

# Cooperatives, Territories and Jobs

Twenty experiences of cooperatives  
active in industry and services across Europe



Edited by Bruno Roelants, Valerio Pellirossi and Olivier Biron

*With the collaboration of: Dominique Artaud, Stilian Balasopulov, Béatrice Barras, Anna Borzaga, Joanna Brzozowska, Carmen Biban, Bob Cannell, Daniele Conti, Renate Goergen, Monica Guzzo, Bernard Lathière, Mikel Lezamiz, Pierre Liret, Elisabet Mattsson, Tuula Merikivi, Caterina Micolano, Matthieu Odaimy, Pekka Pättiniemi, Albert Riera, Claudia Sanchez Bajo, Pietro Tarusello, Régis Tillay and Rosette Thake*

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**PROOF**

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# Foreword

By Pervenche Berès

Chair of the Employment and Social Affairs Committee of the European Parliament

As Economist Tommaso Padoa Schioppa wisely stated, fighting short-termism is the main lesson from the crisis. For this reason, and also to be consistent with our commitment towards the Europe 2020 objectives, we have to act in a long term fashion.

The locust logic of companies and funds that exploit natural resources, practice regulatory and tax arbitrage and mistreat their workforce must be banned. Profits need to be measured over the long term and take into account social and environmental criteria.

When reading the cases depicted in this book, one realises that a relevant model for the future that we need to build after the crisis already exists.

Cooperatives prove that corporate governance, decent jobs and stakeholder investment are an asset instead of a burden. Moreover, cooperatives are best able to respond and adapt to local realities and needs.

Over the last few years cooperatives have had to defend their specificity against a dominant business model. Today this fight is no longer about preserving diversity; it is about promoting a model that has proven resilient and in line with our values.



# Introduction

Why are cooperatives important  
for employment and regional development?

By Bruno Roelants

As this book is going to press (May 2011), the effects of the global financial and economic crisis that broke out in 2007-2008 are still unfolding. In spite of some signs of recovery, the recession is far from over and signals of very severe economic dangers are looming in several European Union (EU) member states.

## The crisis and the destruction of wealth

During the 15 years that preceded the crisis, a particularly optimistic vision of the economy became predominant among business, governments, regional and international institutions. A key concept was Joseph Schumpeter's "creative destruction"<sup>1</sup>, not only limited to the inevitable adaptation to technical and economic change, but in a systemic fashion. We were going to witness constant and unending growth and this would trickle down in a win-win game in the fields of business expansion, job creation, the reinforcement of national and regional economies, and, thence, also territorial development. The markets, including financial, would regulate themselves and deliver these promises, provided government became smaller and interfered as little as possible. The successive financial and economic crises that flared up around the world during the same period (East Asia, Mexico, Russia, Turkey, Argentina) were seen as conjunctural and peripheral. Even the environmental debate, which had managed to prove that the present type of growth would soon become unsustainable, did not prevent the euphoria from soaring.

In the process, the very concept of work was shifting. "Jobs for life" were deemed as being "old-fashioned" and standing in the way of economic growth, whereas job mobility (from one employer to another) was hailed, even though voluntary job mobility continued to remain almost negligible in the EU and almost exclusively confined to top jobs. A partial dissociation between employment policy and enterprise policy emerged, and jobs were increasingly seen as service units. The linkages between employment and regional development tended to be sidelined. On the ground, the organisation of work and lay-offs in large companies was increasingly de-humanised and bureaucratized with vertical management systems and the gradual eclipsing of

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1 Schumpeter, J. *Capitalism, Socialism and Democracy* (New York: Harper, 1975) [orig. pub. 1942], pp. 82-85

middle-level management.

Then, the crisis broke out, causing disorientation: what about “creative destruction”? What about the “trickle-down” effect? A supposedly scientific approach was suddenly shaken to its roots.

However, in hindsight, how could things have gone on like this forever? Hervé Kempf observed that “*for the first time in human history, speculation is the main source of revenue generation. The financial economy has amassed amounts 30 times higher than those exchanged in the real economy*”<sup>2</sup>. This bubble fed into a dramatic intensification of debt practices globally. At the same time, global companies had become increasingly powerful, controlling ever larger global chains of production, distribution and finance<sup>3</sup>.

Whereas the in-depth causes of the crisis (which exceed the scope of this book) are still being debated, what is beyond any discussion are its effects. The crisis has caused massive wealth destruction (and not of the “creative” type), the impact on employment being particularly severe<sup>4</sup>. The International Labour Organisation (ILO) stated in 2009 that the crisis was likely to destroy between 18 (optimistic scenario) and 30 (pessimistic scenario) million jobs, and to generate an increase of working poor and vulnerable employment<sup>5</sup>. In 2010, the ILO gave the proof that the pessimistic scenario had won, by reporting “*an increase of almost 34 million over the number of unemployed in 2007, and most of this increase occurred in 2009*”<sup>6</sup>. The ILO also acknowledged that youth unemployment in 2009 had reached its highest rate ever, namely 13.1%<sup>7</sup>, and underlined that the EU was one of the regions of the world most affected by unemployment growth, with 2.3% in 2009 over 2008<sup>8</sup>. Suicides linked to the employment situation under the crisis have also been reported in a number of countries<sup>9</sup>.

This massive wealth and job destruction has brought back the focus onto the real economy, job creation and territorial development in public agendas. There seems to be a rediscovery of the fact that employment, provided it is sustainable, is conducive

2 Kempf, H.(2009) *Pour sauver la planète, sortez du capitalisme* (Paris: Seuil)

3 An in depth discussion of the causes of the global crisis and the importance of the cooperative model in contributing to countering these causes can be found in: Sanchez Bajo C. and Roelants B (2011): *Capital and the Debt Trap: Learning from Cooperatives in the Global Crisis*, Basinstoke: Palgrave-Macmillan.

4 Ibid., Chapter 1: The Mother of All Crises?

5 International Labour Office (2009): *Global Employment Trends, January 2009*; Geneva: ILO, p. 24

6 International Labour Office (2010): *Global Employment Trends, January 2010*; Geneva: ILO, p. 9

7 International Labour Office (2010): *Global Employment Trend for Youth*; Geneva: ILO, p. 1

8 Ibid note 5.

9 See for example, for France <http://www.liberation.fr/economie/0101619029-deux-nouveaux-suicides-chez-france-telecom>, and «Un paysan français se suicide chaque jour», 27 April <http://www.lefigaro.fr/actualite-france/2010/04/26/01016-20100426ARTFIG00654-un-paysan-francais-se-suicide-chaque-jour-.php> and for Italy: <http://www.repubblica.it/cronaca/2010/03/28/news/suicidi-confindustria-2959194/index.html?ref=search>

to regional development, as wages are the first channel of wealth distribution, and people consume first of all locally.

This renewed interest in the linkages between employment and regional development is making it particularly timely to study cooperatives, as full-fledged enterprises operating in the market, and yet possessing very specific characteristics, precisely, in the fields of employment and territorial development. This book focuses more specifically on two specific types of cooperatives, worker and social cooperatives, totalling a few tens of thousands across Europe, and in which the owners are the enterprise staff. Worker cooperatives and social cooperatives have a specific impact on employment and territorial development. The crisis has provided further proof of it, as these cooperatives have generally fared better than other enterprises in the same countries and sectors, with a substantially lower level of enterprise and job destruction, even though they have been affected by the crisis like most industrial and service enterprises<sup>10</sup>.

In order to better understand the reasons for such resilience, as well as the link between cooperatives on the one hand, and employment and regional development on the other, it is necessary to first examine the main characteristics of cooperatives. This first approach to the cooperative rationale will also help the reader who is not completely familiar with the cooperative system to read the following chapters with a deeper level of understanding.

## **The main characteristics of cooperatives from the point of view of territorial development**

Cooperatives have first and foremost to do with people. According to the internationally agreed definition enshrined by the ILO and by dozens of national statutes, a cooperative is both an enterprise for all intents and purposes and an association of persons (and not of capital), aiming to satisfy people's specific needs and aspirations<sup>11</sup>.

In the vast majority of cases, the needs and aspirations which the cooperative aims to satisfy are closely linked to the territory in which it is embedded: promote the production of local farmers, fishermen, masons, carpenters, mechanics etc. (agricul-

10 See report on [www.cicopa.coop](http://www.cicopa.coop). In addition, a 2009 report commissioned by the ILO revealed the overall resilience of cooperatives to the crisis: Birchall J. & Ketilson H.K. Responses to the Global Economic Crisis – Resilience of the Cooperative Business Model in Times of Crisis (Geneva: ILO, 2009).

11 A cooperative is “*an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise*”; International Cooperative Alliance (1995) : Statement on the Cooperative Identity, Manchester [www.ica.coop](http://www.ica.coop), and International Labour Organisation (2001): Recommendation on the Promotion of Cooperatives, Geneva, [www.ilo.org](http://www.ilo.org).

tural, fishermen's and artisans' cooperatives); help small traders as well as professionals such as engineers or architects remain in the territory (cooperatives of traders and professionals); make it possible for local inhabitants to get high quality products at controlled prices in their own localities (consumer cooperatives), be lodged in decent and affordable houses (housing cooperatives), save their money and obtain credit in trustworthy financial institutions that invest locally (cooperative banks or credit unions), or ensure energy generation and supply in remote areas (utility cooperatives); and, closer to the topic of this book, create stable jobs and economic activities or maintain them where they are threatened (worker cooperatives), deliver social inclusion, through work, to marginalised and vulnerable groups of citizens (type B social cooperatives), or provide social, educational, cultural and environmental services of general interest to the whole community (type A social cooperatives). As we can see, in most cases, the persons involved are ordinary local citizens and, in some cases, even poor and marginalised ones.

In satisfying these needs through the cooperative system, citizens help themselves and each other in "*jointly owned and democratically controlled*" enterprises<sup>12</sup>, along the category of needs and aspirations which they aim to satisfy (develop production, get a job, find a house, obtain credit etc.) as key territorial stakeholders. In other words, cooperative members are not passive objects of assistance, but owner-stakeholders who jointly control the economic organisations through which they satisfy their needs and aspirations. This characteristic thus creates a fundamental link with the territory, as local and regional development requires first and foremost the active involvement of the various categories of stakeholders present on the territory. In the case of the worker-members that constitute worker and social cooperatives, the object of this book, this stakeholder link is particularly strong, as they experience it all along their working life.

Beyond the overall definition explained above, cooperatives are regulated by a series of operational principles that are the same all over the world and are enshrined in dozens of national statutes. Worker and social cooperatives share these operational principles, while applying them according to their distinctive characteristics, as we will now see.

The principle of voluntary and open membership prevents any type of discrimination in becoming a cooperative member, provided the candidate for membership complies with the type of stakeholders in which the cooperative operates. In the case of cooperatives among workers (as worker and social cooperatives are), this first principle

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<sup>12</sup> *Ibid.*

must be conditioned to the previous existence of a specific workplace. It also requires that the worker has become able to shoulder his/her legal, financial and managerial responsibilities as co-owner.

The principle of democratic member control specifies that the type of democratic procedure in force in grassroots cooperatives is strictly “one person one vote,” even though the members may invest different amounts of share capital. In addition, the concept of democratic control (and not simply democratic participation) means that cooperatives – and in particular larger ones – must develop cross-control systems, with appropriate checks and balances, so that joint control is ensured and no single member may take power. In worker and social cooperatives, this dynamic is particularly unique, as it takes place within the staff of the enterprise. It inevitably impacts not only on the workers’ say in the overall enterprise strategy and management, but also on labour relations: for this very reason, “worker ownership,” as the status of worker-members is called, has been recognized by the International Cooperative Alliance as a third distinctive type of labour relations existing in the world, alongside conventional employment and self-employment<sup>13</sup>. In addition, worker ownership, being a system in which each staff member is highly responsible, has a positive impact on the very production processes in which the worker-members are involved. With these characteristics, worker ownership provides a strong additional element of job and enterprise sustainability.

The principle of information, training and education is essential to the proper implementation of democratic member control. Indeed, the possibility for members to effectively exercise democratic control over the enterprise requires first and foremost that they be informed about the evolution of their business, but also that they be properly trained to shoulder the responsibility of running an enterprise and make strategic decisions in general assemblies and elected boards. In worker and social cooperatives, where democratic member control is exercised by the enterprise staff, training and education assumes a specific relevance, especially in the organisation of the enterprise production and processes and in the multiskilling and on-the-job mobility which characterises many of them. This on-the-job skilling process, in which training to entrepreneurship is imparted to the whole enterprise personnel, constitutes yet another important contribution to local and regional development.

The principle of members’ economic participation stipulates that a) members invest share capital in the cooperative, and do not normally receive dividends on their shares, but interests with a rate similar to those of a deposit bank account; b) part of

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13 CICOPA (2004) : World Declaration on Worker Cooperatives, approved by the General Assembly of the International Cooperative Alliance (2005, Cartagena de Indias), available on [www.cicopa.coop](http://www.cicopa.coop)

the surplus of the cooperative is distributed among the members according to the type of transaction between the member and the cooperative: in a cooperative among workers, distribution is done according to the amount and type of work produced; c) another part of the surplus is earmarked to reserves that are the common property of the cooperative.

In a number of countries, these reserves are indivisible, which means that there is an “asset lock” on them even in case of liquidation of the enterprise, in which case the residual assets are generally used to promote other cooperative enterprises. For example, in Italy, these assets end up in solidarity funds controlled by the cooperative confederations, and are then re-invested in cooperative start-up and development projects. Systematic capital accumulation in existing enterprises that do not de-localise (because the members are local) and can even be used to develop other economic activities under the cooperative form, is, in all logic, conducive to the long-term embeddedness of enterprises in the local communities and, thus, to the long term development of the territories.

The principle of autonomy and independence clarifies that cooperatives are non-state actors. This feature is particularly important to emphasize in the case of social cooperatives providing services of general interest to the community (some of which will be examined in this book), through procurement contracts with local authorities. Although they are involved in missions of general interest, social cooperatives profile themselves clearly as “common-private” actors.

The principle of cooperation among cooperatives enables cooperatives to create economies of scale and scope among themselves in the territories, through mutualised entrepreneurial support instruments that are democratically controlled by the grassroots cooperatives, in the fields of financing, training, consulting, R&D etc. These structures and networks tend to favour both the sustainability of the jobs created and local and regional development, as we will see through the concrete examples in this book.

The principle of concern for the community is the one which most explicitly has to do with the territory. While social cooperatives have the general interest of the community as their main and direct mission, other types of cooperatives (such as worker cooperatives) also uphold this principle, generally more indirectly, and in particular through the long term enterprise vision which generally derives from grouping local stakeholders and through the mutualisation of business support institutions mentioned above.

## Context and methodology

This book was initiated in 2008 as part of a three-year project focusing on social inclusion with the European Commission (DG Employment, Social Affairs and Equal Opportunities). We felt the need to make better known the worker and social cooperatives, and their link with sustainable employment, territorial development and social inclusion. When the crisis broke out, we voluntarily postponed the drafting and publication process in order to observe how the cases included in this book were coping with the economic downturn.

We endeavoured to sample different types and modalities through which cooperatives among workers contribute to sustainable job creation and territorial development. Although the chosen cases are indeed good practice, they are by no means unique and we could have taken hundreds of other cases to illustrate these various modalities. The fact that the book contains more cases from Italy, Spain and France explains itself by the larger concentration of worker cooperatives and social cooperatives in these three countries than anywhere else in Europe.

In each of the twenty specific cases that follow, we collaborated with one or two witnesses, either from the cooperative itself or a knowledgeable external advisor, or both. The editors first submitted a questionnaire to the persons collaborating on each case, completed by interviews, and the text was then gradually constructed with them, following basically the same structure, while allowing for diversity according to the different contexts. Updates were eventually requested to the collaborators, in particular on the evolution under the crisis.

Valerio Pellirossi, who spent one year working at CECOP, focusing mainly on this project, did most of the patient work of data collection, coordinating with the people collaborating on each case, and structuring the chapters. Olivier Biron, as CECOP's communication officer, worked mainly on the general design of this book, including maps, diagrams and pictures, but also drafted several chapters, as I did too, while I mainly ensured the general supervision of the project.

## Layout of the book

In the first part of the book (chapters 1 to 3), we will focus on individual worker cooperatives and see how they tend to create stable and sustainable jobs. We will examine three case studies: one in France focused on a rural environment inserted in a wool production chain, one in the UK in a more urban environment involved in the wholefood chain, and one in Bulgaria, which will allow the reader to understand the

evolution of cooperatives under the previous centrally-controlled economic regimes of Central and Eastern Europe and under the great socio-economic transformation that this part of Europe has experienced since then.

In the second part, we will visit five examples (two in Italy and three in France) of conversions into cooperatives of industrial enterprises that would otherwise have closed down. We will witness the conditions that have made such processes possible, both among the enterprise's own staff and from the surrounding support environment provided by the cooperative movement. Each of the five examples has its own distinctive characteristics in terms of production sectors, transformation modalities and reasons for the enterprise crisis.

The third part will provide the reader with a few cases of cooperatives specialised in the integration, through work, of disadvantaged citizen: persons with mental disorders (Spain), prisoners (Italy), or the long-term unemployed (Poland).

In part four, we will visit a few cases of cooperatives or cooperative networks involved in social and educational services that help promote employment society-wide: a kindergarten in Malta helping mothers seek and maintain jobs, an occupational consulting network in Finland, and a large vocational educational system in Romania.

Part five will provide us with several examples of horizontal groups among cooperatives: the InConcerto social cooperative consortium in the Veneto region of Italy, involved both in social services and in work integration activities; Le Mat in Italy and Vägen Ut! in Sweden, which have developed a social franchising system comprising alternative tourism and work integration; a small inter-sectoral grouping in Finland called Ok Verkko; a large national consortium of service cooperatives in Italy, CNS. Finally, we will visit the Mondragon cooperative group in the Basque region of Spain which, after half a century since the birth of its first cooperative, has become Spain's seventh largest business group, involved in a number of industrial, distributive, financial, educational, social and research sectors, and providing particularly secure jobs to tens of thousands of workers.

We hope that the reader will find this book useful and enjoyable. More than anything else, we really wish to enhance, through this work, the understanding of the cooperative phenomenon and its links to employment and regional development.



- 1 **Ardelaine** — France
- 2 **SUMA** — United Kingdom
- 3 **Dimitar Blagoev** — Bulgaria
- 4 **Trafilcoop** — Italy
- 5 **Al-Ma-Ri-Na** — Italy
- 6 **Ceralep** — France
- 7 **Usis** — France
- 8 **M-RY** — France
- 9 **La Fageda** — Spain
- 10 **Opoka** — Poland
- 11 **Ghelos** — Italy
- 12 **Osuuskunta Toivo** — Finland
- 13 **Spiru Haret** — Romania
- 14 **Vista** — Malta
- 15 **InConcerto** — Italy
- 16 **Le Mat** — Italy
- 17 **Vägen Ut!** — Sweden
- 18 **Ok Verkko** — Finland
- 19 **CNS** — Italy
- 20 **Mondragón Corporacion** — Spain

**PROOF**



# **How cooperatives create sustainable jobs and activities**



# Ardelaine

Ardèche, Rhône-Alpes, France

## Wool garments and mattresses

With the contribution of Béatrice Barras



With this first experience, we focus both on the historical evolution of the cooperative during its three decades and a half of existence, and on its impact on territorial development.

## Evolution

The history of Ardelaine goes back to 1975 when the leaders of an association of youth groups decided to renovate the former spinning mill in St. Pierreville in the Ardèche department, in order to revive and to promote the use of local wool and to restructure the sector with a view to establishing an industry based on an ecological and fair trade approach. The idea was to influence local development by promoting the local resources of a neglected territory. Although the project may have seemed utopian, it was finally implemented in 1982, after 7 years of preparation through the creation of a worker cooperative, known as Ardelaine, with an initial capital of only 3200 FF (€488). The activities ranged from shear-

ing to the marketing of finished products such as mattresses, quilts, pillows, pullovers etc., and included cleaning and carding.

Over the course of the following years, efforts were focussed on the development of the enterprise through the diversification of the products and of the marketing methods. In 1986, a knitting and garments workshop was established in the town of Valence. Sales were promoted at natural product exhibitions in France and Europe and through the publication of a mail order sales catalogue. The creation of new jobs was supported by the Rhône Alpes Region (in the form of Regional Employment Incentives).

In 1990, the workforce reached 12 workers. Following a period during which marketing efforts were undertaken towards other European countries, a decision was taken to re-focus activities at the site level. This decision led to the establishment, in 1991, of the Wool Museum on the Ardelaine site. The company also invested in a purification system for water used in the wool washing process, which obtained approval for classified installations. In 1996, the cooperative had 15 workers.

In 2000, the site was rehabilitated with a view to opening a new museum, as a logical extension of the first one, but this time dedicated to the history of the mechanisation of the methods used to work with wool. The aim was to guarantee the long-term development and consolidation of the local anchoring and impact of Ardelaine. In 2001, the number of workers rose to 25.

In 2005, despite all of the expectations generated by the new investment in the museum, there was a fall in the number of visitors to the site, notably amongst the group's customer base. This development was due, in no small part, to the fact that the site was not in a position to offer a full-day programme to tourist operators, given the limited availability of catering facilities. Discussion then took place regarding the possibility of creating a hospitality and catering area that would be complementary to the local tourist sites, in collaboration with the Bergerades Association<sup>14</sup>. This appeared to be necessary in order to encourage a wide range of visitors to visit the site. The project was considered in the wider context of the issues faced by this rural area with a view to making the most of its local resources. An application was submitted in response to a call for projects issued by DATAR – “Rural Areas of Excellence”, in collaboration with the Community of the Communes des Châtaigniers. The project has a total investment of €800,000 for the creation of facilities for hospitality services (ticket office, café, bookshop), the distribution of cultural products, catering services, and the processing and development of local and organic food products. The new facilities were opened in July 2010.

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<sup>14</sup> A local development association that managed the museums on the Ardelaine site up until 1999.

Through its strategy based on local anchoring, diversification and the creation of jobs based on territorial resources, over the course of 25 years the Ardelaine cooperative has created and sustained an average of more than one full-time job per year. The next stage for the cooperative is to become a springboard for the creation of new complementary activities and above all, to consolidate those that already exist, compensating for the geographical isolation of the site and improving its attractiveness.

## Activities

The cooperative's main objective was to create employment in a depopulated rural area through the development and production of a local resource, namely sheep's wool (it is located in the department's main sheep-rearing area). The chosen method was to restructure the sector, from shearing to the marketing of the finished (non-chemically treated and fair trade) products.

It is for this reason that the cooperative now has developed different types of activities:

- Up stream (shearing, collection, carding, wool preparation);
- Processing (mattress workshop, bedding workshop, knitting and garments workshop);
- Direct marketing (sales outlet located on site, trade fairs and exhibitions for organic products, mail order and internet sales);
- Tourism and Culture (itinerary including a visit to the museum on the history of the methods used to work with wool).

## Ardelaine, a vector for social inclusion

In order to assess the role played by the Ardelaine cooperative as a vector for social inclusion, there is a need to take into account its specific geographical location: the cooperative is located in a small village in the mid-range of the Ardeche mountains, one hour from the nearest town. Although this territory was highly populated before the XXth century, many of its inhabitants were lost during the First World War and the village became even more depopulated after the Second World War. This area has been designated as a Rural Revitalisation Zone.

Ardelaine thus endeavours to create jobs with a view to keeping the population in the area and to attract new members of the active population, notably young people, since the average age was very high. Thus, each job created in this area is a factor of inclusion,

# ARDELAINÉ ARDECHE

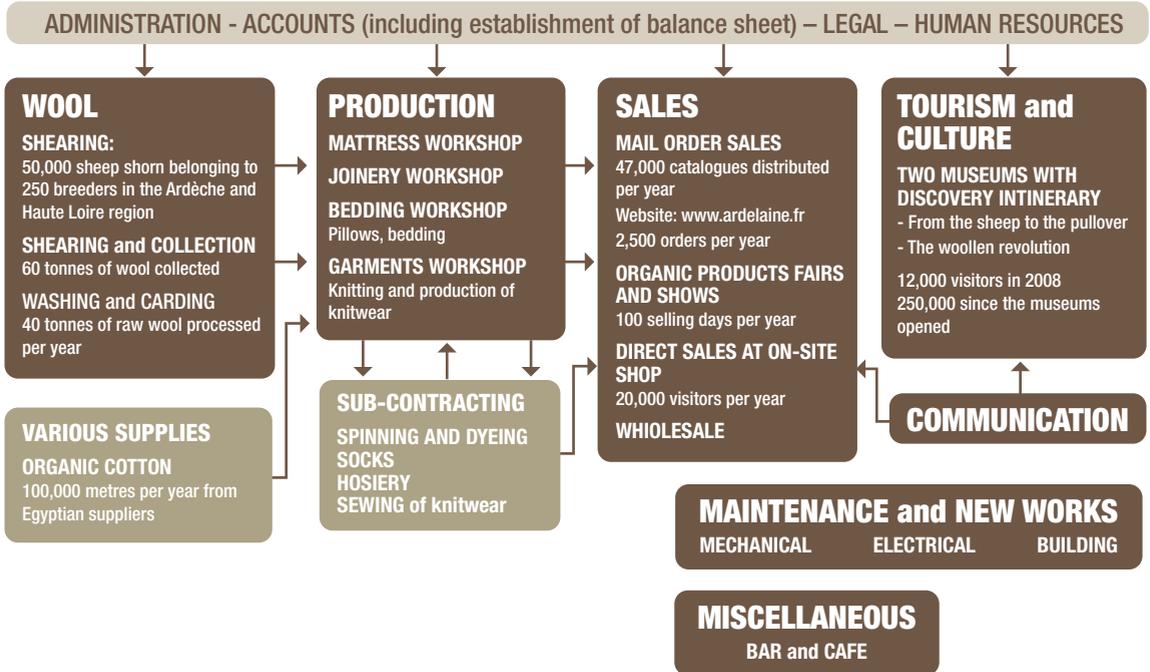
PROMOTION OF A NATURAL RESOURCE: WOOL

RESTRUCTURING OF A LOCAL SECTOR

Territorial Development COOPERATIVE (Social and Solidarity Economy)

Legal status: SCOP S.A. (*Sté Coopérative de Production*)

Partners  
URSCOP  
Local site  
Communauté de communes  
Regional Natural Park



since the whole population finds itself in a difficult situation (the unskilled workers and the elderly are the two main categories of people who stay in the local area). The supply of local salaried work is limited to the retirement home and to the local council's administrative staff (treasury department, town hall and Community of village councils). It would be fair to say that the social handicap is "territorial" in nature.

In 1986, Ardelaine set up premises in a disadvantaged area in the town of Valence. The premises in question were its knitting and garments workshop, which employed 4 workers. The female cooperators who initiated this project attempted to transpose the methods used by Ardelaine in the context of rural development to the development of a sensitive urban neighbourhood. It is not the workshop and its economic activities that have the strongest impact, rather it is their action as local people, working in a community setting, combined with their presence within the workshop. They play a mediation role with the local institutions (housing associations, municipality, etc.). Their activities have led to the creation of gardens in the vicinity of local buildings (20 families). The success of this project has encouraged the municipality to develop other similar projects. They play the role of a socio-economic actor that is well integrated within the neighbourhood.

The occupations carried out by the Ardelaine cooperative are very particular in that they involve crafts and trades that have either already disappeared or are in the process of disappearing. For this reason, the cooperative has received the “Living heritage enterprise” label from the French state. It is therefore required to train its workforce in these production-related crafts. It is not easy for the cooperative to find people who have the necessary qualifications to carry out the marketing and administration tasks on the local employment market and so it also has to train people who display an aptitude in these areas. Furthermore, it has also set up training courses on “the cooperative enterprise culture” so that its workforce develops an understanding of the cooperative dimension of the enterprise. Accordingly, in-house training and self-education play a significant role within the cooperative, which can then be considered to be a learning enterprise.

The cooperative’s 44 employees are of different ages and origins, some of whom are from the local area, while others have moved into it. When a new employee is recruited, he or she goes on an enterprise induction course that brings them into contact with each member of the workforce and each craft practiced within the enterprise. A one or two day theoretical training course takes place each year (covering all wool-related tasks, as well as a guide to basic economics) and a trip is organised for all of the workers so that they can meet with workers from another enterprise (usually a fellow cooperative). Technical training is also provided. Obviously a great deal of time is taken up by these training courses, which however allow for a good degree of integration of each individual worker and a satisfactory level of involvement of the workforce in the cooperative’s general plans.

Ardelaine has a long-standing relationship with the 250 breeders whose sheep it shears and collects wool from. In many cases, the cooperative has worked with the same breeders for more than 25 years or has established a working relationship with new breeders who have taken over sheep farms in the area. However, it has been difficult to get the breeders involved as members of the cooperative, because they are governed by farming legislation and, since the Treaty of Rome, wool is considered to be an industrial, rather than an agricultural, product once it has been sheared. Under the terms of French legislation on cooperatives, a worker cooperative (or “SCOP” as it is called in France) cannot establish the same type of membership for self-employed farmers that an agricultural cooperative is able to establish.

As a direct consequence of globalisation, the breeders’ income can no longer be guaranteed solely by their production, whether this is wool or meat. Indeed, the provision of European aid, which accounts for close to 50% of their turnover, is vital if they are to maintain their activity. Wool is only a very marginal product (close to 2% of their

turnover). However, in order to be as fair as possible, Ardelaine has refused to apply market prices and has, instead, established prices based on quality and a minimum price. Furthermore, it enhances the value of the wool by providing coupons that may be used to buy its finished products and which effectively double the monetary value of the wool purchased from the breeder. In this way, the breeders have been able to provide their family and acquaintances with products made out of wool from their flock. Finally, the shearing service is absolutely indispensable to the breeders, since sheep must be sheared once a year to ensure their good health and it is very difficult for the breeders to provide this very specific and meticulous service themselves.

The presence of an industrial SME (small or medium-sized enterprise) that has a workforce of 44 workers, in a small village that otherwise would probably not have any other form of industrial activity, has a significant impact on the territory. It serves to keep the average age of the population younger and to keep the school and other services such as the post office open. In 2008, a municipal child care facility was set up for pre-school aged children. In addition, all of the other local businesses have managed to remain open: butcher, baker, newsagent, bar, hotel and restaurant. This is due, in no small part, to the influx of visitors generated by the cooperative through its sales and tourist activities (320, 000 visitors between 1991 and 2009, an average of 15,000 visitors per year). There is also a significant amount of economic activities in the area that have been created indirectly (building, supplies, services ...). Over the last few years, a great deal of work has been carried out to modernise the local services (tax office, public hall, medical facilities, tourist office, new police station with five living quarters, a new and extremely well-equipped fire station, retirement home...).

The inflow of visitors to St. Pierreville who come to the area to visit the cooperative's two museums has considerably altered the esteem that the village inhabitants have for their heritage and their vision of the future of this territory.

St. Pierreville is the main village in its district and this means that it has a particular role to play as a central market place, even though it is far away from the network of main roads. The surrounding villages do not benefit from the same degree of vitality with regard to their public and private facilities. There is no doubt that the dynamism of the municipality in terms of its new facilities is related to the increase in its population, its reputation and its visibility. This is a process in which Ardelaine plays a significant part.

Relations between the cooperative and the various local institutions had been marked by a certain indifference for a long time. Since the cooperative is exempt, like all co-operatives in France, from local taxes, the elected council representatives never really

had the impression that they were benefitting directly from the cooperative's presence in the territory. However, these relationships have changed over the course of time in light of the fact that the cooperative's positive impact has become clear for all members of the population. Today, the cooperative works in partnership with the Communauté de Communes (Community of the Local Councils), of which it is part in the framework of a State promoted "Rural Areas of Excellence" project, which is managed as a public/private partnership.



The development of the enterprise has been supported on several occasions by the European Union, the State, the Rhône Alpes Region or the Département. It has also received support from foundations. On average, this support corresponds to 10% of its investments. The members' contributions are very significant. They have made a major contribution to the cooperative's development, often to the detriment of wage increases. Thus far, this has been a conscious and shared decision, since the creation of new jobs is considered to be a priority. In this sense, the cooperative may rightly claim to be an economic actor that somehow manages to integrate the general interest.

Ardelaine has not experienced a severe crisis thus far. Although its development has been slow, it has been on-going (an average of one job created per year). At times when large investments have been made, it has been able to find the necessary support from public bodies or private individuals who have been prepared to contribute to its capital. Only once in 27 years, it had to make one worker redundant and the case was settled by the tribunal for enterprises, which ruled in favour of the cooperative.

Despite the temptation of turning to the export markets, the cooperative has preferred to adopt a strategy based on consolidating its position: direct sales at the national level (short circuit), organic growth, diversification of activities at the service of its local territory.

In conclusion, one can say that the long-term vision, the sense of team spirit, the complementarity of skills and the cooperative culture have been key factors in the success of this enterprise that operates outside the conventional economic circuits. Ardelaine could neither have existed nor have played its role in the territory if it had adopted the traditional objectives and strategic choices of an SME. It is for this very reason that Ardelaine has called itself a “local development cooperative”. In fact, its members consider that the cooperative model is an appropriate response to the economic restructuring of territories experiencing difficulties.

With regard to its future, the cooperative members consider that it is closely linked to its ability to maintain the cooperative spirit and culture. In order to do this, it invests in the training of its members, takes part in research in this area and expresses its experiences in books that describe collective actions, in conferences and networked enterprise training courses for future cooperative actors.

### Development and sustainability of employment in the cooperative

The following table retraces the development of employment along Ardelaine’s history:

1982	1990	1996	2001	2009
1 jobs	12 jobs	15 jobs	25 jobs	44 jobs

Five of the cooperative’s seven founders still work for the cooperative (in some cases they worked on a voluntary basis before becoming paid members of the workforce) and there still remains an original non-worker member.

The workforce figures for 2009 show that, out of a total of 44 workers (31 women and 13 men) there were:

- 2 workers with more than 25 years of service
- 5 workers with between 20 and 25 years of service
- 2 workers with between 15 and 20 years of service
- 4 workers with between 10 and 15 years of service
- 10 workers with between 5 and 10 years of service
- 12 workers with less than 5 years of service
- 9 workers with less than one year of service.

This pattern of length of service provides a good example of the long-term sustainability of jobs in worker cooperatives.

The conditions regarding the long-term nature of the cooperative workers' jobs, in Ardelaine's specific case, are related to several factors:

- Some of the workers are from the area and Ardelaine provides them with employment. If the job that they do meets with their aspirations, then it becomes a long-term job. On the other hand, several people have left Ardelaine to create their own activity in the same area.
- Some of the workers are not from the area, but they have come to the area because Ardelaine has been able to provide them with employment. They are attracted to the cooperative's "enterprise culture" and its plans and they feel that they possess the skills to meet with the cooperative's needs. In order for their job to become long-term, they must fully integrate from a professional (employment) and relationships (working as part of a team) point of view and they must also become integrated in local life. Furthermore, they must also be satisfied with their personal life. When people do leave the cooperative, the reasons are often related to developments regarding their personal life (refusal of their spouse to join them from other regions, divorce).
- Some of the workers are newcomers into the area who go and knock on Ardelaine's door. Ardelaine plays a role in helping these workers to settle into the area. The cooperative enables the newcomers to find temporary employment that provides them with the means of subsistence until their own plans take off (farming, small craft business...). As the local employment services have recently commented, Ardelaine has also helped many people to become integrated within the local area. Some of these people have opted to continue to work for the cooperative.

Generally speaking, one may say that the employment created by Ardelaine is particularly resilient, both in terms of the jobs created within the cooperative and also through the economic integration of new people in the area.

### **Future prospects**

The Ardelaine cooperative has a range of future prospects, in the short term and the long term, and both globally and locally:

In the short term, and at the local level, there are plans to construct a new building with a surface area of 650m<sup>2</sup>, in order to make the local area more attractive to tourists:

- A reception area offering complementary services, including a shop selling articles

related to the museums

- A space to develop and to diversify events and exhibitions
- Creation of a restaurant (to promote local food products, to educate people about taste and local products, organic food, appellation of controlled origin).

