Co-operative Working and Community Projects

Andrew Bibby

First published March 1987 by ICOM

Introductory

This booklet explores the various possible structures and legal models available for groups and organisations who want or are obliged to combine *collective self-management* by the paid workers with a measure of *external accountability or control.*

Perhaps that sounds a little obscure. To put it another way: in this booklet we will be looking at the possibilities for democratic working structures in situations where a group of workers want to organise their work on an equal and collective basis, but where a recognisable workers' co-operative structure is not appropriate because these workers do not have absolute control over their work and are ultimately accountable in some measure to other people who do not earn their livelihood from this work.

This takes us into a territory which the co-operative movement hasn't up to now explored very much. It is an area where we can meet up with community projects and voluntary sector organisations who are attempting to democratise their internal structures. It is also an area where, if we dig a little deeper, we can uncover more general philosophical questions, in particular the relationship between the *autonomy* of a co-operative or group and the desirability for it to be *accountable* in some form to wider society.

But the aims of this booklet are more modest: to focus on the structures and organisational forms available for people who want to develop co-operative working practices in projects which are not orthodox commercial workers' co-operatives.

It will help if we identify the sort of situations we are talking about:

(i) A community organisation, set up to campaign for particular aims, invites people who agree with its aims to join as members; it also has a secretariat of full-time workers, who want to work unhierarchically.

(ii) A national pressure group or political organisation may employ full-timers, who want to be accountable jointly and collectively to the membership.

(iii) A local community newspaper or resource centre may be run as a workers' co-operative, but still wants to be accountable in formal as well as informal ways to the constituency it is attempting to serve.

(iv) A "voluntary" project may receive funding from central or local government, who expect the venture to be administered by a management committee; the employees of the project may wish to operate internally as a collective, and be responsible jointly rather than through a traditional management structure for the proper performance of their duties.

To this list we can add examples of workers' co-operatives engaged in trading activities, who for a number of reasons may desire and welcome an element of formal accountability to others outside the co-operative. Most co-ops in their rules make a token nod towards "social" as well as purely commercial aims, but some co-ops want to go further and institute a more rigorous form of external accountability. I look in detail below at a co-operative bookshop where the workers rejected an ordinary workers' co-op structure, arguing that the network of supporters of the shop should also have some formal control over the shop's development.

Some workers' co-ops may also wish to be supported for practical commercial reasons by outside advisers and supporters - for example, some young people's co-ops make provision for older advisors to be brought in to the co-operative. (Regrettably, the model rules currently available for these projects do not distinguish adequately between employees and non-employees, and are, I would argue, both patronising and confusing.)

Finally, there is the thorny area surrounding attempts by co-operative ventures to obtain charitable status. Because of the current rules on charitable status, "ordinary" workers' co-operatives, registered under the Companies Act, are usually excluded from becoming charities. (Arrangements for co-ops registered under the Industrial and Provident Societies Acts are different, though the same problems can arise.) In some circumstances, a distinction between the project seeking charitable status and the workers' co-op undertaking the management of this project (along the lines of the "two companies" model, discussed later) may provide a suitable way out of this problem.

In each of these cases, therefore, there is an interest or a need in finding a suitable structure which will combine that element of collective working by the workforce with the added magic ingredient of external accountability or control.

Separating Management Functions from Policy Decisions

In looking at the various options, the key question is to consider the extent to which the employees of an organisation can organise and cc control their work, and to what extent the element of external accountability is applicable. Where should the line be drawn?

I wish to argue very strongly that the distinction should come between the *management* functions, which are properly the province of the employed workers, and the ultimate *control* and ownership of the venture. Put another way, the line should fall between policy-setting and the implementation of that policy.

If external accountability extends to include direct involvement by non-employees in the day-to-day work of the organisation, then no element of real co-operative working by the employees can be possible. The workers would be better advised to accept this situation, rather than maintaining a pretence that they can collectively control their work. (It has to be said in passing that such an arrangement might of course meet the criteria for other kinds of (non-workers') co-operative: for a consumers' co-operative, or even regrettably at present for a so-called "community" co-op: see below.)

