent much time with the members explaining, among other things, how **unity** helped solve problems and gave strength to people who would otherwise have very little economic power. By forming an initial capital fund and then using it to trade with each other, members developed economic strength. But this could incur the wrath of private traders from whom the co-operative took away business. They could hit back in a number of ways. In some places they were known to have disrupted the co-operative's supply system by threatening wholesale suppliers that they would stop buying from them if they (the wholesalers) continued to supply goods to co-operatives. This, however, happened only in places where supply of goods was higher than actual demand. It was unlikely to happen in Ritsville or, for that matter, elsewhere in the country because of the acute shortage of essential commodities



prevailing at the moment. The co-operative officials cautioned, however, that there was a possibility of private traders corrupting the warehouse employees so that they (the traders) got huge quantities of scarce commodities, with the result that there was not enough left for the co-operative. The private traders would then hoard the large stocks they had bought, thus creating an "artificial shortage". When the co-operative had depleted its stock and unable to replenish it in sufficient quantities, the private traders would then release their hoarded goods in small quantities and at inflated prices.

Another tactic employed by the private traders, the women were told, was to reduce prices to a level where they were, in fact, operating at a loss just so as to undermine the co-operative. The intention here would be for the traders to attract customers from the co-operative to their own shops. But this practice could only be shortlived. Sooner or later the private traders would have to increase prices, as they could not continue operating at a loss indefinitely. And so, those members attracted by the low prices offered by the private traders would eventually discover that they were not better off.

Mr Maalim and his colleagues stressed that members should watch out for these tricks and that they should seek government protection whenever such malpractices were detected. Members were cautioned never to be tempted by unscrupulous traders because of temptations such as low prices. They should be loyal and committed to their co-operative. Whereas any surplus made by the co-operative was used for the benefit of the members, private traders kept their profits to themselves.

Seven Years Later

Seven years later **Ritsville Consumers' Co-operative Society** had made great strides. You may notice that it had changed its name from Ladies Co-operative Store to Ritsville Consumers' Co-operative Society. Although it was originally formed by a group of women, members had decided at one of their general meetings that membership of the co-operative should not be restricted to one sex group (women). They had felt that the benefits of co-operation should be shared by all those who were able and willing to join and take an active part in the affairs of the co-operative. After all, according to the co-operative principles, membership was open and voluntary. So, men were allowed to join and as soon as this decision was taken the co-operative changed its bylaws and its name to reflect its open membership.

As its membership grew, so did its economic strength. It had been able to compete on equal, if not better terms, with the private traders and to curb black marketeering and other malpractices. The government was happy that this co-operative, like others elsewhere in the country, helped to ensure that people got supplies of foodstuffs and other scarce commodities at fair prices. Because it provided an efficient distribution service, the government had, at an early stage, directed that it got adequate supplies from the warehouse. Later, however, the warehouses had proved more and more bureaucratic and less and less efficient. The government had allowed regional co-operative unions to undertake wholesale distribution of goods in direct competition with the state owned warehouses. The unions handled this activity most efficiently. Ritsville Consumers' Co-operative Society was now getting its wholesale supplies from RECU in Gamlastad. Because of its fair prices, other traders in the town were forced to reduce their prices so as to remain in business. This benefited the community as a whole.

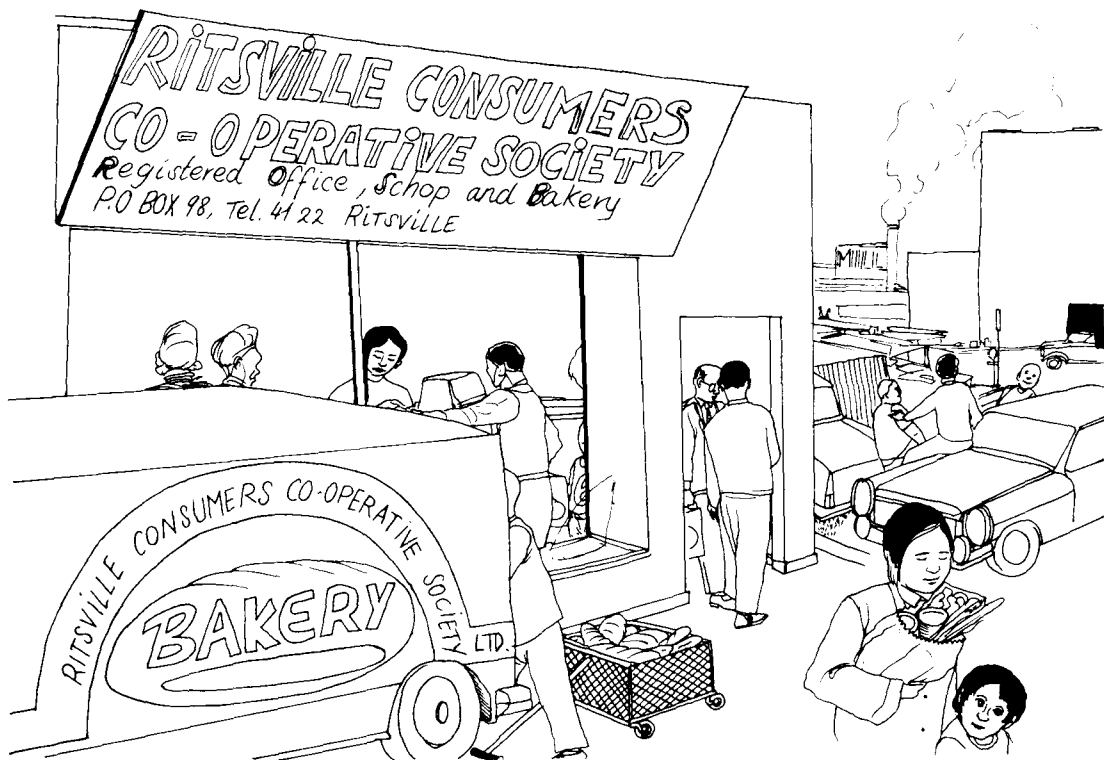
In its early years the co-operative had decided to set up its own bakery. Previously, its women members had baked their own bread. The fact that this could be done for them at a price they could afford meant that they had time for other productive work. Besides that, as there was no other bakery in the town, the co-operative one was assured of good business, which meant additional source of income for the society.

