

# first reading

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## Co-operation

When a privately owned business closes down the ramifications in a community can be extensive. The workers employed by the company lose their jobs, the community surrounding the now defunct business loses the dollars spent in that community by both the business and its workers, governments lose tax dollars and increase spending, and the ripples created by the closing's impact spread in far more ways, eventually touching even the furthest edges of our interconnected little world.

Workers affected by the closing of their place of employment are turning more and more to the concept of buying their former place of work, or creating a new enterprise to replace that which has been lost to them and their community. To assist them in forming what is generally known as a worker co-operative they need financing, for which they will probably turn to their only likely source of capital -- a local credit union. The credit union, by its co-operative nature, is the one lending agency with some commitment to enterprises such as worker co-ops.

The newly organized members of the worker co-op may decide to carry their relationship a step further and develop a housing co-operative for themselves and their families. They might also set up, or at least join, a local consumer or food co-operative.

Their activities will create employment, generate dollars in the community and put money into government coffers. And the ripples of what they have done will spread, eventually touching even the furthest edges of our interconnected little world.

Community economic development based on co-operative enterprises. It does happen. It will have to happen more if, in the years to come, we are to create employment and re-juvenate distressed communities. This edition of FIRST READING examines the concept of co-operation in Alberta.

The word "co-operative" is used to refer to a form of business organization which is owned by its members on the basis of one person, one vote. The co-operative movement was launched in the 19th century and operates today worldwide. The six basic principles of co-ops are: voluntary and open membership, democratic control (one member, one vote), limited return on capital, return of surplus to members, co-operative education, and co-operation among co-operatives. In contrast to these principles of co-operation, one can conceive of the principles of capitalism as: limited membership, elite control, maximum return on capital and elimination of competitors.

Co-operative principles have been adopted by all sorts of businesses. In Alberta we have co-ops that market farm products, co-ops that provide financial services (credit unions), co-ops that operate retail food stores, co-ops that own and operate housing, and co-ops that provide consumer goods. Alberta co-ops are part of a vast family of co-operative members that number in the hundreds of millions around the world.

## Early History

Co-operators consider the retail store launched at Rochdale, England in 1844 as the beginning of their movement. The principles that were used in the operation of that store are known as the Rochdale rules and they have been adopted by all co-ops as the basic principles that identify a true co-operative. While England pioneered consumer co-ops, countries like Germany pioneered the concept of credit unions, which are banks owned by their depositors, and France developed worker co-ops (businesses owned by the employees). In 1895 the various movements created an umbrella organization called the International Co-operative Alliance (I.C.A.), one of whose members is the Co-operative Union of Canada, the umbrella organization for Canadian co-operatives.

Canada ranks among the top fifty percent of countries with co-ops. There are about 10 000 co-ops in Canada with a membership total of nine-million. Almost half of all Canadian adults belong to at least one co-operative, and the co-op sector owns or controls \$40 billion in assets. But even with these impres-

sive statistics the co-op sector accounts for only a small part of the total value of all Canadian business. This is the paradox of contemporary Canadian co-operation. Although in some parts of the economy, and in certain regions of the country, co-operatives are a significant force, their overall impact is less than either the private or public sectors of the economy. Quebec, for example, is famous for its caisses populaires (credit unions) which were launched at the turn-of-the-century. The Maritimes is known for the Antigonish Movement of the 1920s and '30s, which assisted the working poor to create self-help organizations. And the West is home to the powerful wheat pools. In spite of these achievements, the dominant forces nationally are capitalism and the state.

## Co-operatives in the West

Co-ops came to Western Canada at the turn-of-the-century. Their arrival coincided with the development of the wheat economy, which changed the region from a Hudson's Bay Company fiefdom centred on the fur trade, to a landscape populated with settlers growing grain. Between 1901 and 1911 more than one-million immigrants came to the Prairies, transforming both the social and economic reality of the region. The farmers had a deep sense of grievance against the railway, the elevator companies and the government in Ottawa, who they felt were in league against them. The farmers turned to co-ops as a way of improving their own economic situation.