The new activities started in 2010 and should lead to the creation of between 5 and 7 jobs. A new sister cooperative, called La Carderie, was established in September 2010 in the catering sector.

At the same time, Ardelaine is trying to develop educational tools on the sustainable development of the social economy and on local development. The cooperative plays hosts to many school visits (of all ages, right up to university students). The cooperative is working on these subjects in partnership with the Rhône Alpes Region (having been identified as one of the “treasures of sustainable development in the Rhône Alpes Region”) and with the Monts d’Ardèche Regional Natural Park.

Furthermore, the cooperative is seeking to develop a platform for dialogue with all of the actors in the sector: upstream (with the 230 breeders), at the inter-sectoral level (various sectors covered by Ardelaine) and downstream (the clients). In order to achieve this aim, it currently coordinates a network of 2,000 clients who have expressed solidarity with its values and who have also expressed their interest in the cooperative, beyond the mere consumption of its products.

In the medium term, the Ardelaine members intend to focus on the passing on of its experience, training and research:

- by taking part in research and reflection networks;
- by creating a group of actors interested in exchanging experiences and reflections;
- by creating training courses along the lines of an extramural university;

so as to contribute to the creation of learning and socially and territorially responsible cooperative enterprises.

## Conclusions

The Ardelaine cooperative was set up in a difficult context, since its creation coincided with the collapse of the locally sourced wool market on the one hand and the beginning of the deconstruction of the national wool industry on the other. It put down its roots in a rural territory that was considered to have “no future” and based its business on a heritage that was considered to have “no value”.

Rather than basing its strategic objective on re-launching wool spinning activities, it chose to focus on the development and promotion of local wool through the restructuring of the entire sector. It opted for environmentally friendly processes and established working relations with its wool suppliers based on fair trade.

The cooperative's decision to exercise commercial control over its products by according priority to direct sales enabled it to market these products at the largest European shows and fairs for organic products. The increase in the cooperative's revenue has allowed it to create new jobs and to finance the investment required to improve production conditions and capacities.

However, this development has led to further reflection upon the way in which the enterprise should grow and the consequences of this growth upon the lives of the worker-members. The cooperative turned down a market opportunity in Japan and decided to re-focus its activity at the territorial level by creating a cultural and tourist sector at the production site.

Ardelaine has made a conscious decision to resist the general tendency towards a de-localised economy that is instrumentalized by the financial markets and the de-humanisation of organisations. The members of the cooperative consider that its real business is neither wool nor tourism, rather it is the development of the territory in which it is embedded. They plan to pursue the growth of the cooperative through the diversification of its activities, as long as this is of benefit to the territory. The latest project is designed to further develop and to promote food products.

The initial idea to “develop and to promote a resource from this territory”, has become, for Ardelaine's members, “to promote and to develop the territory”.

### **ARDELAINÉ - France**

Worker cooperative (SCOP)

Address: Puausson  
07190 SAINT PIERREVILLE

Year of creation: 1982

Sector: Promotion of sheep wool (local wool sector)

Workers: 44

Worker members: 22

Turnover: € 1.788 million

Website: [www.ardelaine.fr](http://www.ardelaine.fr)

Contact: Béatrice Barras [bea.barras@ardelaine.fr](mailto:bea.barras@ardelaine.fr)

### **For further reading :**

Béatrice Barras (2003) :  
*Moutons rebelles, Ardelaine  
la fibre développement local* ;  
Editions REPAS, can be  
ordered on [www.ardelaine.fr](http://www.ardelaine.fr)



# Suma

Yorkshire, United Kingdom

## Wholefoods distribution

With the contribution of Bob Cannell



In this chapter, we lay a particularly strong emphasis on the evolution of the business from an internal governance and management point of view. Although it represents one specific trend in worker cooperatives, based on equal pay and symbolic individual contributions to the share capital, it provides a very good illustration of the debates and challenges which democratic member control raises in staff-owned businesses.

Suma was founded in Leeds, West Yorkshire, in the early 1970's, by three friends as a service to supply wholefoods and vegetarian foods to small, independent worker cooperative wholefood shops throughout the North of England. At the beginning it was not intended to be a formal business. The original members were more concerned to make available healthy vegetarian alternatives to the highly processed supermarket foods of the time. Demand grew rapidly and the business was incorporated as a formal worker cooperative in 1977.

Originally, Suma was part of the 1970s radical self-help experiment which founded a wave of new worker cooperatives in the UK. Young people found themselves unable to gain employment in the midst of the de-industrialisation which ravaged traditional centres of mass employment throughout the country in the 1970s. Some decided to create their own employment but not using traditional business forms.

The guiding idea was the cooperative commonwealth, a network of self-help cooperatives which would intertrade and use normal commercial relationships as little as possible. Thus, for example, the original members of Suma and other wholefood cooperatives were not paid wages but took money from the business as they wanted.

Orthodox management thinking would say that remuneration on demand is a recipe for uncontrolled selfish behaviour but wage costs as a percentage of sales have never been as low at Suma since this period. The experiment was superseded by formal payroll when the tax authorities intervened to demand Suma members to pay National Insurance and income tax. This was the first example of the radical experiment being forced to conform to mainstream practice.

## The evolution of the business

During Suma's early years, the cooperative's informal approach directly influenced its management and its working activities. Members worked however they wished and took wages and stock for their own use similarly. The wholefood sector was very profitable and Suma experienced annual grow rates of 20% and more.

In 1979, just two years after the foundation of the cooperative, the members decided to invest into a three-storey warehouse in the centre of the Leeds riverside area. It seemed huge and the entire stock fitted into one corner of the building. Within 18 months it was full.

Regardless of the fast development of its activities, the cooperative's founding principles have been maintained until the present: equality of wages for all jobs; multi-skilling and job variety; personal development within the company; ethical business; 100% employee ownership and management; democratic decision making processes; equal opportunities; environment friendly products; assets owned collectively (common ownership).

The management of the first seven years was hindered by a general lack of coordination. Meetings were often very long and ineffective. The cooperative decision-making process was restricted by the power of individuals to veto crucial decisions about business developments and, in practice, most decisions were taken by individual

jobholders with little coordination.

This period helped the members to understand the mechanisms of management, to realise the challenges of the different areas of the business and the variety and complexity of competences needed. Few members were experienced but they had the chance to learn on the job.

For Suma, the 1980s was a decade of major changes. The cooperative moved from Leeds to a former carpet weaving factory in Halifax, 20km away. As a consequence it lost the network of community relationships developed during the first years in Leeds, lost customers and some members.

The management form also needed a change; the General Meeting of members was no longer effective as the sovereign decision-maker. A partial solution was found in a new management structure based on the Viable Systems Model from cybernetic management theory. The members were divided into constituencies (Sectors) which elected delegates to a central (Hub) committee.

A corporate data function was instituted, the Suma Information Service, to inform decision-making. In practice there was still too little cooperative discipline to allow this new structure to work properly. Individuals still largely took the initiative to make required changes as they saw fit, but the Hub and Sector permitted free communication, one of the most important requirements for successful cooperative governance.

By these means Suma's key objective was accomplished throughout the decade: to provide an increasing number of better-than-average jobs and maintain wage levels at the regional average income (of both management and manual job sectors).

But the wholefoods market sector was growing rapidly and younger privately-owned businesses were profiting, while Suma was missing opportunities for business development and the growing supermarkets were killing the small shops, Suma's core costumers.

The cooperative's business was under threat but members' commitment was still strong. In 1992 they decided to restore the General Meetings and to elect a Management Committee from amongst the membership to give more direction to business management and leadership.

The Management Committee's powers and remit were carefully designed to permit much of the decision-making process to continue to take place by discussion and consensus and preserve the spirit of self-management by members. There is no full

time manager, CEO, Managing Director or chairman: indeed, Suma members feel there is a risk in giving too much power to someone who could take over in his or her own interests.

Suma members have carefully balanced democratic governance - the General Meeting and Management Committee - against executive power - the influence of appointed business function coordinators and 'expert' advisers such as their Finance and Personnel officers.

Management Committee members take their non-executive director responsibilities as an additional task to their "day jobs" in the cooperative, otherwise they have exactly the same status as all the other members.

The Suma culture treats management as a simple business function, undertaken by whoever is competent, and not as a status invested in specific individuals. Many key management functions are the responsibility of a team rather than an individual, e.g. the Finance team is analogous to a Finance Director.

Whilst this approach requires more investment in coordination (Suma team leaders are known as 'Coordinators' and Departmental Heads as 'Function Area Coordinators'), it permits the maintenance of equal pay rates and enables efficient risk and succession management.

Suma governance rests on their concept of 'self-managing' members. They select, train and assess their worker members to not require supervision in their daily work and to undertake real time 'peer review' of their colleague's work and behaviour. Suma thereby saves the cost of the supervisory layer of management and resolves the problem of "free riders" by encouraging an 'ownership culture' amongst worker members.

Today Suma grows constantly and its business plan objectives are largely achieved through controlled growth. By reaching its sales target of £25 million and controlling its costs, in 2009 Suma was able to declare a net profit rate of 1.6%. Half of net profit is distributed as a wage bonus to reward the hard work of members and to encourage members to reduce waste and make business improvements.

This profit rate appears low for the industry but does not take into account Suma's premium wages; another example of orthodox business methods disadvantaging democratic businesses. If the premium paid in excess of market level wage rates is taken into account, the net surplus rate is 4%, a respectable level. Suma pays surplus upfront in weekly wages to all workers, which is 'bad practice' in orthodox accounting principles, rather than declaring it as profit at year end, which is the 'proper' way.

Suma is not permitted by accountancy standards to reassign its wage premium to 'surplus' (or profits) despite Suma's primary objective being to support better jobs and not remunerate absent investors.

Suma has independently created similar network governance safeguards as other worker cooperatives. To ensure the members do not lapse into self-exploitation and to protect individuals from persecution, monthly trade union branch meetings highlight worker welfare and benefits issues. Suma is unusual in the UK for being a highly unionised worker cooperative and private sector SME. 80% of Suma workers are members of the Bakers and Food Workers Union.

Like most worker cooperatives in Europe, Suma, having exceptionally low financial gearing (debt to assets ratio) and being answerable only to member shareholders, came through the 2008/2009 economic crisis almost unaffected and is well placed to take advantage of an upturn in the economy.

### **Jobs, membership and training**

Suma has grown steadily since its foundation and has incorporated 120 owner-worker-members.

Staff turnover is extremely low compared to the industry average at approximately 2-3% per annum. Two founder members are still members after 33 years. There is a cohort of 45 to 55 year olds and another of 25-35 year olds. Like Ardelaine (Chapter 1), Suma is another typical example of the long-term employment characteristic of worker cooperatives.

Because members do not leave, growth and recruitment are the only ways to gain fresh minds.

Men are 60% and women 40% of the membership. Recruitment is via two routes. Seasonal warehouse workers and drivers apply for membership and these people are mostly men, these being traditionally male occupations. The other route is formal external advertising for probationary members. This route is the main source of female recruits to membership.

In the early days, almost all Suma members were university graduates, but today members are from all social classes. This has been enabled by more sophisticated recruitment which selects for cooperative working capability regardless of educational or vocational experience.

Suma invests heavily in new member training. A three month probationary manual work period in the warehouse is followed, if performance standards are achieved, by six months of intensive membership skills training during which prospective members are assessed against the Suma member job description. If Suma personnel team agree that a “trial member”, as they are known, is fulfilling the job description behaviours,



they recommend members to vote in favour of their membership because it is Suma members who ultimately decide by democratic ballot whether someone becomes a member and permanent employee of the cooperative.

The combination of job security for as long as the business survives and a commitment by workers to retrain for whatever skills the business needs (and thereby gain a portfolio of skills) means that Suma is a good example of “flexsecurity” of employment, namely security first, but together with flexibility in the organisation of work, typical of worker cooperatives across the world.

### A successful business

Suma today is a national distributor, the largest independent, of vegetarian foods in the UK and a significant exporter to all parts of the world. Customers include independent retailers, food buying cooperatives, small supermarket chains, the consumer cooperative Cooperative group supermarkets, institutions such as prisons, schools and hospitals. In 2009 Suma developed inhouse an internet shopping site to capture a new and growing market.

Suma develops new health-conscious food products and environment friendly household and personal products under the Suma brand. The brand is well known and respected in the UK and competes with multinationals on the shelves of shops.

Many new products and product categories have been introduced into the UK market by Suma including many vegetarian food products, eco-friendly cleaning products and direct to consumer bulk deliveries to reduce fossil fuel use in food distribution.

Suma and the other worker cooperatives wholefoods wholesalers (Essential, Infinity, Green City) introduced fair trade products and organic food into the UK and founded the Food Genetix campaign which resulted in Genetically Modified foods being banned by all major grocery chains in the UK.

Suma is a key worker cooperative member of Co-operatives UK, the national association of UK cooperatives. Suma members are paid to take part in organising and coordinating UK worker cooperatives and sharing worker ownership insights with the consumer cooperatives and other members of Coops UK.

Since 2001 Suma has operated out of a 70,000 sq. ft. motorway distribution centre on the outskirts of Halifax, West Yorkshire, from where 6,000 product lines are distributed with a market leading delivery reliability. It competes on customer service rather than price. Competitors have an 85% delivery success rate. Suma regularly achieves 99%. This difference is due to the engagement by Suma worker-members with their business and their determination to give customers the service they expect.

Suma's conservative business strategy of growing organically and competing on quality of service has underpinned its survival into its fourth decade.

Few of the privately owned competitors to Suma still exist as independents in the UK. Most have been sold and subsumed as subsidiaries of large corporates whose ownership changes year by year. This lack of continuity of ownership of competitors is one reason why the Suma cooperative is a successful and sustainable business which maintains its independence as a result of its worker ownership.

### **Real, existing democratic shared governance**

The major obstacle to the unhindered growth of Suma and other UK worker cooperatives as self-help employment creators, is the lack of 'fit for purpose' worker cooperative management skills.

Collective governance with equal status for all members makes many normal management techniques inappropriate for worker cooperatives. Suma has pioneered worker cooperative management techniques in the UK and regularly shares this learning with sister cooperatives. Unfortunately much of this learning has been by trial and error and therefore very drawn out.

Operational (weekly) and tactical (annual) management is well under control at Suma. Suma is clearly able to respond to their specialist market but they are still

struggling to develop democratic strategic management to actively manage the long term development of their business into other markets.

Support, training and advice activities by Suma and other worker cooperatives is funded by the UK consumer cooperative movement via cooperative enterprise development grants. This became possible since the UK worker and consumer cooperative movements merged their national associations into one body, Cooperatives UK, in 2003.

There has been effectively no government funded support for UK worker cooperatives for 25 years. The lack of specific legislation defining worker cooperatives in the UK hinders the development of the sector, nor is there any recognition of their job creation and skills enhancement roles in terms of tax benefits or other compensatory fiscal arrangements.

UK worker cooperatives do not normally require a membership stake (a minimum investment by members), except for a symbolic £1 cooperative share. Capital is owned in common, Common Ownership, whereby current members may use the capital built up by former members but may not individually profit from dissolution of the business (“asset lock” or indivisible reserves, see introduction). If the members should vote to dissolve the business, the proceeds must be returned to the cooperative movement for reinvestment in cooperatives.

### **Suma as a local employer**

The local Calderdale economy is characterised by low skill, low pay, temporary, low initiative employment, especially in the distribution sector.

Suma membership training requires and supports recruits with minimal skills to become multi-skilled across a selection of business functions. Manual workers learn desk work skills including IT skills on the job and to communicate and engage in the governance of the cooperative. Desk workers learn physical skills and gain health and fitness as well as the self-discipline of manual labour.

Suma encourages all members to engage in development work, developing and changing work and business practises. It is this aspect of the employment culture which enables members to found their own businesses and become economically self-reliant (if they so wish).

The open governance of Suma has enabled many past and present members to experience and learn how to be fully self-managing business partners. Many Suma members were recruited with little business knowledge and some of the few who

have left the co-op have founded their own businesses or gained employment many levels above that which they had previous to Suma.

Suma employment also requires members from a wide variety of backgrounds to learn to cope with diversity of culture and behaviours in regards to ethnicity, gender, social class, sexuality etc. All this is self-policed by mutual agreement within the cooperative.

## **The transmission of best practice**

Suma is a beacon private sector employer in the local area of Calderdale. The local employment health and safety authority uses the cooperative as a practical example of best practice for other warehousing and distribution employers. Its employment benefits and conditions are the benchmark for other employers and Suma takes every opportunity to publicise these market leading terms.

Suma members enjoy market leading wages, 50% more than the local average. All Suma employees, member or not, are directly employed by Suma, whereas Suma's competitors will more normally use workers who are employed by third party employment agencies to avoid their employment law responsibilities.

All Suma workers have very flexible working arrangements. The company fits the work around family and other commitments. Unlike many UK employers, Suma obeys employment law and health and safety law to the letter despite being more vulnerable to prosecution due to being an open books employer where all members have open access to business information and can abuse this right if they wish.

Schools, colleges and universities use Suma for work experience and student projects. Suma sponsors and helps with the governance of cooperative trust governed secondary schools.

The cooperative is a key supporter of local environment improvements including financial and labour support for the re-forestation of valley hillsides to reduce flooding in riverside communities in Calderdale.

## **Suma and the ethical supply chain**

Suma like most of the wholefoods cooperatives in the UK was founded with the ethic 'Food for People - Not for Profit'. Ethics are at the heart of Suma business practice and are the foundations of the Suma brand. Customers assume they can trust Suma to only sell products which conform to the criteria listed in their catalogues - vegetarian, organic, fair trade, free from artificial additives etc.

Suma and the wholefood co-ops revived this principle of ethical food at a time when the mainstream UK consumer cooperative movement appeared as being indistinguishable in their commercial practices from profit maximising private investor owned supermarkets. It can be argued that the renaissance of ethics led trading practices in the UK consumer cooperative movement was inspired by the wholefood cooperatives, tiny though they are in comparison. Suma, for example, was importing and distributing food products at premium prices to benefit developing countries' producers, a decade before the concept of fair trade was invented. Suma publicly boycotted products from apartheid era South Africa and other repressive regimes and unethical corporations when such practices were deemed to be political extremism.

Members ensure compliance via Suma's open and accountable governance. There exists a strong ongoing dynamic balance between business focus and ethical practice which results from the permanent in-house discussions between members, often using information provided by customers and consumers. Along with building many real life connections, Suma extensively uses internet social media technology to network with Suma members and customers.

This provides a very effective quality assurance mechanism. In addition, Suma in the 21<sup>st</sup> century has developed full supply chain traceability to provide the document trail necessary for trading standards compliance, now that the rest of society has caught up with the idea that consumers should get what they expect.

Suma uses its now well known brand to promote products from cooperative producers with whom it has built long term trading relationships, for example wildlife conservation grade rice from Spain, organic pasta from Italy, cheese from the UK and dried fruit from Turkey. Improving global communications between cooperatives will greatly enable these cooperative relationships which are not only a more ethical way to do business but a more profitable way in the long term.

### **Suma - United Kingdom**

Worker cooperative

Address: Lacey Way, Lowfields, Elland,  
West Yorkshire  
HX5 9DP UK

Turnover: £ 28 million (2009)

Web: [www.suma.coop](http://www.suma.coop)

Contact: Bob Cannell – [bob@suma.coop](mailto:bob@suma.coop)

Year of creation: 1977

Sector: Import, manufacture, distribution  
of healthfoods

Members: 120

Non-member workers: 30

# Dimitar Blagoev

Sofia, Bulgaria

## Tailoring

With the contribution of Stilian Balasopulov



The history of Dimitar Blagoev spans six decades. It mirrors the transformation of society in Bulgaria and Eastern Europe during the second half of the twentieth century. Founded in 1947, it went through the whole lifespan of the People's Republic of Bulgaria, immediately after the Second World War. The communist regime deeply impacted people's lives, and particularly in the field of economic activities.

Dimitar Blagoev was founded through the voluntary merger of seven tailors' cooperatives, which were established in 1945-46 and were very small ones, with members working mainly at home. The merger took place in 1947. At that time, the policy of the newly established socialist government was directed towards the consolidation of small enterprises. The newly-merged cooperative counted altogether 90 cooperative members working in the field of tailoring, sewing and confection manufacturing. The original capital for this merger operation

was in part derived by members' economic and material commitment, with cash contributions but also material inputs from sewing machines, flat irons and work tables. The activity of Dimitar Blagoev was centred on industrial clothes production and small tailoring services and clothing repair for individual costumers.

### **Dimitar Blagoev until 1989**

During the first years after its creation, the cooperative experienced an important increase in the volume of its activities and in the number of its worker-members, which rose to over 1000. The general assembly decided to expand production and to invest in the purchase of land where a larger building was built, an investment of about three million Leva (€1.5 million) from the cooperative's own funds and members' resources. During the 1956-1961 period, a 6-storey building was completed with the installation of equipment of several workshops specialised in production, wholesale and retail of gentlemen's suits and ladies' clothes. As a consequence of the national economic plan of the People's Republic of Bulgaria, in 1962 a decree of the Council of Ministers decided the nationalisation of the building and the production became part of the state-owned confection factory "Vitosha." In this context, some of the cooperative members decided to remain and work in the state owned company while others decided to keep working in the smaller tailors' workshops, which were really more autonomous, but were only allowed to render small repair and tailoring services to the population, not to produce factory clothes.

This historical period was deeply characterised by the governmental policy centred in the nationalisation of the productive system which also affected the whole Bulgarian cooperative system. The cooperatives were transformed into state owned properties and the production was centralised through several mergers among existing enterprises. Between 1970 and 1989, Dimitar Blagoev was merged within the structure of the "Local Industry" at the Metropolitan Council, the organisation which managed the production, the exports and the finances of the cooperative.

However, even within this system, the cooperative's lack of autonomy was not absolute. First, it was partly counterbalanced by the benefits related to investments in new workshops. Secondly, in 1979, the workers working in the plant returned to the cooperative form of working. Indeed, at that time, an opposite trend in the state – to make new cooperatives and reconstitute the old ones, emerged.

## Dimitar Blagoev's new challenge in 1989

The cooperative was deeply influenced, both good and bad, by the economic and political regime of the country. The collapse of the Soviet Union and the shift of Eastern Europe's countries from centrally planned to market economies represented the starting point of new and unexpected changes and challenges. This transformation had a deep impact not only on Dimitar Blagoev itself, but also on the whole Bulgarian cooperative movement.

Besides, Dimitar Blagoev started a long and painful restructuring process due to the exit from the "Local Industry" system. The system of the local sectoral production monopolies soon moved to market competition and this meant the automatic dismantling of the state-owned enterprises. The properties of the cooperative once merged into those of the "Vitoshka" company during the monopoly period were affected by the restitution law. In about 20 years over one hundred tailoring shops have been closed. At the same time, the internal and foreign demand for this sector experienced a collapse and the prices fell, causing a spectacular drop in the capacity to remunerate work.

Dimitar Blagoev implemented a sequence of measures to avoid bankruptcy in the short term. A reorganisation of the staff was carried out in order to increase productivity, with a reduction in the number of cadres and managerial staff, predominantly through natural retirement and early departures. But the economic activity also needed to be developed in order to adapt to the new social and economic situation of the country and the cooperative decided to implement a series of annual measures in a long term vision.

The cooperative members decided to expand and diversify the field of activity towards a balance between sewing with material provided by clients and tailoring and trade in clothes, but also to provide services to hotel industry. Moreover, in 1995, the cooperative decided to build a small hotel with 13 rooms on

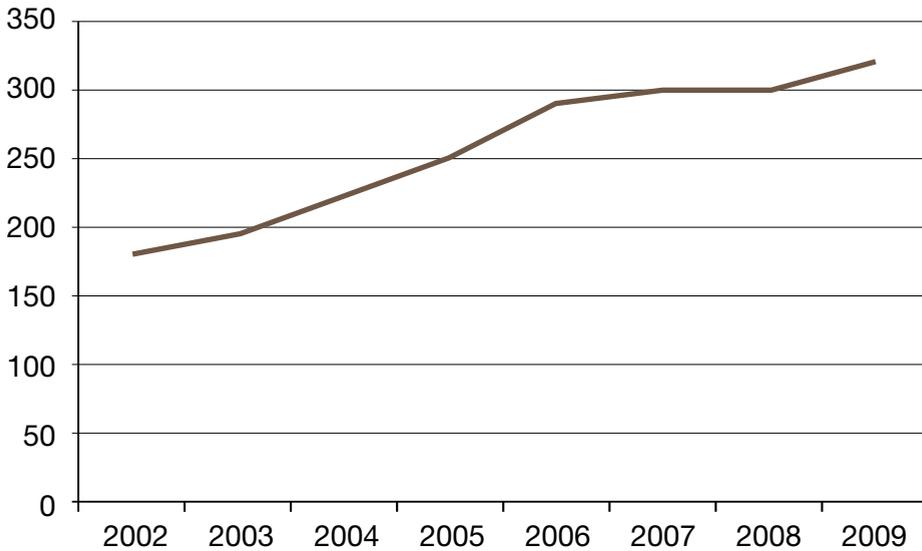


the Black Sea coast. Cooperative members can benefit from a 50% reduction in hotel fees, which is also used by the cooperative to host training activities and seminars, thus effectively counterbalancing the investment through concrete cost reduction. In the workshops, they decided to renew the equipment and to strengthen their economic independence, by becoming owners of their premises. They also made a commitment to quality production, in order to compete with other enterprises and face the entrance of goods and products coming from other countries. The cooperative Dimitar Blagoev has significantly improved the working conditions and work safety over the last 20 years, while expanding the social benefits to the workers, such as medical services, subsidies for kindergarten charges and transport costs.

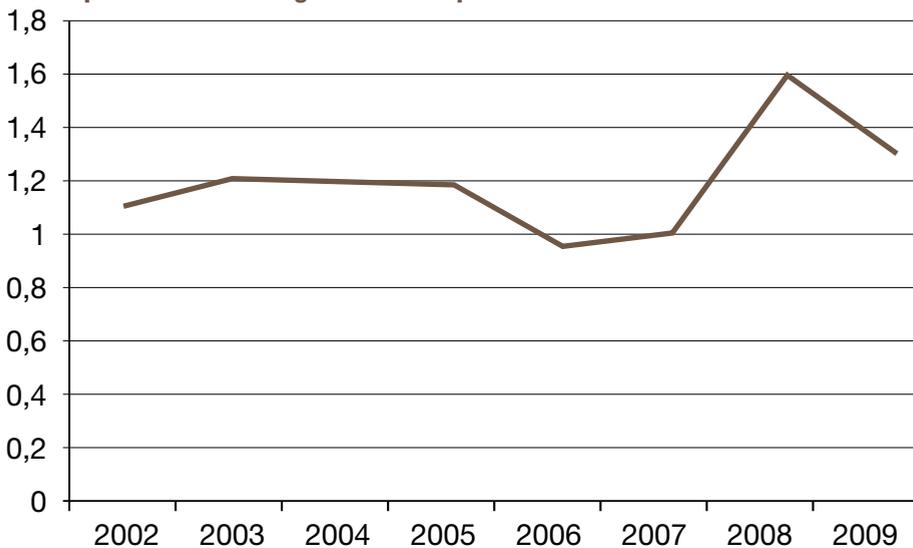
The restructuring of the activities of the cooperative has not been painless, but it is doubtless that the most important accomplishment has been to resist the drastic changes that have occurred in the economic system and in the society, to adapt to changes that, unfortunately, have not always been favourable to the cooperative model itself. The market economy meant the cooperative had to restructure in order to rise to the challenge of competing without state subsidies.

### **The cooperative today**

Dimitar Blagoev is now a fully autonomous enterprise and the Board of Directors and the Supervisory Board are elected by the worker-members every four years by secret ballot. Despite the restructuring in the productive activity, the turnover of the cooperative has been constant over the last few years with the exception of 2006-2007 after a momentary fall in income. This can help gradually counterbalance the employment rate which has been negative in the 2002-2008 period (FIG 1). During this period, in spite of the severe financial crisis in Bulgaria, and regardless of the reduced number of the workers and the quantity of work, the cooperative succeeded to find its market niche and to, slowly but definitely, stabilize its market position. In 2005 the cooperative successfully applied to receive funds for the organisation of training for the improvement of the workers' skills and increase the quality and the complexity of the goods produced. Consequently Dimitar Blagoev was able to obtain important new production contracts with other companies.

**Graph 1 – Dimitar Blagoev – Evolution of employment**

Source: NUWPC

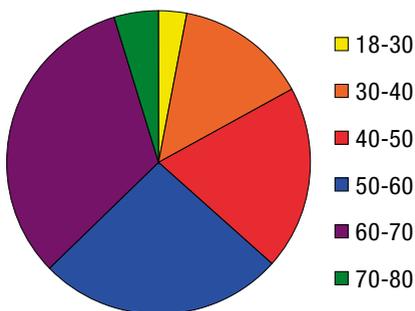
**Graph 2 – Dimitar Blagoev – Development of the turnover in millions of Leva**

Source: NUWPC

The commercial activity of the cooperative keeps consolidating; it is in good relations with other cooperatives in the country and is part of a good network in the tailoring industry, open also to European and international trade, adapting itself to the flexibility and dynamism of the ongoing economic system. It has already established commercial relationships with enterprises from France, Italy, Germany

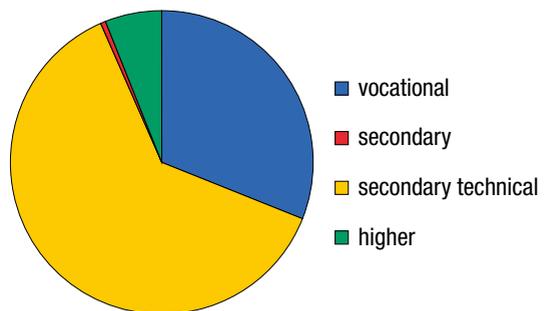
and Austria. Together with other cooperatives, it has launched permanent dialogue on strategies and integration, with the active support of the National Union of Worker Producers' Cooperatives (NUWPC), CECOP's Bulgarian member, which also organised several training courses and seminars aimed to boost the cooperatives' efficiency and productivity. Dimitar Blagoev develops its activity in a strong network of cooperatives and other types of enterprises, especially for sewing of clothes, trade and retail of goods.

**Fig. 1- Dimitar Blagoev  
Workers' age ranges**



Source: NUWPC

**Fig. 2 - Dimitar Blagoev  
Workers' education**



Source: NUWPC

The cooperative's main activity is centred on services provision, involving 100 workers in 10 workshops in the management of individual orders, retailing and small tailoring services. At the same time 90 people work in the elaboration of light-weight ladies confection and a residual part of the workers are involved in the recently founded hotel. All the workers are members of the cooperative including 23 persons with reduced abilities<sup>15</sup>.

### Future: new challenges

Dimitar Blagoev is finally about to reap the fruits of the painful but necessary long-term strategic decisions taken during the first years of the transition to the market economy. In 1996 it launched a legal proceeding concerning the excessive measures which affected the nationalised buildings of the cooperative. The long process for the recognition of buildings and land owned by the cooperative is expected to finish in 2012. Apart from this, the cooperative has the objective to maintain and increase the

<sup>15</sup> However, this is not a cooperative of disabled persons, because, according to the Bulgarian law, such cooperatives must have at least 50% of disabled members, which is not the case of Dimitar Blagoev. Those 25 workers are persons with cardiovascular and motorics diseases, who survived accidents, etc. Their workplaces have been adapted to their capacities to work.

number of employees and believes to have already adopted the necessary measures to fulfil this objective. Furthermore, it aims to further develop its activities; in this regard, Dimitar Blagoev successfully applied for the project “Improvement and business development of Worker Cooperative Dimitar Blagoev in the condition of competitive environment” and it is due to receive 16,000 Leva (€8 000) in the framework of the EU-cofinanced Phare programme. Thus it will be possible to implement the services of the cooperative’s workshops through new computers for the management of orders and purchases but also the use of a specific software for the development of models directly based on costumers’ needs and specific sizes. The commercial activity will be concentrated and developed both in the domestic and European markets, with a focus on sewing and costumers’ clothing materials for the domestic market. As far as the European market is concerned, Dimitar Blagoev plans to strengthen the collaboration with other cooperatives in the sector to organise complex collections for fashion reviews and participate at sectoral fairs in EU countries.

### **DIMITAR BLAGOEV - Bulgaria**

Worker cooperative

Address: 11, Dondukov blvd.  
1000 Sofia

Year of creation: 1947

Sector: textile production, tailoring and sewing

Members: 180

Workers:180

Workers with reduced abilities: 23

Turnover: L1,300,000 [€ 0.7 million] (2009)

Web: [www.blagoevtpk.com](http://www.blagoevtpk.com)

Contact: + 359/ 2 987 3597

Mariana Dimitrova – President



**How the  
cooperativisation of  
threatened enterprises  
saves local jobs and  
economic activities**

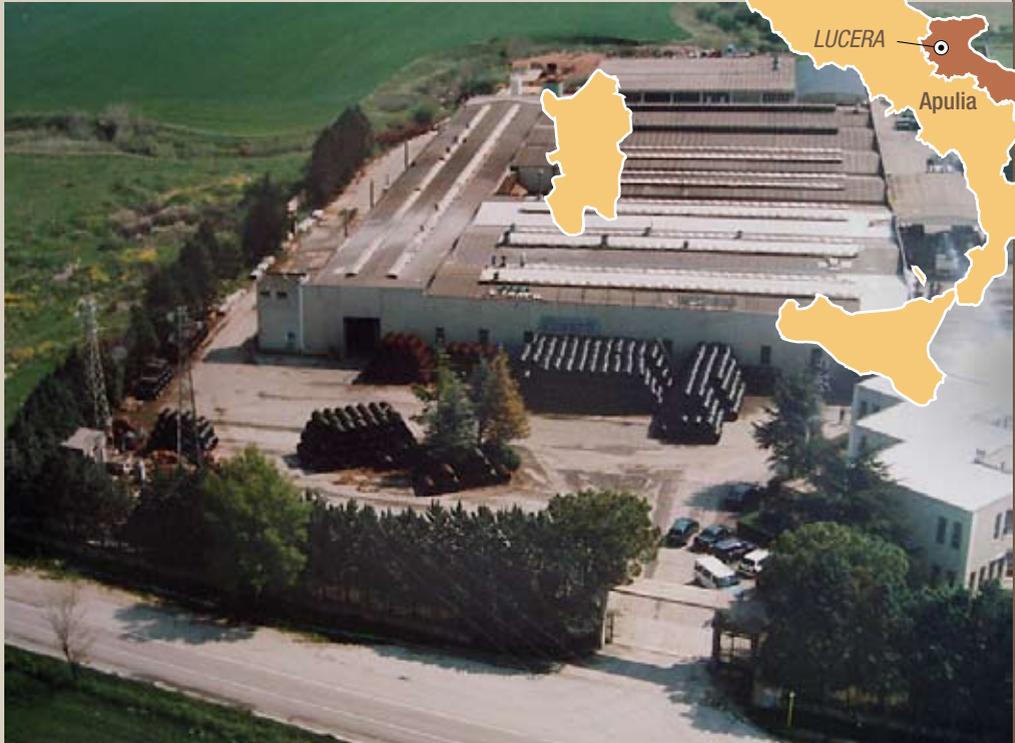


# Trafilcoop

Apulia, Italy

## Electrical cables

With the contribution of Monica Guzzo



The Trafilcoop cooperative was created in 1985 in Lucera, a small town in Apulia, at the initiative of 71 employees after Trafilerie Tatta S.r.l. (established in 1976) had gone out of business. The workers took over the company and re-established its activities of cold rolling and drawing of iron and steel and all wire rod-derived products. They did it by using the mechanism provided under the Marcora Law in order to purchase the production plant.

The Marcora law (first passed in 1985 and modified in 2001) establishes a mechanism by which risk capital originating from the state and channelled through the financial company CFI (see box below) is invested in conventional enterprises being transformed into cooperatives or (according to the 2001 amendments) also in existing cooperatives for their entrepreneurial projects. Trafilcoop was one of the first companies to make use of the Marcora law. It may be defined as a typical “Marcora cooperative”, since it was established as a result of the original company becoming bankrupt, benefitting from the financial support of CFI, in accordance with the Marcora law.