Some problems had been encountered when the idea of this new venture came up. With the expansion of the co-operative, the room they had occupied at Mrs Pearl's house had proved to be inadequate. They had rented an additional room in the same house, but still the space now available was not enough for the society's regular business, much less a bakery. As a solution the society had rented a house near the town market. It had ample space for shop, bakery, stores and an office. The rent was high but the society could now afford it. They also could afford to hire a trained manager, two sales girls and two bakers. The Committee often helped at the society – mostly with the monthly stock-taking. During that period RECU had opened a sub-branch in Ritsville. The society no longer needed to transport goods from Gamlastad. They were available right there in town.

Later on the Committee had proposed to the members that the society should set up its own flour mill. This, the Committee advised, was a good investment and that although the society would not be able to raise from its own resources the capital required, it had been assured of a bank loan to meet part of the costs. The proposal was approved, and several months later a mill was set up on the outskirts of Ritsville. This had turned out to be both a good income generating venture for the co-operative as well as a valuable service not only to its members but to the town community and the neighbouring villages.

Regular member education programmes had continued. Potential leaders had been selected from among the members and had been trained to lead study and discussion groups. An **Education Sub-Committee** had been appointed and trained and was very active in the educational activities of the co-operative. Mr Maalim, the field education officer had every reason to feel satisfied.

In the intervening years the weather had changed in the country, the rains had come and agricultural production had increased. There had been changes too, in the world market, of cash crops and life in the country had generally returned to normal. The co-operative was operating in a thriving economy and its role in the present situation was greater than ever before.



Today, seven years after Ritsville Consumers' Co-operative Society was formed, there is clear evidence of success. Members are getting more benefits in the form of services than they ever thought of. The society is efficiently managed, thanks to well trained and loyal staff, committed leadership and a membership that is both enlightened and dedicated. The collective savings (reserves) are making it possible for the society to venture, slowly but surely, into other types of activities. Already, plans are underway for the society's new building which will provide adequate accommodation for its expanding business, as well as meeting/class rooms, a restaurant and a day care centre. Occasionally the co-operative receives visitors from other regions who want to learn the secret behind the success story of Ritsville Consumers' Co-operative Society.

More people should go to Ritsville. More people should go there and see for themselves how determined people can act together and bring change to their own lives. Let them go there and see the wonderful things that the co-operative is doing in the community. Let them see how unity, commitment to self-help and education can help people change from misery and hopelessness to prosperity. And let them talk to the original founders of the co-operative – Maureen, Fatma, Jasmine and the rest – and learn from them that co-operatives, as indeed other development projects, can be initiated and successfully managed by women. As the co-operative flour mill continues to hum, and as the cash register rings another change for another member-customer, so will the visitors leave Ritsville with their minds humming and ringing with inspiration and with ideas as to how they too can change their own conditions and shape their own destiny.

DISCUSSION POINTS

1. Why do co-operatives prefer to use the term **surplus** instead of **profit**?
2. How is the surplus made by a co-operative used?
3. Why is it necessary that members should understand how their co-operative is run?
4. In what ways can **unity** help people solve their problems?
5. Why did the government encourage distribution of goods through co-operatives?
6. The co-operative is said to have benefited not only its members but the community as a whole. In what ways do you think this was done?

* * *

Co-operative Action: Some Common Features

We have now seen how three different kinds of co-operatives – fishermen, artisans and consumers – have developed in quite different settings. Before we introduce more stories let us consider some of the similarities and differences we have noticed in these examples of co-operative action.

DISCUSSION POINTS

1. Despite their different locations and different fields of economic activities, the three co-operatives have shown similarities. List those you have identified on a separate sheet of paper.
2. On another sheet list any differences which you have noticed between the three co-operatives.

We can find many similarities and can summarize these as follows:

- (i) People identified their needs.
- (ii) They felt that they could satisfy these needs themselves on co-operative basis.
- (iii) They identified the resources they could contribute – such as ideas, labour, and small but regular payments of money to create a collective capital.
- (iv) Members undertook education so that they could effectively own and control their co-operatives.
- (v) In each of the three examples, ordinary people with no business experience created successful collective enterprises.
- (vi) In all cases the business expanded far beyond what had originally been planned.
- (vii) None of the three co-operatives were set up overnight. Each took time to get established, particularly in the mobilization and formation stages.
- (viii) None of them were easy to set up. It took a lot of hard work, discussion, dedication and education.

All of these points could have been taken from the foregoing text and there might be others that you would like to add. There are, however, other features that these co-operatives would have in common, but which might not yet be so obvious to you.

These include the fact that all co-operatives, whatever their area of economic activity, have common features. Their members own and control the co-operative. They exercise their authority through **General Meetings of Members**. Their control may be delegated to a **Committee or Board of Directors** who, as the co-operative grows, may in turn delegate certain functions to a manager or managers. But committee and managers will still be accountable to members through **Annual or Special General Meetings**. The requirement for these meetings will be laid down in the co-operative rules or bylaws. It is important to note that all co-operatives have certain common attitudes to membership which is open to all those who can benefit from its services and who are prepared to follow its rules. They also have common attitudes to capital and the interest paid on it; to members' democratic rights, reflected in their practice of one member one vote, and to payment of bonus which, as you will recall, was mentioned in the Ritsville story. All of these features are reflected in their rules and bylaws. Above all, they derive from the **Co-operative Principles** which we have already discussed.