This division, between management and policy-setting roles, is not a new one, and is in fact the division which holds in many traditionally-run companies.

The question is, how can this division of responsibilities be reflected in the structure and legal rules of an organisation? This booklet will be looking in detail at six possible alternatives:

1 The existing "community co-operative" and "Neighbourhood co-operative" models
2. The "one company" model
3. The "two companies" model
4. The shareholdings model
5. Informal accountability only
6. Informal co-operative working only.

The focus, then, is on structures, but I don't think this should be seen just as a technical or a legalistic matter. It is important that democratic forms of work organisation are consolidated in formal legal structures, and it is certainly important that any attempts at collective working are also reflected at a structural level The co-operative movement is rightly suspicious of employers who attempt to involve their workforce in the affairs of business without changing the underlying power structures. Equally, we need to be critical of community projects or other organisations where, under a veneer of informal participation, of consultation and joint decision-making, can lurk the reality of an unreformed traditional management structure. The liberal team leader, project co-ordinator or manager may get a warm glow (or sometimes a more committed workforce) by instituting elements of co-operative working, but unless the structures are changed at a formal as well as an informal level, there will always be an element of deceit within such a set-up.

1. The existing "community co-operative" and "Neighbourhood co-operative" models

It seems sensible to start here, with community co-operatives and the closely-related neighbourhood co-operatives, and with the model legal rules which have already been devised for them. We are, after all, discussing in this booklet the sort of co-operative working practices which are likely to be found in "community" type projects: aren't community co-ops exactly the sort of thing we're discussing?

The answer is a clear-cut no: they're not. But the path that takes us to this answer is anything but clear. Because one of the problems is that the term "community co-operative" has been used to cover an extremely wide range of undertakings - from village stores in the Highlands and Islands of Scotland to grant-aided inner city projects - so that the term is now almost so vague and ill-defined as to be worthless. The legal rules drawn up as models for community co-operatives reflect this diversity and this confusion.

From our perspective, however, all the models have a key difficulty: none of them adequately distinguishes between the power and responsibilities within the co-operative of employees viz-a-viz the power and responsibilities of non-workers. Once any criteria for membership of the co-operative have been met, then by and large employees and non-employees are given equal rights.

This will perhaps become clearer if we examine some of the model structures for community co-operatives in more detail.

For example, the national Co-operative Development Agency has a set of model rules available for a *Community Co-operative* for registration under the Industrial and Provident Societies Acts (these rules are sometimes described as the "CDA 1984" rules). Membership of the co-op is open to local individuals and groups, and to employees; the Committee, which runs the co-op, is elected from amongst the membership, without distinction as to employment status. Basically any community organisation, society or group which wanted to become legally incorporated could use these rules (indeed, one wonders whether the term "co-operative" is not being stretched a little too far with this model); there are no additional rights for employees.

A similar model is that prepared by Notts CDA for a *Community Co-operative,* again using the Industrial and Provident Societies Acts. Unlike the national CDA model, these rules include clauses establishing the co-op as a common ownership enterprise. But for our purposes it is enough to note that, like the national CDA model, there are no additional rights for employees viz-a-viz non-employees.

Confusingly, the national CDA also has a set of model rules available for what they call a *Neighbourhood Co-operative.* (These rules are also for registration under the IPS Acts; they are also known as the "CDA 1980" rules.) The CDA has identified the sort of undertakings they see these rules as being suitable for: ".... a small local gardening service with two full-time young gardeners, 4 part-time workers contributing skills of gardening, bookkeeping and typing, and two members who work on a voluntary basis", or "a local day nursery (with) 4 full-time supervisors, 3 part-time members providing administrative back-up and two helpers who wish to work as volunteers".

With this model, membership of the co-operative is open to part-time and full-time employees, and to other local people who give assistance (who are defined as "occasional employees"); membership of the latter category lapses after a year. The co-op's Committee is elected from amongst the membership, without distinction - so we are once more back to a situation where employees and non-paid workers are treated the same.