## CFI – Cooperazione Finanza Impresa

CFI – Cooperazione Finanza Impresa, a member of CECOP, was established in 1986. It is the institutional investor under the Marcora law (see above) promoted by the worker cooperatives who are members of the three major Italian cooperative confederations: AGCI, Confcooperative and Legacoop. CFI participates in company risks, finances investments and provides the management with continuous support regarding strategic decision-making and operational choices, helping them develop the cooperatives in which it invests, by constantly monitoring their activities.

CFI presently has net assets of 98 million and a portfolio of 57 companies. Its members comprise more than 240 cooperatives, an entity called Sviluppo Italia and the Ministry for Economic Development.

Over the course of its first 15 years of activity, CFI invested approximately 80 million in the risk capital of 159 worker cooperatives created by workers of crisis-hit companies and saved the jobs of close to 6,000 workers. As a reaction to the country's changing socio-economic requirements and on the basis of its acquired experience, CFI has expanded its own mission by adapting to new market scenarios. Since 2003, CFI has also financed start-up, development and repositioning operations of existing worker and social cooperatives.

CFI provides temporary investment in risk capital and financing designed to support long-term investment, mainly by the workers themselves. The interventions carried out to date have made a considerable contribution to the growth of cooperatives and the development of company management, guaranteeing employment in conditions of economic and financial efficiency. In 2009, the 57 cooperatives in CFI's portfolio had generated an aggregate turnover of more than € 385 million, safeguarding the employment of a new batch of 2,890 workers.

### How the crisis and the salvation of the enterprise took place

Trafilerie Tatta went bankrupt as a result of the combination of a series of elements that led to the company being placed under administration in 1984. The initial cause was the crisis at the beginning of the 1980s that had a damaging impact across the entire steel sector, both in Italy and in the rest of Europe. However, a further contributing factor was the company management's inability to cope with what was undoubtedly a difficult situation.

In 1984, the Trafilerie Tatta workers were initially placed within the program designed to support workers in crisis-hit companies. Under the terms of this program, workers were entitled to take early retirement by taking up the opportunity of having their

social security payments paid for them in advance for a period of up to 10 years or of taking voluntary paid redundancy. The latter option in particular had a severe psychological effect on a part of the workforce, since there were many reported cases of depression and alcoholism.

It was during this difficult period that a synergy between Legacoop, one of the Italian cooperative federations, the trade unions and the workers devised a solution through the creation of a cooperative, bringing together the workers of the old, crisis-hit company, so that they could resume the activities and continue production. Quite clearly, a great deal of coordination work was carried out before this decision was taken. Above all, a careful feasibility study was undertaken to ensure that this process could be sustainable over the long term. One of the most important results of this process, a result that Trafilcoop has been able to achieve from the very moment of its creation, has been the involvement of the workers within the project.

When it was placed under administration, Trafilerie Tatta had approximately 110 employees. The founding members of the new cooperative were 71 workers, only 3 of whom had not worked for the old crisis-hit company, an IT engineer, an expert in electronics and an accountant. Close to 35 workers took early retirement and only 6 workers decided not to take part in the creation of the new cooperative. The integration of the existing workforce with the new worker-members served to reinforce the technical and managerial attributes of the newly-formed cooperative.

Trafilcoop therefore took over the work from Trafilerie Tatta, although it did decide to introduce significant changes by reorganising and over-hauling the production system, notably with the aim of exercising the maximum amount of control over managerial processes, costs and resources. From the very outset, the cooperative adopted a cutting-edge IT system for industrial accounting which, in particular, supported costs and income control for each production line. Furthermore, it set out a clear policy to invest in technology over the long term in order to increase the level of productivity.

Trafilcoop is a dynamic cooperative which, over the years, has undergone major organisational change thanks to a management system that has been planned in an effective and efficient manner. To date, Trafilcoop has doubled its turnover since its creation and it has consolidated its level of employment in an area of southern Italy in which there is only a small amount of industrialisation. Indeed, the cooperative is now a key entrepreneurial player for its own region, since it operates in a particularly disadvantaged area of southern Italy in which the unemployment rate is significantly higher than the national average. In terms of size, Trafilcoop is currently the second

largest company in the Lucera area, behind Fantini (ex Metalsifa), a major industrial group in the brick and tiles sector.

### **Trafilcoop: maintaining, consolidating and creating employment**

Over the course of the years, the cooperative has seen a fall in the number of its workers in absolute terms, since the workforce has shrunk from 71 employees at the time when it was created, to the current figure of 56. However, it is necessary to place this reduction in workforce in the correct context. At the time when it was created, Trafilcoop provided employment for a workforce which would otherwise have encountered great difficulty in finding employment. Indeed, the workers in question had highly specialised skills, with an average age of close to 50.

However, over the years, investments and the progress made by technology in the steel industry have made it possible to increase productivity per worker, leading to an increase in productivity with fewer workers. Nevertheless, the cooperative's long-term policy of production efficiency has enabled it to allow the older workers, the founding members of Trafilcoop, to retire and also to operate a coherent turnover between the generations. Today, almost 50% of the current workforce has joined the cooperative since it was first created.

We should also take into account the number of jobs directly created by Trafilcoop which, thanks to its partnership with Metalsifa S.p.a., created the common subsidiary E.D.I. – Euro Difese Idrogeologiche s.r.l. in 2000 (see following section) and which today employs 25 workers.

### **Consolidation**

In 2000, Trafilcoop promoted the creation of a new company, E.D.I. – Euro Difese Idrogeologiche S.r.l., in agreement with a well-recognised conventional private company, Metalsifa S.p.A. (now Fantini), which carries out activities in the steel sector. E.D.I. works in the field of hydrogeological systems and manufactures products for the construction of hydrogeological structures that are used to protect against hydrogeological instability, environmental rehabilitation of river beds and areas that are susceptible to erosion, as well as the restoration of land subject to landslides. EDI was established with the main objective to prevent several local companies in similar or interconnected sector not to compete among themselves but rather cooperate on the territory, which has proved to be a winning entrepreneurial strategy. The composition of its €1,779,000 strong share capital reflects this concern:

Trafilcoop_____	40.96%
CE.LA.M. S.p.A. _____	24.80%
Soficatra (a financial institution member of CECOP)___	9.03%
Coopfond (a financial institution of Legacoop)_____	9.42%
Fabrizio e Filippo Fantini (ex-Metalsifa)_____	15.78%

Trafilcoop works in the industrial sector for the production and marketing of wire rod derivatives and covers the market across the whole of the centre and south of Italy. The company's production activities take place exclusively at the Lucera site. Through its collaboration with E.D.I., it also works in the hydrogeological structures sector, producing rockfall nets and cages, as well as galvanised and plasticized electro welded nets.

The company management has shown itself to be constantly searching for innovation and diversification. By identifying the opportunity presented by the E.D.I. project and the related possibility of selling new products at a higher margin, Trafilcoop has shown itself to be a dynamic company that is well placed to identify the major changes generated by the market.

Today, the cooperative is a consolidated structure with an annual turnover of around € 9,000,000 and 51 employees who are all worker-members, among which 4 are physically or mentally disabled, whose workplace integration within the various departments has been examined on the basis of their specific skills and aptitudes. One of them works in the services department, dealing with banking, postal and photocopying tasks, two are machine operators in the net production department, whilst the fourth disadvantaged worker deals with the storage and organisation of materials.

The cooperative's subsidiary, EDI, employs 25 workers, 2 of whom are disabled, in the production area, and has a turnover of 3,000,000 €.

The two companies, Trafilcoop and EDI, obtained in 2009 the ISO 9001 product certification.

## Projects and challenges

The cooperative has been substantially affected by the crisis. The turnover has gone down from 14,000 € to 9000 €, and the EDI subsidiary from 3500 to 3000 €. Trafilcoop, as a consequence, lost 7 workplaces out of 56. However, the decrease of the workforce



is substantially lower than the decrease in turnover.

In addition, considering the particular difficulties in the current crisis, the turnover is still substantial. The level of technology that it has reached, the dynamism of the management and of the company organisation, all serve to ensure, in the future, the necessary stability of production, both in quantitative and qualitative terms and guarantee a good degree of continuity of the company's activities, even in this period of economic crisis. In order to contain costs and as part of its measures to protect the environment, Trafilcoop should become self-sufficient from an energy point of view in the short run thanks to the on-site installation of a wind turbine and of solar panels. E.D.I. is already self-sufficient in energy, having already installed solar panels in order to generate electricity through solar power.

In order to diversify its activities, Trafilcoop's management is currently developing a project, in collaboration with other worker cooperatives in Apulia that are fellow members of the Italian cooperative confederation Legacoop, with the aim of establishing energy generating plants that use renewable sources of energy, namely wind and solar power, using two "raw materials" that are available in abundance and at no cost throughout the Apulia Region, namely the wind and the sun.

### **TRAFILCOOP - Italy**

Worker Cooperative

Address: SS 160 per Troia, Km 28,300  
71036 Lucera (FG)

Year of creation: 1985

Sector: industrial engineering

Members: 50

49 worker members

1 financing member (CFI)

Workers: 51

Turnover: € 9.000.000

Website: [www.trafilcoop.it](http://www.trafilcoop.it)

Contact: [trafilcoop@trafilcoop.coop](mailto:trafilcoop@trafilcoop.coop)

# ALMARINA

Liguria, Italy

## Naval engineering

With the contribution of Monica Guzzo



Al.Ma.Ri.Na. is a worker cooperative located in the outskirts of La Spezia, close to a hub of shipbuilding activities, in an area where one of the largest naval dockyards of the Italian Navy is to be found, which undertakes all forms of naval engineering work such as fitting out, repairs and maintenance.

Al.Ma.Ri.Na. was created on 6 March 2001 by 24 former workers of a company operating in the same field of activity called Oran S.r.l., who had been made redundant as a result of the serious financial difficulties encountered by the company. Oran itself had been set up in 1981. It was one of the most admired companies in its own field since its workforce had the kind of experience and skills that were difficult to find in other companies. Indeed, in the final few years before it went out of business, Oran had an average turnover of close to €3 million and employed some 60 workers.

The reasons behind the financial difficulties encountered by the company are not related to the management of the company's activities, which were extremely healthy at the time, rather they can be traced back to liquidity issues that were triggered by two main factors.

First of all, Oran suffered the negative effects of the bankruptcy of three equally large customers, namely Cantieri Navali Ferrari, Allestimenti Signiani and Cantieri Navali Sec, which happened in quick succession over a two-year period.

Secondly, problems arose regarding the execution of a major commission to carry out sub-contracting work for the large state company ENEL. This contract required a substantial commitment from Oran, including the recruitment of new workers, but it could also have represented a definitive turning point for the company and could have enabled it to resolve all the problems created by other situations. During the course of the execution of the contract, and without making any formal changes to the contract itself, the customer informed Oran that it required a substantial amount of additional work to be carried out, even though this had not been covered by the contract. Furthermore, ENEL informed Oran that if the additional work was not carried out, it would then refuse to issue the paperwork required to ensure payment. However, at the end of the contract, this work was not recognised by the customer since it had not been formally included in the contract. The damage caused to the company by this misadventure was all but responsible for making it go bankrupt.

### **The Al.Ma.Ri.Na cooperative**

The workers who had been made redundant therefore decided to create a cooperative to continue the activities carried out by their company and to keep their own jobs, even though they had to make a lot of personal sacrifices to do so.

Once the Al.Ma.Ri.Na cooperative had been set up, Oran S.r.l. entrusted the company to it and made the building and equipment available to the newly-formed cooperative. In November 2001, Al.Ma.Ri.Na. entered into a property leasing arrangement in order to acquire ownership of the industrial buildings from Oran.

The first issue faced by the cooperative upon its creation was that of accessing credit. Despite the sacrifices made by the members, the local banking system, which was not accustomed to dealing with cooperatives, was not prepared to support the effective needs of the enterprise, even though these requirements were far more modest than the average needs of companies in this sector and despite the fact that the cooperative's balance sheet indicators were compatible with the banks' required

level of credit-worthiness. Indeed, more than one banking institution insisted on the acquisition of shares in the cooperative, which would then be deposited in the bank, as an absolute pre-condition for the provision of credit in the form of loans based on the cooperative's issued invoices.

Al.Ma.Ri.Na. turned to CFI (see box at the beginning of chapter 4) in order to emerge from this situation so that it would be able to capitalise itself, thereby displaying its own credentials to the outside world and ensuring that it was able to deal with the credit institutions on an equal footing. In 2004, CFI took a stake in the company's share capital to the tune of €330,000. The cooperative also required medium-term financing to support a plan to invest in the equipment and machinery necessary to further improve and increase its production capacity. Thus, in 2005, CFI provided the company with financing of €96,546 to purchase equipment and machinery.

In addition, the cooperative benefitted from a guarantee of € 200,000 provided by the Consorzio di Garanzia Collettiva Fidi (Collective Loans Guarantee Consortium), "Cooperfidi Liguria", to be used for the purposes of unfreezing capital.

These operations were the result of the assistance services provided by Federlavoro, the sectoral association of Italian cooperative confederation Confcooperative and a CECOP member, which made one of its own financial experts available to the cooperative.

Thanks to these cash-flow injections, the cooperative was able to access the resources required to develop, particularly in terms of creating new jobs, so that it was well placed to respond positively to the numerous requests for services, many of which it had previously been forced to turn down.

Over the years, the cooperative has also benefited from several grants totalling €80,000, which it received from the European Objective 2 (ERDF) programmes for regional investment.

Today, the cooperative has close to 60 workers and in 2008 it exceeded the turnover generated by the previous company by reaching a figure of almost €4.5 million. The high degree of professionalism of the workforce has meant that Fincantieri and the Italian Navy, both of whom were traditional customers of Oran, have continued to entrust contracts to the cooperative.

The cooperative has had a significant impact across the territory in terms of employment. In fact, Oran's collapse could have caused an employment crisis in the territory since tens of workers aged between 35 and 55 were faced with the risk of unemployment.

However, over the last few years, Al.Ma.Ri.Na. has created employment for almost 50 people, some of whom are aged over 50. The workforce is comprised of highly skilled workers for whom it would not have been easy to find appropriate work opportunities on the employment market.

Furthermore, the cooperative has launched a programme to recruit and to train young people who are put to work alongside the most experienced technicians, thereby creating a practical specialisation process so as to ensure that know-how and experience is passed on from one generation to the next. This inter-generational process will also be directed, in the future, at the cooperative's membership structure which, for the most part, is currently formed by those who were the original founders of Al.Ma.Ri.Na. Indeed, the number of members is still substantially lower than the total number of workers. This is often the case in the first phases after the cooperativisation of enterprises in crisis, especially where there is an urgent need for many new workers who cannot immediately take up the responsibilities of being members, as has been the case for Al.Ma.Ri.Na.

## The activities

First and foremost, Al.Ma.Ri.Na provides fitting out services. The main focus of this work is the installation of all aspects of the propulsion and steering systems for ships and yachts. Using the components provided by the customer, the cooperative's highly skilled workforce is able to install the engines, the steering equipment, such as the rudder, the propeller, the directional propeller, as well as all of the necessary instrumentation. The workers are able to construct or to adapt, either *in situ* or in their workshops, all of the other necessary parts (brackets, wiring, adjustment of gaps etc.).

In the area of repairs and maintenance work, the cooperative is able to carry out a wide range of work that meets with the vast majority of its customers' requirements. Furthermore, the cooperative also undertakes pipe-fitting and structural works for civil and industrial applications.

Its main market is represented by the satellite industry generated by the many shipbuilding and repair companies located in the La Spezia area, in nearby Tuscany and across the whole of Italy. Of great importance to the cooperative on this market is its well-developed relationship with the naval dockyards of the Italian Navy, with whom the cooperative works through the CINS, the Consortium of Naval Engineering Companies in the La Spezia Region, of which Al.Ma.Ri.Na. is a member.

On the cooperative's main market of reference, in Italy there are only two other companies that, on the basis of their size and the type of services they are able to offer, can truly consider themselves to be the cooperative's genuine competitors.

The advantage that the company has over these competitors is to be found in its name and its high degree of professionalism that it has been able to develop for more than 20 years, and also the fact that its services represent excellent value for money, particularly considering their high quality. These results are mostly to be attributed to the merits of the cooperative form, which has served to highlight the professional skills and personal commitment of its own worker-members.

### **Workers and quality: a driver of development**

From an economic and industrial point of view, the cooperative intends to exceed a turnover figure of €5 million over the next two years. This result will be the fruit of the further consolidation on the market of the cooperative's name, since it is developing an excellent reputation as a reflection of the advanced technical capacities of its workers and the serious attitude that it has always displayed.

Over the last few years, the cooperative has also launched a process of modernisation and expansion of its own equipment and facilities through the introduction of digitally controlled machines. In particular, new bending press and profiling equipment has already been introduced and new turning equipment has also been planned.

On a market that has the potential to be highly competitive with regard to work of average quality, a company's competitive edge is defined by its ability to increase the quality of its own work so that it stands out from the crowd and carves out its own market niche. The strategy adopted by the cooperative thus far has been designed to achieve this very aim. What distinguishes Al.Ma.Ri.Na. from its potential competitors is the quality that it is able to express and that enables it to obtain contracts that represent a high added value.

This added value is the direct consequence of the capacities of the cooperative's members and workforce. For this reason, the cooperative form, which provides a high degree of inclusion and sense of belonging for its own members in the dynamics of the activities, has produced excellent results over the last few years.

Despite the current economic crisis, the cooperative has an optimistic outlook. Its number of orders continues to grow.

Although the sectors related to shipbuilding have shrunk in this period, just like all other sectors, they are less vulnerable to short-term fluctuations since their work is based on multi-annual programs.

**Al.Ma.Ri.Na - Italy**

Worker Cooperative

Address: fraz. Greti di San Martino  
Follo 19020 (SP)

Year of creation: 2001

Sector: naval engineering

Workers: 41  
Out of whom: 18 worker-members

Turnover: € 5,104,000 (2009)

Web: [www.almarina.it](http://www.almarina.it)

Contact: Fulvio Mazzi: [presidenza@almarina.it](mailto:presidenza@almarina.it)  
Eugenio Boero: [e.boero@tiscali.it](mailto:e.boero@tiscali.it)

# Ceralep

Rhône-Alpes, France

## Ceramics insulators

With the contribution of Dominique Artaud



## Introduction

Ceralep is a French SME producing ceramics insulators established in 1921. It was acquired by a US equity fund in 2001, liquidated three years later, and then transformed into a cooperative by its own employees with the help of a network of cooperative institutions in 2004. The company switched from a net loss situation to one of profitability and expansion in less than a year, and the trend has continued ever since.

Saint-Vallier, where Ceralep is situated, is a small town of 4,000 inhabitants, on the side of the river Rhône south of Lyon, in a rural district where agriculture is important but where there are also many SMEs. Unemployment in town is high (officially around 10%) and is increasing with the crisis. Poverty is on the increase as well, and this can be seen by the number of people who registered to the “food bank” (a food distribution system) and who go and eat at the local “resto du coeur” (a network of French canteens for the poor).

## Evolution of Ceralep until the change in ownership in 2004

In 1989, Ceralep, who until then was under the partial control of the French group Alstom, was sold to a Swiss firm, and in 1993 to an Austrian one. Until then it was run like a conventional industrial subsidiary.

But in 2001, things changed. The US ceramics firm PPC Insulators acquired the insulator section of Ceralep's Austrian mother house Ceram. PPC insulators, in turn, had been purchased in 1998 by Riverside Equity Fund, itself participated by a series of US pension funds. Thence, the group was dominated by financial interests rather than industrial and real-economy ones. The Ceralep staff immediately noted a significant change in their relation with management. Investments and production fell, most of the executives were no longer there, and technology and know-how were gradually transferred to other subsidiaries of the group. In 2002, the company had a deficit. The climate worsened rapidly, and an employee even committed suicide in the plant.

During that period, the workers blocked various attempts to move big pieces of machinery from the factory, thereby preventing the company from being completely emptied of its value, which would have left the workers with nothing to buy out.

In September 2003, PPC Insulators filed a petition in bankruptcy and Ceralep was put in administration. PPC Insulators argued that the production costs had become too high and that competition had become too fierce for the business to be able to survive.

In November 2003, PPC Insulators laid off over 50 workers. In January 2004, the remaining workers presented a worker buy-out offer with a symbolic euro purchasing price, and without any business plan nor planned investments. However, works council deputy secretary Robert Nicaise contacted the regional union of worker cooperatives URSCOP Rhône-Alpes (see box), whose experts immediately went on the spot and diagnosed that the buy-out plan filed in by the workers had no future. Indeed, two days later; the local commercial court decided to proceed with the liquidation of the company.

## PROOF

URSCOP Rhône-Alpes is one of the 12 French regional unions of worker cooperatives. It brings together 302 cooperatives with 4,725 workers, out of whom 3,069 are members. It ensures the representation of the cooperative enterprises with the public authorities, local governments, and all actors present on the regional territory. Its mission is also to encourage exchanges and encounters, experience sharing and common projects between the cooperatives from its network. It has a team of twelve people, the majority of whom dedicate themselves

to counselling activities with the enterprises and enterprise founders. These advisors have regular and long-term contacts with the cooperative enterprises, and are thus able to raise awareness of difficulties, identify the needs, and propose solutions, either directly, or availing themselves of the help of a network of experts. The organisation is also involved in training and the design of training modules. Particular attention has been focused on the financing needs of the cooperatives. URSCOP-Rhône-Alpes works with a whole array of financial tools, corresponding to different types of situations. In 2009 the financial tools of the cooperative movement invested 4.6 million in the worker cooperatives (SCOP) and the collective interest cooperatives (SCIC) of the region.

The URSCOP Rhône-Alpes advisors immediately went back to Ceralep and helped the workers draft and present to the judge an alternative buy-out project, but this time with a sound business plan. However, the factory was sealed off because of the liquidation, and thus the workers had no access to the necessary information, and none of them had an overall knowledge of the whole business. The URSCOP Rhône-Alpes advisors helped them piece up together the company's data, including the client list, through interviews and work in small groups.

As came out from the business plan which they finally managed to design, the project could not provide employment to all 93 workers, but only to 52 of them. Fortunately, there were around 35 workers who preferred to receive their lay-off indemnity. But it was also necessary to check every workplace and make sure that there was adequate staff continuity for each workplace. As a result, only three of the workers who wanted to take part in the new project could not be taken on board.

The business plan took into account three elements:

1. The cost of acquiring the assets, which fortunately had become very low after the liquidation;
2. The financing of initial investments which were vital to maintain the competitiveness of the business;
3. The need for working capital, which was the most important.

However, in order to bring the project forward, a visible leader from among the workers was necessary. Robert Nicaise, understanding that, if he did not do it, the project would fail anyway, decided to take the leadership, even though initially it was considered that, as a shop floor worker, he was not credible as a manager.

Then Dominique Artaud, a retired high level-executive of various multinational

companies, and having grown up in Saint Vallier, took up the workers' cause and decided to help them in this project on a voluntary basis. This substantially enhanced the credibility of the project.

But, in order to raise the €1.5 million needed before the project could be sent to the judge, it was first of all necessary to raise €100,000 in share capital. The URSCOP-Rhone-Alpes advisors explained to the workers that they had to find €100,000 within a few days, and installed a small ballot in which each employee could pledge an amount of share capital. As the sum thus gathered was only €50,000, another €50,000 were needed.

Robert Nicaise proposed to collect the money in the local community. The workers agreed and started collecting money around the town and mainly on the national road in front of the factory. Hundreds of ordinary people spontaneously donated money. In barely ten days, around 800 donors had pledged the aggregate sum of €50,000, which could be added to the start-up share capital.

But another 1.4 million Euros were needed to raise the €1.5 million which the business plan required. The first institution to intervene was Socoden (see box below), with a matching contribution of 100,000 Euros, equivalent to the share capital raised. The second one was ESFIN-IDES (see box below), also with 100,000 Euros.

SOCODEN is a French solidarity fund established in 1965 under the French worker cooperative confederation CGSCOP, with the aim to respond to the financial needs of the French worker cooperatives that are not covered by the conventional banking networks. It intervenes at all stages of the life of the worker cooperatives, from start-up to buy outs and external growth operations and development. On average, 150 projects are launched every year by SOCODEN and other related financial institutions of the French worker cooperative movement, out of which start ups and worker buy-outs of enterprises in crisis represent 43%, development projects in existing cooperatives 32 %, and transfer of healthy enterprises to their workers 11%. In addition, 100 loan applications granted by the Credit Coopératif bank to worker cooperatives are guaranteed by a dedicated guarantee fund. By providing funds that are assimilated to equity, Socoden aims to create a lever effect on other financial institution by generating trust. Socoden is capitalised by one per thousand of the turnover of the worker cooperatives affiliated to CGSCOP (presently over 1900 enterprises).

ESFIN-IDES is a group of institutions established in 1983, with a share capital which is predominantly detained by institutions of the social economy (mainly cooperative banks), with a minority participation of the state. Its mission is to finance the enterprises of the social economy (cooperatives, mutuals and associations) with its own funds, mainly under the form of participative certificates (a financial instrument with an interest having a fixed part and a flexible part, depending on the economic results of the participated enterprises). IDES is the institution of the group which is most closely linked to worker cooperatives. Its activities are predominantly concentrated in worker cooperatives (70 to 80%). It finances mainly the development of existing cooperatives, and in some cases also start-ups, buy outs of enterprises in crisis or the conversion of healthy enterprises into cooperatives.

The third financial actor that was approached was the cooperative bank *Crédit Coopératif*. All the main local public authorities, such as the department, the municipality, the local association of municipalities, also supported the project. As a result, the workers finally found the €1.5 million funding, and presented the new buy-out project to the judge, a few weeks after the liquidation had been pronounced. The judge in the end gave his green light to the cooperative project.

### **Ceralep re-established as a cooperative: from 2004 onwards**

It took another two weeks to re-establish Ceralep under the cooperative form and start production. Workers immediately felt more integrated and more responsible to make things work and churn out quality products. The new company also had less expenditure, as it no longer had to shoulder the high wages and representation costs of the previous management.

But a self-management spirit was not sufficient. A vital contribution in training and advisory services was then provided by URSCOP-Rhone-Alpes, whose experts in different business areas (strategy, financial management, sales etc) went to St Vallier at least half a day every two weeks, and had constant telephone conversations with Ceralep's management in between. They provided basic training on cooperative matters to all 52 workers, through 2-3 days training cycles in small



groups, and additional training to the Board members. Dominique Artaud, a former transnational company executive, also provided his professional expertise for around six months. As a result of this process which lasted about a year, the workers were able to manage the company on their own.

Regaining previous clients was another big challenge. Ceralep patiently convinced its 130-odd clients one by one, whereas the ex-parent company, PPC Insulators, opened a commercial office in a nearby town, fighting for the same client list. Ceralep's strategy paid off, and their main clients came back one by one, including big ones like Areva.

At the end of 2005, Ceralep had managed to survive and the new management could make a first, positive assessment of their first few months of production.

**Table 1 – Ceralep's main figures 2000 - 2009**

	Turnover (million €)	Export (%)	Labour productivity	Waste (%)	Employment (persons)	Profit (million €)
2000	16.07	n.a.	80.5	18.20	207	- 4.12
2001	14.18	n.a.	84.4	17.90	168	- 4.01
2002	14.03	n.a.	84.5	21.80	166	- 1.24
2003	n.a.	n.a.	0.0	20.20	93	n.a.
2004				17.80	52	
2005	4.89	49	90.7	20.10	54	0.12
2006	4.92	55	91.1	17	54	0.11
2007	5.78	35	103.3	15.20	56	0.64
2008	6.15	41	104.2	22.30	59	0.16
2009	5.90	36	96.2	14	60	0.19

*Source: CERALEP<sup>16</sup>*

The figures on the above table give us the following indications:

- Turnover has remained substantially below the volume of the early 2000s, but it grew steadily between 2004 and 2008. It went down slightly in 2009 as a result of the ongoing economic crisis.
- The percentage of exports has remained high during the whole period.
- Labour productivity is markedly higher than in 2000-2002.

<sup>16</sup> The figures under 2005 are for 2004 and 2005. Since production only started late in 2004, the first accounts of the new cooperative included both years.

- At the same time, employment has increased steadily since 2004: in 2009, it was 17% higher than in 2004.
- Apart from 2008, there has been a steady reduction of waste since 2002.
- Annual profits (even though moderate except for 2007) contrast with the bad performances of 2000-2002.

### **Ceralep's contribution to the district**

A first contribution is that the cooperative model introduced by Ceralep made it possible to save the local swimming pool under the cooperative form. Almost immediately after Ceralep was converted into a cooperative, a similar crisis took place at the swimming pool of the neighbouring village of Anneyron. The swimming pool was losing money and liquidated, leaving the 6 employees without a job. The General Council of the Drôme Département, with the Ceralep story fresh in their minds, thought about the cooperative solution and got in touch with the regional union of worker cooperatives URSCOP Rhône-Alpes and Dominique Artaud, who, again, assisted the workers in building their cooperative project. The decisive element which made the business plan feasible was that the General Council decided to raise by 20 per cent the cost of renting the swimming pool for groups of schoolchildren. After 4 years, the cooperative is a successful business, and the district has been able to keep its only swimming pool.

A second type of contribution has been the community initiatives promoted by the Association of Friends of Ceralep. This Association, made up of the 802 persons who gave donations for a total of €50,000 under the form of share capital in 2004, is a member of the cooperative and, as such, receives financial returns from it. These returns go back to the community by organising every year an open-door day at Ceralep, during which the people can have a drink, visit the plant and be informed about the evolution of the business. Every year since 2004, this open-door day has been a big success: for example, over 400 persons came in 2009, including 25% from among the original donors, but also other people from the district. The balance of the financial returns is used to sponsor the local basket ball team, which is a professional series B team and the pride of the district. Through the association, Ceralep creates a double link between the cooperative and the local community: the open day initiative enables the local inhabitants to be updated on the evolution of the enterprise, and the sponsoring of the local basketball team is a contribution to something which the local community strongly identifies with.

The Saint Vallier municipality is presently negotiating funds for a public theme park

project focusing on the ceramics sectors, exhibiting pieces from local artists, as well as Ceralep products. Mayor Jacques Cheval argues that the park will connect the inhabitants to their roots, as most of them have family members who worked in the ceramics sector in the past, and that it will contribute to improve the image of the town, which as recently deteriorated because of a new wave of delinquency. Thus, Ceralep is gradually becoming one of the main pillars of St Vallier's assets in terms of identity and culture.

## Main lessons from the Ceralep experience and challenges ahead

The main lessons we can draw from this experience are the following;

- First, there was a group of iron-willed persons headed by a person with leadership qualities to initiate the project. This was essential both for internal reasons (to mobilise the rest of the workforce) and external reasons (to have a visible face for all the negotiations that were needed to establish the cooperative).
- Secondly, the fact that the workers behaved like real actors taking entrepreneurial responsibilities (by contrast with the previous management which had no real-economy logic) appears to be fundamental. Having people in the enterprise who really shoulder entrepreneurial responsibilities has proved to be a central element in terms of quality and productivity gains.
- Third, the experiment began to succeed when the workers had elaborated a vision of their own business and a sound entrepreneurial project. Of course, the first condition for this was to have a product which was sustainable commercially. Ceralep being the only company left in France producing this type of product and possessing all the production and trade knowledge linked to it, this was obviously the case. But this was not enough. The project appeared very obvious and clear to the external actors who intervened in it, not only because the technical conditions were met, but also because there was a clear vision of the business by the very actors who wanted to bring it forward: the workers. In fact, a complete reversal of the situation took place: the parent company, which was expected to bring about sound and professional management and create added value, did not do it, whereas those who in the end did it were the workers, although they were not supposed to do it.
- Fourth, the Ceralep experience shows to what extent local community support is important. Indeed, one of the main characteristic of this experience is mobilisation of the local community, which was not only a one-time phenomenon, but remains through the participation in the annual "open door" day.

Robert Nicaise considers that: “The cooperative system, combined with a complete mobilisation of the local actors, with the clients’ trust and with the quality of the products which we produce, has made it possible to save our enterprise. Before, management was pyramidal. The group spoke to management, who explained something to an executive who, in turn, transmitted it to his teams. Now management is horizontal. This happens naturally, because nothing is hidden and the fact that everyone is a member of the company stimulates the teams considerably”<sup>17</sup>.

Ceralep is a good example of an enterprise whose viability was threatened by predatory capital. Now that the workers-entrepreneurs have taken responsibility, the enterprise is developing. The workers have improved their well-being. The company has begun to build solid reserves and has turned to be a net employer again.

In addition, their product, on which they have regained a solid position on the market, is not deeply affected by the present crisis because many of the clients need to renew their infrastructure regularly. But the company still needs to consolidate itself, and is trying to see if and how it could create a better production system with its small French providers. It is working on new cooperation prospects with Asia, and in particular with China, which could reaffirm its position as one of the main distinctive firms producing this high-quality product in the world.

### **CERALEP - France**

Worker Cooperative

Address: CERALEP - BP73 / F-26241 St-Vallier Cedex - France

Year of creation: 1921, transformed into a cooperative in 2004

Sector: ceramics insulator for electrical lines

Members:

Workers: 60

Turnover (2009): € 5.90 million

Web: <http://www.ceralep.fr>

Contact: [robert.nicaise@ceralep.com](mailto:robert.nicaise@ceralep.com)



# Usis

Provence, France

## Machinery, Manufacturing and Foundry

With the contribution of Mathieu Odaimy



Today Usis Entreprise is a thriving cooperative that was created following the collapse of Usis SA. From the very outset the workers in this company that specialises in machining and mechanical industry were determined to save their jobs and their company by any means possible. Whilst searching the internet they came across the website of the Regional Union of Worker Cooperatives of Provence - Alpes - Côte d'Azur (URSCOP PACA). The website explained how many companies had been able to continue their activities and to develop after they had gone bankrupt or had been forced into compulsory liquidation. The solution to their problems lay in the company being taken over as a worker cooperative.

The Plisson firm, a family-run company based in Arles, had been active since 1986 in the areas of boiler-making and the machining of made-to-measure components. The company was taken over by a private investor in 2000 and was given a new name, Usis SA. The new owners did not have the management skills

necessary for a Usis-sized SME. They therefore had to call upon external advisors, and overhead costs skyrocketed. Furthermore, the fact that the owners had taken out a loan to finance the acquisition of the company meant that cash-flow was extremely tight from the very beginning. The company, which had a virtually artisanal approach, found it difficult to adapt to the market on which it was present, particularly since this was a highly competitive sector and the economic context was not good. It began to encounter its first difficulties and saw its results gradually decline until it was eventually placed into receivership.

### **Takeover in the form of a cooperative**

In December 2003, following three difficult years and a series of negative results, the company finally went into liquidation. At the time, Matthieu Odaimy had been in charge of production for just one year. He had a great deal of belief in the company's potential and the motivation of his fellow workers. Convinced that the company had gone out of business due to poor management and a lack of organisation, 18 of the company's 26 workers decided that they would save it. They discovered the cooperative model, which corresponds exactly to their expectations, almost by accident: a legal status that entitles them to become collective owners of their work equipment. They therefore decided to submit a bid to the relevant authorities to take over the company in the form of a cooperative. But they had to move very quickly.

### **Assistance provided by the cooperative network**

Their efforts to put the bid together benefited from the support of the cooperative network as a whole and this enabled them, thanks to the financial and legal know-how provided, to prepare their bid to take over the company, to draft the statutes, to validate their working capital requirements and to obtain the necessary financing, all in the space of a few days.

Initially, the people who wanted to take over the company only had a small amount of their own financial resources. Indeed, they had a starting capital of €120,000, €25,000 in cash, whilst a further €85,000 was given to them by Socoden<sup>18</sup> in the form of an advance refund of the social contributions they would be exempted from as a result of saving their jobs. In all of their efforts they were supported by the Regional Union of Worker Cooperatives of Provence - Alpes - Côte d'Azur (URSCOP PACA<sup>19</sup>).