The original farmer-owned co-op was the Grain Growers Grain Company founded in 1906. In 1913 Alberta farmers established the Alberta Farmer Co-operative Elevator Company, following the example of their colleagues in Saskatchewan who, in 1911, had formed the Saskatchewan Co-operative Elevator Company. In 1917 the Alberta co-op joined the Grain Growers to become the United Grain Growers. By this time the farm co-ops owned 400 elevators, handled 80 million bushels of wheat, and distributed 4000 carloads of supplies to their members.

In the 1920s these co-ops were developed into wheat pools, whereby individual farmers signed contracts with the pool to handle their crops and so pool sales power. The farmers

who sold their grain through the pools were members of it on a co-operative basis. While agriculture remained dominant, the pools remained dominant. The largest and most powerful of the pools is the Saskatchewan Wheat Pool. With assets of \$1 billion in 1983, it was ranked 37th in sales among all Canadian companies.

Out of these farmer-owned marketing co-ops grew a variety of consumer co-op retail stores. Beginning with the supply of goods to members through bulk-buying, the various farm co-ops began to consolidate their operations. In the late '20s a Saskatchewan Co-operative Wholesale Society was formed. The wholesale bought companies that produced goods for it, extended credit to small retail co-op stores that bought goods from it and developed its own brands. Wholesales were established in other provinces and eventually they amalgamated into Federated Co-operatives Ltd. which is the supplier for Western retail consumer co-ops.

The credit union movement also grew out of the farm co-ops and their institutions. Although the first official credit unions did not come into existence till the late '30s, they had been preceded by co-operative credit societies that provided farm mortgages. The number of credit unions in Canada peaked in the 1960s at about 5000 in number and now, in the middle of the 1980s, the figure is closer to 3000. The number of members has grown substantially as have the assets and deposits, but the number of institutions is down.

Along with credit unions, the co-op movement developed an insurance service which is now known as The Co-operators and is considered the largest general insurance company in Canada. To expand financial services the co-ops created Co-op Trust in the 1950s. But it was not until the 1970s that the co-operative movement took a big leap forward into a whole new area - housing. Today's housing co-ops shelter over 103 000 Canadians and they are still a relatively young program.

#### Co-ops in Alberta

Alberta has been in the mainstream of Canadian co-operation right from the start. An estimated 60% of adult Albertans belong to at least one co-op. Total membership stands at 1.3 million with 800 000 of those in various kinds of co-ops and 500 000 belonging to credit unions. There are approximately 1 000 co-ops in the province.

Co-operation in Alberta is based on the three pillars: farm, credit union and consumer,

but the province also has a strong housing co-op component as well as small emerging co-ops of various other kinds. It all began with the farmers who worked through such organizations as the United Grain Growers and the United Farmers of Alberta. The latter group formed the Government of Alberta in 1919 and ruled until 1935. Alberta formed the first wheat pool on the Prairies in 1923. That year it handled 25% of the province's wheat crop. Today the Alberta Pool has about 30 000 members. Farm producers also created dairy pools such as Northern Alberta Dairy Pool that markets under the Nu-Maid label. The two Alberta dairy co-operatives were recently prevented from taking-over the privately-owned Palm Dairies by the Federal Government, which was concerned that this take-over would result in a monopoly. As well, honey and poultry are marketed through farm producer co-ops. The co-operative approach is not, however, dominant in the cattle industry.

Because agriculture began to be surpassed in importance by the oil and gas industry after World War Two, farm co-ops have not been as influential in the modern period as they had been earlier. In 1981, for example, agriculture constituted only 4.6% of the gross provincial product of Alberta. The widely-publicized farm bankruptcies of the 1980s have further jeopardized the stability of farm co-ops and their importance in the provincial economy. It is clear that the period of ascendancy for farm producer co-ops is over. 1984 figures indicate that total consumer co-op sales in Alberta were over \$1 billion, while combined farm producer co-op sales were half that amount.