It is useful to see the Neighbourhood Co-operative model as, in essence, an ordinary workers' co-operative, with the definition of "employment" stretched to its limit, to include voluntary supporters of the enterprise.

In comparison, the roots of the *Community Co-operative* model produced by the Highlands and Islands Development Board lie entirely within the consumer co-operative, rather than the workers' co-operative, tradition. In fact, the model is for an orthodox, if small scale, consumer co-operative: membership is open to local residents, who elect a Management Committee, who in turn appoint a manager to oversee the employees. No provision is made for employee participation.

This leaves one remaining model for consideration, that for a *Community Co-operative* prepared by Beechwood College. In this case, the model provides for a co-operative registering under the Companies Act, as a company limited by guarantee - unlike all the preceding examples, which are tailored for IPS Acts registration.

Beechwood offer a complicated, almost labyrinthine, structure which originated as a "bespoke" constitution drawn up with Beechwood College's assistance for a particular community project and which was subsequently generalised and published in a pamphlet by Freer Spreckley. Beechwood encourage groups to change the draft Memorandum and Articles to meet their specific situations; and attention is also drawn to the importance of ensuring that the categories of membership are appropriate.

In the Beechwood model, membership of the co-operative is open to: employees; separate related commercial activities; special user groups; volunteers; and local residents, (Membership under the last two categories is subject to some restrictions.) The Council of Management is elected from the membership; however all employees are automatically members of the Council, up to a maximum of half the Council.

Beechwood's complex model does at least show awareness of some of the issues. But their model is still not what we are looking for: it does still not provide for collective self-management of a venture by the employees, subject to external control and accountability at a policysetting level

2. The "one company" model

With some relief, therefore, we can leave the world of community co-operatives, and start to investigate some more promising areas. I propose to begin with what I have called the "one company" model.

The basic principle is simple, and is based on the long established separation of functions - both in Company Law and in co-operative law- between the *membership of* an organisation and the elected *committee* which manages the organisation. Under the Companies Act, for example, the Board of Directors are responsible for the ordinary operation of the company, but are ultimately responsible to the shareholders' meeting (in the case of companies limited by share capital) or to the meeting of members of the company (for companies limited by guarantee). Under the IPS Acts, a similar separation of functions exists between the membership and the committee of management.

Since this separation is exactly what we have been discussing in this booklet - with the employees of a project responsible for its management but reporting ultimately to a wider group of people – is it not appropriate to devise a structure where the workers, and, and *only* the workers, comprise the management committee?

This was in fact the route chosen by the former radical bookshop in Milton Keynes, Oakleaf Books, when **Milton Keynes Community Bookshop Ltd** was set up several years ago. This co-operatively run business was incorporated as a company limited by guarantee, using specially devised rules. (I have a particular knowledge of the operation of this structure, as a worker at Oakleaf Books from 1979 to 1983; surprisingly, I have been unable to find any other examples of this kind of structure.)

Under the Memorandum and Articles (the legal rules) of Milton Keynes Community Bookshop Ltd, the employees of Oakleaf Books were the sole Directors of the company, and the meetings of the Board of Directors (renamed in the Articles the "Workers Collective") were the regular forum at which the bookshop's day-to-day business was discussed and resolved. The Articles made it clear that only employees could be members of the "Workers Collective", and furthermore that normally all workers would be members of it.

However, membership of the company was open to local people and organisations who supported the shop's political and cultural aims (membership was not open to people merely on the basis of residence in the local geographical area) - about fifty members joined, including some local trade union branches, branches of political parties and some nearby housing co-ops, as well as committed individuals. The three (or four, for a period) full-time employees comprised the Workers Collective.

Oakleaf Books traded for over six years, but in October 1985 a meeting of Milton Keynes Community Bookshop was forced to take the unhappy decision to close at the year's end; losses had been mounting, and continued trading might have led to insolvency.
So given this history, how successful was the structure? For much of Oakleaf Books' life, the role of the membership of Milton Keynes Community Bookshop was a limited one - some might say even a token one, General Meetings were held once a year, at which the workers reported on the state of the enterprise, presenting the annual accounts and also submitting an overall assessment of the development options- and the members (about 10-20 attended on average) responded with a very general discussion about the bookshop's operations. In reality, therefore, practical control of the bookshop lay very firmly with the workers.