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<sup>18</sup> See box in Chapter 5

<sup>19</sup> For further information regarding the role of the regional unions of workers' cooperatives in France, see box on URSCOP Rhône-Alpes in Chapter 5

The Union provided access to various forms of financing, including PARGEST, a financial instrument for cooperatives using shareholder equity (see box below). This instrument was able to complete the capital for an amount of €6,000 and provided a loan of €54,000. The Crédit Coopératif bank provided an unsecured loan of €75,000 to the group of workers intending to take over the company. This support proved to be indispensable and allowed the workers to bridge the shortfall in working capital.

### **The PARGEST (Participation – Management) Fund: provision of equity and risk capital, created in 1989**

Cooperatives sometimes find it difficult to access traditional risk capital companies since they are not particularly well acquainted with their status. In order to respond to increasing demands made by the banks for substantial amounts of equity capital, particularly in the case of takeovers, the Regional Union of Worker Cooperatives of Provence-Alpes-Côte d’Azur created a financial instrument that is based on equity capital.

PARGEST provides equity capital or quasi-equity capital (equity security, participatory capital loans). The decision-making process and the processing of the payment of the financing may be very swift and this was of great importance in the case of Usis.

PARGEST represents equity capital of approximately € 3 million thanks to the support of numerous partners and shareholders (Conseil Général des Bouches-du-Rhône, Conseil Régional PACA, Crédit Coopératif etc.) as well as several cooperatives that see their involvement in PARGEST as a way to express their solidarity.

The Regional Union then supported the group interested in the takeover when it went to the commercial court. Initially, the court considered the bid to be unsatisfactory. However, the situation changed when flood waters found their way into the Usis factory, making all of the machinery inoperable. The bid made by the former workers then took on a different dimension and it was accepted by the court. In this way, the company’s former workers were able to take over a part of the firm’s assets with activity margins in December 2003.

The firm’s activities had formerly focussed on the maintenance of industrial sites and agricultural machinery. However, in order to adapt to change and to develop, Usis had to switch its focus to different, more advanced activities and to develop corresponding technical skills, as well as to implement a genuine industrial policy. Usis therefore decided to target new markets in sectors as varied as aeronautics, energy and nuclear energy.

Although the results generated initially were somewhat low – the company had only 2 weeks of activities scheduled at the outset – this new policy enabled Usis to win new contracts. The company developed very quickly and at times its scheduled activities may cover a six-month period. Since the takeover, Usis has been successful in filling its order books and has recorded an annual growth rate of 25%. Between 2008 and 2009, Usis undertook the construction of brand new buildings and the transfer of its offices and machinery and equipment to premises covering a surface area of more than 3,000 square metres. This required an overall investment of €3.6 million (half of which took the form of a loan from the Crédit Coopératif).

The Regional Union continues to support Usis when it carries out its “cooperative audit”, which is the annual health check applied to cooperatives and which focusses on their financial situation, the way in which they operate as cooperatives, organisation, strategy and legal conformity. The audit is presented to the members during the general assembly.



### **New acquisition and the creation of the Usis group**

In 2009, Usis acquired the *Acéries et fonderies de Provence (AFP)* cooperative after it had been placed in administration. Once again, a form of management that was not appropriate for the market and an unfavourable commercial context had proved to be fatal for this company. Usis was therefore only able to keep on 46 of the cooperative’s 59 workers, but it has undertaken to re-create these lost jobs once the economic situation allows them to do so.

Under its new name of *AFP Entreprises*, this cooperative

will enable Usis to expand its production of components, from unprocessed materials to machining. In fact, AFP Entreprise carries out casting works. The components that leave the factory gates constitute Usis' raw materials that it then processes and transforms into finished product.

Usis holds 49% of the total capital of €300,000 for a period that is restricted to ten years by French law (see box). This means that Usis is able to hold 49% of AFP Entreprises for the maximum period of 10 years stipulated by the law, thereby guaranteeing that the majority interest is held by AFP's worker-members. At the end of this transition period, AFP will once again become a conventional worker cooperative whose capital is held exclusively by its own worker-members, just like Usis. However, at the same time the two cooperatives (Usis and AFP) will combine their interests at different levels (commercial, purchasing, accounting).

### Specific provisions in French law regarding cooperatives's participation in other cooperatives

The provisions that enabled Usis to take over AFP in this form are unique and specific to French legislation.

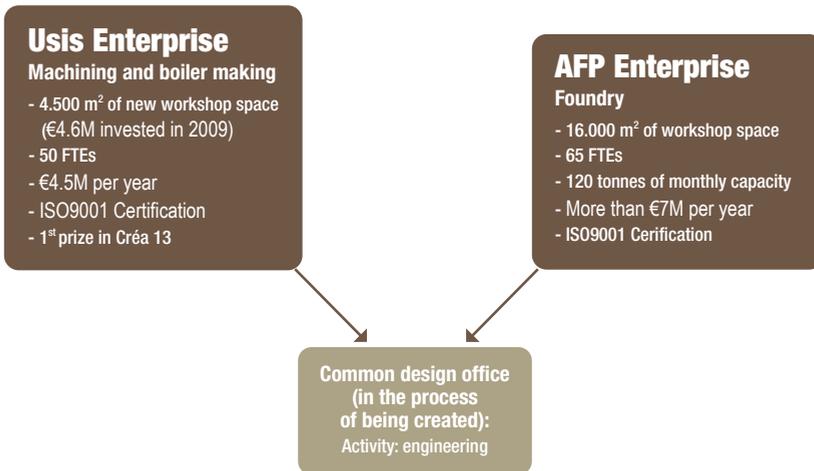
The Law introduced in 1978 (art. 25) provides for the organisation of a particular system for a parent SCOP (worker cooperative) that holds a share in the capital of a daughter SCOP (within the limitation of 50% of the latter's total capital). In this case, the statutes may grant the parent company a number of supplementary votes in the daughter company's general assembly. The number of these votes may not exceed the number of worker-members in the company that has the least number of them and 50% of the total number of votes of the daughter company.

The Law number 92-643 of 13 July 1992 regarding the modernisation of cooperative enterprises has created another system for all forms of cooperatives: regardless of its form, a cooperative may participate as a non-worker member in the capital of another cooperative, regardless of its form. It may hold votes in proportion to its capital, but in this case only up to 49% of the total number of votes after 10 years.

Indeed, the objective is to create, between the two cooperatives, a basis that is appropriate for a group of companies in which all of the elements will be put in place to encourage everyone to work together in full respect of the cooperative values. Furthermore, the two cooperatives will be able to use this group structure in order to establish a global provision of services that will enable them to adopt a commercial position that is more attractive to their clients, whilst also allowing for the creation

of joint synergies and the achievement of higher performance levels. This takeover was also carried out with the support of the non-banking financial instruments of the cooperative movement, namely Socoden (see box in Chapter 6) and PARGEST (see box above), as well as the Crédit Coopératif bank.

**Fig 3 – The USIS Group**



*Source: USIS*

The desire to create a cooperative group was based upon a simple observation: Usis, which makes precision mechanical components and boilers, works on a sub-contracting basis for companies that have part of the required manufacturing capability. This means that Usis' position is always subject to violent market fluctuations. As soon as there is a fall in activity, their clients always turn to their own subsidiaries whose costs are lower in order to provide work in the workshops. Furthermore, despite the considerable development and strong position achieved by Usis, the possibilities of further developing production were beginning to reach their limit. Usis had to expand the provision of its services in order not only to carry out the manufacturing of materials, but also to process them and to provide the upstream engineering services that accompany this process. In this way, it should be possible to innovate, to provide materials and to process them into finished product so as to respond to new requirements. Taking this simple observation as a starting point, Usis realised that it needed to switch from being a sub-contractor to being a manufacturer in order to elevate the company's position on the value chain. The acquisition of AFP is part of this strategic development process.

Today the Usis group has a turnover of €11 million and has a workforce of 110 FTEs.

**Table 2 – USIS – Turnover, employment and results**

	2004	2005	2006	2007	2008	2009*	2010 (forecast)
Turnover	€ 2.1 million	€ 2.8 million	€ 3.1 million	€ 3.4 million	€ 4.4 million	€ 4 million	€ 3.8 million
Number of workers	22	27	30	33	40	45	45
Results	€ 400,000	€ 455,000	€ 465,000	€ 510,000	€ 558,000	€ 150,000	€ 558,000

\*2009 : a year of transition with the move of the Arles / Tarascon production unit

*Source: USIS*

Currently, Usis is working on the integration of a design office as a subsidiary of the group. With a specific focus on mechanical engineering, the design office will propose turnkey solutions upstream of the manufacturing process. The integration of this design office within the group would give it the legitimacy required to carry out turnkey projects. In this way, the Usis design office will be integrated into a manufacturing process that is not only tried and trusted but also financially sound. Today, it is even considering the possibility of applying for a patent in the case of innovative projects that could be used for other applications in the future.

In the five years of its existence as a cooperative, Usis has changed from being a company in administration to being a highly performing one intent on creating a group of companies. In this way, the company has been able to establish an average annual growth rate of 25% in terms of the workforce, turnover and means of production.

At the time of its creation, Usis had 18 worker-members and now has 45 workers, 27 of whom are members. Even today, Mathieu Odaimy and the Usis workers continue to emphasise the fact that, thanks to the cooperative model, it was not necessary to stop the company's activities and to make the workers unemployed. For the Usis workers, this model represents a basis for long-term development thanks to its anchoring in the territory and its participation-based governance.

#### **For further reading:**

<http://www.ledauphine.com/industriela-fonderie-reprise-par-usis-entreprise-46-emplois-conserves-sur-59-les-acieries-de-provence-ne-fermeront-pas-@/index.jspz?chaine=13&article=223622>

**Usis - France**

Worker Cooperative

Address: Route de Tarascon  
13200 ARLES

Year of creation: 2003

Sector: Engineering

Workers: Usis 45, of which 60% are worker-members  
Usis+AFP group: 110

Turnover: Usis: € 4.5 million  
Usis+AFP group: € 11 million

Contact: Matthieu Odaimy  
contact@usis.fr - www.usis.fr

# M-RY

Poitou-Charente, France

## Public works

With the contribution of Bernard Lathière,  
Pierre Liret and Régis Tillay



## From a family-run company to the M-RY cooperative

In 1900, Frédéric Esmery created his general company for the transportation and sale of coal and oil in Partenay, nears Poitiers. His son, Fernand Esmery, took over the business from him and then, in 1954, his grandson began the public works activities and developed the company until it had a workforce of almost 200 in 1965. Following the death of Maurice Esmery in 1970, the company continued to be family-run and his wife took over the reins. It was at that time that the company began to decline: the economic climate was not particularly favourable and the management structure was not capable of effectively manage the company. Having failed to adapt to market changes, the Esmery Company found itself on the verge of collapse and went into voluntary liquidation in 1984.

Once the company had gone into liquidation, the workforce, led by works manager Jean-Claude Guibault and the Regional Union of Worker Cooperatives of Poitou-Charentes, deployed all of their efforts to save it and to turn it into a cooperative. The group of people interested in taking it over pumped their redundancy payments into the company's capital and this, amongst other things, enabled the Nouvelle M-RY worker cooperative to be created in January 1985, before its name was then shortened to M-RY. This approach appeared to be the best solution in order to ensure that the company could be transferred over to this group of workers. In 1994, Bernard Lathière took over from Jean-Claude Guibault as the chairman of the cooperative. At that time the company had a workforce of 44.

The involvement of the Regional Union in the process of turning the company into a cooperative proved to be a real asset. Indeed, it was able to support the workers throughout the process, from the drafting of the articles of incorporation to the preparation of the business plan. It helped facilitate contacts with the mayor of the town of Parthenay and its economic affairs services and, together with the workers, presented the takeover application to both the commercial court and the banks. In this way, it provided training to the future cooperators regarding their new rights and duties. Furthermore, the Regional Union has also periodically provided assistance in the training of new members (the "Welcome to Worker Cooperatives" Programme), new members of the board (the "Worker Cooperatives Management Programme") and also in performing the cooperative audit, as required by French law.

### **Growth and takeover of SAS Naudon**

The development of M-RY has been on-going since it became a cooperative. Indeed, since 1994, the company, which is specialised in public works and was initially primarily active in the area of road works and canalization, has extended its activities into the field of highway construction. This activity has opened up new doors and now gives it access to bigger public procurement contracts.

In parallel to the development of its activity, M-RY has acquired several companies that were either experiencing difficulties or did not have an heir, thereby helping to save jobs. Thus, its first external development took place in 1997 with the purchase of the business of a craftsman who was retiring and the employment of his two workers in the cooperative. The cooperative's expansion continued in 1998 when it created a works centre in Saint-Maixent-l'École and took on five workers from the TPSM public works company after it had gone into liquidation.

In 1999, M-RY set up an agency in Poitiers following the acquisition of the assets

of SVS (Société Voirie Service), which had also been placed into liquidation. In this way it was possible to save the jobs of 16 of the 26 workers employed by the company when it went into voluntary liquidation.

M-RY has essentially adopted a policy of being dependent upon its own means, which enables it to be autonomous vis-à-vis its competitors. In 2001, it acquired a limestone quarry and a holding in the Interliant firm, which processes the raw bitumen produced by oil refineries so that it can then be used on roads. It has an 18% holding in Interliant, which enables M-RY to purchase road binder at cost price. In 2005, M-RY also purchased a mobile road material coating plant for use in its activities.

In 2007, M-RY acquired SAS Naudon upon the retirement of the company's founding couple who had run the company for 36 years. The company, which specialises in earth-works and road works, was in major difficulty.

Having quickly revived its activities during 2008, Naudon, which had become a subsidiary of M-RY, was then fully integrated within the company by means of a merger. This acquisition enabled Naudon, which was the last surviving public works SME of any major importance in the greater Niort area, to continue to operate under a new form, with the possibility for the workers to become worker-members. According to Bernard Lathière, the chairman and managing director of M-RY, this takeover was instrumental in saving the company: in fact, the economic crisis, the financial difficulties it was experiencing and the small amount of interest being shown in it by other potential buyers all meant that the company would almost certainly have disappeared the following year. For their part, the Naudon workers see this takeover as a blessing following the uncertainty regarding their fate and the many years of difficulty experienced by the company. Since the buy-out, they have received training about the cooperative status and their new responsibilities: indeed, they are devoted to becoming co-entrepreneurs and, as such, they will have to take part in the decisions taken within their company.

The Regional Union of Worker Cooperatives has also been involved throughout all of these developmental phases, notably in assisting the cooperative to put together its takeover plans for TPSM and SVS and then in validating different hypotheses regarding the buy-out of NAUDON.

Today, M-RY cooperative specialises in earthworks, highways and urban roads, as well as canalization for the transportation of drinking water and drainage works. The company has several quality labels in the drinking water and drainage sectors (Syndicat Canalisateurs de France, Gaz de France, Water Boards, the Ministries for Agriculture and Facilities, the French Chamber of Advisory Engineers, the National

Federation of Public Works as well as the National Federation of project managers).

Despite the crisis, the company's order books are in good shape and the future of the worker-members would appear to be guaranteed. Bernard Lathière has explained that the aim of the cooperative approach is to carry out business in a collective way, thereby safeguarding jobs. Furthermore, given the financial structure of the cooperative, the fact that the surplus is assigned to the indivisible reserves means that it is possible to increase the equity capital each year, which is a real advantage in times of crisis.

The development of M-RY is excellent proof of the added value of cooperatives in the event of the transfer and the takeover of a company, since it is able to ensure the long term future of the means of work and employment across the territory, accompanied by a firm desire to keep jobs at a local level. In fact, the cooperative has grown in size over the course of the years.

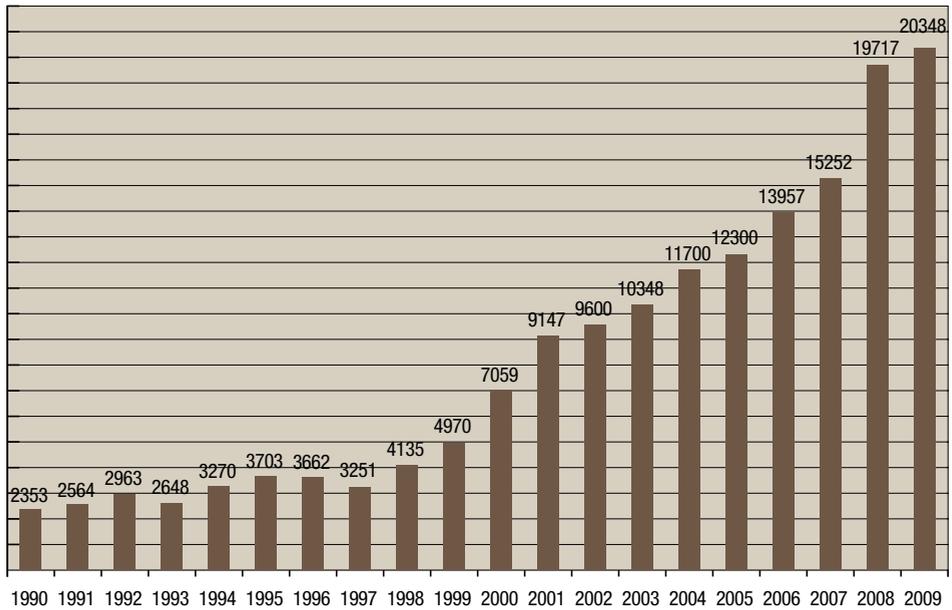
Twelve of the 160 people working for the cooperative today are apprentices. The company is therefore very much focussed upon the promotion of the social dimension and knowledge learning, both of which are integral part of its policy. The workers are encouraged to take initiatives to acquire new know-how, which in turn enables them to benefit from promotion within the company.

In 2010, M-RY celebrated its 25<sup>th</sup> year as a cooperative. By the end of the next general assembly, the 24 workers who joined the company following the takeover of Naudon will all have become members of the cooperative and this will mean that the entire workforce will be composed of worker members.

**Table 3 – Mry - Changes in the number of workers**

1965	200 workers
1985	80 workers (company enters into voluntary liquidation)
1986	34 workers (company taken over by the workers and turned into a cooperative)
1994	44 workers
2010	160 workers
Composition of the 160 workers: 44 to start with + 47 from external growth [+2 Teyer +5 STPM +16 SVS +24 Naudon]+69 new recruits = +/- 4 workers/per year for 16 years	

*Source: Mry*

**Graph 3 – Mry – Development of the turnover in thousands of €:**

*Source: Mry*

## Future prospects

The current size of the cooperative is sufficient to make it competitive in the territory where it operates. The two successive crises that the company has had to endure, namely the sharp price increase in raw materials during the winter of 2007-2008 and the financial and banking crisis during the winter of 2008-2009, have led to a recession and a fall in activities. For the time being, this means that it is not possible to pursue the growth of the cooperative without running the risk of weakening it: the company must therefore “assimilate” the strong growth it has achieved over the last 10 years.

In the future, M-RY would like to establish partnerships between cooperatives, other SMEs and industrial companies so as to be able to acquire the skills that it currently lacks and also to create synergies (through the networking effect) that will make the cooperative more solid and competitive, with a view to achieving the same objective of guaranteeing jobs in the long-term and to allow the worker-members to develop within the company.

**M-RY - France**

Worker Cooperative

Address: 20, Boulevard Bernard Palissy  
79200 Parthenay

Year of creation: 1900 (from scratch)  
1985 (transformation into a cooperative)

Sector: public works

Workers: 157  
85% worker members

Turnover: approx. € 20.35 million (2009)

Contact: Bernard Lathiere  
parthenay@m-ry.com

# **How cooperatives offer stable jobs and integration into society for marginalised citizens**



# La Fageda

Catalunia, Spain

## Dairy products

With the contribution of Albert Riera



La Fageda is a Catalan cooperative founded in 1982 with the objective to provide social and work integration to people with mental disabilities and acute mental diseases. La Fageda being a worker cooperative (although it is also a social cooperative according to the Spanish legislation), its members are mainly workers, including those with disabilities (who are the majority). There are other types of members, namely the legal representatives or family members of disabled persons hosted by La Fageda and who are legally not allowed to work, as well as the professionals from the welfare foundations that provide services to La Fageda.

This cooperative runs a dairy farm with more than 500 cows, specialised in the production of milk (it has over 500 cows) and yogurt. La Fageda is also a plant nursery and provides gardening services, dealing with the maintenance of public green spaces in several municipalities of its area and taking care of the Natural Park of the Volcanic Area in Garrotxa.

La Fageda is structured today as a project of lifelong assistance to persons with mental illness. In fact, the cooperative works at several levels in order to provide a broad variety of services: the *occupational therapy service* for acute mental diseases; the *special centre for work*, for the involvement in the “productive activities” in the cooperative; the *support service*, a bridge to develop job opportunities for disabled workers in conventional enterprises; the *residential care service*, where part of the disabled workers are hosted in dedicated structures with assistance; activities for *leisure and spare time*.

The history of the cooperative started in 1980. The idea was to set up a project to make a change in the living conditions of people with mental disabilities. Doctors and professionals working in the care centres for mentally ill persons understood the need to break the social isolation of their patients and to increase the quality of life of people with mental disorders. They dreamt of an economically viable project, not based on charity but on work involvement and the valorisation of capacities.

### The origin of the idea

The origin of “La Fageda” is strongly linked with the medical movement that started to face issues related to the condition of the patients of “mental houses” in the late 1970s and 1980s in Spain. They started to think about a reform of the health care system for mental illness. In particular, a group of doctors and other professionals in the *Hospital Psiquiátrico Provincial* of Girona understood the need to make further steps in order to increase the conditions of the patients and to break their permanent condition of social exclusion. In some of the mental homes, the implementation of occupational therapy as a rehabilitation tool was already frequent. Macramé, paper lamps, pottery ashtray were produced in workshops with the involvement of patients, but in a “non sense” productive process. Nobody was buying or using these products. The patients were just “something-similar-to” work and be active: there was no real development of the persons, their abilities, and, at the same time, this system had a negative impact on their self-esteem. The problem was that people with mental disorders were not seen and treated like other persons, focusing on the valorisation of what they were able to do.

People with mental disorders must not only satisfy their basic material needs, but also their emotional, relational and spiritual ones. The founders of La Fageda saw that work was the best way to give them back dignity and self-esteem.

*“When we created the cooperative, mentally disabled were usually closed in special hospitals, centres for the committal of these persons. We are talking about overcrowded and miserable*

*structures with punishment cells and locked backyards*”, La Fageda chairman Cristobal Colon affirms, underlining the huge steps made since that time. Today an important part of those who were just considered patients are workers, live in normal houses and have the possibility to be in permanent contact with other people.

## The founding of the cooperative

The cooperative La Fageda was founded in 1982, involving fourteen persons with mental disorders. Thanks to the support of the local administration of Olot, they started using a structure of the municipality to host the activities of the newborn enterprise. At the beginning it was nothing more than orders for hand-works by other enterprises of the area and a small gardening facility for the municipality.

In 1983 they started the production of yogurt and crème caramel for *Hospital del Valle de Hebron* of Barcelona, but rapidly they were contracted by other hospitals of the area. At the same time, they developed the brand for products to sell in the competition market, linking it strongly to their identity. La Fageda’s farm is located in the *Parc Natural de la Zona Volcànica*, an area with strong food and culinary tradition, close and familiar to the consumers they want to have access to. Furthermore, unlike their big competitors, they have their own dairy cows and they can guarantee control over the whole productive process. This is how they created their brand name *La Fageda – Yogurt de Granja*.

In 1984, with the support of the local municipality and a financial institution, La Fageda bought the farm *Els Casals*. The aim was to develop its activities in agriculture because of the strong tradition of the Garrotxa region in this sector. Moreover, in a farm they could have constant contacts with the animals and the environment, an ideal condition for innovative rehabilitative pathways. After one year they started cattle breeding and in 1987 they opened the plant nursery. At the same time, the residential house for the integrated workers was established. They consider that housing, being one of the fundamental dimensions of the person, has played a fundamental role in the success of the project at that time.

Within five years the cooperative structured its activities and consolidated the capacity to create job opportunities and the integration of the disadvantaged citizens. The initial success and growth are related to the capacity of the cooperative system to give a chance to the abilities of the disadvantaged and place them in a sustainable project.

## The entry into the European Union

In 1986 Spain became part of the European Union. This represented an important and challenging step for the life of the cooperative. Being part of the European Community meant to accept the latter's rules and regulations, and it deeply influenced the structure of agriculture and farming industry.



The most important activity of the cooperative at that time was dairy cattle breeding and milk production. The adoption by Spain of the European milk quotas system could represent a threat to the development of the cooperative and, above all, the sustainability of the whole project. Several producers were already pushed out of the market.

But a challenge can be transformed in an opportunity, with awareness, foresight and ambition. La Fageda created

an alternative in the development of production, moving from raw milk to its derivatives. On one hand, the cooperative had already established good contacts with several hospitals and health care structures of the area, which are strong consumers of products like cheese and yogurt. On the other hand, they also wanted to be present on the wider market. That was a real challenge, because of the presence of big competitors in the market and the difficulties to enter the large-scale retail trade. Nevertheless, they understood that addressing their products to niche costumers by developing an artisanal and high quality production could be a winning bet.

## PROOF

### The cooperative today

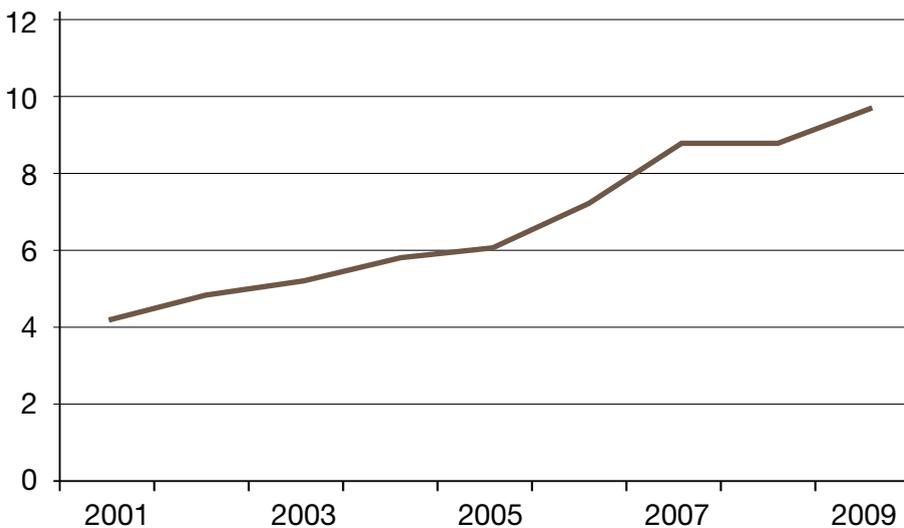
The mission of the cooperative is to raise the dignity and living conditions of people with mental disorders and disabilities, and work is a central tool for this purpose. La Fageda is a well developed and sustainable entrepreneurial project that today does not aim to expand production nor to gain access to other markets just for the sake of it. The cooperative has already managed to lower the unemployment rate of people with mental disorders and disabilities in the Garrotxa region to close to zero, while the rate

for the whole Catalunya region is around 95%.

Around 30,000 people per year visit La Fageda and *Parc Natural de la Zona Volcànica*; the visitors have a direct contact with the cooperative, understand what the integration of disadvantaged citizens really means, realise the respect for the environment and directly recognise the added value of the products. For that reason, *Yogurt de Granja* and the other products are deeply rooted in the local market and represent high quality and genuine food for the local people.

The cooperative works actively to share its experience and good practices. In fact, it is a protagonist in the creation of a regional intersectoral consortium (Grup Clade) established in 2004 by Catalan cooperatives from various sectors (agriculture, distribution, education, social services, construction, electricity, environment, culture, biotechnology), with 12 members (grassroots cooperatives, foundations and two conventional businesses), with a turnover (2008) of €335 million, providing jobs to 3,602 persons. La Fageda also cooperates through projects with other regions and countries to spread its active inclusion model.

**Graph 4 – La Fageda – Turnover (2002-2009) in thousands of €:**

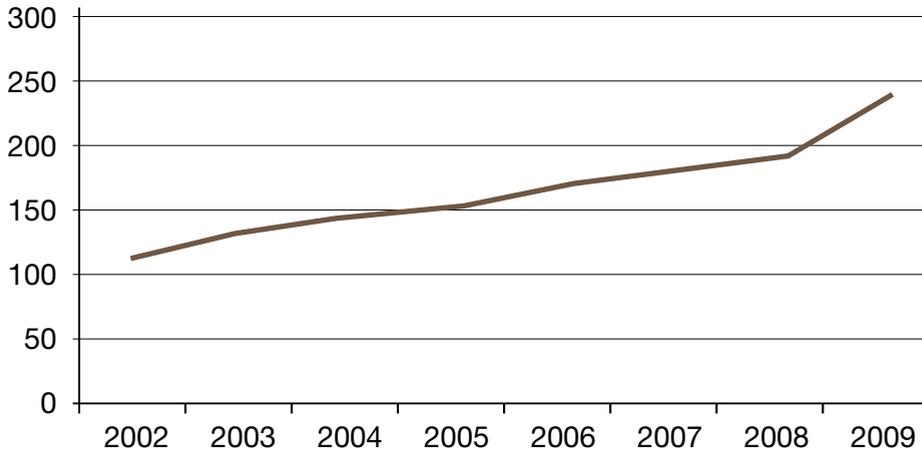


*Source: La Fageda*

The long term vision inherent to the cooperative mode of governance helps the cooperative comply with its social integration mission while staying on the market and effectively competing with other enterprises. The recent figures of the cooperative clearly reflect this trend. Since 2001, both turnover (Graph 4) and employment (Graph 5) have been increasing steadily. Counting today more than 200 employees,

the cooperative benefits from the positive condition that it has been able to establish and place itself as a significant economic actor in the region.

**Graph 5 – La Fageda – Evolution of employment 2002-2009**



*Source: La Fageda*

### **LA FAGEDA - Spain**

Social Cooperative

Santa Pau – Gerona (Spain)

Year of creation: 1982

Sector: Agriculture, Food, Environment

Workers (2009): 239

170 worker members

59 non-member workers

Disadvantaged workers: 49% of the total

Turnover (2009): € 9 773 286

Web: [www.fageda.com](http://www.fageda.com)

Contact: [fageda@fageda.com](mailto:fageda@fageda.com)

# Opoka

Malopolska region, Poland

**Catering, training, handicraft, construction**

With the contribution of Joanna Brzozowska



The Opoka social cooperative in Klucze (Malopolska region) has been established by two associations, the Christian Charity Association and the Association for Stable Social and Economic Growth “KLUCZ”. It has been supported by the Social Economy Incubator established within the framework of a European Social Fund project called “*ABC of the Social Economy*”.

Opoka was the first social cooperative in Poland to be set up by two legal persons, which has been made possible since the reform of the Polish social cooperative law in May 2009.

The aim of the cooperative is to reintegrate marginalized people in the labour market by running a common enterprise. The workers come from three categories: unemployed, long-term unemployed (namely having been registered at the labour office for 24 months) and disabled. Most staff members come from these categories.

The law stipulates that a social cooperative established by two legal persons like Opoka has to employ at least 5 people within 5 months from the socially excluded groups described in the law. After one year at most, the workers can become members of the cooperative, if they so wish. The cooperative has already approved one candidate for membership, but this has not been registered yet. More workers will probably become members in the months to come.



Opoka carries out quite diversified economic activities. In 2009 and 2010 it was mainly active in the area of catering, training, handicraft and small construction services.

The cooperative establishes workers' teams focused on different activities depending on what the market needs. All the workers have been trained in different skills and are able to carry out the cooperative's services in an optimal fashion,

thus ensuring a stable position of the company on the market. One of the training sessions that all the workers go through is the "Academy for Cooperative Management" carried out by the National Auditing Union of Worker Cooperatives (CECOP Polish member) within the framework of the INES project (financed by the European Social Fund).

The main economic activity is catering. Through a contract with the Centre for Social Help in Klucze, the social cooperative delivers about 300 meals every day in 7 different places in the local community. Opoka has also launched catering services for weddings, conferences and other events.

Other economic activities (study visits, integration events and trips for companies and institutions as well as construction services) have been launched through public procurement, with about 50 tenders won till now). The local authorities are thus one of Opoka's main partners.

The cooperative has also been registered as a training institution and carries out complex training services. Training conducted by the cooperatives mainly focuses on the professional inclusion of socially excluded people, as well as social economy as a

tool for local development.

Opoka can now avail itself of very good references from clients that received its services, and this is one of the biggest assets of the company.

In 2010, the cooperative began to undertake new forms of activities. The Social Integration Centre prepared a group of 5 long-term unemployed to be active in the construction sector, and the cooperative has already implemented its first task in that branch.

It also conducted (in partnership with other institutions) a project concentrating on the promotion of the social economy concept named “*the social cooperative is a chance for everyone*”. The aim of the project was to raise awareness and knowledge as well as to create favorable conditions for entrepreneurship in social cooperatives.

Currently, within the framework of the INES (“Infrastructure for Social Economy in the Malopolska region”) project run by the National Auditing Union of Worker Cooperatives, it manages a Support Centre for people who want to establish a social cooperative as well as for social cooperatives that would like to develop their activities.

Opoka is run by a Management Board made up of two persons who are delegated to this function from both associations. It employs 12 people as cook, kitchen help, driver, constructors, etc., as well as 5 trainees. In addition, it cooperates with 9 volunteers, and employs 14 experts on ad hoc basis in order to implement contracts in training services.

In 2010, the cooperative’s turnover was 1,051,477 PLN (around 250 000 €), with a surplus of about 120,000 PLN (around 30,000 €).

### **Opoka - Poland**

Social Cooperative

Address: Ul. Rabsztyńska 3/4, 32-310 Klucze

Year of creation: 2009

Sector: catering and gastronomy services, training and construction

Workers: 9.5 FTE

Turnover (2010): 1 million PLN (€250,000)

Contact: Agency for Development and Promotion of Cooperatives  
National Auditing Union of Worker’s Cooperatives  
Ul. Malborska 65; 30 – 646 Kraków

Web: [www.spoldzielnie.org.pl](http://www.spoldzielnie.org.pl)



# Ghelos

Piedmont, Italy

## Fashion design and tailoring

With the contribution of Caterina Micolano



It could be said that “social branding” and “innovation” are distinctive elements of the social cooperative Ghelos and they have characterised it since its foundation. In 2005, the establishment of the cooperative was the outcome of the encounter of professionals of the social cooperative movement and researchers and experts in the field of social policies active in the Piedmont region, in the north of Italy. The cooperative philosophy, as well as the ideas and competences of its funding members were devoted to the project CODICEASBARRE and transformed it into a viable entrepreneurial project and, even more importantly, into a model.

## The CODICEASBARRE project

CODICEASBARRE<sup>20</sup> is a pilot project that was launched in 2002 by the equal opportunities Department of the Municipality of Vercelli, with the partnership and support of the Italian Ministries of Justice and Labour and the social cooperative consortium Armes. The project aimed to introduce entrepreneurship in an innovative way, considering that policies facing the problem of gender balance in society were crucial, and even more so considering women's conditions in the prisons. Male prisoners are the prevalent population in detention centres in Italy and these centres are mainly managed around the needs and demands of a male population. It is to them that the main part of the spaces is devoted and, consequently, activities and rehabilitation programmes. Specific women's sections are the exception and, in general, women are hosted in small and marginal parts of male detention centres. Thus, it becomes difficult to organise effective education and training activities in such conditions.

CODICEASBARRE had the objective to accompany convicts in rehabilitation through work, giving them the possibility to become cooperative entrepreneurs and the protagonist of the cooperative's life. The first step foresaw a selection among prisoners which was held by the direction of the Detention Centre. The selection was based on:

- inter relational capacities and ability to work in group;
- professional competences in tailoring;
- compatibility of the pilot project with the detention program;
- compatibility among imposed sentence length and the demands for the continuity of the project – professionalization of the activities through trainings and learning by doing.

The prisoners attended a training course in tailoring and sewing and started their first manufacturing activity in 2004. An occupational therapist followed their pathways since the beginning of the project, supporting them in the whole process. It was also essential for the entrepreneurial outcome of the activities.

## Becoming entrepreneurs

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<sup>20</sup> CODICEASBARRE in Italian is a fusion between *codice a barre* (bar-code) and *sbarre* (iron bars). In the Italian slang, to go into prison is namely *finire dietro le sbarre* (end up behind iron bars). Thus the name effectively provides the quintessential representation of a product, the bar-code, merging it with the concept of prisoners, which is part of the cooperative's mission.