At this point it is sufficient to say that it is unlikely that a Registrar of Co-operative Societies will allow a co-operative to be registered if any of its proposed rules run counter to the basic co-operative principles.

Apart from the vastly different economic and geographical areas in which they occurred, the three examples show few major differences. One was that whereas in the DECOS story the idea for a co-operative came from a member of the group, in the other cases the suggestion that a co-operative might be established came from outsiders – Counte in Dibba and Mr Liddar in Ritsville. Such a distinction makes little difference, particularly where groups of people have already analysed their problems and already want to find a group or collective solution. But it can mean that a group may take longer to agree to try the co-operative option when the idea has come from someone outside the group.

Of course there were also differences in their objectives and the ways by which capital was raised.

Our other stories of co-operative initiatives will show further examples of how co-operative principles create similarities between co-operatives, however different their settings and economic activities may be. It has been claimed that co-operatives can be found in every type of economic activity. Certainly, they exist in each of the world's five continents and are, therefore, as versatile as they are universal. With such comprehensive and successful experience, co-operatives may be able to help you as well.

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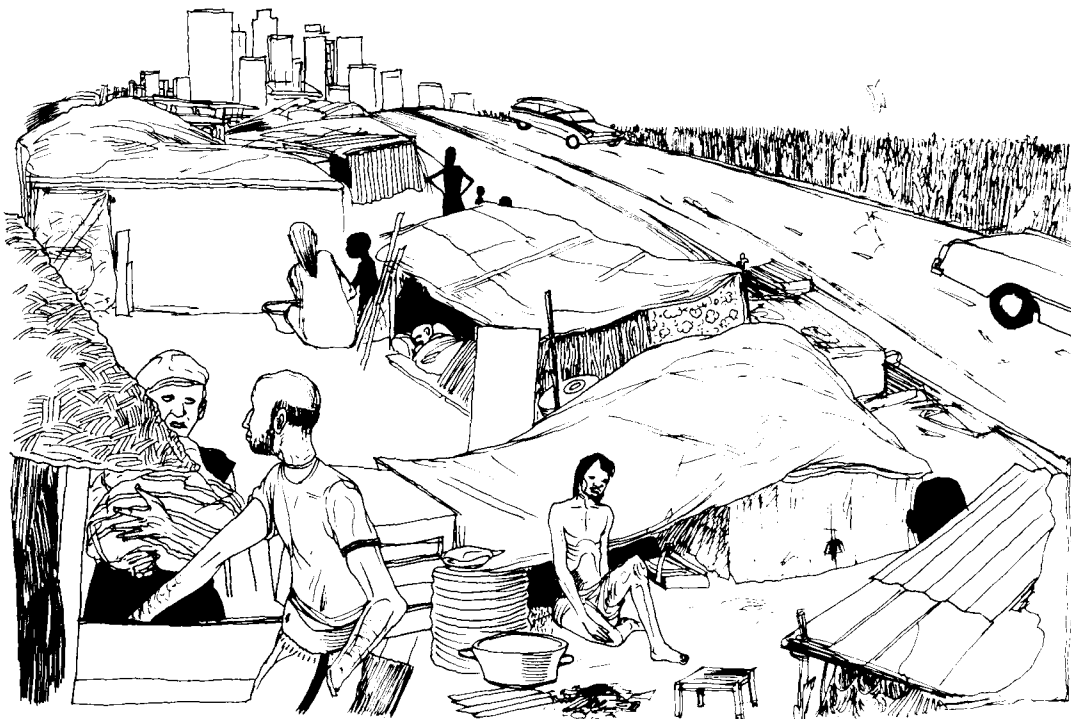
CASE STUDY IV

Inadequate Housing

The co-operative in Ritsville took a long time to emerge. So were those on Dibba Island and in Domingo Town. However, time is not always a luxury which can be afforded. Five thousand kilometres away from Ritsville, on the outskirts of a fast growing town, there was far more urgency. The problem there was lack of housing.

The Problem

Like many others, Melusa had been drawn from the countryside in the need to find work. A number of friends from the same village had also gone to the town and they and Melusa tended to keep together. The town felt alien to them. They felt they did not belong there and the original town dwellers bitterly resented the pressures which they, and thousands of other newcomers, created on the limited supply of houses; and on services such as electricity, water, transport and sewage disposal. Over and above this, there was intense competition for jobs. While Melusa and his friends knew that they had little chance of sustaining themselves in their village, they found that conditions in the town were very harsh.



Initially they squatted in a shanty area at the edge of maize fields near a road running into town. Being near this speeded their access to the town and their search for work. The shacks they built were crude, constructed from easily available materials cobbled together to provide

some kind of roof and elementary walls. They were not waterproof and had no kind of sanitation. Little privacy was afforded whether within or between families.

Over the first few months Melusa, and some of his friends, got jobs at a tobacco factory. A few of their wives also found work in the fields. Together they brought a little income into the shanty area.

Melusa pondered on this and realized that while each person and family had little money left over from their wages each week, if these tiny amounts were put together they would come to quite a sum. If they each put this to a collective fund, it would grow quite quickly. It would certainly do so faster than if each family saved by themselves.

Realizing that there was little point in keeping such thoughts to himself, Melusa began to discuss his ideas with his friends. He spoke not only about their difficulties in settling into a new area and a new way of life, but also about their housing problems. There might be a way of overcoming these.