Indeed, the only direct power that the General Meetings of members possessed was the power to remove the Directors, which under the rules also would have involved sacking the worker(s) in question. (Appointment of new worker; directors, and indeed of new members of the company, was given to the Workers Collective.)

The original recommendation to close came from the workers, in the face of some initial opposition from the membership of the company, who wanted other options for survival considered (a move to better premises, or diversification into new areas of trade). However, when it became obvious that the workers felt unable to undertake the major work involved in researching these possibilities, the membership was not able to provide the resources of time and energy necessary for any initiatives independent of the workers to become possible.

Is it possible to generalise from Milton Keynes Community Bookshop's experience to consider the overall advantages and disadvantages of the "one-company" model?

There is of course a simplicity with this structure, and with the straight division between workers/directors and the membership as a whole which is quite attractive. The membership arrangement provides a structured way for supporters of a project to feed in ideas and proposals to the workers, and to be consulted by the workers. It is obviously essential that membership of the Board/ management committee is restricted just to employees, to enable the workers to be a properly self-managing group.

In times of crisis - as in the case of Oakleaf Books, but also in the event of serious disagreements between the workers, of illness, or of several workers leaving employment at the same time - the membership can play a long-stop role, which is not available to orthodox workers' co-operatives.

However, the structure does not clearly define the power relationship between the workers and the membership, and it is possible to foresee difficulties if disagreements emerge between the two groups: if for example the membership want or feel they are entitled to play a more active and more interventionist role, then this arrangement may work less well. The membership may desire greater legal powers over the workers than merely the ultimate sanction of sacking them. It is also the case that any attempts to remove Directors of an organisation established under the Companies Act will be subject to the extremely detailed and complicated provisions of that Act - a piece of legislation not really designed for this type of undertaking.

3. The "two companies" model

I now move on to consider a structure where, instead of both policy-setting and management functions being kept within one organisation, they are separated out into two legally distinct organisations. Under this model, the paid workers set up their own "ordinary" workers' co-operative, which then comes to a contractual agreement with the policy-setting body to perform certain tasks within certain guidelines.

When this booklet was in draft form, a number of community projects and organisations in the process of becoming established read the text, and it is interesting that a number of them found this model structure the most appropriate or the most attractive for their circumstances. In fact however I am able to use as a case study our own situation at Leicester and County Co-operative Development Agency, since we also chose this arrangement when the CDA was changing its legal structure some three years ago.

The arrangement at Leicester involves two incorporated companies limited by guarantee, which are parties to a contractual agreement regarding the operation of the Co-operative Development Agency. The first body ("LCCDA Management Co-operative Ltd") was established using an ordinary workers' co-operative structure, and the six Agency workers are the sole members and Directors ("Workers Collective" members) of this company. The second organisation is called "Leicester and County Co-operative Development Association Ltd"; it is a membership body, with local workers' co-ops and other interested parties able to apply for membership.

In theory, LCCDA Management Co-operative - the workers' co-op - is free to seek business for its six staff where it chooses; it is the employer of the workers, bearing the various responsibilities of an employer. As with any other co-op, the workers/directors jointly and collectively are legally responsible for the proper and correct functioning of the company.

Equally, the second body, the Association, is in theory free to find who it chooses to perform the management tasks of running the local CDA (though its rules do not permit it to employ workers directly); it could under its constitution choose to end its contractual relationship with the Management Co-operative, and take its business elsewhere. Control of the Association is in the hands of its General Council of thirteen members, comprising six local councillors and seven workers' co-op delegates and co-opted members.

The key document in this relationship is the contract between the two bodies, and obviously it is necessary that this lays down the degree of control which the "membership" body expects over the management work undertaken by the workers' co-operative: in other words, with this model there is a clear legal separation between the workers and the wider constituency to which the workers are accountable, and the degree of this accountability must be clearly laid down in the contract.