The second pillar of co-operation in Alberta is financial co-operation. Initially begun as co-operative farm mortgage associations during the time of the UFA government, credit unions became widespread in the era of Social Credit. But the province was generally viewed as lagging behind others in this field. In 1960 it was ninth among the 10 provinces in membership as a percentage of total population. The Treasury Branch system established by the Government of Alberta was a direct competitor for the credit unions since it was seen as being locally-owned and responsive, which the big banks were not. In 1982 the Treasury Branch system had 100 branches and 100 agencies in the province. Credit unions numbered 131 with 147 branches in 1985.

In the mid-seventies a Credit Union Stabilization Corporation was established to guarantee credit union funds. By 1984 the resources of

the stabilization fund were insufficient to meet credit union obligations in case of a run on deposits. The collapse of real estate values in the '80s, which saw the failure of two Alberta-based banks, also affected credit unions adversely. To prevent the collapse of the system, the Government of Alberta stepped in to guarantee deposits in credit unions and, in the process, took an active role in directing the future evolution of credit unions. First, it established a corporation to take over the non-performing properties in which credit unions had invested, and then it announced that certain "open" credit unions (members not restricted to a specific group) would be amalgamated into two larger credit unions centred in Calgary and Edmonton. The end result of this process will be fewer credit unions and greater state control.

The third pillar of the co-op sector is the consumer retail store. Calgary Co-op was launched in 1956. Its current Chairman of the Board, W. Gordon Barker, was one of the key founding members 30 years ago. Compared to the Co-op stores in Edmonton which are facing a difficult future, Calgary Co-op is a sterling example of how a well managed, locally based retail food co-op can succeed. It has 13 stores, 260 000 members, 2800 employees and had sales of \$373 million in 1985, making it North America's single largest consumer co-op.

Another success story for Alberta is co-op housing. Spearheaded by groups such as Communitas Inc. in Edmonton and AHEAD in Calgary, co-op housing has become a familiar part of the housing scene in the two major centres. There are 870 co-op housing units in Edmonton, 38 in northern Alberta and 1231 in Calgary and southern Alberta. This amounts to a total of about 45 housing co-ops with an estimated population of 8000.

As well, there are alternate co-ops such as Earth Harvest Food Co-op in Calgary and High Level Natural Foods Co-op in Edmonton. And, in recent years, Mountain Equipment Co-op based in Vancouver has opened a very successful consumer sporting goods co-op in Calgary.

### The Future of Co-ops in Alberta

Co-operatives in Alberta face many of the same problems that co-ops face across Canada. In my recent book, "The Search for Community," I pointed out that co-operatives go through three phases: utopian, movement and system. At present the "big three" pillars (farm, consumer, credit union) are all in the system phase in Canada. This phase is charac-

terized by an essential drive to create ever larger conglomerate forms. This is happening with alarming speed with Alberta credit unions, for example. Housing co-ops are not in a system phase yet. They are still growing in terms of numbers and membership and can be justly considered to be in the movement phase, which is a period of grassroots expansion for a co-operative form that has weathered the initial utopian phase.

In the system phase, co-ops take on the monopolistic characteristics of their capitalist competitors so that they can remain competitive at that level. Small, locally based co-ops are viewed by the co-op system establishment as quaint cottage industries without much relevance to current economic developments.

In the system phase, three things are happening more or less simultaneously. First, the large co-ops are consolidating and absorbing smaller co-ops. Second, large, well established co-ops may be entering a period of decay as the economic sector they are in is itself being down-graded, this is the situation the wheat pools face as the number of farmers decreases. Thirdly, new co-ops spring out of the system phase. They are small, feisty and radical. They fill the needs that the larger co-ops, or the system, have no time for. They become part of the collective entrepreneurship of the small business world. This is the utopian, or response phase to the system and the beginning of a new cycle.

This ability to generate new co-ops is one of the great powers of co-operation. In Canada today the most important new co-operative form is the worker co-op. A worker co-op is a business owned and often managed by its employees on a co-operative basis. Quebec has taken the lead with almost 300 worker co-ops, most of which have been established in the last 10 years. In Quebec, worker co-ops are very much in a movement phase of rapid growth. English Canada is not quite so far advanced. Manitoba has about a dozen worker co-ops and it would be fair to say that English Canada is still very much in a utopian stage when it comes to worker co-ops. An example of a worker co-op in Alberta is the T.L.C. Nanny Service Co-operative Ltd., incorporated in Lethbridge in the summer of 1986 by 11 Third World immigrant women under the auspices of the Local Enterprise Trust Society (L.E.T.S.). L.E.T.S. is presently raising \$100 000 in start-up capital for an auto remanufacturing operation that will be operated as a worker co-op.