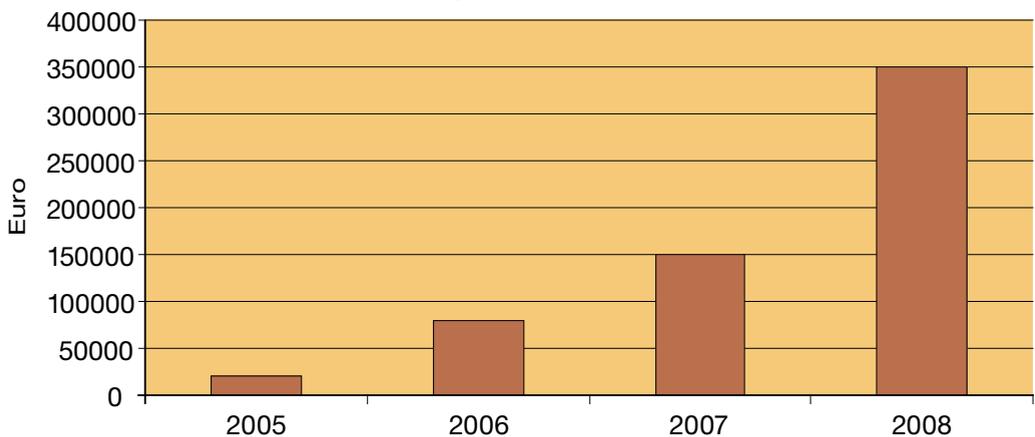
The establishment of Ghelos in 2005 is a key passage for the future of CODICEASBARRE. Indeed, the following years transformed the pilot project into a real enterprise. The approach is innovative: the social mission is accompanied by a high level initiative to raise the visibility of the products of the cooperative. The registration of the trade mark CDSB, the collaboration with designers and the partnerships were key to the success of Ghelos' activity. The small 20 square metre workshop in the prison was equipped with five dressmaking workspaces, purchased with the support of European Funds. The four prisoners involved became workers. Furthermore, being part of a cooperative for them meant being completely involved as members<sup>21</sup>.

CODICEASBARRE and the registered trademark entered in the world of fashion, launching already in 2005 three line of items:

- “CDSB\_jailwear”, casual clothing for men and women;
- “Work”, work clothes and promotion gadgets for enterprises;
- “Dr. Jeckyll”, clothes for doctors working in paediatric units.

The launch of the first collection of CDBS\_jailwear to the press, to the media and to potential costumers was an event that showed to the external public what was beyond the product. The four women prisoners in the press conference explained the choice of the alias names they use to sign the item that they developed. It is interesting to realise that all of them chose the names of their daughters or granddaughters because they wanted to devote this important step to someone important in their lives.

**Graph 6 – Ghelos - Income**



Source: Ghelos

21 As per the Italian legislation, a prisoner can be a member of a cooperative. .



## Social Branding

As underlined, Ghelos' strategy pointed at structuring the image of the cooperative in order to clearly mark the origins of the items for the promotion and partnerships. The purchase of CDBS products at any level, private costumers and enterprises, is more than simply wearing a good product. It means supporting the social mission of the cooperative and an ethical choice.

Since the development of the casual wear line of items, CDBS\_jailwear, the philosophy was translated into action and it resulted in crucial partnerships with the world of fashion. Chd Studio, an important group of designers and clothes stylists, embraced Ghelos' cause and assisted cooperative workers in the *translation* of Ghelos' philosophy

into Ghelos items, and choosing to highlight the prison-based style. The cooperative wants to tell its story while selling its products. Above all, this is added value.

The social branding philosophy of the cooperative did not cease after the positive results in the development of items and collections. This unleashed the unexplored potential in the collaboration between conventional enterprises, social cooperatives, associations and other institutions. Social responsibility was the message that Ghelos wanted to sell.

## Cause Relation Marketing

### Transferring good practices towards conventional enterprises

The next step is to transfer the good practices message to conventional enterprises. The Ghelos project for the period 2008-2010 is ambitious. The cooperative believes that its communication and the social marketing developed with CODICEASBARRE can perfectly fit with plans for corporate social responsibility.

This idea to involve conventional business materialized through the project “Grow – Up and Go” through which the cooperative planned to disseminate the visibility and communication assets raised with the development of CODICEASBARRE and the cooperative’s items. This was also a tool for the cooperative to stay competitive and raise its own visibility by reaching a bigger public. The Cause Relation Marketing is the strategy that the cooperative has embraced to enable conventional businesses and social cooperatives to benefit from each other, provided the involved parties plan long term strategies which look at the ethical conduct of the conventional enterprises, instead of being just a short term marketing strategy.

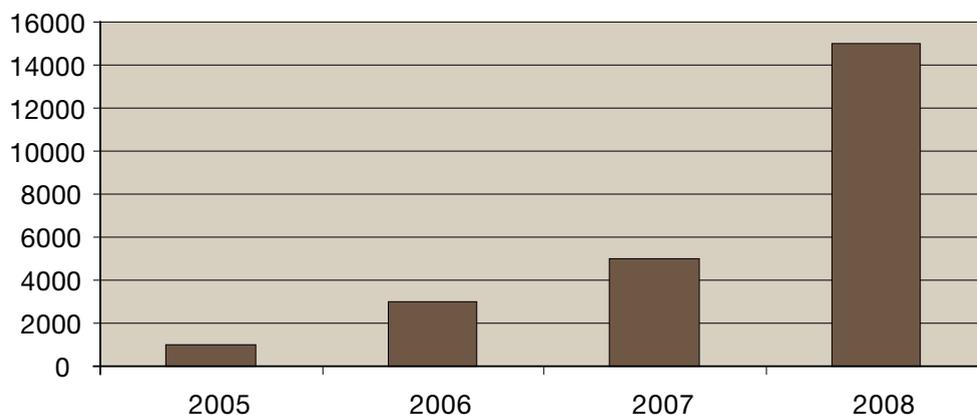
### Cause Relation Marketing

The Cause Relation Marketing is based on six principles:

- integrity – honest and ethical conduct;
- transparency – it is fundamental to plan, implement and communicate partnerships, which need to be publicly visible;
- sincerity;
- mutual respect – the intrinsic value of the partner should be respected and it is fundamental to reach planned objectives for both parts;
- partnership – there is the need of an equal relationship between the parts for the positive outcome of the initiative; the quality of the results is closely related to the capacity of the team work of the involved parties;
- mutual benefit – it is the distinctive element of the Cause Relation Marketing.

The cooperative offers to the enterprises its general skill for the development of the marketing strategy and social communication. Moreover, there is the possibility to plan case-based strategies and plans. It is a new way for the collaboration between cooperatives and conventional enterprises.

Graph 7 – Ghelos - Items



Source: Ghelos

### Ghelos and SlowFood: “Prigionieri del Gusto” (“prisoners of taste”)

Slow Food is a movement counting members in more than 130 countries. It promotes the enjoyment and protection of locally-produced food products, regional cooking, and, in general, wine and food culture. It expressed immediate interest in launching a partnership with Ghelos. The members decided to create a collection which could be inserted into the Slow Food distribution channels, in particular through the Slow Food on-line Store and events organised or attended by the Association. Slow Food in fact internationally manages a large variety of high-profile events like Salone del Gusto, Terra Madre and Vinality. The first three years of this collaboration were characterised by a strong cooperation between the cooperative and Slow Food for the elaboration of concrete actions which could better valorise the partnership. The result is the collection *Prigionieri del Gusto*<sup>22</sup> which sold more than one thousand items per year and the creation of a new line of products is being launched.

Other important partnerships are being carried out:

- **The Public Social Care services of the Canavese area** which entrusted Ghelos for the coordination of training and supervision for the operators of local consortia working in the field of rehabilitation of the disabled and activities for the work involvement of persons with disabilities, and made up mainly of social cooperatives;
- **The Prison Administration Department of the Ministry of Justice** which entrusted the cooperative to carry out an experimental research for other projects

<sup>22</sup> *Prigionieri del Gusto* (“prisoners of taste”) is again a good merge between words characterising the partners.

on female entrepreneurship in prisons, in coordination with ministerial measures for the social re-integration of prisoners;

- **Ingeo Trade Mark**, a brand of the Natureworks Ltd group, leader in the branch of eco-compatible clothes;
- **National Italian Singers Soccer Selection**, a charity organisation which supported an event for the launch of **Dr. Jeckyll**, the line of products for doctors working in the paediatric departments.

### Long lasting effects

Two among the four prisoners which were involved in the foundation of the cooperative today have already ended their detention period. Although, for personal and family reasons, they moved far away from Vercelli, where the cooperative operates, they have remained members of the social cooperative. One of the two got married and moved to her husband's town, while the other moved to the city of Asti, in the north of Italy. The latter received a sewing-machine as a present from the cooperative at the end of the prison sentence. She decided to set up her own individual enterprise, taking full advantage of the experience and skills acquired thanks to the activity with the social cooperative. She has today an artisanal sewing workshop. Two new women from the detention centre have become worker-members of the social cooperative, replacing the two who left.

#### **GHELOS - Italy**

Social Cooperative

Address: Viale O. Marchino 10  
Casale Monferrato, Piedmont

Year of creation: 2005

Sector: social inclusion projects management

Members: 14

- 1 founding member
- 7 ordinary worker members
- 4 disadvantaged worker members
- 2 volunteers members

Turnover: € 350 000 (2008)

Web: [www.cdsb.it](http://www.cdsb.it)  
[www.drjeckyll.it](http://www.drjeckyll.it)  
[www.myspace.com/codiceasbarre](http://www.myspace.com/codiceasbarre)

Contact: [info@codiceasbarre.it](mailto:info@codiceasbarre.it)



**How cooperatives deliver  
social services that  
favour  
employment and  
integration  
into society**



# Osuuskunta Toivo

Regions of Helsinki, Tampere, Oulu and Kotka, Finland

## Psychotherapy

With the contribution of Pekka Pättiniemi



Osuuskunta Toivo (literally meaning “Coop Hope”) is a cooperative which provides various types of social services. It was founded in 1997 and comprises 8 members. Four among the members work in the cooperative. To provide its high standards and specialised services, the cooperative needs the help of a number of other enterprises and individual specialists. The employees and service providers of Osuuskunta Toivo consist of highly trained and experienced professionals, who have common backgrounds in psychology, social work, medicine and research, and most of them have lots of additional training and work as trainers.

Osuuskunta Toivo runs its activities in four cities around Finland: in the capital Helsinki, in Tampere’s old industrial area in mainland Finland, Oulu in Northern Finland and Kotka at about 100 km east from Helsinki by the Bay of Finland. It manages a multi-professional consultation centre for children and youth and their families and a consultation clinic for work-life problems. The

cooperative also organises rehabilitation courses for youth, psychotherapy trainings and projects relating to well being at work. Osuuskunta Toivo 's philosophy and orientation is resource-oriented, solution-focused and client centred. All client work related projects share a focus on resources and solutions. Much emphasis is laid on enhancing cooperation between relevant parties and on clarifying clients' own goals (no outside goals are introduced). The main interest is in positive possibilities and development - in what cooperation between the cooperative's staff and clients can actually do to make things better. In other words, the approach is not problem or pathology oriented. The type of work is rewarding for those concerned and, moreover, the results are good.

Osuuskunta Toivo 's annual turnover is around €1.5 million. The financial statements are well balanced and the cooperative has no debts. The main funder is the Social Insurance Institution of Finland, a major state controlled agency covering social security, pension and rehabilitation costs. The cooperative is also involved in joint projects with the State Treasury. The total clientele varies yearly, but reaches over 1000.

## **Services provided by Osuuskunta Toivo:**

### **Consultation Centre for Children and Youth**

One of the branches of Osuuskunta Toivo is the Consultation Centre for Children, situated in the centre of Helsinki. There are about 4,000 visits yearly and the centre takes 250 new clients every year. Each client can have up to 24 visits a year.

The approach is practical and down-to-earth, even though highly specialized medical, psychiatric and social care experts are readily available. The point of strength of the service is the involvement and cooperation in therapy with parents and the school. The intention is to de-medicalise therapy and psychosocial rehabilitation services as much as possible for the age group between 5 and 16 years. The Consultation Centre for Children and Youth is a nationally important project and there have been many followers and a great interest.

### **Work-life Consultation Centre**

A pilot project for the Work-life Consultation Centre started in 2001. The de-medicalisation approach already experimented successfully in other centres of the cooperative is used also to occupational mental health services. In the framework of this service, the client in the Work-life Consultation Centre can enjoy up to 22 visits

per year. The target group is the age group between 16 to 63 years. In general, clients coming to this Centre suffer mainly from burn-out, depression, anxiety, motivational problems relating to work/studies and difficulties in integrating work and family life.

### **Open Care Rehabilitation Courses for Youth**

The Open Care Rehabilitation Courses for Youth are 42-day long courses for young people with mental health problems. The participants are responsible for participating in planning the content of part of the courses. Common activities are cooking, yoga, first aid training, painting, self-defence training, sports and outdoor activities. At the end of the course, most of the young people have the opportunity to participate for a short period of time in a work component segment to gain additional work experience. The results are generally quite good even if the participants are in pretty bad shape at the beginning.



### **Other activities**

Osuuskunta Toivo organizes many types of training relating to coaching, counseling and therapy. Some of the members are actively involved in academic research and some with creative writing (novels and poetry books). The cooperative is actually free to choose its future activities. It might expand its work towards new directions, and also to other countries.

### **Research and publications**

Osuuskunta Toivo has published academic and/or educational books and a great number of articles through various channels. The funding for research has come mainly from highly valued funders (Finnish Academy of Sciences, Finnish Work

Environment Fund, and Cultural Fund of Finland amongst other)<sup>23</sup>.

## Future and challenges

The members of Osuuskunta Toivo believe that there should be much more interest in various forms of art, including fiction and poetry, if one really wants to develop better forms of client work, and to understand human problems and find solutions. It is not enough to lean on human and social sciences, medicine and psychiatry. The cooperative's experience has shown that it is important to find ways to support "social creativity", an aspect which produces positive outcomes also in clients' everyday life.

The cooperative form favours genuinely shared planning and ideation. It is easy to maintain motivation amongst members and other employees because they feel that they are working for themselves. There are benefits that are not possible to attain in public sector jobs, such as flexible work time, truly independent work and meaningful work. According to the members of Osuuskunta Toivo, the cooperative organizational form, because of its characteristics, is quite a demanding one. It demands a strong commitment and a high level of competence and creativity to reach a good level of management and not to face administrative problems. Osuuskunta Toivo sometimes suffers from a too short funding cycle and the absence of a structured dialogue with the cooperative's main funder, the National Social Security System. Moreover the national context is not really favourable to cooperatives; the image of "new cooperatives" is not very good in Finland and the Finnish legislation does not really recognize the cooperative model, above all lacking in the recognition of the worker-owner. Because of this context, Osuuskunta Toivo sometimes find it difficult to find workers willing to be fully involved in the cooperative's activities and willing to become members. This is a challenging aspect to be improved even if the cooperative form favours genuinely shared planning and ideation.

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### 23 Academic books in English

Lehtinen V, Riikonen E, Lahtinen E (1997) Promotion of mental health on the European Agenda. Helsinki: Stakes  
 Riikonen E, Smith G M (1997) Re-Imagining therapy. London: Sage Publications. (In Finnish (1998) Inspiraatio ja asiakastyö. Tampere: Vastapaino).

Lahtinen E, Lehtinen V, Riikonen E ja Ahonen J (eds.) (1999) Framework for promoting mental health in Europe. Helsinki: Stakes.

Recent books in Finnish

Riikonen E, Makkonen M and Viikkumaa I (2002) (Mad Work Disease) Hullun työn tauti. Tampere: Vastapaino

Riikonen E, Makkonen M and Smith G M (2004) (Winner-Loser) Menestyjäläuseri: Runsaan elämän jäljillä. Helsinki: Kuntoutussäätiö

**OSUUSKUNTA TOIVO - Finland**

Social Cooperative

Address: Paasivuorenkatu 5 A  
6.kerros, 00530 Helsinki

Year of creation: 1997

Sector: Psychiatric/Mental rehabilitation  
Counselling and psychotherapy  
Trainings and Research

Members (2009): 8 (among which 4 worker-members)

Workers (2009): 9 (among which 4 worker-members)

Turnover (2009): € 8,793,464

Web: [www.oktoivo.fi](http://www.oktoivo.fi)



# Spiru Haret

Romania

## High School of the Handicraft and Production Cooperatives – UCECOM

With the contribution of Carmen Biban



The Handicraft High School “Spiru Haret”<sup>24</sup> in Bucharest is the biggest private pre-university education institution in Romania, accredited by the Ministry of Education, Research and Innovation. It comprises a network of 12 schools belonging to the “Spiru Haret” Pre-University Education Foundation of the Romanian Handicraft and Production Cooperative Union – UCECOM, a member of CECOP. This education institution is one of the biggest suppliers of professional, basic and continuous training in Romania, and the total number of trainees per year is around 2,500 students and 500 adults. The most requested professional qualifications are in the field of services and small industry, and the socio-professional employment rate of the graduates is over 90%.

24 SPIRU HARET was a Romanian scholar and Minister of Education. He was the founder of the Romanian schools

## The history of the High School

The first education unit in Bucharest was founded in 1953, with the name of “Bucharest School Centre” and offered short time qualification courses in the field of labour protection and education issues. In 1961, the centre became “UCECOM School Group”. The education offer was widened and covered handicraft schools for apprentices, technical schools for qualified workers, training courses for the staff of the handicraft cooperatives, and post-secondary school.

From its foundation to the late eighties, the school already counted 9 units around the country, in the cities of Arad, Braila, Craiova, Iasi, Odorhei, Ploiesti and Timisoara. Between 1990 and 1992 UCECOM founded 3 other school units in Baia Mare, Constanta and Cluj. The following years were characterised by a constant development of the activities of the group that, in 1996, took the official name of “Spiru Haret” – Vocational School Group of the Handicraft and Production Cooperatives UCECOM and it established the “Qualification and Requalification Centre and Professional Training”.

The importance of the school group was gradually recognised at national level in the following years. The remarkable quality of the educational habit-forming process in the “Spiru Haret” schools was confirmed by the Ministry of Education, Research and Youth (M.E.C.I.), which has accredited all of the 12 educational units, becoming *“legal persons of private right and public interest, part of the national educational system”*. This was completed in the course of the evaluation made by the Romanian Agency for Quality Assurance.

Since 2002 the “Spiru Haret” Pre-University Education Foundation has been coordinating the school group activities and, in 2008, the “Dumbrava Fermecata” Kindergarten was founded <sup>25</sup>. In 2010, the denomination “Spiru Haret School Group” was changed into “Spiru Haret High School” and, for Bucharest, “Spiru Haret UCECOM College”.

The role of UCECOM as federation of Romanian producers’ cooperatives in the framework of the development school group is crucial. The school group was established with the aim to support the preparation of specialists in specific sectors, according to the needs of the cooperatives. It was launched with contributions from worker cooperatives which were members of UCECOM. Until the late nineties, the main beneficiaries of this “cooperative education system” were the worker

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<sup>25</sup> Order of The Ministry of Education no. 5443/23.09.2008; Decision of the Board of the “Spiru Haret” Foundation no. 6/04.01.2008

cooperatives themselves. Today, the school group has developed and grown further. It prepares specialists for the entire market sector represented by the SMEs and its educational offer takes into account the labour market needs and the governmental policies in this field; as a result, the number of students in this unit has grown to around 6,000.

Spiru Haret's educational offer is divided into the Handicraft school, the High School, Post High-School courses and the Foremen's School.

The most popular professional qualifications are in the field of services, such as:

- Hairdresser men/women, manicure, pedicure
- Hair stylist
- Cosmetician
- Masseur technician
- Waiter
- Chef
- Optician
- Optometrist technician
- Mechatronics technician
- Auto-mechanic
- Auto tinker-dyer
- Civil, industrial and agricultural construction foreman
- Auto electro-mechanic foreman

### **Projects developed by Spiru Haret – towards international partnership**

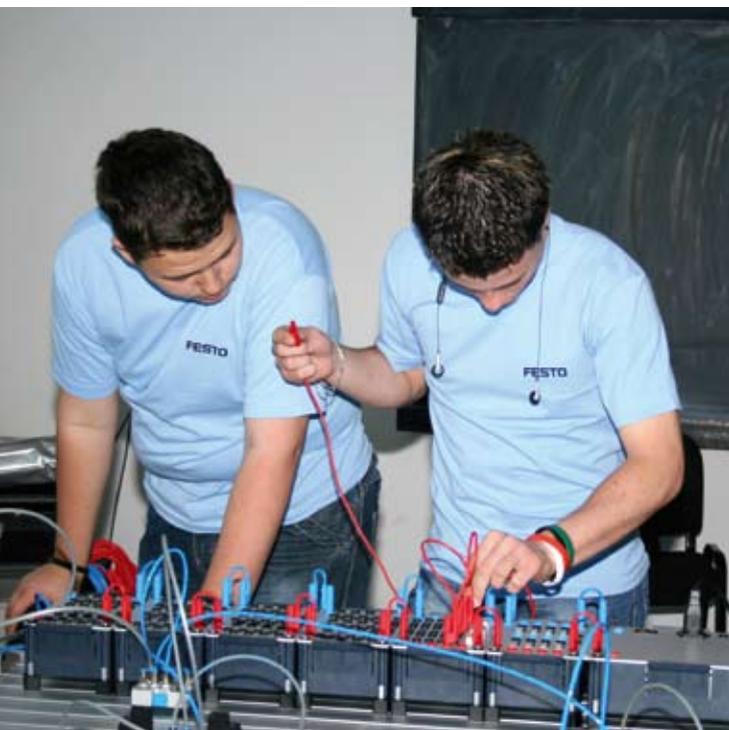
With the objective to support Romanian worker cooperatives, the "Spiru Haret" Pre-University Education Foundation successfully applied to the European Social Fund with a project called "*The Transition from School to the Active Life. Practical Skills, through Learning at the Working Place, for the Transition to the Active Life*", aimed to raise the quality of the professional skills and stimulate producers' cooperatives in the field of human resources policy. In particular, the project strives to increase the number of workers in the cooperatives, raise the employment of youth and women and develop free training courses for the cooperative members and harmonize the national standards of the professional skills according to the Qualifications European Framework.

Under this project, 600 students from the cooperative school group and 60 workers from the UCCECOM cooperatives will attend professional training courses as

“trustees”, for a 3 year period, with economic actors in Romania and Germany.

The school is also involved in other national and international projects, all of which are targeted towards the improvement of the didactics and the professional qualification as well as the growth of up to 100% of the socio-professional insertion of the graduates. Presently, the ratio of employment of the trainees by economic actors is 87%, while 9% of them continue their university studies.

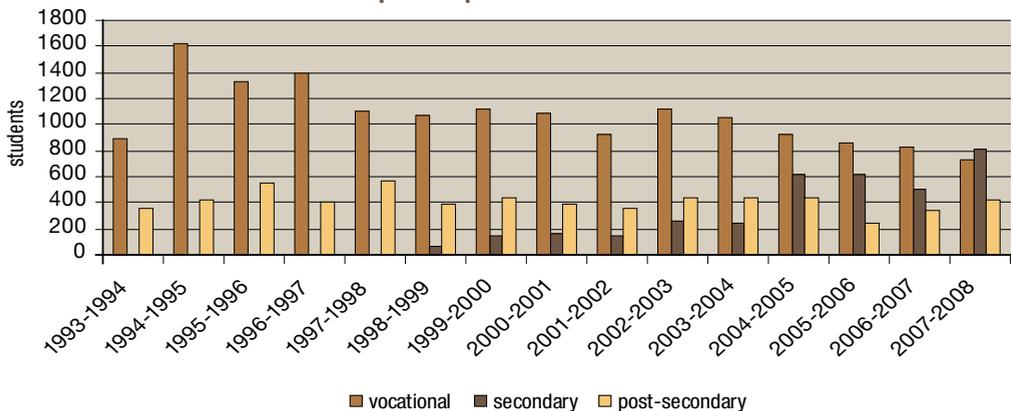
Several other projects have been successfully implemented over the last ten years, witnessing the development of the international cooperation of the institution. The project for the transfer of know-how named “*The Romanian-German Partnership in the Trades Area*” was the result of a partnership between the Handicraft Chamber of Koblenz and UCECOM. In the framework of this project, during the period between 2004 and 2008, specialists from the Handicraft Chamber of Koblenz held two seminars per year attended by teachers and foremen instructors from the school group and from other public schools, while Romanian teachers and foremen had the opportunity to attend training courses in Germany. Thanks to this project, in 2007 and 2008 it was possible to organize, for the first time in Romania, the Mechatronics National Contest and the Mechatronics International Olympiad. The latter event was attended by students from Romania, Moldova, Bulgaria, Bosnia-Herzegovina, Montenegro, Albania and Macedonia. In the framework of the project, the school has benefited from the equipment of a mechatronics laboratory with an investment of about 300,000 Euros. The project “*Professional Preparation - A Good Start in Life*” implemented during the 2004-2009 period in partnership with the Robert Bosch



Foundation with a financing of about 500,000 Euros, had the objective to enhance the socio-professional integration of 50 young people coming from orphanages and taken care of by the State until the age of 18. About 40 institutionalized young people have completed the vocational school courses. Thirty-seven of them were then employed by cooperatives and conventional enterprises that are partners of the school group, while ten of them continued

to attend secondary high school, with the specialisation of “mechatronic technicians”. The Robert Bosch Foundation supported the purchase of equipment for the construction workshop and the locksmith workshop. Teachers and foremen from “Spiru Haret” and other schools attended four seminars held by German specialists in construction.

Graph 8 – Spiru Haret - Sectors



Source: UCECOM

One of the most important recently implemented projects is being developed in partnership with “L’Oreal Professionel” and is called: “The Hairdresser of Hope”. This project started in 2005 and ended in 2010. Its objective is to help older people, mainly retired persons, and young people deprived of material means. In the framework of this project, about 1,500 persons per year are benefiting from free services offered by the foremen and students of the school. The products used for the services are donated to the school by L’Oreal and teachers and the students of the UCECOM school groups participate for free, two-three times a year, at training courses offered by L’Oreal specialists. Moreover, the students of the schools take part for free in the annual show organized by L’Oreal Professionel.

Another important outcome of “Spiru Haret” was achieved by the implementation of two project financed in the framework of the Phare Programme of the European Union. The Qualification and Requalification Centre was supported by “Active Measures on the Labour Market – The Development of Human Resources” and the project was carried out in the period 2006-2007. Within this project, 60 unemployed persons from the Bucharest area and Ilfov County have attended a professional training course for optician, optical-mechanic equipment fitter, gypsum-board walls and ceilings fitter while 9 unemployed persons having a diploma have completed a course for project management. Thanks to this project, 21 graduates were employed by specialised companies. In addition the centre was equipped with 10 computers purchased with the support of the project. The second project financed by the Phare

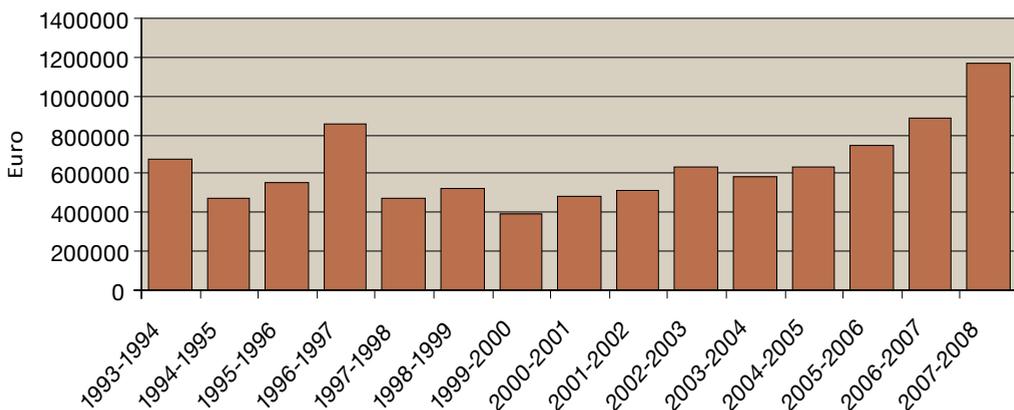
Programme was “*Spiru Haret Centre for Training and Assistance to Disabled Persons*” implemented in partnership with the “Spiru Haret” foundation. It concerns the implementation of training courses for people with disabilities from Bucharest and Ilfov county on confectionery, fine mechanics, hand packaging and data processing. The project aims also to support participants in work placement after the courses.

The “Princess Margareta of Romania Foundation” entirely supported the project “Generations Community Centre” which will be carried out in the 2007-2012 period. This project mainly focuses on local community’s needs, aiming to provide social services for elderly people, support education, training and job insertion for young people coming from disadvantaged families, support services of kindergartens and the construction of sport fields in disadvantaged areas.

### An overview of the system

The “Spiru Haret” school group is financed by 65% from the school fees while vocational qualification and requalification courses count for about 15% of the budget. The school has contracts with cooperatives and other agents financing 8% of its turnover. The remaining 12% is divided into funds raised through international projects (5%), other sponsorships (5%) and school micro production (2%). The school fees, both the “initial education” (Vocational School, High-school, Post-High school, Foremen School) and the “life-long education of the adults” (qualification/re-qualification courses) are integrally supported by the students, without any financial support from the state. The “school fees” include the entire expenses made as part of the educational or forming process, like the payment for teachers, utilities, taxes, etc. The schools from the Pre-University Educational Foundation of the Handicraft Cooperatives “Spiru Haret” get financing only from the cooperative system.

Graph 9 – Spiru Haret - Income



Source: UCECOM

The school group has a very good graduation rate, with a ratio of around 90%. As a consequence, the requests received from companies and potential employers of the students significantly exceed the number of graduates. As for the graduation rate of young people involved in the partnership projects mentioned above, it is 100%.

From the point of view of the insertion of the graduates on the labour market, the education unit of "Spiru Haret" School Group of Bucharest is the first one in the pre-university education system, private or public, in Romania. Whereas in public schools the professional insertion of the graduates does not outrun 10%, in "Spiru Haret" (which is a private institution) it exceeds 90% annually.

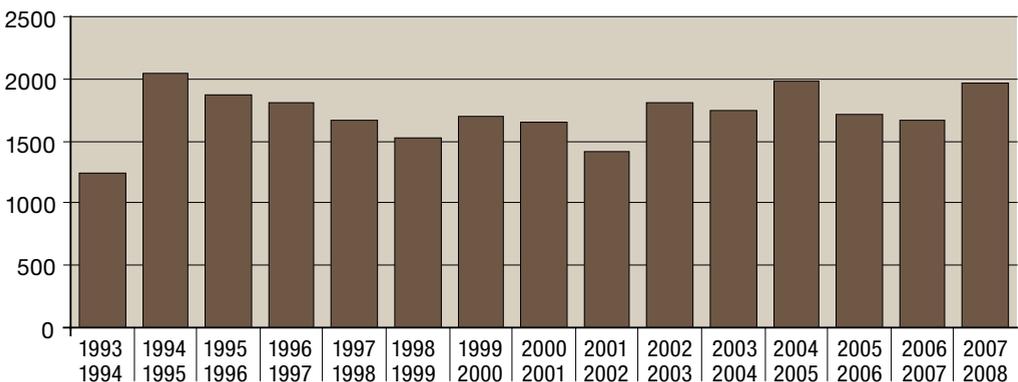
The explanation of the high rate of the graduates finding employment in the labour market could be the "dual system" of training, used for about 20 years, a system adapted after the new German model. Thus, the students cover the theoretical courses in school, and the practical instruction in the enterprises which, at the same time, are potential employers.

The school has approximately 3,000 collaboration protocols with enterprises in the country and abroad to carry out practical training. Annually, the cooperative system in Romania employs 10-15% of the graduates from the "Spiru Haret" schools.

## The Future

The future challenges and development of the school group are clearly expressed in its institutional development plan for the education unit.

**Graph 10 – Spiru Haret - Students**



Source: UCECOM

It also aims to increase the annual budget through several specific measures: the increase of the educational offer; the implementation of new projects on the European Structural Funds; the increase of school micro-production from about 2% to about 5% until 2013; the recruitment of new sponsors; the development of continuous training courses for adults in order to double the educational offer of this branch; the diversification of the sources of incomes; to continue in the organisation of national and international contests and Olympiads with the coordination of the “Spiru Haret” Foundation; the cooperation agreements with many schools at home and abroad; an increase of at least 50%, until 2013, of the number of contracts with producers’ cooperatives and other enterprises in Romania and abroad concerning practical training; the development of new projects both at national and international level, aiming at the socio-professional inclusion of disadvantaged groups and, in particular, supporting persons with disabilities, Roms, unemployed persons, institutionalized children and young people.

### **SPIRU HARET - Romania**

School Group - UCECOM

Bucharest (Romania)

Address: 47-59, Economu Cezarescu Street

Year of creation: 1953

Sector: education and training

Vocational school and High-school

Pre-university courses

Qualification and Re-qualification

Personnel (2009): 123

37 all-around education teachers

14 Engineers and economists

14 Foremen instructors

4 Kindergarten teachers

12 Associate teachers

13 Auxiliary didactic staff

34 other staff

Graduates (average, recent years):

Total: 885

Having found jobs in cooperatives: around 245

Having found jobs in other enterprises: around 510

Turnover (2009): 1,068,500 lei

# Vista

Malta

## Childcare Services

With the contribution of Rosette Thake



Vista was set up in 2003 with its aims based on the cooperative values with special emphasis on self-help, social responsibility and local development. Inspired by this social dimension, along with the members' academic background and experience as workers and parents, Vista established its own main objectives which are “Educare”, “Edutainment” and Child Development. Although Vista has been set up a few years ago, its members have vast experience within the cooperative movement and have been actively involved and worked in a number of projects with Outlook Co-op which was established in 1995, including in educational projects such as Scoops and other training and research projects.

Outlook Co-op was set up in 1995 to offer management and communication services. One of the first projects undertaken was the management and implementation of Scoops, an educational project which sought to offer students aged 12-15 years a practical cooperative experience. This project,

which was owned by the Cooperatives Board, was implemented within all secondary-level schools in Malta be they state, Church or independent schools. Through this programme, students had the opportunity to learn about the cooperative movement and put into practice cooperative values by setting up their own cooperative in their school and offering products or services to their “market”. They then came together on a national level for conferences and fairs, thereby gaining a wider understanding and experience of work within the cooperative community.

Although Scoops on a national level was interrupted in 2006 and will hopefully resume after a rethinking of the project and an exercise to redesign it, Vista continues to provide this cooperative experience to the 12-15 year olds who attend its Kidstart Summer Club (see below).

### The Kidstart Summer Club

The main activity of Vista since its inception has been Kid-start Summer Club, which was developed after this educational entertainment project was launched for the first year by Outlook Co-op. Each summer around 600 children, including those with special needs, between the ages of 2 and 15 years are given the opportunity by Kid-start to learn while having fun in a variety of activities within an 8-week programme, in a safe and welcoming environment of a government school.



This experience during the past years has been highly successful. This is confirmed by the positive feedback given by parents, children and staff and by the popularity and trust it has gained each year. Year after year, parents who make use of Kid-start ‘Mini’, the service provided to 2-3 years-old children, voiced their yearning for a continuous service rather than just for summer. This prompted Vista to embark on the project of

promoting best practices in childcare facilities for the benefit of the children and also to support parents in employment, education and training, as well as parents who are

in search for work, by opening a year-round facility, and transforming the seasonal into a continuous service.

## **Towards social development**

Driven by the social needs and having the relevant experience in various areas, Vista undertook thorough research over 4 years on the need for quality, affordable and inclusive childcare facilities to suit both the needs of the child and those of their parents as participants in community and economic life.