At Leicester, the two bodies are both incorporated companies limited by guarantee; however, there is clearly no necessity for the "membership" body to be legally incorporated, and it is possible to develop a similar structure where the membership body is an unincorporated organisation or trust.

A number of potentially contentious issues in the relationship between the two parties can be identified, and should be covered adequately in the contract. For example:

- what type of work is the workers' co-op expected to undertake? how detailed is its brief to be?
- is the membership body to have any say over the employment conditions of the workers' co-op employees? over their pay? hours of work? over other employment contract matters, such as sick pay provision, maternity/ paternity provision, redundancy rights, etc?
- is the workers' co-op free to hire (and fire) individual workers as it chooses? does the membership body want to be consulted, or involved, in these procedures?
- can the workers' co-op operate from its own choice of premises? does the membership body have authority to attend meetings of the workers' co-op? to approve the co-op's choice of auditor? to see the account books of the co-op?
- is the co-op free to undertake other work for other customers? or is the contract to provide work exclusively for the membership body? how much will the co-op be paid for the work it undertakes? how will this be paid?

- if both parties are dependent on external funding (eg. from local or central government), how will applications be submitted? How would any withdrawal of funding affect the contract?

- has the membership body any power to intervene in internal disputes within the workers' co-op? to intervene in any disciplinary or grievance matters within the co-op?

- what timescale is the contract for? what arrangements are there for renewing the contract? for terminating it early? for terminating it in the event of alleged breaches of contract?

It will be seen that the contract (and the discussions leading up to it being drafted) are essential if the "two companies" model is to work effectively. In some circumstances, the membership body may attempt to impose very detailed restraints on the operation of the co-operative, whilst in other situations the contract may specify only outline conditions for the co-operative to meet. In practice, if it is the membership body which has access to finance, then it is likely to have considerable power in these discussions.

So what then are the advantages and disadvantages of this type of structure?

There are obvious advantages in that the collective working practices of the workers are clearly established within a workers' co-operative legal structure. As an "ordinary" co-op, the workers will be able to play their part in the co-operative movement, and it will be clear to the outside world how they are choosing to operate.

A clearly agreed contract can eliminate the element of uncertainty and the maverick interference in management matters by the membership organisation which may occur, especially if members are inexperienced in delegating powers or in employment responsibilities.

Anyone familiar with community projects and the voluntary sector will be aware of the management committee system, and also of some of the problems which can accompany it. On the one hand, management committees are frequently dependent on the full-time workers for the information necessary to take sensible decisions - and unscrupulous (or just efficient) workers can sometimes by-pass their management committees merely by controlling the information given to committee members. On the other hand, it is the management committee which must carry the legal obligations towards the workers as the employer: and management committees are often singularly ill-equipped to meet these responsibilities successfully. Employment conditions in many community projects are poor, and workers can be treated in a cavalier fashion. A clear division of responsibilities using a "two companies" model may provide an alternative to traditional management committee structures.

However, the employees need to be aware that, under this model, they are taking over for themselves the responsibilities as employer, without necessarily also taking over the powers to establish their own conditions of employment. For example, it would be possible for the membership organisation to dictate very detailed and precise conditions under the contractual arrangement which would turn the formal self-managing structure of the workers' co-op into a mere pretence. The membership body could use this structure to avoid direct responsibility for its employees - the need to provide a safe place of work, to provide adequate sick pay and maternity provisions, to provide redundancy payments if appropriate, even to maintain a fair

level of pay - and yet, by controlling finance to the co-op, to continue indirectly to determine these issues.

An analogy with the issues surrounding the privatisation of government services may reinforce this point. One of the arguments against privatisation is that the workers involved lose the protection which a public employing authority should give them. In the same way, the introduction of this "two companies" model could in some circumstances involve a similar type of "privatisation", with the workers concerned merely being given the chance to engage in their own self-exploitation.