Alberta co-ops, other than the housing and

emerging co-ops, are in a system phase. They face such common problems as government control, inactive membership and the influence of second and third tier co-ops owned by co-ops rather than people. Both consumer and producer co-ops have labour problems because the employees have no more say in the operation of the co-op than employees in capitalist firms. These problems are augmented by certain historical trends in the Western Canadian economy which co-ops have not been totally successful in addressing.

First, the province's economy remains resource extraction based, but the agricultural grain component is undergoing a serious depression and the co-ops based in that sector face many problems. Unfortunately, the energy industry is not organized co-operatively, which means that the most important part of the wealth producing primary sector is lost to co-operation.

Secondly, the province's demography is primarily urban. According to the 1981 census, 80% of Albertans lived in urban areas. This figure is comparable to Ontario. The economy of urban areas consists predominantly of the service or tertiary sector, and the industrial or secondary sector. In the urban areas co-ops are part of the service sector through consumer co-ops and credit unions, but they are not well represented in the industrial or manufacturing area. What is required to make co-ops more relevant and influential in Alberta's economy is to build a link between the province's urban reality and its non-agrarian economic base. The two main areas for this are the energy industry and the industrial manufacturing sector.

The possibility of making inroads in these

areas has both a negative and a positive side. The downside is that industrial diversification is not proceeding quickly in the West and that large, often multinational corporations command the heights of the energy industry. The upside is that both industrial manufacturing and parts of the energy industry are very much small business operations in the West. Small business is the area in which worker co-ops have been shown to be the most successful. And it is worker co-ops that are the cutting edge of co-operative history in Canada today.

The challenge is for urban workers in Alberta to turn to the co-operative options as workers rather than as consumers. Only when this happens can the co-op sector become integrated with the socio-economic reality of the new West. The impetus for such a development can only come from those directly affected by the economic crisis in the province. If workers turn to co-operatives as a self-help tool for bringing them out of current unemployment, then Alberta will be ready to face the next century with a revitalized and relevant co-op movement. The tradition already exists and the needs are real enough. The record shows that Alberta has never been out of step, to any significant degree, with the rest of the country in terms of co-ops. On the issue of worker co-ops, I suspect Alberta will be part of the national trend.

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#### WORKER OWNERSHIP PAYS

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A 1985 National Center for Employee Ownership study found that companies in the computer and electronics industries that offer ownership to over 50 percent of their employees had annual sales growth twice as fast and annual employment growth four times as fast as comparable non-employee ownership companies. Companies that offer ownership only to managers, by contrast, had growth rates 50 per cent lower than companies that offer no ownership.

A 1978 study by the University of Michigan's Survey Research Center found that in a sample of 30 employee ownership companies, profits were 1.5 times as high as those in comparable conventional companies, and that as the percentage of stock the employees owned grew, the percentage difference became greater.

It is estimated that for every six jobs the microchip creates it will eliminate ten. The former chairman of the Canadian Advanced Technology Association was quoted last year in the Toronto Star as saying "what's happening today is a second industrial revolution which is as transformative, if not more so, than the first. It's going to change the way we educate, the way we manage and operate, and even the way we think."

The problems associated with work - both of today and tomorrow - are topics of everyone's conversation. There is widespread public concern about employment, both in Canada and around the world. Questions are raised about our productivity and our relative competitive advantage as a nation. There is growing interest in how the work place should be organized.

As a response to these concerns, increasing attention is being focused on some form of employee ownership. One recent American study suggests that by 1990, 20% of firms with 500 or more employees will be all or partially worker owned. This immediately raises the question of what is meant by worker ownership.