The participation rate of women in the labour market in Malta is a low 38.6%. The reasons for this are many and varied. This condition is strongly related to the strong traditional caring role that a woman in Malta feels is her primary duty, as well as the lack of affordable quality childcare facilities which in itself is the result of a mentality that places the childcare mandate squarely within the family structure, be it the nuclear or the extended family. As a result, childcare outside the family is a fairly recent phenomenon and until 2006 had been totally unregulated, hence the poor standards of many facilities.

Vista was driven by a vision of providing quality, affordable childcare and establishing best practices in this field. The cooperative's vision also included creating job opportunities for women, in particular jobs that women could do which fit around their children's school schedule. The childcare facilities of Vista offer, on a permanent or contract basis, full or part-time employment, to 30-34 persons, mostly women, whilst the Kid-start Summer Club programme allows them to employ a further 65-70 persons for the summer months. The cooperative is an Equal Opportunities Employer committed to creating a working environment that values diversity and supports inclusion of suitably qualified staff irrespective of their gender, race, disability, marital status, etc. As part of an affirmative action strategy Vista is supporting the training of a male childcare provider as a way of redressing the gender imbalance in this sector which is overwhelmingly female-dominated and also to provide a good role model for the children in our care.

## **From vision to actions**

The first Childcare Centre was opened by Vista in St Venera in 2007. In 2008 the cooperative was also awarded a three-year contract for the management and administration of another three childcare centres housed within the local government schools as follows: Lelluxa in Luqa, Pepprina in Paola, and Nannakola in Gharghur.

These centres are housed within government schools at ground floor level and have been completely refurbished according to the published standards for the provision of childcare. Babies and toddlers are accommodated in separate areas but all avail of the beautiful outside area for everyday outdoor activities. Today the four Childcare Centres provide places for around 200 children from the ages of 0-5 years at any one time, and actually welcome many more children as not all the children attend full time but may attend from a minimum of 10 to a maximum of 45 hours per week. Indeed, many of them attend for less than 20 hours as many mothers choose to work part-time to balance their working lives with their caring responsibilities.

## **The caring philosophy**

In its work with the children in care activities, Vista chooses to promote what they call “The Caring Philosophy”. This philosophy seeks to put into practice in a way which is better understood by children the cooperative values, especially those of cooperation and social responsibility. This philosophy has three separate but interlinked aspects as follows:

### **Caring for ourselves!**

Caring for ourselves involves knowing who we are, being comfortable with ourselves and building self-esteem as well as caring for our physical well-being. These values are explored during sports and art activities, personal and social development sessions, nutrition and personal hygiene awareness activities.

### **Caring for others!**

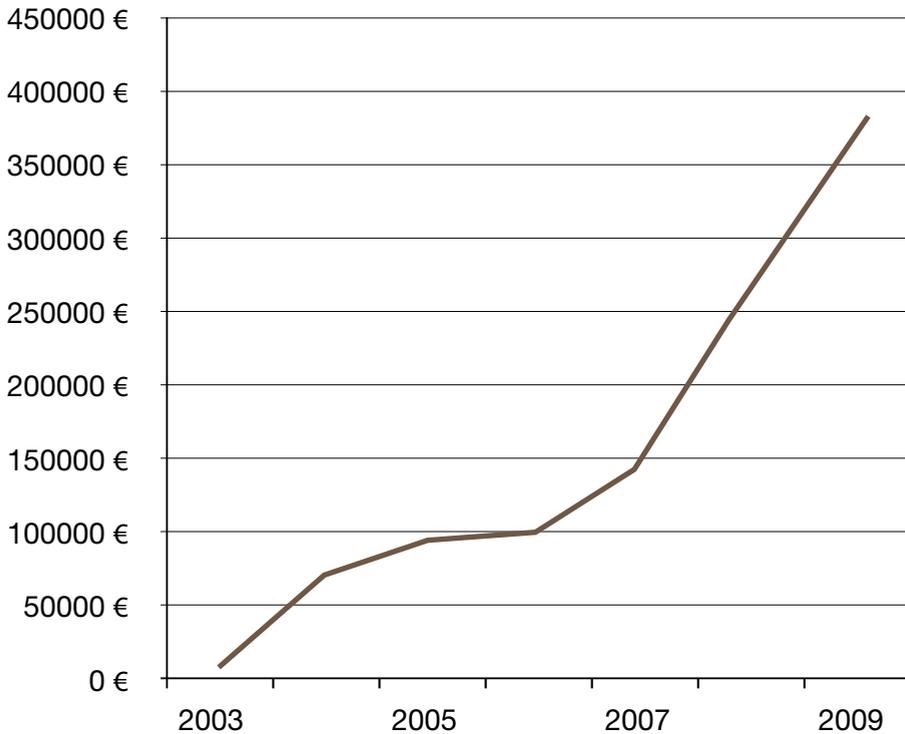
To care for the others means to be altruistic. It involves sharing, being aware of others’ feelings and diversities; valuing the contribution of all those we are in contact with. These aspects are developed through collaborative and non-competitive games, art, drama, personal and social development sessions and the fostering of a general spirit of cooperation between those in administration, the carers and instructors and the children themselves.

### **Caring for our environment!**

Caring for our environment is not an option. Our children are already very aware of the implications of being careless, if not downright destructive in this regard. It is now time to start putting these principles into practice. Recycling is a basic principle which underlies all activities undertaken at the centres. Amongst others, the kids

actually make some of the equipment which is used during games, during their crafts programme using everyday items we would normally discard. They also have the opportunity of exploring, through a hands-on approach, the natural world and the world of animals.

**Graph 11 – Vista - Turnover**



*Source: Vista*

### **Actions for the cooperative's development**

All members and employees of Vista undergo regular training, whether in the form of induction courses for new staff members or in-service training for all employees on an ongoing basis. Vista is currently trying to source EU funding in order to send their caregivers on work placements in Childcare Centres in other European countries. It also offers work placement opportunities to a large number (approximately 30) of students studying to become child caregivers at various educational institutions.

Vista is also a training provider in 'Equal Opportunities: Gender, Ethnicity & Religion' as well as 'Good Practices in Childcare', 'Introduction to the profession of Child caregiver' and 'Female Entrepreneurship and Coops'.

Almost all the members of Vista work on a voluntary basis in several non-governmental organisations. One of the members has been also the President of Koperattivi Malta, the Federation of Maltese Cooperatives whilst another one is very active in the Maltese Confederation of Women's Organisations and the Malta Early Childhood Educators Association.

### **Vista: the impact**

The cooperative has always developed its activities with the aim of giving concrete answers to society's needs and promoting local development. It is estimated that its activities have enabled parents of 650 children who come to our Summer Club to retain their employment, as well as for the parents who benefit from activities of the 4 child-care centres opened in the last two years, which involve 185 children under 5 years. Moreover, the Holiday clubs are indispensable means to help the families plan their working schedule and improve their work-life balance filling the gaps left by school holidays.

Since its establishment, Vista has also created job places for about 34 persons and 70 seasonal workers, working during the summertime. The cooperative actively fosters the concept of inclusion throughout the educational program of the country establishing and promoting best practices in early childhood education.

Although Vista has a very small number of members which may at first glance seem hugely disproportionate with the number of its employees, this is a situation which cannot be helped for the time being, as the vast majority of these employees are employed in the framework of specific contracts which the cooperative enters into, for example with the government for the management of three Childcare Centres, which contract runs for definite periods. Moreover its other major project, Kidstart Summer Club, is a seasonal one.

As Vista continues to look into possibilities of expanding the range of services it offers, it fully intends to explore the possibility of increasing the membership base of the cooperative. It is however firmly conscious of the responsibility to ensure that jobs created for eventual members are guaranteed as much as possible in order to avoid instability and uncertainty which might jeopardise the cooperative's long-term sustainability.

### **Vista's future**

For its future, Vista coop will be working on consolidating its position as a market leader in the field of early childhood education in the country. With this strategy,

it aims to increase the number of childcare centres it manages and consequently of places available for children 0–5 years old, especially through public-private partnerships. This objective could support the creation of more employment opportunities for women and men in this field and increase the number of training placements for students undergoing early childhood education training. Vista is well aware of the fact that the cooperative's development passes through the valorisation of its own resources too. Thus it wants to enhance the in-service training program for its employees and enhance its service in training provision. As an external mission, the cooperative will invest in a marketing strategy to improve the image of childcare and coops.

The worker members are the managing partners of the cooperative and therefore their role is central to the implementation of this plan. The other ordinary members provide professional support and expertise in the areas of marketing, human resources development and financial management.

Within its community, Vista has established a good relationship with the Local Council which offers active support to the cooperative. Furthermore it has established an excellent rapport with the Ministry of Education as well with the Department of Social Welfare Standards within the Ministry of Social Welfare.

### **VISTA - Malta**

Worker cooperative

Address: 228, Triq Misrah il-Barrieri,  
SVR 1759, Sta. Venera

Year of creation: 2003

Sector: Early Childhood Education  
Edutainment  
Professional Development

Members: 5

Workers: 30

Seasonal Workers: 70

Volunteers: 30

Turnover (2009): € 383,511

Web: [www.vista.coop](http://www.vista.coop)

Contact: [info@vista.coop](mailto:info@vista.coop)



**How horizontal groups  
among cooperatives  
consolidate employment  
and contribute  
to the development  
of the regions**



# The InConcerto social cooperative consortium

Veneto, Italy

**Farming, industry, social services**

With the contribution of Pietro Tarusello and Anna Borzaga



The history of the InConcerto Consortium is linked to that of one of its cooperatives, L'Incontro, a cooperative dedicated to providing social services ("type A" social cooperative) that was created in Castelfranco Veneto in 1991, and whose original activity was to manage a department of the rest home for the elderly in Castelfranco Veneto. However, during this initial professional experience, the cooperative quickly became aware of the fact that there were some people in the home who should not have been there, such as persons with psychiatric disorders who found themselves living in the home, even though they were not elderly. This gave rise to the idea of finding a way to rehabilitate these people and to integrate them within society through employment. A pathway was devised over the course of time, starting with the initial phase of rehabilitation, which took place through the cooperative and ending, once the person was better and capable of working, by finding employment in a

cooperative that specialises in integration through work (“type B” social cooperative). Almost all of the consortium’s type B cooperatives were then created, with a view to the integration of these “un-wanted” people. The Orchidea, Nuova Vita, Ca’ Speranza and Persona cooperatives then joined the group and when the Consortium was created in 2002, they also became members.

The main and original objective of the consortium is to respond to the needs of the territory in terms of social integration and sustainable work with reference to persons with psychiatric disorders.

The added value created by the cooperatives that are part of the consortium is the involvement of the territory and the capacity to seek resources that are provided on a voluntary basis (indeed, many of the worker members of the consortium donate hours of work on a voluntary basis; there are also the “master craftsmen”, the “sponsored” members of the workforce, etc.).

### The members of InConcerto

The consortium is a secondary level territorial social cooperative that groups 15 social cooperatives (type A and B) and a property cooperative called I quartieri della solidarietà (Solidarity neighbourhoods).

There are four type A social cooperatives and they mainly provide services to persons:

- *L’Incontro* (Castelfranco Veneto): currently provides services to more than 170 elderly persons and 150 mentally disturbed persons; thanks to its work over the last few years (since 1991), 85 persons have been integrated into the world of work on a stable basis. These persons are former beneficiaries of psychiatric support, but are no longer dependent on public social assistance.
- *Orchidea* (Valdobbiadene): works mainly with persons who have a psychiatric disorder. It provides nursing services for the Israa di Treviso resthouse and for Padiglione Autosufficienti Meneghetti; it manages three residential facilities for persons with psychiatric disorders, two residential communities, one in Mogliano, one in Vittorio Veneto, one in Valdobbiadene, a sheltered therapeutic residential community in Vittorio Veneto, a day centre in Mogliano and a day employment centre in Valdobbiadene.
- *Ca’ Speranza* (Castelfranco Veneto): works within Atlantis in Associazione Temporanea d’Impresa with the social cooperatives l’Incontro and il Girasole, with which it shares projects, commitments and relations with the the local

health service and the territory. Atlantis looks after persons of different ages with disabilities. Since these persons have different problems, they are included in separate groups.

- *Nuova Vita* (Camposampiero): works in partnership with the Centro Servizi Bonora di Camposampiero and manages three reception facilities for elderly people who are not self-sufficient (115) and provides social assistance and nursing activities, and also organises events. It also manages a Centro Disabili Motori, whose aim is the rehabilitation, training and integration, through work, of persons with motor disabilities. Over the last few months, it has also assumed responsibility for the management of the Casa di Riposo Mariuto di Mirano.

There are 11 type B cooperatives that are part of the Consortium whose mission is the integration, through work, of disadvantaged persons, with a particular focus on persons with psychiatric disorders, and where work is shared between disadvantaged workers and other workers:

- *Aurora* (Vedelago): was originally created as an industrial organisation with the aim of facilitating the integration through employment of the nomadic peoples who had been present across the Castellano region for many years, with a view to providing a positive response to their requests for employment. It now integrates local people who find themselves in difficulty, particularly individuals with psychiatric disorders and the long-term unemployed.
- *Campoverde* (Castelfranco Veneto): through its presence in the agricultural sector, it provides employment for persons who either are, or have been, mentally disturbed. In fact, it is an organic farm that also has its own sales outlet. It is also an educational farm that works with schools and other interested groups.
- *EoS* (Crocetta del Montello): works in the areas of gardening and furniture. Its aim is to favour the integration through employment of persons with mental disorders who have reached a sufficient level of autonomy to cope with the world of work.
- *Eureka* (Castelfranco Veneto): manages an industrial laundry that works for large residential structures for the elderly, persons with disabilities and hospitals.
- *I Cerchi* (Castelfranco Veneto): provides cleaning and sanitisation services for public and private structures such as offices, warehouses, residential rest homes, assisted residential facilities, institutions and industrial facilities.
- *L'Incontro Industria* (Castelfranco Veneto): was created to provide technical assistance to the member cooperatives and to seek out new industrial markets. Its aim is to combine good customer service (industrial companies across the territory) with the possibility of guaranteeing the integration through employment

of deprived persons in the area.

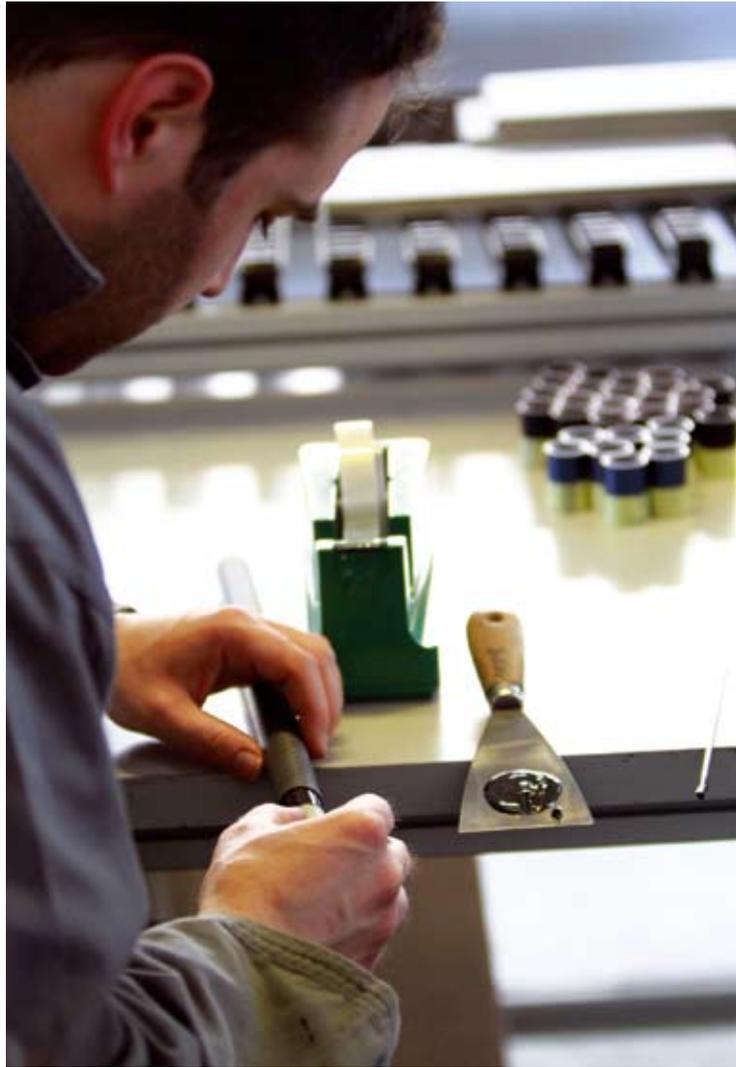
- *L'Incontro Arreda* (Castelfranco Veneto): manages a carpentry that produces customised furniture for home and office use. It also makes wooden urban furniture and gazebos.
- *Solidaria* (Vedelago): works on the industrial market and develops customised projects designed to meet the specific needs and requirements of the clients, thereby demonstrating its ability to provide quality and flexible services.
- *Via Vai* (Castelfranco Veneto): is responsible for maintaining links between the Consortium's cooperatives and its clients. It deals with the movement of goods, through the transportation of semi-finished goods and the collection and delivery of materials used in processing and of finished goods. It also manages a territorial transportation service which includes a removal service, loft and basement clearance, transportation of materials, etc.
- *Cucina & Sapori* (Camposampiero): manages catering facility that produces meals.
- *Persona* (Piombino Dese): provides cleaning and sanitization services, as well as green space maintenance.

This territorial network-based system provides employment for some 1,000 people, 440 of whom work in the type B social cooperatives, including close to 160 disadvantaged persons.

## Working against social exclusion

The consortium's cooperatives try to integrate two main categories of people: persons with psychiatric disorders and vulnerable persons who belong to the category of the so-called "new poor." For the first group, the process is more complex, since they are entrusted to the cooperative by the local health service, are placed in the day employment centres in the type A cooperatives and are supported and monitored by the educators and operators before they are then employed by the type B cooperatives (this only applies to those who are considered ready to be employed on this basis). This process is closely monitored in collaboration with the relevant local health service. The work carried out with these people in the cooperatives has a highly positive effect, in that they are no longer reliant on social assistance and are able to rebuild their dignity, they earn a good salary and emerge from the tunnel of social assistance and benefits, and also acquire confidence in both themselves and their own abilities; furthermore, they are placed in an environment in which they can socialise: in other words, their quality of life improves, even though they have to constantly live with their mental disorder.

With regards to those people who belong to the category of the “new poor”, the territorial social services with whom InConcerto collaborates are responsible for deciding if a person falls into the category of those who are socially and economically deprived. These people are placed directly into type B cooperatives. Thanks to its own “social employment agency” (see next section), the consortium recently launched a new type of experimental process called the vocational laboratory. Under this scheme, rather than giving money to families with serious economic difficulties, the municipal authorities in the territory provide the families with financial support in the form of a working grant for a period of training that is carried out within the consortium’s cooperatives. In this way, the allowance is not just



a handout and instead the beneficiaries have to earn it by working, thereby restoring the dignity of those who find themselves having to cope with extremely difficult economic conditions.

The relationship with the territory is very close in that, as has already been mentioned, the consortium’s cooperatives work in synergy with the territorial services with a view to constantly improving the services provided. Indeed, for the most part, they work with the relevant local health service and with the municipal and public authorities that provide work to the cooperatives on the basis of contracts rather than through a tendering system, which also underlines the trust that they have in the cooperatives.

In general, the type A cooperatives receive resources in particular from the public

bodies in return for the services that they provide, as do the type B services cooperatives (cleaning, green space maintenance, industrial laundry services) in the sense that the majority of their clients are public bodies, whilst the industrial cooperatives are financed by what they produce and they work on the conventional market. All of the cooperatives have a high level of own capital since they ask each member to pay a cooperative share that is the equivalent of €2,500, although it is possible to pay this on an instalment basis in order to make it affordable, the minimum payment is deducted from the workers' pay package and is €25 a month.

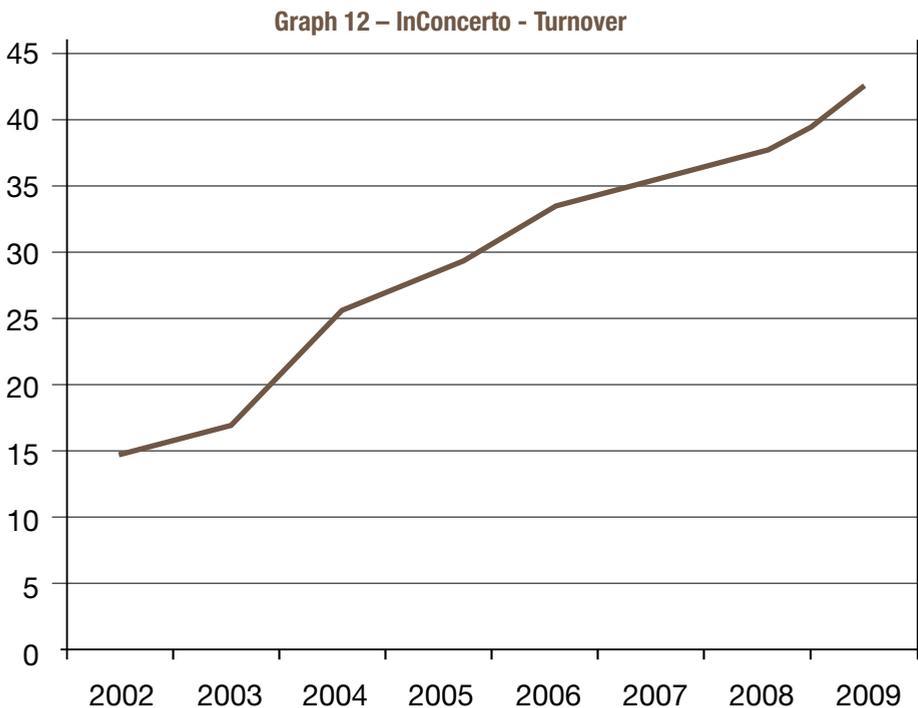
### The social employment agency

In order to respond to the ever-increasing needs of the territory, the consortium has continued to expand and to grow, creating new opportunities for social integration through employment. However, this generous and constant form of growth can become a burden rather than an objective. The consortium therefore decided to accord greater priority to the part of the original project that was designed to provide a pathway for the integration through employment of disadvantaged workers, starting with placement in the type B cooperatives and leading to employment in enterprises active on the traditional markets, as part of a continuous process of integration. This means that, rather than getting bigger, the consortium should strive to ensure that every disadvantaged worker who steps through its doors should have the real possibility of getting on, or of trying to return to, the conventional labour market. Therefore people will no longer come into the consortium in order to stay in it forever. The response to this inescapable requirement is provided by the design and development, within the consortium, of a functional area called the "Social Employment Agency" which acts as an interface and mediator between the consortium's non-profit functions and the public and private employment services and the conventional companies in the region. The consortium has already begun to set up this "bridging structure" with the Umana SpA employment agency, which is sharing its knowledge and experience of the conventional firms with the consortium.

However, this approach is also, and above all, highly innovative in terms of the methods used to place workers in companies, since they will be initially assisted by a tutor from the consortium, who will work with them for a period of time as a "work environment mediator", thereby affording certain guarantees both to the workers and to the company. If problems were to be experienced during the placement, then the workers can return to the type B cooperative they came from until they are considered ready to be placed within a company once again. Another of the Social Employment Agency's essential tasks is to limit, together with the UMANA agency,

the amount of time spent in the type B cooperatives by the workers who are part of the so-called “new poor”, who are being referred, in increasing numbers, to the consortium by the municipal authorities under Regional Law 23/2006, by offering them the opportunity to return to work on the market from which they have been expelled. However, this is not something that the consortium can achieve on its own, since it is the task and duty of the whole of the territory and of the community.

## Main business figures



*Source: InConcerto*

Initially the turnover was mainly generated by the sale of services to the public bodies. The type B cooperatives have undergone significant development over the course of the years and in this way the part of the turnover generated by the sale of services, and therefore by the public market, has become almost equal to the amount of the turnover generated by the private market.

The consortium did experience a critical phase in 2003-2004, but these difficulties were overcome through sound management and savings policies, which enabled it to pay off its debts over the course of time and to get back into the black. From 2005 onwards, all of the cooperatives have grown on an ongoing basis.

## The future of InConcerto

InConcerto aims to further consolidate the production activities in order to safeguard jobs by increasing market niches and being able to place new disadvantaged persons in employment. Its strategy is centred on the development of new orders in industry and services, particularly those that are able to host more vocational laboratories for traineeships which may lead to further opportunities for the placement of disadvantaged workers. The Social Agency for the integration through employment of disadvantaged workers outside the type B cooperatives on the traditional labour market will be developed in collaboration with the UMANA employment agency. To increase the loyalty and sense of belonging of the members, a series of networked solidarity tools will be established, including a company outlet for food and household products (at cost price), the payment for which can be taken directly from the members' pay packet. In addition, the consortium is working for the provision of micro-credits (up to €5,000) with the regional Banca di Credito Cooperativo, with the agreed instalments being deducted from the pay package. In order to widen the capacity to employ disadvantaged people, a new Day Employment Centre (COD) at Monfumo will provide employment for 24 disadvantaged members in the organic farming sector in the near future.

InConcerto will establish the third part of the industrial and services area of the consortium-based Castellana system at Castelfranco Veneto, called the "Quartiere della Solidarietà 3", which will host the Incontro Industria, Eureka, I Cerchi and Eos cooperatives, as well as the consortium itself.

### **INCONCERTO - Italy**

Consortium

Address: via ospedale, 10  
31033 Castelfranco Veneto

Year of creation: 2002

Sectors: social assistance, industry, services, catering, furniture and farming

Members: 15 social cooperatives

Workers: 1,159 (2009) (a 10% increase over 2008), who are all members  
Out of which: 202 disadvantaged workers  
(against 172 in 2008), who are all members

Turnover: € 42,634,621 (2009) (a 10% increase over 2008)

# Le Mat Consortium

Italy

## Tourism

With the contribution of Renate Goergen



## The consortium

Le Mat acts in order to facilitate the development of social cooperatives in the tourism sector, while providing the best possible cultural, social, vocational and occupational value to persons suffering from disabilities, mental illness or drug addiction, as well as all those who, for one reason or another, are the object of discrimination or exclusion from the labour market or from the community. Le Mat works with social cooperatives to help improve their finances, internal democracy– and their surrounding local community.

Apart from being a registered trademark, Le Mat is a consortium of social cooperatives acting as a development agency in the tourism sector. It works for the development and dissemination of social cooperatives that are in the business of hotels and bed and breakfast and other tourist services while providing employment to disadvantaged people. First, the Le Mat Association was founded

in 2005 by a handful of individuals and cooperatives experienced in managing small hotels and hostels and in providing jobs to people affected by social exclusion and disabilities. Then, the Le Mat Consortium was founded in 2006 by 18 territorial consortia and cooperatives with an aim to raise the quality and sustainability of the cooperatives and to develop the Le Mat trademark. The cooperatives and consortia are the owners of the Le Mat Consortium. They invest risk capital to develop the organisation and the services which are targeted at the members, but also at external clients such as cooperatives and associations, people who want to set up cooperatives, local governments etc.

The Le Mat Consortium manages:

- training for inclusive entrepreneurship;
- the start up and development of cooperatives, training, and advisory services in business plans and fundraising;
- advice and counseling in the tourism sector and in the hotel/hostel/B&B business;
- promotion of, and participation partnerships for access to programmes and projects financed by the European Social Fund and other sources, with a view to achieving the objectives of the group.

These activities are pursued through collaboration with public, private and social organisations in order to develop sustainable processes which local communities can benefit from.

### **“Distilling” and reproducing good practice**

Le Mat began by “distilling” a sustainable practice in Trieste (Italy): Il posto delle fragole (a founding member of Le Mat), a cooperative composed of young psychiatric patients, artists, drug addicts, physicians and sympathizers, that have been managing a small hotel since the end of the 1980s. The Le Mat Hotel brand reproduces some of the secrets of the Trieste success. It is a mid-scale hotel that targets the mid-scale traveller. It is centrally located with good transportation links but, more importantly, the management group includes people with specific life experience, such as exclusion, disabilities and discrimination.

Since the Equal Project “Albergo in Via dei Matti n.0” started, Le Mat has been developing the idea of “Social Franchising,” experimenting it in the tourism and hotel industries. The practice of Trieste has become the basis for the Le Mat social franchising in the hotel industry.

Carrying on the experimentation, Le Mat has highlighted the replication of a model – a 30 room hotel in main cities, near transportation links and completely accessible and usable by people with disabilities. Le Mat goes further than this because even if there are common elements, all situations differ from each other in relation to the main elements such as cultural, geographical, architectural, entrepreneurial and social aspects. With this,



Le Mat carries out a continuous process of model “distillation”, departing from the single situations where it is involved. For example, Le Mat is discussing among its members how to establish sustainable small inns and hostels in rural areas through the creation of a local network of inns, hotels, B&Bs, working with local producers and promote “KM 0” policies. These policies ensure that products used in the production cycle come from a limited area near the social cooperatives. In general this will help develop a local system of responsible tourism, in which local actors such as public entities, hotel and tourism institutions, local producers, citizens and the tourists themselves are responsible for sustainable local development.

Le Mat, therefore, has started a bottom up process where the entrepreneurs discover and share interesting and innovative practices in inclusive tourism, hotel and sustainable local development by identifying needs, demands, processes and quality standards. Step by step, Le Mat “distills” the different experiences it knows and meets, extracts the most significant quality elements and tries to replicate those that its members agree upon.

### **Le Mat’s network**

*Il Posto delle Fragole* is a social cooperative which, since the 1980s, has been managing a bar-restaurant on the hill of the abandoned Trieste Mental Hospital. The goal was to provide a place where people can play music, socialize, perform, while making use of the old hospital’s many buildings and its park. In the mid 1980’s, a group of worker-members decided to refurbish and manage a hotel on the seaside of Trieste, called Hotel Tritone ([www.tritonehotel.org](http://www.tritonehotel.org)). This successful practice has been the basis

for the Le Mat hotel concept. Quality is the keyword, both in terms of the products and services offered, and in terms of the members' work in the cooperative. The management group includes people who experience exclusion and discrimination.

*La Tana Libera Tutti* social cooperative in Perugia province, Umbria, manages a hostel and a restaurant (called In Bocca al Lupo). The hostel is completely accessible for guests with special needs ([www.latanaliberatutti.it](http://www.latanaliberatutti.it)).

*Passepartout* ([www.passepartout-abn.it](http://www.passepartout-abn.it)) is a small network in Umbria established by social cooperatives consortium ABN, working in the tourism sector so that anyone who wants to go in Umbria, for whatever reason, can find solutions suited to his/her needs.

- Borgo Coloti, a small medieval compound located in the village of Montone, comprises 8 holiday apartments, a large outdoor area where the swimming pool and the Astronomical Observatory of the University of Perugia are located. The special environmental characteristics make Borgo Coloti suited for families, schools and small groups.
- For conferences, seminars and major events, Passepartout offers two different solutions: Villa Umbra in Perugia is a centre of study-stays, with a hotel complex, restaurant and bar; Villa Fidelia in Spello is in a park of about 6 hectares and is suitable for temporary exhibitions, concerts and cultural events.
- Casale La Mimosa is located in an old restored convent, on the hills of Casaglia, very close to the historic centre of Perugia, a few metres from the main bus terminal for the other art towns of Umbria region, such as Assisi, Spello, Spoleto and Gubbio. La Mimosa is an authentic B & B offering its services in a warm and inviting atmosphere, surrounded by a large garden, where guests can enjoy their breakfast, carefully prepared by the expert hands of Mara, the mistress of the house. It is particularly suited for those who want to discover the Appennine region.
- The Poliedro Cooperative handles the main museums in and around Perugia: the Pinacoteca Civica, Museo Burri Foundation and numerous other artistic treasures. Il Poliedro manages the guesthouse of Villa Montesca, particularly suited to accommodate groups. An annex of Villa Montesca is in the centre of Città di Castello for tourists who like to have breakfast in the downtown café. Villa Sacro Cuore is a home for holidays, just out of town. It is slightly on the hill and can accommodate pilgrims, students, families, business meetings and banquets.

*Azalea* social cooperative manages several social and health services in Verona and since 1995, also works in tourism, managing two hotels and a restaurant near the Garda Lake and is setting up a local sustainable tourism district called *rotte locali*. The guests are business people, tourists and travellers from far away but also some guests

from the surroundings: women and men who are alone and need help because of their age or disabilities. Instead of living alone in a poor and small house they live here in the community of the hotel where they find warmth and professional help ([www.azaleacooperativa.org](http://www.azaleacooperativa.org)).

*Alice* is a social cooperative in Lazio, near Tarquinia. It specializes in rural tourism, with experience in agriculture and having tourism as an additional activity to increase the sustainability of the enterprise ([www.coopalice.it](http://www.coopalice.it)).

*San Lorenzo* is a social cooperative in Sardinia, established in 1997 in order to provide opportunities to people with drug addiction in the area of Iglesias, and nowadays developing tourist activities. There is a ship that visits the coast of Sardinia and more recently a hostel in the middle of the mountains of Marganai. San Lorenzo is becoming an important centre for social inclusion and sustainable development for this very poor area ([www.cooperativasanolorenzo.it](http://www.cooperativasanolorenzo.it)).

*Explorando* social cooperative in Bari, Apulia, has been set up by persons who want to live and work locally and who know their land and the people living there very well. Explorando is trying to set up networks and cooperation projects among all those who want to lodge, welcome, have guests and give hospitality to tourists and set up local systems for a more sustainable tourism ([www.explorando.org](http://www.explorando.org)).

*ECO - Cultures and Tours* is a cooperative based in Palermo helping travelers to discover Sicily in a different way. Together with Le Mat and other partners they are working in the Belice area to develop a local tourism project ([http://www.lemat.it/eng\\_localita/id:55](http://www.lemat.it/eng_localita/id:55)).

*Solidarietà e Lavoro* is a social cooperative in Genoa active in the field of tourism and cultural services, and employing socially disadvantaged persons, as well as workers experienced in dealing with the organisation of production schedules in enterprises for people with disabilities. They recently opened a hostel ([www.solidarietaelavoro.it](http://www.solidarietaelavoro.it)).

*Tandem* is a social cooperative in Rome which for 10 years has been offering information and consulting about the question of disability, managing call centers and where one can find tourist information for people with special needs ([www.tandem.coop](http://www.tandem.coop)).

*Consorzio Light* is a consortium of social cooperatives, one of which, L'Innesto ([www.innesto.org](http://www.innesto.org)), works in the tourism industry in a valley near Bergamo. They attempt to develop not only tourism, but a more sustainable development model for the valley and the people living there.

## Social Franchising and consolidation

With the development of the Le Mat brand, the Board of the Le Mat Consortium decided to develop its own franchising system. The rules and conditions for the future franchisees are being drafted. Franchisees will pay a membership fee for the services they need in order to reach the conditions of the brand and to maintain them.

Today Le Mat's main strength is the "distillation" process of tourism and hotel practices, sustainable local development, the gradual definition of product and process quality standards and the experimentation of the model. Essentially it is a branding process.

The Le Mat Consortium is the only specialized development agency for this type of tourism in Italy. On the other hand, it still faces difficulties due to the fact that the cooperatives are still small and lack public assistance. The social cooperatives work in disadvantaged areas and are under capitalized and have difficulty accessing credit. Le Mat thus also focuses on the issue of credit together with Banca Etica and other institutions dealing with ethical finance.

Le Mat's future actions will be:

- working on the reinforcement of the Le Mat brand on the basis of corporate social responsibility and self regulation through a bottom up democratic process;
- opening new pilot centres all over Europe in order to define and experiment processes and models;
- defining and promoting members' products in foreign markets;
- becoming a tour operator in order to facilitate the commercialization of members' products.