There would seem to be particular difficulties in situations where funding for a venture is being provided by neither party to the contract, but by an external organisation - for example, central or local government, or a grant-giving trust. Whilst an appropriate agreement may be relatively easy to devise where, for example, members' subscriptions are enabling workers to be financed to administer an organisation, if a third party is providing finance - with their own conditions and restrictions - they may also need to be involved in the discussions leading up to the drafting of the contractual agreement.

Our experience at Leicester and County CDA was that additional uncertainty was created because the contract was left in outline form for several months. When the workers' co-op, LCCDA Management Co-operative, wished to introduce employment contracts (which as employer it was legally obliged to do), it became unclear whether the membership body, Leicester and County Co-operative Development Association, had the right to veto any of the conditions. Whilst the workers were clear that any changes grossly advantageous to them - doubling the pay, or halving the hours, for example - was in breach of the verbal agreement, there was considerable uncertainty whether more minor changes needed ratification by the Association. The Association's involvement and power in the appointment of new staff was also unclear. The lesson we drew was that discussion on all the potentially contentious points was needed (things couldn't just be left to informal practice), and that the contract needed to be properly endorsed by both parties, and legally watertight.

Any co-operative organisation or community group investigating the "two companies" model need also to be aware of a number of technical points. A minor matter is, of course, that two organisations are likely to incur greater costs than one. If both bodies are incorporated under the Companies Act, registration fees and the annual payment made on filing accounts with Companies House will be doubled. Auditors will charge more. And the services of a solicitor may be needed in drawing up the contract.

More important is the question of liability for Value Added Tax on transactions between the two organisations. In some circumstances, a VAT commitment may be incurred on any fee charged by the co-operative to the membership body for services undertaken. It is essential to ensure, if choosing to follow this model, that the situation with regard to VAT is completely clear. Finally, an accountant should also make sure that the tax implications of any transfer of assets between the two organisations are fully understood.

Charitable Status

Before leaving this section, it is necessary for us to look in more detail at the issues raised by the difficulties facing workers' co-operatives wanting to receive charitable status, and at the possibility that the "two companies" model may in some circumstances provide an adequate answer.

As I mentioned in the Introduction, in normal circumstances workers' co-operatives registered under the Companies Act are automatically ineligible for charitable status, even if their objectives are charitable. There is a simple reason for this. In a workers' co-op, by definition, the organisation is owned and controlled by the employees - non-employees are not permitted to participate. However, the Charity Commissioners are quite properly very concerned to ensure when registering new charities that these charities are not run for the personal benefit of the trustees (in the case of a limited company seeking charitable status, the Directors of that company). Two important principles therefore find themselves on a collision course when workers' co-ops try to become charities.

The Charity Commissioners' jurisdiction does not extend to organisations registered under the Industrial and Provident Societies Acts, though IPS Acts co-ops wishing to be treated as charities are likely to face the same problems.

With the separation of the employed workers into a distinct legal organisation of their own, the way is clear under the "two companies" structure for the other partner, what I have been calling the membership organisation, to seek charitable status by itself. This is, in fact, the current intention of the Friends of Leicester City Farm, a membership body which is establishing a city farm in Leicester, and which has arranged for the management of the farm to be left in the hands of "Spring Green Ltd", a separately constituted workers' co-operative.

Also worth pointing out is the development of two companies structures by agencies involved in the growing field of so-called "community business". Community Business Scotland, for example, has developed a two-tier model structure whereby trading enterprises established under the umbrella of a local community business promotional body are legally separated from that parent body. The way then is opened up for the latter to seek charitable status. And CBS have identified another advantage: the "parent" can attract central or local government funding, without finding itself obliged to return this funding when surpluses are generated from trading activities.

No doubt in all cases such as these, the Charity Commissioners would wish to ensure that the two organisations involved were contracting "at arm's length", and were not merely camouflaging a single organisation as a way of obtaining the advantages of charitable status.

4. The shareholdings model

The fourth area of consideration can be dealt with much more quickly: it involves venturing into the world of shareholdings, of companies established under the Companies Act and limited by share capital.