At its broadest, worker ownership means some arrangement whereby a substantial portion of the employees of a firm have an ownership stake in the equity of their company. One can easily imagine a range of situations: stock option plans, employee share trusts, small businesses where all or most of the employees are shareholders, and all the other examples which, with increasing frequency, are commented on in the media.

These various schemes can be examined from three points of view:

1. the nature of employee status,
2. the nature of the legal ownership which the employees hold, and
3. the degree of real organizational control which the employees exercise.

A company where employees own 20% of the shares of the company, voted for them through a blind trust and managed by professional advisors (the increasingly prevalent Employee Ownership Plan available under U.S. tax law), maintains the traditional employee status; there is ownership in the equity but a distinct minority interest. The resulting control is severely limited. At the other end of the

spectrum of possibilities is the worker co-operative where all members have one voting share irrespective of the capital stock they hold. In these ventures the traditional employment status has become overlaid with an owner and management perspective. Ownership is on an equal footing for all holders of capital stock, and potential and actual control is the same for all owner-members in the firm.

A co-operative which provides people with jobs and employment is just another application of well-known co-operative principles. A worker co-operative - or employment co-op as it is sometimes called - is not that different from the kinds of co-operatives that millions of Canadians use every day. A worker co-operative is just one where people are both members and employees. The people who work in the business own it, but they own it as a co-operative. The co-operative is formed to provide its members with work.

The private profit corporation can be characterized as essentially a combination of capital, with the main objective being to make a profit on the investment. Ownership is limited and determined by the holding of shares. Control is not equal, but based on the number of shares held. In contrast, the co-operative based corporation or business is a combination of people whose main objective is to provide themselves with a service. Ownership is open to all who wish to participate and can make use of the service, and control is democratic, based on one member, one vote.

## The Growth of Worker Co-ops

As a concept, worker co-operatives are increasingly a necessary part of any comprehensive examination of the way people might work and produce. Perhaps the most famous example of worker co-operatives is found in the small town of Mondragon in the Basque region of northern Spain. Since 1956 more than 19 000 jobs have been created in about 130 enterprises. These produce everything from foodstuffs to fishing boats, from wine to window frames. The Mondragon co-operatives are really a system of firms.

Great Britain is another example of recent concerted activity in developing worker co-ops. In the last few years, largely since the passage of the Industrial Common Ownership Act in 1976, worker-owned co-operatives are being

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\$8.00 \$2 postage & handling
- **The Board/Staff Workbook**  
Explains the principles of effective organizational structure. The workbook offers self-discovery exercises suitable for organization use. (no date)  
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- **Ethical Investments: More Value for Your Money**  
This report analyzes the concept of investment in companies which feature products and business practices consistent with the investor's personal values and beliefs. Historical developments are highlighted in the report as is a summary of several successful U.S. ethical investment funds. (1986)  
\$2.00 \$2 postage & handling
- **Future Directions for Pensions:** An address by Crawford E. Laing.  
The text of a speech given April 16, 1986 which reviews developments in the pension reform process since 1979. Economic and political questions are raised about both public and private pension schemes. The author concludes with his speculation regarding future trends and innovations.  
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The text of a speech given October 3, 1986 which examines the privatization of social services in the Alberta context. An exploration of underlying motivations and likely impacts is essayed in the speech. A concluding section suggests strategies which non-profit agencies can use to prepare for privatization.  
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A description of the practical consequences of living on welfare monies through the eyes and mouths of social allowance recipients. The report examines recipients' financial limitations, experiences with welfare officials, and treatment by the community. Nine recommendations directed at improving the social allowance system are tendered in the report's conclusion. (1986)  
\$3.00 \$2 postage & handling
- **Unemployment: Reaping the Costs**  
Using standard economic concepts, this report estimates that unemployment cost Albertans \$14 billion in 1983 and 1984 alone. If the social costs of unemployment were factored in, the total would be higher. An incomplete assessment of unemployment costs by government could be seen to result in misdirected and ineffective economic policies. (1986)  
\$1.00 \$2 postage & handling
- **Counting the Costs\***: A Literature Review of the Social and Psychological Costs of Unemployment. This report documents the impact of unemployment on the family, on physical and mental health, and on the incidence of suicide and crime. (1985)  
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\* This report is available only to Edmonton Social Planning Council members.