“You see”, said Melusa one evening as some of the men sat drinking the local beer, “each of us by ourselves can do little. Together we could be stronger.” They thought that might be so but had little clear idea about what they could do. After all, their problems were daunting. Melusa said, “We cannot tackle them all at once. But perhaps we could improve one thing at a time.” His close friend, Fidel, agreed but asked “which one first? housing, water, health, transport, children, work? They are all big problems.”

The group debated the situation for many evenings and eventually decided to try to improve their housing first. As Fernando argued, how they lived affected their whole families. Not only was their physical well-being dependent upon reasonable accommodation but also their emotional and mental health. If their children went to school, they were likely to do better if they came from better houses.

After much discussion and investigation, Melusa and his friends eventually decided to try to set up a housing co-operative. This experience taught them many things. One was that the things they already had in common helped to unite them in this venture. They came from the same village and knew one another well. Although they had moved into the city, they still lived near each other and some worked in the same factory. There was already a lot of informal co-operation between them, such as caring for each other’s children and older relatives. They certainly shared common problems and housing was one of them. They decided to seek outside help in forming a housing co-operative.

This came from a national agency which specialised in developing housing co-operatives. But before we follow subsequent developments, let us consider the following Discussion Points:

DISCUSSION POINTS

1. Melusa and his friends had poor, inadequate housing because they had moved from one area to another. Can you think of other reasons why people might need or wish to improve their housing?
2. What advantage do people have working together rather than by themselves?
3. Name three of the things that Melusa and his friends had in common.

The Action Taken

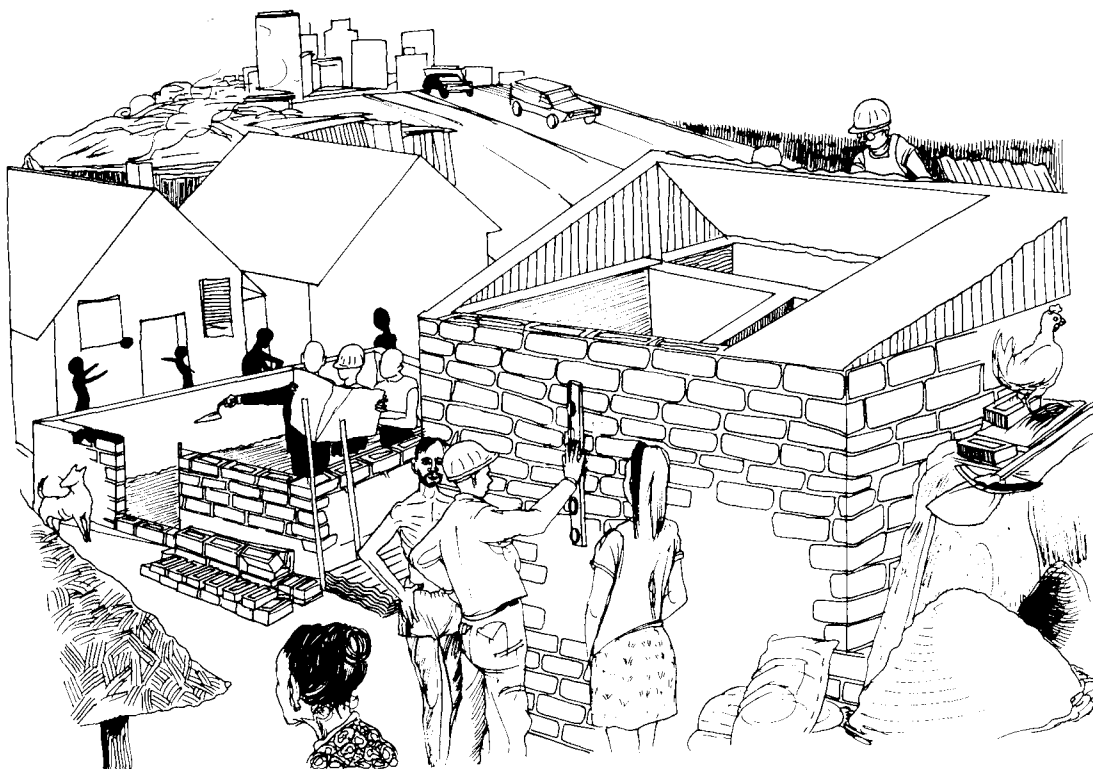
The agency which Melusa and his friends approached wanted to teach ordinary people that they need not necessarily rely on others such as governments, employers or charitable institutions to make important decisions in their lives. It wanted people to develop **self reliance**. Housing co-operatives could assist this because, through them, ordinary people could build, and thereafter maintain, their own accommodation.

When Melusa and his friends first contacted the Agency, it encouraged them to think clearly about what they wanted and how they might achieve it. It emphasised the point that Melusa had made which was that a group had greater strength than its individual members. But the Agency emphasised that mutual aid required members' **mutual trust and confidence**. They should feel a sense of responsibility towards each other, and not seek to gain advantages at the expense of others. Fernando summed this up by saying that in their housing co-operative they would be "**one for all and all for one**".

The Advantages of forming a Housing Co-operative

With the help of the agency the group found that there were three stages in their proposed plan: **saving, building** and **maintenance**. In all of these they found advantages in working as a co-operative.

So far as savings were concerned, they soon saw that even people on low incomes could, collectively, create a large sum of money which was far higher than would have been the case had saving been done on an individual basis. The larger weekly sum saved attracted more interest. Most importantly, the group was then in a stronger position than an individual would have been when it applied for a loan to build houses. A precondition for a loan of this kind (sometimes called a mortgage because the houses to be built will themselves serve as part security for the loan) is normally that the applicant has saved a certain sum beforehand. The group also found that it was in a better position to get a large loan more quickly because it was easier for the bank to grant credit to an **organised group** than to an individual.