This sort of structure for a long time seemed far removed from the world of co-operatives - though recent concern over the dependence of workers co-operatives on loan capital has encouraged some people in the movement to discuss ways of achieving an element of worker participation in share companies, for example through "equity participation co-operatives".

This is a very controversial area, and one which is quite distinct from our own area of interest. The debate around EPCs is concerned with borrowing requirements of trading workers co-operatives; we are concerned with legal structures which combine worker self-management with community accountability.

So is there anything for us to consider? Would it be possible, for example, for a company to be established with nominal share capital, where some of the shares were held by the employees (either individually or collectively) and where the remainder were held on behalf of the wider constituency to whom the workers were ultimately responsible? In other words, can shareholdings enable the division between the interests of the workforce and the element of wider accountability to be specified, in exact percentages, in the allocation of shares in the company- and therefore in the composition of the Board of Directors?

I am not aware of any community organisations which have explored this kind of structure in practice, so inevitably comments have to be speculative. But it is obvious that there are substantial problems with it, as a solution to the issues we have been exploring.
Firstly, the clear separation between the management functions (undertaken by the employees) and the policy-setting roles (undertaken by a wider grouping) had completely disappeared, and has been replaced merely by a numerical carve-up of power.

Secondly, the forum at which the interests of the workers and those of the wider constituency they serve meet and must be resolved is the Board of Directors. Some of the Directors will not be employees, and (except perhaps in organisations where there are only a few workers) not all the employees will be Directors. If one "side" has a majority on the Board, then the other party runs the risk of being permanently outvoted; if both parties have equal representation, then deadlock is possible. Worse, the employees will not be collectively explaining or defending their work but will be delegating this function to their spokespersons on the Board.

5. Informal accountability only

After the complexities of some of the previous structures, it is a relief to consider finally two much simpler and more straightforward possibilities.

Firstly, in some of the circumstances we have been discussing, it may be possible for the element of external accountability or control to be kept at a relatively informal level, and not embodied in one of the hybrid legal structures explored above. In other words, it may be possible for the workers in a project to operate as a conventional workers' co-operative, merely acknowledging informally an obligation to a wider network of people.

This will not, of course, be possible for all the types of example given at the start of this booklet, such as a national pressure group or political organisation, or a local community organisation or campaign which is already established.

It is also unlikely to be acceptable if grant-funding is involved: a more formal degree of accountability is likely to be demanded by the funding body.

However it is a possibility where the initiative to establish a community project has come from the workers themselves, and there is not an already defined grouping of people to whom to relate.

There are a number of ways that the element of external accountability can be introduced:
a) specific provision can be made in the clause setting out the co-op's objectives (in the Memorandum of Association for a Companies Act co-op or in the Rules for an IPS Acts co-op),
b) the co-operative can formally adopt at a General Meeting an additional set of aims and objectives as "secondary rules". (This, for example, is what I understand the Peterborough Unemployed Musicians Co-operative, a new workers' co-op hoping to bring together other musicians in the town, is intending to do),
c) provision can be made for an appropriate "social audit" of the co-operative. A social audit is a review of the operation of the co-op in the light of objectives other than purely financial ones,
d) the workers can establish an advisory committee, to support them or help them set guidelines for their work. (The workers at Coventry Workshop, a trade union and community resource centre, are helped in their work by an Advisory Committee, which although having no legal status provides an input from local activists,)

6. Informal co-operative working only

We are left with one final option to consider - the exact mirror image, in fact, of the last type of arrangement. Is it possible or advisable to make the co-operative working practices of the employees accepted on an informal basis, without enshrining them into a legal structure?

It is certainly possible. This is, for example, the arrangement at Cambridge CDA, Peter Cockerton, one of the CDA workers, has explained their situation as follows: "...The workers' meeting (weekly) is a subcommittee of the CDA Board and is mandated to deal with certain issues of a day-to-day nature. The amount of "autonomy" is of course variable/ negotiable. This means that we can work as a collective (and I believe we are in fact able to work, and do work, much more collectively than most CDAs) but the CDA is still controlled by its Board..."