# From the National Council of Welfare

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The report of a seminar on self-help problem solving by low-income communities, examining some of the problems faced by low-income organizations and how these have been dealt with by various groups.  
Free. \$2 postage & handling
- **Prices and the Poor** (April 1974)  
A report on the low-income consumer in the Canadian market place, and how the poor are obliged to pay more and get less for their money than other Canadians.  
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- **Organizing for Social Action** (April 1975)  
A description of three successful organizing experiences and analysis by those who participated in them of why they were successful.  
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- **Bearing the Burden/Sharing the Benefits** (March 1978)  
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- **Bookkeeping Handbook for Low-Income Citizen Groups** (October 1973)  
A guide for use by both new and advanced citizen groups, this report describes a bookkeeping system which can be used by groups and illustrates the system by tracing the bookkeeping history of a sample group.  
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- **Better Pensions for Homemakers** (May 1984)  
A critique of the homemaker pension proposal of the Parliamentary Task Force on Pension Reform. The report explains the homemaker pension proposal and summarizes the arguments of its supporters.  
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- **Family Allowances for All?** (March 1983)  
An analysis of the costs and distributional effects of the family allowance, child tax credit and children's tax exemption. An account of the arguments for and against universal family allowances, and a proposal to reform federal child benefits.  
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- **A Pension Primer** (April 1984)  
A description and critique of Canada's complex retirement income system. The study is geared to the lay reader with no specialized knowledge of the pension system.  
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Tables and explanatory text on the most recent statistics on poverty, average income and income distribution in Canada. The report analyzes both recent and long-term trends, and highlights groups with an above-average risk of poverty.  
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- **Poor Kids** (March 1975)  
A report on the more than one million Canadian children living in poverty and the consequences for their health, education and life prospects.  
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- **One in a World of Two's** (April 1976)  
A report on one-parent families in Canada and the economic and social problems they face in the labor market, child care services, welfare, housing and social services.  
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- **Financing the Canada Pension Plan** (December 1982)  
This report explains how the Canada Pension Plan is financed and the use of surplus funds to provide loans to the provinces. It examines future demands on the CPP and proposes a gradual increase in contribution rates and a move to pay-go financing.  
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This report describes poor women and explains why the majority of Canadian women can expect to become poor at some point in their lives.  
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An account of the purposes, achievements and development of national health insurance, the health gap facing low-income Canadians, and the threat to medicare posed by user charges and health premiums.  
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A comprehensive study of the economic situation of elderly Canadians. The report emphasizes the inferior economic status of elderly women, particularly the large and growing group living alone.  
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- **Pension Reform** (April 1984)  
A review of the three major approaches to pension reform — regulatory reform of private pension plans, mandatory private plans, and expansion of the Canada and Quebec Pension Plans.  
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- **1986 Poverty Lines**  
An explanation of Statistics Canada's low-income lines, with National Council of Welfare estimates for 1986 and actual lines for 1980 through 1985.  
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# From the Canadian Council on Social Development