At the building stage the friends saw many advantages in being a co-operative. The group members provided a pool of labour and were not worried about the technicalities of construction because the agency had developed simple pre-fabricated systems. These produced basic, but quite adequate houses which were a big improvement on what the friends had known previously. Some skills would have to be learned, and a few skilled people employed, but the agency could help in this.

This way of building meant that each member of the group, including the young and the old, could contribute, helping to make all of them feel part of the enterprise. But there was another advantage. Having a large labour force at the disposal of the co-operative meant that what it could build or produce for itself saved money, otherwise spent on paying others to do the work. This was another way in which **people with limited incomes** could supplement their restricted financial resources.

Another financial advantage was to be found in the purchase of materials which could be bought and transported in **bulk**. Not only were their unit costs cheaper but their handling was also easier than it would have been had it been left to individuals to arrange.

The friends found that working together in planning and building was a good preparation for the next stage, that of maintenance. It was likely that this further collective activity would encourage members to keep their houses in good repair. This would be in line with the idea of **“one for all and all for one”** which they adopted as their motto. They would want to keep their houses looking neat and clean for everyone’s mutual pleasure. Events proved them right.

All these points were thoroughly discussed in their regular meetings and Melusa and his friends came to understand not only the possible advantages of such co-operative action but also the fact that success would depend on themselves and the good sense of the decisions they made.

Before we continue, discuss the following points:

DISCUSSION POINTS

1. The agency believed that groups like Melusa and his friends could supply their own housing. Do you think that this could apply to any of the groups that you know?
2. In a group activity, what should be added to self-help if the co-operative is to succeed?
3. What advantage did Melusa and his friends see from being a co-operative in:
 - a) saving?
 - b) building?
 - c) maintenance?

Training

The co-operative’s members learned much through their actual experience of working together. They needed little formal training. However, their officers, and particularly the treasurer, needed training to carry out their functions and this was arranged for them by the agency.

Otherwise members had analysed their problems and had worked out appropriate solutions. They had also developed skills which they could now apply to other situations.

The Follow-on

Melusa's housing co-operative has now been going for some five years and has achieved all that his friends had hoped. But there was an additional bonus. The members were impressed by, and proud of what they had achieved together. They had undertaken quite a large capital project and this had given them confidence to tackle other schemes. First they sank a well to provide clean water supplies to their houses, and now they are in the process of building a small school for the children of the area.

* * *

CASE STUDY V

Looking for Work

A General Problem

All co-operatives help to meet their members needs which, of course, take varying forms. But there are some needs that are more important than others and, undoubtedly, these include shelter and employment.

The latter part of the 20th century has been characterised by an accelerated shift of population from rural to urban areas. By the year 2000 it is reckoned that over half of the world's population will live in towns. Yet the world's supply of food can only come from rural areas and from the sea. People moving from the countryside into towns can no longer support themselves from the land. They require cash to buy food and other essential goods. This means that they have to earn wages by selling their labour. More and more people are doing this on a co-operative basis.

Our next story takes us to a place where a group of people created their own employment by forming a workers' co-operative. You will, no doubt, have noticed from our previous cases that the establishment of a co-operative usually owes quite a lot to one or two people. These are the unofficial 'leaders' who have ideas which get people moving. Often these 'leaders' continue to play an important part once a co-operative has become established. Then their positions will often be confirmed by elections in which members vote on the basis of one member one vote. In the early stages the leaders' power lies only in their ability to persuade. While it is true and important, that co-operatives are strongly democratic and egalitarian, the significance of the visionaries who lead others into action should never be under-valued.

Workers' co-operatives can occur in all sectors of an economy, primary production, manufacturing and services. They are assuming greater importance in many countries as their potential for creating jobs and democratising industry come to be appreciated.

DISCUSSION POINTS

1. On a separate sheet of paper make lists of enterprises in your area which come under:
 - a) primary production (such as mining, farming and fishing);
 - b) manufacturing (e.g. clothing);
 - c) services (e.g. restaurants).
2. Why is the provision of housing and employment becoming so important especially in urban areas?
3. Why do co-operatives believe that each member should have one vote

Specific Problem

Nathaniel, like Counte, Manuel, Maureen, Liddar and Melusa in our other stories, provides a good example of leadership qualities. He was in the second generation of his family to live in the town which was now their home. Their lives were closely geared to the bazaar where they had a small workshop producing and selling leather goods. Initially, these had been quite varied but more recently there had been concentration on the production of travel goods. The trouble was that there was not enough work to support every member of the family. Nathaniel was among those who had to seek a livelihood elsewhere and this did not particularly upset him because he recognised that he had little aptitude for craft work. Besides requiring skill, such work also meant leading quite a sedentary life. Nathaniel liked to be active. There was however little work to be found, particularly for unskilled people. The town had more than enough labourers. It was among these that unemployment was highest. The casual work that Nathaniel picked up became less and less.

Had he been a less physically active person he might have joined the hundreds of other unemployed squatting on steps and pavements just watching the world pass by. Instead, Nathaniel spent long hours walking through the town. He was searching for an idea for some kind of work that he could do, not necessarily as an employee or as an employer. He liked the idea of a group of people working together on a friendly basis and not competing with each other. Perhaps it was possible for such a group to organise and manage its own work; in other words, to be **self-managing**. But what kind of work was wanted?

His walks increased his knowledge about the town; what kind of small industries it had, how people and goods were transported in and around it, and what kind of commerce had developed.

Often at the end of a day, when the offices had already closed, he would watch the office cleaners start work. Observing and chatting to some of the cleaners led him to believe that he could organise a cleaning business that could effectively compete, through greater efficiency and thus lower costs, with the existing office cleaning firms. He had found out that the cleaners, both men and women, were badly exploited. The profits made were not reflected in their wages. Neither were these profits justified by the service provided which could, with better systems and equipment, be improved and provided at lower cost.