This kind of solution has the advantage of great simplicity. There are other advantages, too: for example, the workers are able to operate relatively autonomously, without facing some of the difficulties involved in taking on the responsibilities of the employer (see above).

In some circumstances, however, the workers may crave a greater freedom to manage their work collectively. It is unlikely with this sort of arrangement, for example, that the employees would have the flexibility to set their own conditions of employment or to appoint new fellow workers, which is offered by some of the other options we have considered. It is also of course crucial, if the collective self-management practices of the workers are going to be left as an informal arrangement, that collective working really is in operation - and accepted by all

parties. There is a considerable danger that under an apparent collectivity a traditional hierarchical structure is still lurking. It may prove harder for black workers to challenge white racism, or women workers to confront the sexism of their male colleagues, in a situation where collective working is still only accepted informally.

Finally, of course, this sort of informal arrangement is exactly what is in operation in numerous community projects - and which in many circumstances has proved unsatisfactory. It as partly to look for alternatives to this situation that this booklet has come to be written.

Conclusion:
the wider context

This booklet has been content to focus on possible structures and legal models, in the shared area where the workers' co-operative movement and the community and 'voluntary' sector meet. This is not a subject where very much, if any, discussion has taken place - which is perhaps rather surprising, given the number of organisations which now practice some form of collective working, So the options we have considered above are an initial exploration of the area: comments and feedback will be welcomed!

But though the focus has been on structures, I don't think the discussion should just be a legalistic one. As I suggested in the introduction, important philosophical and political questions are lying just below the surface. In the remaining few paragraphs, I want to explore what I consider the wider context in which the issues raised in this booklet should be placed. We have been considering arrangements which try to resolve satisfactorily the valid desire by employees for self-management and autonomy with the equally desirable aim of wider accountability and social responsibility. As we have seen, there can be conflicts between these two objectives: there is, indeed, something of a dichotomy between *autonomy* and *accountability.*

The "new wave" of workers' co-operatives has been concerned to stress the importance of autonomy: ensuring that workers' co-ops are self-managing, are not beholden to outside investors, and indeed are controlled by the workforce and the workforce alone. This is an important perspective, and is especially important given some of the structures which in the past (and not just in the past) have been allowed to pass as "co-operative".

For example, earlier attempts at workers' co-operation often suffered from the presence of external investors who shared control of the business with the workers - even on occasions forcing through the closure of a profitable co-operative, in order to benefit from the sales of the assets, There has also been a problem in the past with the internal democracy, or lack of it, in co-operatives; for while a business might legally be registered as a co-operative, the reality might seem very different to the ordinary worker in the business, for whom notional co-ownership of the assets did not extend to any real control of the business.

So the recent emphasis on workers' control in workers' co-operatives is worth defending. But it is also true that most of us who are concerned to see the co-operative sector grow see workers' co-operatives as part of a wider movement for change, and that we would argue in other circumstances for social well-being generally (rather than initiatives by individuals on their own behalf) to be the guiding force for economic development. And of course workers' co-operatives are part of a total economy, not islands by themselves; they are dependent on the functioning of that economy for their survival and growth, and by their activities can affect others outside the co-op.

The history of the voluntary sector has been different, of course, though the dichotomy between autonomy and accountability has sometimes surfaced in a different form; between the pressure

brought to bear by a central or local government funding agency (able to raise a claim to represent the democratic wishes of the whole community), and the desire of the organisation to maintain its independence. These differing interests have been resolved in various ways, frequently through the allocation of places on the familiar management committee.

But the issue of self-management and accountability runs to the core of the present-day political situation in Britain. How, at a time when the old socialist concepts of nationalisation and state ownership of industry are widely discredited, and the end results of these concepts are rightly perceived as alienating and unresponsive institutions, can new ways forward be found, which don't lead us straight to the individualistic and callous philosophy of Thatcherism?

The task must be to find ways to combine the energy and enthusiasm which can be released when people have direct control over their lives - including their working lives - with structures which ensure that these activities contribute also to the general well-being of the whole of society.