### **LE MAT - Italy**

Social Cooperative Consortium

Address: via G. Giulietti 11,  
00154 Roma, Italy

Year of creation: 2006

Sectors: tourism and hotel industry

Members: 19

12 cooperatives

4 consortia of social cooperatives

2 associations

Coopfond

Web: [www.lemat.it](http://www.lemat.it) and [www.lemat.se](http://www.lemat.se)

# The Vägen ut! (“Way Out”) Consortium

Sweden

**Handicraft, catering, tourism**

With the contribution of Elisabet Mattsson



## History and origins

The idea of starting *halfway houses* for social inclusion and recovering drug addiction sprang directly from the initiative taken by a group of marginalised people and from their own personal experience. Some of them, who had also been to prison, formed a self-help group called KRIS – Kriminellas Revansch i Samhället (Criminals Return into Society). The self help group had the objective to actively support the social re-integration of its members. The result was a tangible drop in the crime rate of the city. This pioneer project was taken as an example to develop similar initiatives in other parts of the country. In particular, in Göteborg, Sweden’s second city, a partnership was set up to run an EQUAL project aimed to create social cooperatives with the objective to replicate this good example. This network involved authorities working with

ex-offenders, the public employment service, the prison and probation service, the regional social security branch, the social work resource centre of the City council, the local cooperative development agencies and four self-help organisations, among them KRIS.

In 2003 some of the people from these self-help organisations opened the two first halfway houses, *Villa Vägen ut! Solberg*, which caters for men, and one for women, *Villa Vägen ut! Karin*. The cooperative *Vägen ut! kooperativen* was then founded to lead a consortium comprising these enterprises. Vägen ut! is now disseminating this concept of halfway houses through the method of social franchising. The cooperatives of the consortium work for the integration of drug addicts and criminal offenders as well as women victims of abuse into the labour market through empowerment processes, accommodation, socialisation, training and work. Vägen ut! uses the consortium model to organise its members, which are all worker cooperatives. Thanks to the application of the social franchising method, more cooperatives have been created and become members of the consortium. Just five years after its establishment, the consortium counted ten member cooperatives and the number keeps growing steadily. The cooperatives target people that are difficult to employ, drug addicts, criminal offenders, abused women, long term unemployed youth, etc. They work in a broad partnership with the public authorities and social agencies as well as a number of concerned NGOs.

The current members of the consortium are:

- **Villa Vägen ut! Solberg** is a halfway house founded in 2003 which hosts 5-7 male ex-prisoners for a period of 3-6 months. They usually work in the greenhouse or in the workshop or they take on external jobs.
- **Villa Vägen ut! Revansch** is a halfway house for men in Sundsvall (400 km north of Stockholm) which was established in June 2008.
- **Villa Vägen ut! Karin** is a halfway house for women which also has two emergency places for women with drug problems.
- **Villa Vägen ut! Susanne** is a halfway house for women in Örebro (between Stockholm and Göteborg). It started in February 2009.
- **Karin's Daughters** is a craft cooperative run by five women, who carry out weaving, silver-smithing and other handicrafts. They also provide work rehabilitation for 10 women. The women usually stay for 6 months.
- **Café Solberg** is a café and catering business employing 3 people and work rehabilitation for 4-5 men and women.

- **Young Surfers** are young people doing screen prints. Today the cooperative employs 5 people and provides work rehabilitation for 4.
- **Anlita** is a temporary work agency.
- **Vägen ut! Gardening** started in the spring of 2009. The cooperative is composed of around 10 people.
- **Le Mat SWEDEN** is managing 2 B&Bs in Karlstad and Goeteborg ([www.lemat.se](http://www.lemat.se)).

## **Social franchising as an innovative method to create social integration**

The method of social franchising is used to disseminate and transfer knowledge of “half way houses” (accommodation and work for the target groups) and hotel/bed and breakfast. The concept of half way houses is an original concept of Vägen ut! The hotel franchising idea is based on the Italian Le Mat hotel concept (see Chapter 16). Vägen ut! and Le Mat have created a network of social franchising at the European level, named the European Social Franchising Network, which also has members in the UK, Finland and Germany.

Within the social franchising concept of Vägen ut!, the enterprises should implement participatory democracy in such a way that the potential of all workers is developed. Social franchising also builds a community by stimulating contacts between workers in different companies and efforts toward common goals. By defining the keys to success and documenting them in manuals, and by developing training courses based on them, a group of entrepreneurs can gain access to knowledge and experience.

Starting an enterprise is usually difficult, and even more so when the entrepreneurs have been without a foothold on the labour market, with all that goes along with it. Knowledge and networks for operating a company may not be the best in all cases and starting and operating a company under these circumstances is very difficult. By cooperating in a franchise organisation, competitiveness is improved and joint development and quality improvement offer better prospects.

## **Implementing cooperative principles**

The cooperatives within the consortium all actively carry out the principles established by the International Cooperative Alliance (see introduction). Every new cooperative focuses on the interests and abilities of the worker-members as its starting point. This has to be combined with business considerations as to whether the enterprise will be profitable. Vägen ut!’s key message and its working method is empowerment;

when people are given the opportunity to influence their own lives together with others, something happens that leads to real rehabilitation of the individual and new opportunities to create decent work.

## Training

In social franchising, an important aspect is training as a source of support for entrepreneurs. Training, forms of management and routines are designed so they empower the workers. A key document is the franchise handbook. This comes in loose-leaf format and comprises some 170 pages, including standard forms for interviews. There is also a separate quality handbook. Quality is the subject of a specific formal agreement, which for instance provides for impromptu inspections.

## A growing reality

Vägen Ut!'s method and models can be considered to be a successful social innovation. It has a very positive impact on furthering social inclusion and this has been shown in different evaluation reports and academic studies. One of the most important results from the studies that have been carried out is that around €100,000 in public expenditure is saved for each resident in the half way houses<sup>26</sup>.

The annual turnover from sales and projects is around €2.5 million. However, public funding for wage subsidies and other contributions paid by the national authorities are not included in this figure. Other public funding is just 5% of the turnover. The average income of a worker is around €1600/month and wages and working conditions are regulated by a collective agreement between the Cooperative Employer Organisation KFO and the concerned trade unions. During the next two years it is expected that another 5 cooperatives will be created.

Italian cooperative entrepreneurs met Vägen Ut! during the Equal project “Albergo in via dei matti numero 0” and the transnational project called “Le Mat - decent work through social entrepreneurship”. Together they decided to develop the Le Mat brand in tourism using the experiences in Italy.

Today the system is composed of the following entities:

- 1) Le Mat Italy - the consortium and the association developing the characteristics of the brand for Italy (see Chapter 16).

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<sup>26</sup> From the public perspective, a summary of reports on Socioeconomic Reports for Vägen ut! kooperativen and Basta Arbetskooperativ. [http://vagenutsidor.se/pdf/Sammanfattning\\_eng.pdf](http://vagenutsidor.se/pdf/Sammanfattning_eng.pdf)

- 2) Le Mat Europe - the Italian Association and Vägen Ut! looking are part of this European organisation.
- 3) Le Mat Sweden - developing the characteristics of the Swedish brand and the franchise system.
- 4) The European Social Franchising Network - <http://www.socialfranchising.coop/> where resources to develop the social franchising concept can be found.

### **VÄGEN UT - Sweden**

Consortium of 10 worker cooperatives

Address: Stigbergsliden 5 b,  
414 63 Göteborg, Sweden  
Phone: +46 31 711 61 50

Year of creation: 2002

Sectors: social integration of marginalised people

Members: 30 individuals and 12 cooperatives

Workers: 74 in all coops members included.

Aggregate turnover: around € 2.5 million

Web: [www.vagenut.coop](http://www.vagenut.coop)

Contacts: Elisabet Mattsson, Chairwoman and CEO, [elisabet@vagenut.coop](mailto:elisabet@vagenut.coop)



# Ok Verkko Group

Satakunta region, Finland

**Construction, handicraft, welfare services**

With the contribution of Tuula Merikivi



Finland experienced a dramatic economic downturn during the last decade of the 20<sup>th</sup> century with a very high unemployment rate as a result. In some places, over 20 per cent of the labour force was made redundant and the prospects for many people to find a new job on the labour market were very slim. Many skilled workers and clerical workers started to look for other solutions and in a time span of a few years, small cooperatives were established all over the country, thus also in the region of Satakunta in south-western Finland. Ok-Verkko, meaning “cooperative network”, was established in 2001 as a joint consortium of local worker cooperatives that were already collaborating closely. In 1999-2001, thanks to a project developed in the framework of the European Structural Funds, the consortium was formally established. Its primary objective was to increase the cooperative members’ skills and entrepreneurship and empower the network’s potential. Its establishment provided its constituent cooperatives with an important push to consolidate their already close collaboration and to compete with far bigger actors on the market.

## At the origin of the consortium: Sataosaajat cooperative

Sataosaajat, one of the member cooperatives of Ok-Verkko, is the cooperative at the origin of the consortium. When it was founded in 1994, Sataosaajat had 13 founding members coming from different businesses, all of whom were under the threat of unemployment or had already become unemployed as a result of the recession in Finland. During its first months of existence, Sataosaajat accepted 13 new members. The idea was to offer comprehensive services in four different branches: building and construction, education and consulting, social and healthcare and enterprise services.

Since the beginning, Sataosaajat has been taking advantage of the synergy effects which the cooperative helped create. Some members have performed manual labour while others have worked on expert tasks, and information on important topics in different branches have seen an evolution over time.

Since the establishment of Sataosaajat, its education and consulting branch has worked in the development tasks of the cooperative. Satakunnan Osuustoiminnan Kehittämiskeskus, the Satakunta Cooperative Development Centre, applied for funding and received grants in the immediate following years with the objective to support the establishment of new cooperatives, advising services and education of the new cooperative members. Sataosaajat organised more than 10 large courses on cooperatives between 1995 and 2001, after which over 20 new cooperatives were formed in the Satakunta region. With the help of ESF funding, Sataosaajat was active in cooperative development projects which supported the establishment of cooperatives. Ok-Verkko is a result of these projects.

In 2000 the cooperative leaders of Satakunta region gathered and decided to found a common association. They identified common marketing actions as one of the concrete tasks to perform. Also actions for keeping expertise of the members up to date as well as maintaining their working ability were considered central. Ok-Verkko was located on Sataosaajat' premises and a common marketing channel called Työpörssi ('Job Exchange') was formed.

The branches of Sataosaajat have further developed during the following years. The "Building and Construction" service offers mainly electrical work to consumers and companies. The "Social and Healthcare" branch has kept specialising in home and wellbeing services. "Education Sataosaajat" gives advice in the establishment and development of cooperatives and consulting in Employee Buy Out situations. Taking care of the financial management of cooperatives and also other companies has increased in the past few years.

During its existence, Sataosaajat has accepted approximately two new worker-members every year, and a little more have retired or moved to other work opportunities. Sataosaajat currently has 16 permanent members. In order for the new members to get into the cooperative's work and organisation, each has been appointed a mentor from among the old members, who helps him/her find work, marketing and performing practical tasks.

The turnover of Sataosaajat is currently 400,000 Euros, with an annual growth of approximately 10%. More than 70 percent of the turnover is in personnel costs. Sataosaajat presently has 20 (mostly part-time) workers.

### **Ok Verkko's members**

The members of Ok-Verkko are 12 cooperatives. Niitty Villa manages a home for recovering mentally-ill patients. Kankaanpään Taitotiimi works in plastering and painting of façades. Nyyfiiki Kulttuuriosuuskunta deals with research on topics such as culture, history and landscape. Osuuskunta Raumatiimi Yrityspalvelu provides expertise in engineering and business planning services. Osuuskunta Satamonikko engages in metalwork. Osuuskunta Satatuuli, Sateenkaaripalvelut osk and Taitokipinä osuuskunta provide home help services. Rauman Ratko is in charge of small scale construction work and refurbishment. Sataosaajat Osuuskunta works in the fields of accounting, education, electrification, employee buyout and translation. Silla Art works in the design and weaving of Finnish rugs and handicrafts in general. Ulvilan Osuma Osuuskunta is involved in accounting, small scale construction work and refurbishment, and education in music.

The Ok-Verkko consortium has an annual turnover of around €3 million. So far the figures have been growing steadily, but Ok-Verkko has been affected by the worldwide economic downturn. It is expected that, within a couple of years, the figures should be pointing upwards again.

### **The Exchange of work opportunities**

The innovative idea in collaborating and being part of the network was to introduce the exchange of work opportunities within Ok-Verkko. As a central structure of the consortium, Työpörssi or "work exchange" manages the requests which the consortium receives. When a client needs to have a job done, the request is put forward to skilled members mastering that particular work and in the best case the client gets a professional to call within half an hour about further details of the job

and to agree on a visit to take care of the problem. Sometimes it takes longer but in most cases the client gets help or at least information about where to turn next. The results of this work exchange are especially good when the clients look for home help services or want someone to take care of small scale construction work and refurbishment. Throughout the years many kinds of work opportunities have been traded successfully. The joint web site [www.palveluosuuskunnat.net](http://www.palveluosuuskunnat.net) promotes the member cooperatives and their respective members and informs potential clients of the available services.



### Close to the people's needs

From the very beginning, the goal of Ok-Verkko has been to further the members' business prospects and organise training activities in subjects such as economics, marketing, legal matters, insurance, electronic billing and pensions, which could improve the members' overall business acumen and make them better equipped for the different turns in business life. These training sessions are highly appreciated

by the cooperatives' members and help consolidate and improve the work and the quality of the services provided.

Social inclusion is also strengthened by recreational gatherings or activities that aim to enhance the members' well-being and ability to work. Sporting events, visits to a spa, introductions to different forms of physical exercise, Christmas parties etc. are seen as a good way to get to know each other in more leisurely circumstances.

## PROOF

### The future of the consortium – finding the challenges and face them

In general, interest in cooperatives tends to be weaker when the times are good and the business is running well, which has been the case until the end of 2008. From that perspective the future, with recession looming large worldwide, could again be a positive time for cooperative activities as such. In times of crisis people are more willing to try something new and to be more creative when the usual options are

not possible. That was what happened in Finland some 10-15 years ago with many small, worker-owned cooperatives as a result. But will people who have recently lost their jobs join already existing cooperatives or will they establish new ones? Another important question is how the cooperatives on the market can keep their clients, who in times of tighter budgets are counting their money and planning carefully how to use it? And how well-informed are people in general about the services cooperatives can offer?

There are also other factors that pose some serious threats to the cooperatives within Ok-Verkko. The active members are getting older and there is a clear need for new members with fresh ideas and also for new services. The wider the supply, the bigger the interest in the cooperatives' services is likely to be. It is important to be on the alert and look for ways to create new business amid the changes. With the help of tailor-made and up-to-date education, can the members' knowledge and skills be improved so that they match the needs on the market?

If all the small cooperatives in the Satakunta region were working together under one umbrella such as Ok-Verkko, it would be possible to apply for larger tenders. Examples of these could be maintenance of the airport, cleaning of the hospital etc. Small is indeed not always beautiful and by networking with other cooperatives one can meet bigger challenges. It is equally important to stay in touch with the interest groups in the region – municipalities, towns, government bodies and other enterprises and associations – so that they have the necessary information and are kept aware of the present state of the business and the future plans.

In these challenging times the members of Ok-Verkko are looking forward to networking locally, regionally, nationally and even globally with actors that are interested in cooperatives and willing to share their experiences in their respective fields.

### **OK VERKKO - Finland**

Social Cooperative

Address: Teljänkatu 8 a 2,  
28130 Pori, Finland

Year of creation: 2001

Sectors: Welfare services  
(coaching and support)  
Accountancy, construction,  
refurbishment, electrification,  
engineering, home help

Member cooperatives (2009):

12 Member cooperatives

Aggregate number of workers: 150 workers

Out of which: worker-members: 120

Turnover: around € 2.5 million

Web: [www.palveluusuuskunnat.net](http://www.palveluusuuskunnat.net)

Contact: [ok-verkko@palveluusuuskunnat.net](mailto:ok-verkko@palveluusuuskunnat.net)



# CNS

## Consorzio Nazionale Servizi

Italy

**Cleaning, catering, environment, maintenance, logistics, transportation, tourism, facility management etc.**

With the contribution of Daniele Conti



The Consorzio Nazionale Servizi (CNS) was created in Rome on 27 September 1977 as a secondary level cooperative at the initiative of 11 worker cooperatives active in the service sector, with a share capital of only 11 million liras (around €5500) that had been obtained through the constitution of 11 equal shares of capital. The initial purpose of the consortium was to acquire work contracts from private or public entities to be carried out by the member cooperatives. The cooperative transactions were undertaken through the entrustment of the activities to the members and initially these activities took place in the following sectors: cleaning, portage, maintenance, ecological services, catering and social services. From the very outset, as well as assigning contracts to its members, the consortium “*provided both assessments and guidelines regarding the production-related choices made by the cooperatives and their company structure,*” it offered its members assistance in the event of disputes with third parties, guaranteed

the provision of support in the “*formulation of company programmes regarding work to be carried out and contracts*” and facilitated access to credit through “*the advance payment of contracts and the provision of guarantees and sureties.*”<sup>27</sup> All of this was done in a spirit of collaboration with the individual cooperatives with a view to guaranteeing the maximum degree of company efficiency and quality in the execution of the works.

From the very beginning, the intention was to make the consortium’s own technological, organisational and financial know-how available to the members, along with its brand. Over the course of time, the skills and areas of expertise have expanded and increased and the member cooperatives have grown and diversified. From the original figure of 11 in 1977, the number of member cooperatives exceeded 200 in 2000 and the following sectors of activity have been added to the consortium’s initial portfolio: reception and concierge services, tourism and museums, energy management and, above all, facility management, or in other words the integrated management of a range of services. Today, the consortium has 232 cooperatives employing 93,000 workers, with an aggregate turnover of 5.5 billion € (2008).

## A growth instrument for cooperatives

There is no doubt that the growth of the consortium is also due to its place within the wider cooperative movement. CNS is a member of the national, regional and provincial bodies of the Italian cooperative confederation Legacoop and is configured in such a way that, in all respects, it is a structure that is part of the cooperative movement at the service of cooperatives. In this way, CNS has been an instrument for the growth and consolidation of the member cooperative enterprises and a system that allows for the transfer of skills and professionalism in order to maintain high operating standards and to promote company growth, even in contexts and geographical areas that are not particularly well-developed.

By accompanying the member cooperatives in their development, acting on a daily basis as a socially responsible company and committing itself to guaranteeing transparency for the benefit of the members and of the territorial bodies, CNS has been able to create its own, genuine network of companies that is based upon the values of both the company and of the cooperative movement.

Either indirectly through its own members, or directly through specific projects undertaken with its own member social cooperatives, the consortium actively

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<sup>27</sup> Extract from the minutes of the 1977 general meeting

promotes practices aimed at the social inclusion of disadvantaged persons, or rather a better or complete integration of the person in the social and economic context in which he or she lives. Thanks to the structure of the consortium, its know-how and its commercial relations, many of the social cooperatives that are members of CNS have been able to operate successfully on the market and to meet with the increasingly complex requirements imposed by the market. Today, in conjunction with the social cooperatives that promote the integration, through employment, of disadvantaged persons, CNS generates an income of €29,300,000. Indeed, 19% of the total turnover of the social cooperatives that are members of CNS is generated through contracts that have been awarded to the consortium. The members of the consortium are cooperatives that provide high quality services and also represent an added value since they have undertaken to provide employment to citizens who would otherwise be excluded from the world of work.

### **The activities**

Thirty years after its creation, CNS is a leading service provider in Italy, and brings together 232 cooperatives that are specialised in the main services sectors and are to be found across the whole of Italy.

As a result of its coordinating activities, the consortium acquires work contracts or concessions, mainly on behalf of its member companies and negotiates the contract before ensuring that it is carried out through the technical, organisational and managerial structure, equipment and workforce of its members, to whom it entrusts the undertaking of the work.

A great deal of energy is used to provide services to the membership. The consortium organises promotion activities to help the members grasp available market opportunities and defines specific entrepreneurial actions that involve the financing members in the management of complex contracts and in the promotion of new business areas. CNS has also started up a cooperative and management training school in the services sector. A crucial aspect of the consortium's strategy is geared towards the promotion of the strengthening and growth (in terms of size) of the cooperatives in the centre and south of Italy and, in general, to provide support for programmes designed to bring about the entrepreneurial growth of the member companies, particularly for the small and medium-sized ones, which is articulated through processes to increase their own assets, joint projects between the companies, technological and production-related innovation, the diversification and broadening of the companies' own activities and the development of their own managerial and production capacities. This is all done with a view to achieving the main objective of

CNS, namely to stimulate the growth of healthy companies that promote the values of social cohesion.

In pursuing its own objectives, CNS is able to draw upon the support of offices located across Italy. Nine territorial offices are accountable to the executive and administrative office in Bologna. These are to be found in Bari, Cagliari, Mestre (Veneto region), Melegnano (Milan region), Naples, Palermo, Rome, Turin and Trieste. Not only do the local offices perform a commercial and coordinating function for their member cooperatives, they also represent a platform from which to respond to the requests for intervention put forward by the local authorities and other potential clients.

Thanks to both the widespread presence of its territorial offices and the homogenous presence of its member cooperatives across the various regions, the consortium is now well established throughout Italy. Indeed, since its very creation, the original element of the consortium was not so much the fact that it brought together service cooperatives, rather it was that it set itself the objective of becoming established at the national level.

CNS maintains on-going relations with the public authorities in the areas in which it has an office and operates, as well as with the sectoral cooperative associations, the universities and research centres, its own member companies, the cooperative movement and, quite naturally, its customers. The financing of the consortium's activities is provided through the members' participating shares and the percentage that is due to the consortium for each contract that it is awarded. CNS also has its own financing members. In order to raise the resources that are required to finance its activities, CNS also makes use of credit institutions.

Amongst its many activities, CNS also carries out the specific monitoring of cooperatives that are going through difficult times in order to support them, or the annual monitoring of the economic-financial and mutual balance achieved by the member

cooperatives. This is because the growth of the consortium must go hand in hand with that of the cooperatives: a more solid consortium that has greater resources is better placed to support its members' activities and to have the economic means and resources to take part in



any call for tenders, whilst cooperatives that are more efficient, both in terms of the execution of individual contracts and in their overall economic management, help to consolidate the consortium.

## The future

In recent years, the consortium has made significant investments in innovative sectors, notably in facility management, thereby substantially increasing its own role in the management of complex contracts. In light of these changes undergone by CNS, it has become increasingly evident that certain of its member cooperatives have found it difficult to respond in the most appropriate way to the new market requirements, both from an economic and financial point of view, as well as from a managerial and organisational point of view. For this reason, the consortium is fully intent on stepping up its commitment to the development of actions to support its own members through the provision of assistance and training.

During the course of 2009 and 2010, the consortium has had to address the issue of a number of its member cooperatives finding themselves in an irretrievable crisis situation, as had already happened, in part, during the previous year. For this very reason, CNS supports the initiation of processes designed to integrate and merge some of the members: in this way, the cooperatives will be able to increase their assets structure and equip themselves with appropriate technical and managerial resources. In the past, the consortium has already had to face the need to construct forms of collaboration between cooperatives from different territories and this has been achieved with success for the most part. The element that should be emphasised today is that there is a need for an approach that is more systematic, based on the assumption that, in the current climate, the situations of economic frailty are present, for the most part, across all of the regions of Italy.

Given the fact that a number of cooperatives that are member of CNS are presently experiencing economic and financial difficulties, CNS is putting even greater emphasis on the policy of attribution of works and intends to adopt an approach designed to ensure that it is fully acquainted with the member cooperatives so as to be able to present them with pathways that will help them to resolve their problems and, at the same time, protect the overall interests of the consortium.

At the same time, the consortium will continue to pursue its policy of consolidation in the interests of all of the members. In this way, CNS recently made specific investments designed to guarantee its own consolidation and, as a consequence, that of its own members. It has also been recognised that limiting the profitability

of the consortium exclusively to the share that is due to the consortium cannot, in the long term, secure the levels of consolidation necessary to support its members' development policies.

CNS intends to establish, together with a group of members, the promotion of entrepreneurial initiatives for the development of direct activities in sectors and territorial areas that are struggling to provide appropriate responses.

The consortium considers that, in order to obtain substantial results, it is necessary to apply a partnership-based approach with other companies in the sector, to identify areas, markets and cooperative partners with whom it is possible to experiment direct forms of management and, finally, to define a project that is structured for each territory which, on the basis of market needs, is able to assess with which member companies it is possible to operate and the type of entrepreneurial form this collaboration should take.

These choices, in terms of the members, are only designed to be a useful complement to the further development of the asset structure of CNS, which will have to continue to operate with great determination in order to obtain contracts for its own members, by seeking to provide an appropriate response to the interests of both the small and the large companies.

### **CNS – Consorzio Nazionale Servizi - Italy**

Consortium

**Address:** Head office  
Via della cooperazione 3  
40129 Bologna

**Year of creation:** 1977

**Sectors:** Cleaning, catering, environmental and ecological services, maintenance.  
Logistics and goods transportation, tourism and museum  
services, reception and concierge services, facility management.

**Number of member cooperatives:** 232

**Aggregate turnover:** € 5.52 billion (2008)

**Aggregate number of workers:** 93 043

**Aggregate ratio of member-workers:** 58%

**Website:** [www.cnsonline.it](http://www.cnsonline.it)

**Contact:** [cns@cnsonline.it](mailto:cns@cnsonline.it)

# The Mondragon cooperative group

Basque Country, Spain

**Industries, financial services, retail trade, education and research**

With the contribution of Mikel Lezamiz and Claudia Sanchez Bajo



## Introduction

Mondragon is a group of over 110 cooperative enterprises active in various industrial, service, financial, distribution and educational activities, in the Basque Autonomous Region of Spain and centred around the small town of Mondragon (Arrasate in Basque).

The first Mondragon cooperative (producing kitchen stoves) was established in 1956 with 24 workers. 54 years later, the group is active in a number of core industrial and service activities, distribution, banking and insurance, as well as higher education and R&D. It is the 7<sup>th</sup> largest corporate group in Spain and has become increasingly internationalised, with 73 plants in 18 other countries and regions of the world. In 2009, the group had €14.78 billion in sales (12% less than in 2008, owing to the crisis) and 84,000 workers (8.3% less than in

2008, but leading to virtually no job losses as the reduction took mainly the form of early retirement, and recovering part of this decrease by the end of the year).

## First period: 1943-1979

### Birth of the group

In 1943, Jose Maria Arizmendiarieta, a 28-year old parish priest, founded the Mondragon Escuela Politecnica (or Eskola Politeknikoa in Basque), a vocational school for youths aged between 14 and 17. To launch the project, he obtained the positive response of the local population, who provided the initial funding. Arizmendiarieta taught social issues to his pupils, including the reform of the property regime of enterprises.

In 1955, five of the ex-pupils of the Eskola Politeknikoa, after graduating in industrial expertise, decided to create their own enterprise with democratic characters which they had learnt from Arizmendiarieta's teachings. One year later, in 1956, they established an industrial cooperative with another 19 workers. Ulgor, as this cooperative was named, served as a model for three more industrial cooperatives that were established over the following years.

Whereas they abide by the general cooperative standards which we examined in the introduction, the Mondragon cooperatives have since the beginning developed key additional features:

One is the institution of Social Councils, responsible for social security, remuneration systems, safety and welfare projects. Their members are elected by the General Assembly of the cooperative, and renewed regularly.

A second one, which developed very early, is that 10% of the profits of the cooperatives are dedicated to the group's common structures and activities. This has made it possible to finance the cost of the group.

A third key characteristic is that the cooperative returns, attributed to all worker-members proportionally to their working hours and to their index of compensation, are actually paid to them only upon retirement, or if they take a job outside the group, a few years after they leave, and are thus capitalised for years or decades. This has been critical to ensure an adequate level of capitalisation of the cooperatives.

A fourth characteristic of Mondragon is the high level of individual members'

contribution in share capital, the equivalent of around one year's wages, and is another key contribution to the capitalisation of the cooperatives.

### **The support institutions of the group**

#### ***Caja Laboral, the group's bank and Lagun Aro, the group's social protection system***

Caja Laboral was established as a credit cooperative in 1959 by the first four industrial cooperatives and one consumers' cooperative which had also been established. At first, it was meant to be a development bank, dedicated to the development of cooperatives in the Spanish Basque Country and to the creation of long-term employment in them.

For the first 28 years of its existence (1959-1987), Caja Laboral also served as the head unit and development engine of the whole group. During that time, its key Enterprise Division promoted the creation of the cooperatives and institutions of the group and provided managerial and technical services to them. It is majority-controlled by its member cooperatives, while a substantial minority of votes is held by the bank's own worker-members.

The capitalisation of Caja Laboral proceeded thanks to the bank's member cooperatives' contributions, depositing into it all their share capital and reserves, cancelling all financial and economic operations with other banks, and guaranteeing all its financial operations. At the same time, Caja Laboral also focused on individual savings open to the public at large, with attractive interest rates and premiums. This capitalisation strategy was highly successful: at the time of its greatest development pace, Caja Laboral's ratio of the total financial resources of the group rose from 26% to 70% within barely four years (1966 to 1970)<sup>28</sup>.

When it was established in 1959, Caja Laboral created in its midst a health and social welfare insurance system, aimed to help the worker-members of the Mondragon cooperatives solve their health and pension problems, at a time when worker-members of cooperatives were not covered by State Social Security schemes. In 1967, this service was transformed into a distinct support institution as a cooperative of cooperatives called Lagun-Aro.

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28 Ormaechea, J.M. (1991) *La experiencia cooperativa de Mondragón* (Mondragón: Otalora): 44-52

### *The educational and R&D institutions*

The Eskola Politeknikoa is the oldest institution of the group, as it was established 13 years before the first industrial cooperative, and in 1965 it was converted into a cooperative. In 1961, a distinctive school of business administration, ETEO, was established. The two institutions would be at the root of the creation of the group's university several decades later.

In 1966, Alecoop, a students' cooperative, was launched within the Eskola Politeknikoa. It aimed to give half-work/half-study opportunities to the pupils of the school, in particular for those coming from poorer families, integrating its activities within the surrounding cooperatives by producing industrial products under contract. Alecoop has a three-tiered decision-making structure involving teachers, students and other cooperatives of the group in distinctive voting categories. Many of the Alecoop members later became worker-members in the industrial cooperatives of the group. Alecoop still exists and strives today within the group.



In 1968, the Eskola Politeknikoa established within itself a teachers' working group to dedicate itself to research, with the aim to establish initial collaborative contacts. In 1973, Caja Laboral made a detailed analysis of the structural and financial needs of a new R&D centre, and several industrial cooperatives supported the project. Finally, in 1974, a distinctive industrial R&D cooperative, Ikerlan, was established by spin-off from the school, with a governance giving equivalent voting powers to the staff of the cooperative, the industrial cooperatives of the group, and the group's support institutions (such as Caja Laboral and the Eskola Politeknikoa).

### *Groupings among industrial cooperatives*

In 1966, the first four Mondragon industrial cooperatives established among themselves a “district-based grouping”, called ULARCO, aimed to coordinate the business strategy and the annual plans of its constituent cooperatives, set up common administrative systems, launch new activities and new enterprises (including by spin-off), establish common research and distribution services, manage new production licences, engage in common training programmes and common human resource policies, and establish mechanisms of common financial redistribution and financial solidarity. ULARCO, later called FAGOR, reproduced the same structures as the grassroots cooperative enterprises (general assembly, board, social council etc). It served as a matrix for another 12 district-based groupings that were eventually established within the Mondragon group.

### How cooperatives were established and developed

Most cooperatives of the group were established during this first period, and the main developing engine was Caja Laboral. Prior to all interventions, Caja Laboral’s Enterprise Division established with the beneficiary cooperatives a ‘contract of association’, stipulating the amount of the initial contribution to the capital of the bank, and the latter’s right to audit the accounts of the cooperative every four years.

The main method by which cooperatives were established was by *incubation* from the bank itself. As many as 45 of the 99 cooperatives that were members of the Mondragon group in 1990 had been established in this fashion. Feasibility studies conducted by the Entrepreneurial Division were made to define new enterprise sectors and a core group of local persons was identified to launch the project.

Another method was the setting up of a new cooperative by *spin-off* from an existing one. The district-based grouping made its own feasibility study and, if the latter was positive, helped finance the project. Around ten cooperatives were established according to this model, plus a series of support institutions such as Lagun Aro and Ikerlan.

Caja Laboral also worked on *restructuring* operations: 5 conventional private enterprises were transformed into cooperatives, and 9 small consumer cooperatives merged with each other, giving birth to the Eroski consumer cooperative, today one of the best performing cooperatives in the whole group.

Caja Laboral was also involved with *expansion* projects in existing cooperatives, promoting job creation whenever this was possible. Contrary to the idea that jobs in

worker cooperatives are labour-intensive, job creation in Mondragon's cooperatives has always been highly capital-intensive, but accompanied by an active policy of creating long-term and stable jobs and expanding the number of workplaces<sup>29</sup>.

## Second period: 1980-1991

In the early 1980s, the Basque region experienced a big economic crisis, with the unemployment index rising to 25%.

The Lagun-Aro social protection system was reformed. New norms in support of employment were approved, including temporary placement in other cooperatives, unemployment benefit for persons who had no possibility to find another job and for a maximum period of twelve months over a two-year time span, partial unemployment, early retirement schemes, and occupational retraining.

Through the contract of association between Caja Laboral and the individual cooperatives (see previous section), Caja Laboral's Enterprise Division had a large power of intervention in the cooperatives in case of recession, working in close coordination with Lagun Aro. Often, its feasibility studies concluded that the cooperative could be saved, but only at the cost of drastic measures.

The Enterprise Division's intervention into the cooperative was highly successful: in 1983, in the middle of the economic crisis, it performed 34 interventions, out of which only two small cooperatives had to be liquidated, and virtually all jobs were saved thanks to the redeployment system.

Considering the number of necessary interventions that were performed, then Caja Laboral president Ormaetxea estimated that around half, if not more, of the Mondragon cooperatives would probably not have survived without Caja Laboral's policies<sup>30</sup>.

As soon as the crisis was over, the group had to prepare itself for the entry into the EU in 1986, obliging it to compete directly with the largest corporations in the world.

In 1984, the statutes for a 350-member Mondragon cooperative congress meeting at least once every two years were drafted, with representation for each cooperative in direct proportion to its number of worker-members, and aimed to define the group's overall strategy.

At the same time, a debate was launched on converting the basic institutional set up

29 Thomas, H. and Logan, C. (1982) *Mondragon: an Economic Analysis* (London: G. Allen & Unwin): p. 126

30 Whyte, W. and Whyte, K. (1991) *Making Mondragon* (Ithaca: ILR Press): p. 192

of the Mondragon group from district-based groupings towards sector-based ones. At the third meeting of the Mondragon Congress in December 1991, the decision was made to restructure Mondragon into a full-fledged corporation and to convert the district-based groupings into sectoral ones.

### Third period: 1991 – 2008

#### The new set-up

The Corporation thus structured itself in various Sectoral Groupings, themselves grouped in a smaller number of Divisions (the number of Divisions has varied along the years). In 1995, the Sectoral Grouping level was eliminated, leaving only the Division level as the only one between the individual cooperatives and the Corporation.

The Mondragon Corporation was designed as the coordination hub for the group's international activity. With the new internationalisation strategy, international services, representation offices abroad and overseas plants multiplied rapidly<sup>31</sup>.

Caja Laboral now invests mainly outside the cooperative system and outside the Basque community. Its financial reserves have become so important that the cooperatives of the group can only absorb 3% of its lending capacity, against 64% in 1964<sup>32</sup>. But, in absolute terms, Caja Laboral's loans to the Mondragon cooperatives remain important.

Every year, each cooperative hands over 10% of its surplus, and Caja Laboral 20%, to Mondragon-Investments, which is devolved to the cooperatives to finance their projects (start-ups, development, internationalisation etc.). It is led by a governing council under the corporation, that approves the investments.

Through a separate financial solidarity mechanism, when cooperatives have a surplus, 3% of the latter (on top of the 10% mentioned above) goes to an inter-cooperative compensation fund, also managed at the Corporation level; cooperatives with a deficit can request a coverage of up to 50% of the deficit from the fund.