The Solution

After thinking carefully about this situation, reading some books he had borrowed from a friend and visiting some other workers' co-operatives in the town, Nathaniel came to think that the best form his proposed business could take would be that of a workers' co-operative. He believed that the members of this could organise their own work schedules and learn which was the best equipment and procedure to use.

Ranjit, one of Nathaniel's unemployed friends, agreed with him. Together they got other unemployed acquaintances to discuss the idea with them. One of these, Lin, said that he had always fancied working for himself but would never have dared set up a business alone. He might have more confidence if he were doing it with others, particularly if all members were equal.

Everyone in the group was encouraged to talk about what he or she wanted from work. Not unnaturally, the over-riding preoccupation was for job security. Earning a reasonable wage came next. But there were other considerations.

“I’d like to have a say in how the work is organised”, said Ramdan. “In most businesses we could never suggest anything like that. Yet it is the workers who are organised by others who often have a clearer idea of how things could be better arranged.”

“Yes”, agreed Imelda. “If we decide to do office cleaning, we might do things quicker if we each concentrate on a particular thing.” The others largely agreed but there were one or two who thought that this could lead to boredom.

“But wouldn’t it be a good thing if we could decide these things together and for ourselves?”, asked Nathaniel. Everyone agreed on that.

One boy was particularly enthusiastic. He was now unemployed but had previously been a cleaner. The detergents he had been given to use had harmed his hands and lower arms. He therefore proposed that when the co-operative was operational they should either use safer powders or wear protective clothing. “When I suggested this at the old firm, no notice was taken of me. The boss no doubt decided what to use because of the terms he got from the supplier. I am sure they included a back hander. But the main loser was me and the backs of my hands.” The others laughed at his joke but there was general agreement that the cleaners were the best judges of what materials to use and that they should decide.

So far as the overall work was concerned, they believed that they could organise it to the satisfaction of clients. A crucial point was whether there was a **market** for the services they would sell, and would it be large enough to sustain them? Nathaniel, from his months of observation, was pretty certain that there was a market but he readily agreed that there was need to investigate the office cleaning jobs that were available in the town before they finally committed themselves to going ahead. If the market was sound, they believed that they could be competitive and pay themselves reasonable wages. But, as Abdullah warned, it was no good only thinking this; it was necessary to carefully calculate the estimated income and compare with the costs that would be involved.

DISCUSSION POINTS:

1. How high is the unemployment in your area?
2. Can you identify a gap in your local market for goods or services which could be produced by a workers’ co-operative?
3. What do you think is meant by “self-management”?

If there was a market for their services the next big question was whether they really wanted to create a co-operative or whether an ordinary company would be better. Some were not certain what a co-operative was or the advantages that one could bring. They asked about how much it would cost to set up and whether people got equal wages in co-operatives. Above all they wondered if they could be self-managers. Nathaniel, however, was sure a co-operative owned and controlled by all the members was the best way and most of the others came to agree with him.

Before we see what developed, consider the following discussion points:

DISCUSSION POINTS

1. From your study of the earlier sections of this manual, what advantages do you think Nathaniel and his friends would find in forming a workers' co-operative?
2. What would they need to do to obtain legal status and protection?
3. Could you suggest ways in which the cleaners might establish whether there was a market for their services?
4. In earlier sections you have read about how co-operatives create their capital. What sort of things would the group need to start work? How could the capital needed be raised?

The Dogra Workers' Co-operative

Nathaniel and his friends eventually set up their co-operative. In the process they got quite a lot of advice from other workers' co-operatives in the town. This was of great help on questions such as how to register with the Registrar of Co-operative Societies. These co-operatives also offered some financial help but this was refused on the grounds that only a small capital was required to start the business, and it would be better if they could start free of debt. Apart from a small office and store room, they required no other accommodation because their work was carried on in their clients' premises. The only other main charge on their funds was the purchase of cleaning equipment and materials. Nathaniel proved to be a sharp businessman inasmuch as he drove hard bargains with suppliers. Consequently, the capital which the co-operative required still remained small and could be raised from among its members.

Although the Dogra Workers' Co-operative, as it came to be officially called, needed no external financial assistance from other co-operatives, it was grateful for the help they gave in finding contracts. The most significant of these came from a trade union regional office in the town, and work arising from a possible contract that had been identified in the market study which the co-operative had had carried out.

Size of Co-operative

Starting with 25 members, the co-operative had 23 at the end of the first year and 27 a year later. Its membership never rose above 30. Unlike the other co-operatives we have studied, this one agreed in advance to restrict its membership to the number which its business could support. By the time the question arose, the members were becoming well versed in co-operative principles, which you will recall, were described in our first story. In deciding to restrict their membership they were concerned that they might be going against the principle of 'open membership'.

"How I interpret that", advised Abdullah, "is that no one should be denied membership on grounds of race, creed, religion or sex, if they can **contribute** to, and **benefit** from the co-operative. We certainly bar no one for these reasons. Our members include men and women and followers of three religions. Neither do we worry about the politics of individual members, as long as they do not bring their politics into the co-operative in any divisive way. But in this

kind of co-operative we have to work within the economic and trading conditions of our situation. Our purpose is to provide work for members. At present we have only sufficient work from our contracts for 30 members. We cannot open our membership to all who might wish to join because we could not provide work for them."