During this third period, the consumer cooperative EROSKI expanded considerably

31 Plants can be found in 17 countries: Brazil, China, Czech Republic, France, Germany, India, Italy, Mexico, Morocco, Poland, Portugal, Romania, Thailand, Turkey, the UK, plus Taiwan. Corporate offices can also be found in Chile, Russia, the US and Vietnam; see <http://www.mondragon-corporation.com/language/en-US/ENG/Mondragon-in-the-World/Corporate-Offices.aspx>

32 Gallastegui, I. (1994): *El Movimiento Cooperativista de Mondragon: el papel jugado por Caja Laboral*; Congreso 'Competencia y Participación: formas organizativas emergentes'; Barcelona: 22-24 June, mimeo 1994: 19

(in great part by purchasing other distribution chains) and has become by far the main employer within the Mondragon group, with 46,000 workers, namely around 50% of all jobs in the group. But only 9,000 are members. 5,000 other workers are potential members, through an ongoing experiment to cooperativise these jobs which, if successful, could be expanded to other workers of EROSKI who are not members. This could then be studied as a significant example for the various subsidiaries controlled by Mondragon cooperatives.

Since the beginning, Eroski's governance structure has associated the two main stakeholders, namely the consumers and the workers, each of the two groups' voting power at the general assembly and on the governing council being 50%.

A new activity of residences for old-aged persons was recently launched, with 10 residences, 800 people are being attended, and 450 worker-members working in them, seemingly better managed than others and at lower costs<sup>33</sup>.

### **The reinforcement of education and R&D**

Mondragon Unibertsitatea (Mondragon University) was established in 1997, by pooling together the Eskola Politeknikoa (engineering), ETEO (business studies), and Huhezi (education and humanistic sciences). In 2007/08, Mondragon University had 3,248 students and offered 26 different degree courses<sup>34</sup>, not including postgraduate courses. Research tasks are oriented both towards business innovation and academic training, and are based on the business experience of the group.

The Otorola training centre, established in 1984 by Caja Laboral, focuses on cooperative education in the Mondragon cooperatives, in particular for persons in leadership positions.

Ikerlan today is a technological research centre with strong experience in comprehensive product development. Several new technological centres have been established since the late 1980s. There are now 12 R&D centres in Mondragon, in areas such as automation technologies, engines, machine-tools, forming and assembly technology, welding and electronics.

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<sup>33</sup> Interview to Javier Sotil, March 2010

<sup>34</sup> <http://www.mondragon-corporation.com/ENG/Knowledge/Training/University-of-MONDRAGON.aspx>

## The crisis (2008 –2010)

### Impact of the crisis on Mondragon and ongoing challenges

This global crisis is perceived as the harshest one which Mondragon has ever known. Caja Laboral's profits in 2008 were a bare €100 million, and in 2009 it was only €56 million. It had to take a loss for some Lehman Brothers assets in which it had invested. In industry, automobiles were badly hit, and in machine tools, new demand fell by 50% in 2009, compared to the previous year<sup>35</sup>. In distribution, EROSKI observes that consumption continued to fall in 2010, even though less sharply than in 2008-2009<sup>36</sup>.

In 2008, the aggregate surpluses of the group plunged to €71 million, as compared to €792 million in 2007<sup>37</sup>. The 2009 result was similar to 2008, with €61 million. In spite of the strong decrease, the group did manage to have profits and no losses in 2008 and 2009. In terms of turnover, the decrease was 12% between 2008 and 2009, owing to the crisis, and in particular in the industrial sectors in which the group is involved (e.g. spare parts for cars).

### What the group is doing to counter the effects of the crisis

Ex Mondragon Corporation director for institutional affairs, Ignacio Garate explains that: “*The cooperative model based on transparency and wealth distribution has more capacity to respond because it legitimates the difficult decisions that have to be taken in a situation of crisis*”<sup>38</sup>. Corporation president Aldekoa observes that the cooperative style of management of the group is in constant adaptation and can anticipate tendencies, and that, in times of crisis, the dynamics of change is even higher<sup>39</sup>.

### **Short term measures**

Concretely, in October 2008, the Corporation disseminated news of the crisis to all cooperatives, and, in November, it emitted recommendations for the management of the crisis.

35 Interview with Rafael Barrenechea, president of the Danobat Machine-Tools group, Mondragon Corporation, Elgoibar March 2010

36 Interview with Constan Dacosta president of the EROSKI consumer cooperative group, Mondragon Corporation, Elorrio, March 2010

37 <http://www.mondragon-corporation.com/language/en-US/ENG/Economic-Data/Most-relevant-data.aspx>

38 Interview with Jose Ignacio Garate, former Institutional Affairs director of Mondragon Corporation, former head of the Technical Secretariat for Strategic Planning of Mondragon Corporation, former head of the Intervention Directorate of Caja Laboral, Aretxabaleta, 2010

39 Interview with Jose Maria Aldekoa, president of the Mondragon Corporation, Mondragon/Arrasate, March 2010

Individual cooperatives have been involved in a drastic reduction of expenditure by all possible means and a democratically voted to decrease remunerations by 8%.

However, the group has not resorted to lay-offs as a way to reduce expenditures, as maintaining employment has remained a main mission of the group. Yet, the group does not consider that anyone has the right to a particular workplace: in a time of crisis, worker-members work where and when they can be productive, within a geographical range of 50 km.

An employment committee at the level of the Corporation meets regularly to evaluate the redundancy prospects of the cooperatives. It defines whether redundancy is conjunctural (up to 3 years) or structural (irreversible). Lagun Aro then coordinates the redeployment of the worker-members to other cooperatives. Re-training or transport costs are covered according to the distributive differential between the two cooperatives. The cost of redeployment is co-financed according to the following principle: if the worker's remuneration is higher in the cooperative of destination than in the cooperative of origin, Lagun Aro pays the difference; otherwise, the cooperative of origin pays the difference. Some workers cannot be redeployed and have to be made redundant. In this case, if the problem is diagnosed as being conjunctural, their cost is covered by Lagun Aro and the cooperative for 2 years at most. If the problem is structural, early retirement takes place as of 58 years of age, with 2 years unemployment until retirement.

In 2009, 600 persons were redeployed, and in 2010 about 400<sup>40</sup>, including 35 workers from an industrial cooperative that had to be closed down. Virtually all the other few job losses have taken the form of voluntary early retirement.

### *Long term measures*

According to corporation president Aldekoa, the group is placing strong emphasis on innovation, with better connections between the university, the research centres and the cooperatives and further internationalisation efforts especially in the USA, the BRICs [Brazil, Russia, India and China] and Germany<sup>41</sup>.

Many activities were designed in the 1960s (household goods, automobiles, metallic transformers etc.). In some sectors such as machine-tools, a product update is underway. New ideas to develop in the future are the electrical car, plastics, aluminium, health, energy, engineering and the production of turnkey factories<sup>42</sup>.

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40 Aldekoa interview 2010

41 Aldekoa interview 2010

42 Aldekoa interview 2010

Another central set of long term measures is repositioning in the market, going upwards in the value chains and increasing the margins, which require substantial new financial needs.

In 2009, Mondragon Corporacion Cooperativa, renamed Mondragon Humanity at Work, decided to create a new position, Vice President of innovation promotion and knowledge. A new division was created in engineering and services.

The pension system was recently reformed. 35% of worker-members' labour costs are paid by the cooperatives to Lagun Aro, while the worker-members contribute an additional 6.6% from their own pay. This contribution covers a pension made up of a public and a complementary private part, sickness leave, and the mechanism of redundancy and redeployment of worker-members. The pension system is well managed, costs less and gives more benefit than in ordinary enterprises. However, Lagun Aro's 2010 general assembly approved to modify the mix of pensions. Till then, 70% came from the private sector through Lagun Aro investments, and 30% from the public system. It was decided to change the percentage for those being 50 years or less, to 60% for the public system and only 40% from the private one.

### **The sustainability of jobs in Mondragon**

The main purpose of Mondragon is to create jobs, but jobs that are sustainable over the long term, and that can then have a lasting impact on local development. As we saw above, since the early 1980s, the Mondragon job creation process has been a particularly capital-intensive one<sup>43</sup>, and the jobs are co-financed by the workers, who contribute in share capital in a very substantial way.

In parallel, the group has developed a very safe social protection system, through the sophisticated redeployment mechanisms which are used in times of crisis.

Another reason for the sustainability of the Mondragon jobs is the cooperative approach to employment applied to worker-members: the group has extended its production activities to the five continents, but has not laid off its workers in order to delocalise activities elsewhere. Mondragon's cooperative approach has always been the systematic cooperativisation of work, namely the fact that the cooperative link is mainly with the workers, who are thereby recognized as being the main type of stakeholder within the group. Even the support institutions, which are participated by the individual cooperatives and EROSKI, which also has participation by consumer-

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43 Thomas, H. and Logan, C. (1982) *Mondragon: an Economic Analysis* (London: G. Allen & Unwin): 126

members, are democratically controlled and owned by their own workers. The cooperativisation of work has allowed the delivery of huge entrepreneurial energies down to the shop floor.

Let us now examine the results of this distinctive employment policy.

Ten cooperatives have been liquidated in Mondragon (the last one under the crisis). Since the establishment of Ulgor in 1956, job losses in the group has been almost nil, thanks to the redeployment of workers from one cooperative to another under Lagun Aro's coordination<sup>44</sup>. Even the redundant workers who receive support payment by Lagun Aro, and remain at home for a few months, can usually go back to work in their cooperative afterwards.

3,985 jobs were created during the 7 years that followed Caja Laboral's establishment, i.e., an average of 570 jobs per year, almost 10 times as many as before its creation.

Net job growth fared particularly well in the 1970s but decreased in the 1980s, as Spain experienced a severe economic crisis. Job growth reached one of its lowest ever levels in 1980 with a negative rate of 4.1%. Still, the laid off workers were almost entirely reabsorbed (with a net result of 0.6% unemployment). At the same time, the unemployment level within the region had reached 27%. Job growth rose again slowly, with a peak in 1990 (4.25%, i.e., 932 new jobs). In 1990, the group only had 20 unemployed, making up only 0.08% of its total workforce. 1991-1993 was another difficult period: Lagun Aro supported around 2,000 unemployed for several months (8% of total employment). All of them could eventually be reabsorbed by the cooperatives of the group. In 2008, with the beginning of the financial-economic crisis, job growth rate became negative for the first time since 1983, with -1.1% in 2008 and -8.3% in 2009, an all-time low. Nevertheless, most of this job cut has taken the form of early retirement, and would have been worse without the policy of temporary redeployment from one cooperative to another one. In addition, 938 jobs that had been lost in the first half of the year were recovered during the second semester<sup>45</sup>.

## Conclusions

The Mondragon group has been very original in many of its institutional elaborations, but has been extremely orthodox in implementing the cooperative system to wider institutions than individual cooperatives. By extending the cooperative logic in general, and the worker cooperative logic in particular, to wider scales, it has provided

44 Whyte, W. and Whyte, K. (1991) *Making Mondragon* (Ithaca: ILR Press): 172

45 <http://www.mondragon-corporation.com/ENG/Press-room/articleType/ArticleView/articleId/1475.aspx>

this logic with its fullest potential.

The Mondragon group is a particularly well integrated one, but also a horizontal and democratic one, legitimizing all decisions involving over a hundred enterprises and tens of thousands of worker-members through democratic procedures and motivations that are not – and have never been – the remuneration of shareholders' capital.

The group considers that it has a specific mission towards the territory. Beyond the seven cooperative principles, Mondragon has one called “social transformation”, meaning that what it does, it does it ultimately for the social transformation of the territory, but one which is very concrete and is involved in the generation and distribution of wealth in the territory.

### **Mondragon Corporation - Spain**

Cooperative group

Address: Pº Jose Mª Arizmendiarieta nº 5  
20500 Arrasate / Mondragón

Year of creation: 1943 (vocational school)  
1956 (first cooperative)  
1991 (establishment of the corporation)

Workers: 84.000 (2009)  
(80% are members in industrial sectors)

Turnover: € 14 billion (2009)

Website: [www.mondragoncorporation.com](http://www.mondragoncorporation.com)

Contact: Mikel Lezamiz  
[mlezamiz@mondragoncorporation.com](mailto:mlezamiz@mondragoncorporation.com)



# Conclusions

Generating wealth in the regions

by Bruno Roelants

The twenty experiences described in this book illustrate how cooperatives and their support institutions create sustainable jobs and reinforce regional development. At different levels and through different scales, from modest SMEs like Ardelaine to large industrial groups like Mondragon, we have observed a number of common trends and features in relation to employment and regional development.

## **Atypical enterprises and yet stories of common sense**

One has to acknowledge that the enterprises and groups that we have visited along the chapters of this book are quite original if we compare them to the average business. For example, prisoners making alliances with top fashion designers (Ghelos, Chapter 11), workers taking over an industrial company closed down by a global equity fund (Ceralep, Chapter 6), or a small SME growing into one of the largest industrial groups in Spain in barely 50 years while remaining under the control of its workforce (Mondragon, Chapter 20) are not the most common enterprise profiles that may come to mind.

At the same time, when we make the effort to know and understand these experiences, we get a sense of coherence and common sense. First of all, they combine their specific objectives (creating and maintaining jobs and economic activities, developing services for the community etc.) with a rigorous business approach. From those helping drug addicts to those engaged in public works, none are charities, and they are characterized by a strong insertion in the real economy. They can even appear to be more businesslike than some recently financialised or bureaucratized big businesses, some of which have relied on government bailouts to survive.

Secondly, we have seen that democratic management and governance in worker cooperatives and social cooperatives, equipped with democratic checks and balances and a fine equilibrium between democratic processes and technical expertise, tend to produce a type and level of organisational innovation that significantly contributes to the economic sustainability of the enterprise. We analysed this process in more detail in the case of Suma (Chapter 2), but this appears in the other examples as well. In the cases of Ardelaine (Chapter 1), Osuuskunta Toivo (Chapter 12) and Mondragon (Chapter 20), we have seen how organisational innovation in cooperatives and

cooperative groups could also be furthered through concrete intellectual production, such as books and research.

The specific organisational patterns which characterize cooperatives among workers require a strong level of training and education. As we observed in the introduction, if enterprise staff are to exercise real democratic control over the enterprise, they must be trained to do so. The cases of this book have provided concrete illustrations of it: for example, we have seen how, in the case of Ceralep, workers had to be urgently retrained in enterprise organisation once they had become the owners (Chapter 6), how Mondragon's Otorola training centre provides systematic training to cooperative leaders (Chapter 20) and how Vista's "Caring for Others" project provides training on the theme of cooperation to the cooperative users (Chapter 14).

Another feature that comes out from the book is that cooperatives are enterprises based on specific socio-economic standards. These standards were explained in the introduction, but the examples of this volume show that they are being implemented in practice. This feature may help explain why cooperatives easily create new and innovative socioeconomic standards, such as those on food traceability established by Suma in the organic food sector (Chapter 2), or those set up by Le Mat and Vägen Ut! in tourism with their social franchising system (Chapters 16 and 17).

### The time dimension

The time scale of the enterprises and enterprise groups described in this book is not the one of a financialised economy bringing quick profits (but often quick losses as well). Whereas, of course, cooperatives are not the only businesses with a long-term vision, what characterizes them is that they are inherently structured towards the long-term; this can be explained by the fact that they are owned and controlled by long-term and multiple local stakeholders. Their evolution is often slow and steady, with long-term financial investments, as we have observed in the case of Ardelaine's two museums (Chapter 1). The beginnings may be extremely modest (Ardelaine, for example, started with around 500 Euro capital), and it may take many years for these experiences to become clearly successful. The pace of development is not quicker than what is reasonable to expect from the point of view of steady growth: these initiatives resist pressure to create more jobs if this can jeopardize the economic sustainability of the enterprise. In the long run, this enterprise vision makes more sense business-wise. Among other things, it makes room for long-term strategy geared towards product and service development, which commercially ends up being a winning bet, as we have verified in the case of Ardelaine and Suma (Chapters 1 and 2). It also fosters a knowledge-based economy, which generally requires a substantial time investment.

## Accumulating capital and saving costs

The examples confirm that cooperatives are characterized by systematic capital accumulation, in particular through the constitution of reserves, which provide a high level of financial stability and a strong deterrent against excessive indebtedness. In the case of Ceralep, reserves and share capital were reconstituted in barely seven years after liquidation (Chapter 6). In some of the countries where the examples of this book are located, the cooperative reserves are indivisible, which means that they can never be divided even in the case of winding up of the enterprise (as explained in the introduction): this financial regime is meant to enhance even further the time dimension mentioned above, and is in force, *inter alia*, in Italy, Spain and France: this may be one of the reasons that explains the particularly strong development of worker and social cooperatives in these three countries, and deserves further research<sup>46</sup>.

On the expenditure side, the multiple procedures and mechanisms of oversight by worker-members over their own business (including over the management team), which are concrete applications of the cooperative democratic control system examined in the introduction, help cooperatives prevent or at least greatly limit wasteful behaviour, e.g., in representation or production costs. The gap between wages also tends to be contained: while some cooperatives practice equal pay, like Suma (Chapter 2), even the majority of cooperatives that do practice a differentiated wage scale, such as a one-to-nine ratio, are significantly under the widening wage scale that can be found in some large businesses and in general, where ratios of one to several hundreds are not exceptional<sup>47</sup>.

## Cooperating among cooperative enterprises

In all the chapters of the book, we have witnessed the rather strong capacity of cooperatives to cooperate *among* themselves, not in doing business with one another in a closed circle, but in engineering synergies and common dynamics. We have seen several modalities of such inter-enterprise cooperation.

46 The advantages of industrial reserves have been highlighted in Corcoran, Hazel and Wilson, David (2010) *The Worker Co-operative Movements in Italy, Mondragon and France*: Context, Success Factors and Lessons, Canadian Social Economy Research Partnership and Canadian Worker Co-operative Federation, available on [http://www.canadianworker.coop/sites/canadianworker.coop/files/CWCF\\_Research\\_Paper\\_International\\_16-6-2010\\_fnl\[1\].pdf](http://www.canadianworker.coop/sites/canadianworker.coop/files/CWCF_Research_Paper_International_16-6-2010_fnl[1].pdf) CECOP recently conducted an initial comparative research between the three countries, which also includes the topic of indivisible reserves: the results are being published in Zevi et al. (2011) *Beyond the Crisis: Cooperatives, Work, Finance – Generating Wealth for the Long Term* (Brussels : Cecop Publications).

47 See for example *Larger Cities Drive Growing Wage Gap Between the Rich and the Poor, Study Shows*, on <http://yubanet.com/life/Larger-Cities-Drive-Growing-Wage-Gap-Between-the-Rich-and-the-Poor-Study-Shows.php>, and ATTAC's article *Entreprise - Salaires des dirigeants* on <http://www.france.attac.org/spip.php?article6281>

One modality is the launch of loose networks, like the ones Suma and Ardelaine have established around them, based on a common product, such as whole foods (Suma, Chapter 2), or on a common approach, such as local development (Ardelaine, Chapter 1).

Another modality of inter-enterprise cooperation is constituted by enterprise support functions established and run in common by cooperatives or enterprises of the wider social economy, in particular financial instruments and follow up entities, such as CFI and Coopfond in Italy (Chapters 4 and 5), ESFIN-IDES, Pargest, SOCODEN and the various regional unions of worker cooperatives in France (Chapters 6 to 8), helping overcome credit limitations that are often more severe than in other firms, while providing critical support in terms of business counselling. Through a dynamic of trust, these instruments also facilitate access to cooperative bank loans, such as Crédit Coopératif in France.

Some of the experiences of synergy in production and distribution, either through ethical production and distribution chains, like Ardelaine and Suma (Chapters 1 and 2) or complementary production within small groups, such as M- Ry in public works or USIS in machinery (Chapters 7 and 8) or larger groups like Mondragon (Chapter 20) help the firm move up in the value chain and avoid being a pure subcontractor. Some experiences, like the CNS consortium, focus on providing grouped offers for large public tenders, which the individual cooperatives would find very hard or impossible to win by themselves (Chapter 19).

The creation and reinforcement of horizontal entrepreneurial groups among cooperatives is a key modality of inter-enterprise cooperation in the case of cooperatives. Such groups can be very small, like two cooperatives with a common subsidiary in the case of USIS (Chapter 7), medium sized like InConcerto in Veneto (Chapter 15), Ok Verkko in Finland (Chapter 18) or the Catalan Clade group comprising La Fageda (Chapter 9), or very large like CNS in Italy (Chapter 19) or Mondragon in the Spanish Basque Country (Chapter 20). Some focus on one sector, like services and particularly logistics in the case of CNS, or tourism for Le Mat and Vägen Ut!, while others are inter-sectoral (such as Mondragon). Some are regional (In Concerto, Mondragon), while some are national (CNS, Vägen Ut!) but with a trend towards establishing regional centres along with the development of the group. Some are composed of worker cooperatives (Ok Verkko), social cooperatives (InConcerto) or a mix of both (CNS), while Mondragon, based predominantly on worker cooperatives, also has consumer, credit, insurance, agricultural and educational cooperatives. These groups often started with only one enterprise which served as a matrix (La Tana Libera Tutti for Le Mat, Ulgor for Mondragon, L'incontro for inConcerto, Sataosajat for Ok Verkko), or a handful of enterprises

(CNS which now has 232 cooperatives started with 11. Mondragon, which now has over 100 cooperatives, remained for the first few years as a small group of less than 10 cooperatives).

While cooperatives tend to dedicate substantial resources to education and training, as we have seen above, the effect of cooperative training in wider cooperative groups or systems is deeper not only because of the sheer number of students enrolled per year, such as several thousands in the cases of Spiru Haret (Chapter 13) and Mondragon (Chapter 20), but also because, in this context, skills training allows for a strong relation between the training institutions and the enterprises of the network, like in the Spiru Haret system, Mondragon and CNS (Chapter 19), which tends to foster innovation, a trend which is even more pronounced, of course, in groups like Mondragon which, apart from enterprises and educational institutions, also have dedicated R&D centres. In addition, the level of employment of graduates from such systems is very high (97% in the case of Spiru Haret, out of which 10-15% are employed by Romanian cooperatives).

Facing the global economy from within the territories, the horizontal groups among cooperatives provide a way of maintaining the cooperatives' democratic character, employment and local embeddedness while creating business scales, defining common business strategies, and launching common support services, thereby allowing the constituent cooperatives to compete in a global business environment which is increasingly characterized by enterprise concentration through mergers and acquisitions and by the consolidation of ever enlarging global chains of production, distribution and finance. They constitute a model which could serve as an inspiration beyond the bounds of the cooperative movement, in particular for clusters of SMEs with an increased level of integration while allowing for democratic decision-making by the participating enterprises.

## Employment

The level of job security in worker and social cooperatives is tangible in each of the twenty examples described in this book. The great majority of workers have long-term contracts, while the present trend is towards employing short-term third-party workers through employment agencies. In the first seven cases of the book, we have seen in some detail how jobs were created and maintained in individual cooperatives, having been established either through start-up or transformation. A similarly high level of job security can be found in subsidiaries, be these destined to remain as such, like EDI under Trafilcoop (Chapter 4), or integrated into the cooperative, as in the case of M-Ry (Chapter 8). Still, job security and enterprise longevity are never guaranteed: some

cooperatives do fail, but some are then saved and revived by other cooperatives, like AFP revived by USIS (Chapter 7) and half of Mondragon's cooperatives by Caja Laboral in the early 1980s. Mondragon's sophisticated system of temporary or permanent redeployment from one cooperative of the group to another shows how job security can be further enhanced in an integrated cooperative group (Chapter 20).

Against the common notion that job security and duration conflict with business sustainability and expansion, we have seen the extent to which, on the contrary, the two aspects are intrinsically inter-connected in the various examples of this volume. Indeed, on the one hand, it is only through economic sustainability and development that cooperatives manage to ensure long-term jobs; on the other hand, job duration, combined with a high level of democracy, as well as skill training and on-the-job mobility, is a key factor of entrepreneurial sustainability in worker and social cooperatives. The feeling of on-the-job stability and ownership (as opposed to alienation) is fundamental to unleashing the entrepreneurial and innovative spirit, adapting to change and anticipating change in these enterprises. Often, the learning process is by trial and error, as we have seen in several cases, but it generally works. The management pattern that ensues also tends to favour quality and professionalism in the production process and in the delivery of services.

In addition, job longevity tends to combine with generational renewal, as we have observed in the cases of Suma (Chapter 2), Ardelaine (Chapter 1) and Almarina (Chapter 5).

Particularly significant in terms of public policies is the fact that the cost of creating or saving jobs in worker or social cooperatives appears to be lower than other alternatives, as we saw in the case of Vågen Ut! in Sweden, where it is estimated that 100 000 € is saved on each workplace for disadvantaged people. This is probably due both to the characteristics of cooperatives as such and to the modalities of cooperation among cooperatives mentioned above. In any case, the analysis of job creation costs should be the subject of further research.

## Social inclusion

Employment in general is one of the main avenues towards social inclusion. Employment in worker and social cooperatives provides a higher level of social inclusion than in ordinary enterprises because of its long-term character and staff participation in decision making: workers in worker cooperatives and social cooperatives have a high level of control over their own professional destiny. Being a worker-member also provides a specific sense of belonging to one's job. In as

much as possible, all workers become members-owners, provided, of course, that they first get trained to shoulder the legal and financial responsibilities which co-ownership entails.

In social cooperatives, disadvantaged workers, such as disabled, Roms, prisoners, long-term unemployed etc, generally become members as well. In some cases, such as La Fageda (Chapter 9), the disadvantaged worker-members are destined to remain in the enterprise, while in others, like the cooperatives of the InConcerto group (Chapter 15), they are generally re-employed in other enterprises, but with a much higher level of employability than when they joined the cooperative in the first place. The Vågen Ut!'s "halfway houses" also contain the idea of a transition. Even for the categories of mentally disabled workers that cannot become members, the type of enterprise governance found in social cooperatives provides a substantially higher level of integration and rehabilitation than in average firms, as shown in the cases of Le Mat in Italy (Chapter 16) and La Fageda in Catalonia (Chapter 9).

It should be added that a high level of professionalism in the field of social inclusion of disadvantaged people can be observed, e.g., in the cases of the occupational therapists of Ghelos (Chapter 11), tutors of InConcerto (Chapter 15), and psychiatrists of La Fageda (Chapter 7). In addition, the consortium/group system substantially enhances social cooperatives' capacity to help with the social inclusion of disadvantaged persons through cooperation between type A (social services) and B (work integration) social cooperatives and through the consortium-level services (as in InConcerto, Chapter 15).

At the same time, social inclusion cannot be reduced to providing jobs to disadvantaged people. In order to fully grasp cooperatives' relevance in terms of fighting against social exclusion, we need to understand their role and potential in terms of both *rehabilitation* and *prevention*. Throughout this book, we have visited some B-type (work integration) social cooperatives focused on *rehabilitation* through work of disadvantaged citizens (as shown in part 3). We have seen worker cooperatives that are the outcome of a transformation of enterprises in crisis or without heir are involved in maintaining jobs at risk, and are thus involved in *secondary prevention* of social exclusion (part 2). Worker cooperatives that are established as start-ups (as shown in part 1) provide a strong model of *primary prevention* of social exclusion, considering their high level of job sustainability, which tends to increase even further when they are organised in integrated horizontal groups (shown in part 5). The cooperative model is particularly meaningful if the emphasis in the field of social inclusion is to be enhanced, as we believe and as has become a world-wide consensus in the domain

of public health since 1978<sup>48</sup>, towards prevention rather than solely rehabilitation.

Another key issue worth reflecting upon is that social inclusion should not only be seen as being limited to individual persons, but one that also embraces whole regions, as we saw in the case of Ardelaine, in the economically depressed French Ardèche département. There is thus a need to rethink social inclusion in terms of regions, not just individuals. The economic desertification of whole regions is one of the strongest manifestations of social exclusion.

## Resilience to crises

This book also reveals the resilience of worker and social cooperatives in the face of crises, be they individual enterprise crises or macro-economic ones.

As far as crises at the enterprise level are concerned, we have seen in part 2 of the book that they are often due to a combination of factors. Even when there are difficulties in their sector of activity, some enterprises can be saved. We have also observed that the success of these operations rests on two types of conditions: a) internal (mobilisation, leadership, capacity to cooperate with others, capacity to prepare and make significant decisions, capacity to reduce the workforce if there really is no other alternative, etc.), and b) external (the support of the surrounding local community, the existence of a surrounding network of support institutions belonging to the cooperative system itself, and which is able to opt for not supporting a project that is not economically sustainable).

But we have also seen several impressive cases of resilience to major macro-economic crises and transformations, such as Mondragon with the crisis which hit the Basque country in the early 1980s, Dimitar Blagoiev and Spiru Haret adapting themselves to the enormous political and economic transformation that took place in Bulgaria and in Romania, and indeed the whole of central and Eastern Europe, between the late 1980s and the mid-2000s, and worker cooperatives in their hundreds coming as a response to the Finnish crisis of the mid-1990s. Even more strikingly, most of the twenty cooperatives or cooperative groups expounded in this volume have suffered from the global financial and economic crisis that flared up in 2007/2008, and have been able to respond with conjunctural measures, and, in some cases, even with a beginning of in-depth structural reform (like in Mondragon), but always with the

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48 In 1978, the general assembly of the World Health Organisation approved the “Declaration of Alma Ata” which set the basis of primary health care and the concepts of primary, secondary and tertiary prevention: see <http://www.who.int/dg/20080915/en/index.html>

maintenance of jobs as a paramount priority.

On the other hand, this book gives evidence of the fact that cooperatives do not only fare well under crisis situations. However, this particular resilience to crises of various types is a clear indication of the capacity of cooperatives to contribute to local and regional development both under a crisis and in normal times.

## Contribution to regional development

The enterprises presented in this book are strongly embedded in their respective regions, be they smaller or bigger, present in one or several places.

To begin with, employment, provided it is geared towards the long-term (as is the case for worker and social cooperatives) has a direct effect on the development of regions. No big scientific research is needed to grasp the fact that people are more willing to contribute to regional development if they do not feel constantly threatened in their jobs, nor to understand that sustainable employment provides stable local consumers.

We have seen that the enterprises having been restructured under the cooperative form are often the main ones in their localities, and their permanence is therefore fundamental to local and regional development (part 2 of the book). We have also verified the impact on other activities in the territory: eg Ardelaine on the permanence of the local school, butcher, and hotel, and generating new activities such as catering and tourism (Chapter 1), or Ceralep ensuring the permanence of the local swimming pool and the financing of the local basket ball club (Chapter 6). Furthermore, some cooperatives and cooperative systems, such as those shown in part 3 of the book, specialise in delivering services which promote employment in the territories, such as Osuuskunta Toivo (Chapter 12), Vista (Chapter 14) and part of the cooperatives of the InConcerto consortium (Chapter 15).

Training by cooperatives and cooperative groups provides skills that not only serve them, but also regional development in general: for example, a substantial number of students studying at Spiru Haret and at the Mondragon University find employment in other enterprises, not only in the cooperatives of the system. We have also seen that training activity by cooperatives can foster the creation of new cooperative start-ups, thus contributing to regional development (as in Ok Verkko).

Another contribution of cooperatives to regional development is linked to their open character. We have verified that the cooperative model is an open one, not closed on itself, even where cooperatives are characterized by a high level of entrepreneurial

integration among each other. Cooperatives are involved in innumerable links with other actors in the territories. They strongly interface with other types of business, as we saw with Trafilcoop, cooperating closely with the only other substantial SME in the district (Chapter 4), and Almarina with other naval engineering firms in the same district (Chapter 5). Some develop a specific relationship with the consumers in the territory, with a long-term marketing strategy involving customers as actors and a high product quality, like in Ghelos (Chapter 11), La Fageda (Chapter 9) or Ardelaine which also has strong links with local producers (Chapter 1). Some are involved with the women's movement, like Vista (Chapter 14). Some develop a relationship with visitors, many of whom are regional ones (Ardelaine with its two museums in France's central region, La Fageda's farm in Catalonia).

Several cases in this book reflect a particularly high level of concern towards the environment, like Ardelaine, Suma, Ghelos and Vista (with the Caring for our environment project). The concern for the environment through concrete action is rapidly emerging as an increasing trend in the cooperative movement.

The more cooperatives are concentrated in the territory and integrated among each other, the more substantially can they contribute to the development of whole regions: the example of Mondragon (Chapter 20) is a case in point: the Basque region of Spain would not have the same level of development without this huge entrepreneurial network complete with all its facilities.

### **Promoting cooperatives through targeted policies: a win-win process**

In order for cooperatives to display their whole potential in terms of long-term strategy, long-term employment, inter-enterprise cooperation, resilience to crises and regional development, there is a need for strong regional and national policies in favour of sustainable employment, directly linked with policies in favour of enterprises that remain embedded in their territories, including cooperatives, as a territorial development and social cohesion policy. In order to be really efficient, these policies need to be clear, focused and well-coordinated. Social inclusion policies, as seen above, should be tightly linked to employment policies, but also to enterprise policies, and should be geared as much towards prevention as towards rehabilitation. In this respect, the worker cooperative model of sustainable employment offers an important source of inspiration to policy-makers.

Regarding the utility of public funding for regional development, it is worth mentioning that several of these experiences saw the light as simple projects with some level of public funding (Ardelaine, Opoka, Ghelos, Vista, Ok Verkko, Le Mat,

Vägen Ut!), whereas others have been substantially boosted by projects (Almarina, Spiru Haret): this tends to indicate that public funding can be successful when applied to cooperatives through well-designed projects.

As much as possible, policies enhancing the development of cooperatives should translate into specific legislation (such as the Marcora law in Italy explained in Chapter 4, the French law allowing for a cooperative to create or revive another one by participating in the latter's capital, as seen in Chapter 8).

More widely, policy makers' commitment towards the real economy, sustainable jobs, enterprises with long-term strategies, inclusive growth and development of territories, should become a far clearer trend if new crises, instability and economic unsustainability are to be averted or, at least, reduced in their impact. Policies supporting the development of cooperatives should be an essential part of it.

### **Limitations of this book and suggestions for further research**

A collection of twenty empirical cases is, of course, no demonstration that worker and social cooperatives create sustainable jobs or contribute to developing territories. Best practice books have their own inherent limitations. The purpose of this book is not to provide a scientific demonstration but to be a mind opener. In turn, there is a need for systematic research to be carried out on the topics highlighted in this volume, such as the impact of cooperative jobs on local and regional development, the presence and intensity of enterprise support institutions and inter-enterprise cooperation and integration, and the impact of legislation and public policies, among others.

### **Fostering an enterprise culture committed to the real economy and regional development**

The crisis that broke out in 2007/2008 has epitomized two increasingly contrasting trends that have developed under globalisation and are leading towards an ever sharper dichotomy: one based on financialisation, short-termism, speculation, instability and evanescence; and another one strongly engaged in the real economy, the long-term, the fight against economic desertification of the territories, job security, skills training, employee participation, social inclusion and long term economic, social and environmental sustainability. Cooperatives strongly belong to the second type, together with many other forces, SMEs, associations, workers' organisations, knowledge and research centres, etc.

The twenty examples in this book reveal an original enterprise culture being

developed within cooperatives and cooperative groups, strongly engaged in the development of the real economy, in an open and inclusive manner. This type of enterprise culture needs to be strongly fostered in Europe and around the world if the creation and fair distribution of wealth at the local and regional level is to become a European and global reality.

The massive wealth and job destruction caused by the 2008 financial crisis has brought back the focus onto the real economy, job creation and territorial development in public agendas. There seems to be a rediscovery of the fact that employment, provided it is sustainable, is conducive to regional development. Cooperatives, precisely, have a special impact on employment and territorial development, and have proved to be particularly resilient to the crisis, due to their distinctive characteristics.

The book focuses on five different modalities by which cooperatives active in industry and services contribute to sustainable employment and regional development: their overall governance at the enterprise level; the successful cooperativisation of enterprises in crisis or without heir; the creation of workplaces for marginalized citizens; the delivery of social services that favour employment; and the building of horizontal groups among cooperatives.

*When reading the cases depicted in this book, one realises that a relevant model for the future that we need to build after the crisis already exists*

**Pervenche Berès,**

Chair of the Employment and Social Affairs Committee of the European Parliament

## About CECOP

CECOP – CICOPA Europe is the European confederation of cooperatives and other employee-owned enterprises in industry and services. It groups national federations in 16 EU countries, which in turn affiliate approximately 50,000 enterprises in those sectors employing 1.4 million workers. 9,000 are social cooperatives, employing around 270,000 workers.