All members took this point. their short business experience had shown them that if there was work for 30, they could not support 35 members. Moreover, as Imelda added, their kind of co-operative required a lot a joint decisions, particularly on questions such as work organisation and allocation. It might be difficult for all to participate meaningfully if membership was higher than 30. A further point was that it was quite a heady experience for most members to be able to make the kind of decisions they were making now. Previously, their opinion would not have mattered, even if it had been sought. If more people joined there might be less opportunity for participating in decision making. If new contracts were obtained and requests to join the co-operative continued to come in, perhaps it could open a new branch. In some industries this could be economically advantageous. But there was a strong feeling that this did not necessarily apply in a service trade such as office cleaning.



The Dogra Workers' Co-operative finally decided not to extend its membership beyond 30. Neither would it open a branch. But it would encourage those who wanted to join to form their own co-operatives and help them as much as it could.

From the above you will see that this co-operative differed from the others we have studied inasmuch as it did not expand its activities beyond those with which it originally started. It did, however, help a number of subsequent workers' co-operatives to develop and was, therefore, a kind of catalyst. Indeed, it was successful in this, stressing that co-operatives must first of all identify gaps in local market for products or services which they would meet on the basis of realistic costings and good work.

The Dogra Workers' Co-operative helped in other ways. Its early experience showed that, in workers' co-operatives, members must be prepared to co-operate together day in and day out. "Not that is difficult" Nathaniel would hasten to add, "but perhaps it does need rather more goodwill and tolerance between members than in other kinds of co-operatives where members might come together less frequently. If members of workers' co-operatives have been trained in what kind of issues to expect and how to handle them, they should be able to manage to co-operate quite easily. Training, to give members a good understanding of the issues they have to decide, is very important.

* * *

CASE STUDY VI

Guided Self-help

We have looked at how co-operative organisations help people to help themselves. They work on principles of equity, democratic control and mutuality. The examples we have studied have concerned community, housing, consumer and workers co-operatives. Perhaps we should stress again that co-operatives operate in most areas of economic life. The five examples given show how ordinary people have helped themselves in particular situations. There are many other ways in which co-operatives have helped to improve people's conditions.

Our final story takes us to another country and to a type of self-help co-operative activity which does not easily fit into any category but which has close affinity with agricultural and marketing co-operatives. It could be described as an example of 'guided self-help' because the ideas originated with a development organisation, rather than with the people who subsequently formed the co-operative. The very essence of co-operation is that of self-help, but sometimes people are too poor to take the first steps by themselves. Drought and disaster victims are obvious examples. In such situations, aid or development organisations can play useful roles in helping to promote and stimulate co-operative action.

The Problem

In very poor areas many people suffer from malnutrition, particularly when a general shortage of staple foods occur in the period before harvest. Then, the volume of cereals stored by families is well below what they need and may become totally exhausted.

In conditions of drought, crop failure and food shortage the problem is made worse by the fact that most people are too poor to buy food which, because of its scarcity, rises in price. To be able to buy, many growers mortgage their coming harvest by accepting cash credits from private traders. These then have to be repaid in kind, but at very high rates of interest, when their crops have been harvested. It is not difficult to see that such evil system has an unpleasant effect. Because he has to repay in kind, the grower has less of his next harvest to sell or with which to feed his family. It is, therefore, very likely that he will have to repeat the process before the next harvest and the next, and the next. Within a few years people can become permanently indebted and impoverished. Not surprisingly this may cause them to become lethargic and apathetic and in very little position to help themselves as they become heavily dependent on others. The people in our story eventually managed to break out of this dangerous situation through self-help, but in doing so they needed some outside help to provide the idea and to get them going. A development organisation, operating in the area, showed how the problem might be tackled and then helped the villagers organise so as to be able to do this.

The Solution

In conditions of poverty such as we have described, the development organisation called a meeting of everyone in the largest village in the area and proposed that the growers should form a co-operatively run cereal bank. The aim of this would be to build up emergency stocks of cereals which growers could call upon if their stocks ran out before the harvest. Cereals would then be lent out, and would be repaid in kind after the harvest. However, they would be repaid at a rate of interest much lower than that demanded by the private traders. It would only be sufficient to cover the running costs of the grain bank, for things such as bagging, storage facilities and treatments necessary to ensure the safety of the stocks. The villages were soon persuaded, particularly as the development organisation was prepared to donate the first part of the buffer stock.

However, the agency realized that more was necessary than agreement to cope with the immediate problem by setting up a scheme financed by them. That would only transfer dependence on the traders to dependence on them. The villagers required a permanent organisation which could operate not just for one harvest but for all those that would follow. Villagers had to learn to run that organisation and to remain loyal to it. They had to realize that the last point could become very important. It was likely that the private traders, realizing that their lucrative exploitation was coming to an end, would try to compete. They might do so by offering terms more favourable than their previous ones had been. These might attract some growers back. But the farmers had to realize that the terms would most likely become less favourable as soon as the private traders had re-established their hold. The only way to prevent a new cycle of indebtedness was for the growers to give one hundred per cent support to the organisation now being created. The development agency believed that loyalty would be easily achieved if the villagers felt that the organisation belonged to them, and that they could control it for their own good. Effectiveness of the latter rested on two things: creating a democratic and accountable structure, and a training programme through which villagers learned how to manage and control their co-operative cereal bank.

The agency hoped that the farmers would cease to be dependent on their support as soon as possible. For this to happen, training in the skills of self-management were important.

The desire for independence did come quite quickly because the villagers soon realized that **self-interest** and **self-help** are closely linked. A sense of ownership and pride towards the grain bank grew because they were involved in its operations. Apart from the fact that it was their grain in the storehouse, a lot of labour was required both in its building and subsequent running. Graders, weighers, and packers were recruited from among the villagers and each grower helped in the grading and weighing of his produce.

The success of the scheme has undoubtedly been helped because it produced results within a comparatively short time. The villagers could soon see how it improved their personal situations by rescuing them from the exploitative hold of private traders. This success encouraged them to set up other co-operative enterprises – a marketing co-operative for cereals and a credit union. Both are helping to improve still further the living standards of the villagers.

Consider the following discussion points arising from this last example of co-operative action:

DISCUSSION POINTS

1. Co-operatives are essentially self-help organisations. But what are the circumstances in which outside help is sometimes essential? What form should this help take?
2. A co-operative grain bank was one way of helping a village begin its economic advancement. Can you think of other kinds of co-operative initiative which might also help
3. Can you think of any group, or groups of people in your community who could be assisted by forming a co-operative but who are too impoverished to do so without external help?

* * *

Conclusion

In this manual we have seen six examples of how people have helped each other to overcome their common problems. They are typical of many such initiatives taken throughout the world. These show that people can be self-reliant through the creation of collective strength. This can come from their savings, skills, and talents, however small. When put together, new and potential energy can be created to build self-owned, self-financed, and self-managed co-operative organisations. These always remain within the control of members; in co-operatives this is their democratic right.

Among the many lessons which might be learned from these examples three are, perhaps, particularly important. First, co-operatives are most likely to be successful if they respond to a genuine felt need of the people concerned. Second, co-operatives must be organised by the people who need them. Others can help but the people must both decide and do. Third, co-operatives do not provide easy solutions to problems. They call for hard, determined effort, wise planning and, above all, good co-operation.

We would like to suggest one final exercise. See how you could apply the lessons you have learned from this manual to your home situation. Take stock of your area and list the problems it has and the groups of people most affected by them. Study particularly the situation and living conditions of people and what resources they can muster between them. Consider whether a co-operative could provide the type of organisation which could overcome their problems and, if so, think about how you could help motivate and mobilise these people into action. Try to estimate the benefits that could arise from a co-operative solution. As a result of this manual you will now know that experience elsewhere has shown that these can be considerable if the work is well done.

* * *

APPENDIX

Questions for Co-operative Field Workers

CASE STUDY I

A Community Initiative

- 1.1 Consider some of the factors which led to the situation obtaining on the Island of Dibba before the idea of a co-operative was introduced. Could it have been caused by any of the following factors?
 - increase in population
 - increase in the cost of living
 - departure of able young men from the island
 - poor equipment and old fashioned methods of fishing
 - exploitation by middlemen
- 1.2 Why was Counte keen that the community should come up with the idea of a co-operative rather than him imposing it on the people?
- 1.3 Counte suggested at the first meeting that an “enquiry committee” of the more knowledgeable members of the community be appointed. If you were to advise on the type of people to be appointed what qualities would you look for?
- 1.4 Suggest a simple but effective way of introducing a co-operative to people who have never heard of one.
- 1.5 In your own words explain as clearly and as simply as possible the meaning of the following:
 - objectives
 - bylaws
 - feasibility study
 - registration of a co-operative.
- 1.6 It is said in the story that the chief was highly respected in the community. Yet, he was not elected to any Committee. What conclusions do you draw from this?
- 1.7 Using simple illustrations explain how advance and second payments to members were determined and calculated by the co-operative when it started trading (see page 20).
- 1.8 Why did Mr Guru encourage members to identify causes of the problems facing their co-operative instead of providing solutions himself since he was more knowledgeable than the members?

1.9 Provide answers to all the discussion points appearing in this story.

CASE STUDY II

An Artisans' Co-operative

- 2.1 List down all the types of co-operatives you know and explain how each of them is organised and how its bonus is distributed.
- 2.2 What type of people do you think can effectively introduce the co-operative idea to a community?
- 2.3 In your own words explain simply and clearly what is meant by
 - mutual self-help
 - mutual trust and confidence
 - common bond
 - equitable distribution
 - market share
 - mark up
 - gross and nett profit.
- 2.4 Explain why governments sometimes restrict importation of some commodities.
- 2.5 Give at least five reasons which a co-operative may use to reject applications for membership.
- 2.6 Provide answers to all the discussion points appearing in this story.

CASE STUDY III

A Women's Co-operative

- 3.1 Explain how trends in world market can influence the economic performance of a country which relies heavily on exports.
- 3.2 Explain why most developing countries cannot use their local currencies to pay for goods purchased from other countries.
- 3.3 Can you tell, from the discussions held before the delegation went to Gamlstad, who among the group members was a potential leader? Give reasons for your answer.
- 3.4 Explain simply and clearly the meaning of
 - (a) interest on share capital, how it is calculated and distributed
 - (b) patronage bonus and how it is calculated.
- 3.5 Provide answers to all the discussion points in this story.

CASE STUDY IV

Inadequate Housing

- 4.1 In what ways does a housing co-operative differ from other co-operatives?
- 4.2 Explain the meaning of “one for all and all for one”.
- 4.3 Why is member participation considered to be so crucial in a housing co-operative?
- 4.4 Provide answers to all the discussion points appearing in this story.

CASE STUDY V

A Workers' Co-operative

- 5.1 What is the difference, if any, between an artisans' and a workers' co-operative?
- 5.2 Explain the meaning of the word “egalitarian”.
- 5.3 Why was it necessary for the group to survey the market and calculate costs before they ventured into forming a co-operative?
- 5.4 Provide answers to all the discussion points appearing in this story.

CASE STUDY VI

Guided Self-help

- 6.1 In what ways does this case study differ from the previous ones?
- 6.2 Is it possible for very poor people to form a co-operative?
- 6.3 Explain the vicious circle of poverty created by poor farmers hypothecating their produce to money-lenders.
- 6.4 Explain how a seed bank works.
- 6.5 Explain the meaning of **self-interest** and **self-help** and how the two are related.
- 6.6 Provide answers to all the questions appearing in this story.

* * *

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