- **Canadian Fact Book on Poverty 1983**  
An updated and revised version of the 1975 and 1979 Fact Books. As well as presenting the latest figures on low income Canadians it includes a graphic presentation of income distribution by family size. 1983. 120 pp.  
\$7.95 \$2 postage & handling
- **Helping You Helps Me**  
A practical guide to starting and maintaining a self-help group. Leadership, membership, recruitment, fund-raising, problem-solving and decision-making are among the more than twenty topics covered. 1983. 80 pp.  
Free \$2 postage & handling
- **Proceedings of the 2nd Canadian Conference on Day Care**  
The proceedings provide a 1982 bench mark for the continuing development of high quality day care in Canada. 1983.  
\$9.95 \$2 postage & handling
- **Native Children and the Child Welfare System**  
An in-depth study on the treatment of Native children within the Canadian welfare system with a detailed description of past practices and current provincial and territorial policies. 1983. 196 pp.  
\$9.95 \$2 postage & handling
- **Women and Pensions**  
Documents the economic position of the older woman and examines work-related issues that have an effect on women's pensions. Examines alternatives and makes recommendations for change. 1978. 250 pp.  
\$4.50 \$2 postage & handling
- **Access and the Policy-Making Process**  
Explores the traditional theories of participatory and representative democracy in relation to the Canadian political system. The report provides a careful review of the key federal decision-making structures. 1978. 62 pp.  
\$4.00 \$2 postage and handling
- **Part-Time Work in Canada**  
A submission to the Advisory Council, Employment and Immigration Canada. 1980. 44 pp.  
Harry MacKay.  
\$4.00 \$2 postage & handling
- **Women and Housing: Changing Needs and the Failure of Policy**  
This report presents an analysis of consumer need drawn from a statistical profile of Canadian women constructed from the most recent national data sources available and placed in a social context. February 1984.  
\$7.95 \$2 postage & handling
- **From the Roots Up: Economic Development as if Community Mattered**  
Explains the growing importance of an informal economy, as an alternative to our formal economy. The authors describe informal economic activities such as co-operative enterprises, small business, voluntary activity and barter, and explain the reasons why economists have overlooked this vital sector of all industrial societies.  
\$10.95 \$2.00 postage & handling
- **Community Multi-Service Centres**  
Examines community resource boards in B.C., local community service centres in Quebec, regional health centres in Manitoba and other Canadian systems for the delivery of health and social services at the local level. 1976. 140 pp.  
\$5.50 \$2 postage & handling
- **Family Law in Canada: New Directions**  
Sexual equality became a constitutionally guaranteed right for Canadian women this year. This volume examines family law from a feminist perspective. It addresses such issues as joint custody, legal treatment of common law spouses, and the implications of invitro fertilization. It also discusses the complicated structure of family law in Canada, defining the area under federal and provincial control and the many "grey areas" between the two. Published by The Canadian Advisory Council on the Status of Women. 1985.  
\$4.95 \$2 postage & handling
- **Deinstitutionalization: Costs and Effects**  
The case for the cost-effectiveness of deinstitutionalization is most difficult to consider when community living is promoted as the only alternative. But in April 1984 researchers and advocates of deinstitutionalization met at an international symposium to try. Consumers and academics presented papers on deinstitutionalization, which affects the lives of persons who are physically, mentally or psychiatrically disabled. The revised and edited papers cover a spectrum of viewpoints on this complex subject. 1985.  
\$15.00 \$2 postage & handling
- **Employment and Social Development in a Changing Economy**  
This compilation of three papers considers how local economic initiatives differ from conventional businesses and how they can be nurtured to play a greater role in achieving full employment.  
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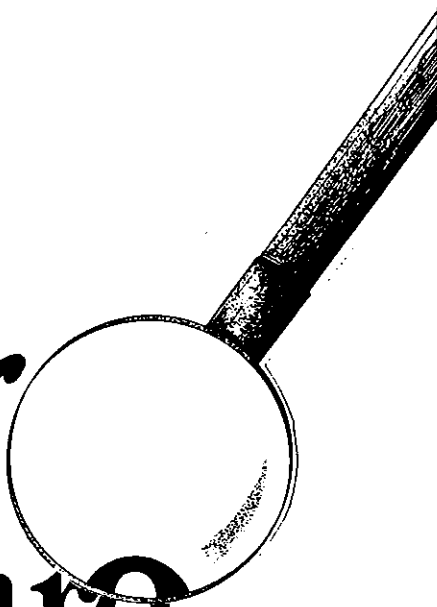
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# The *Other* Welfare Manual



**The Other Welfare Manual**

A much-publicized "how-to" manual for applicants and recipients of social assistance in Alberta. The Handbook is designed to encourage its readers to advocate effectively on their own behalf for maximum benefits. Major topic areas cover eligibility criteria, entitlements, appeal procedures and survival techniques.

As a means of identifying key content areas, 300 questionnaires were completed by recipients of social assistance. Additionally, staff from 50 human service agencies were interviewed at length. Similar handbooks developed in other provinces and countries, were used for reference.

**\$4.00 \$2 postage & handling**  
Free for welfare recipients

Agencies which are interested in distributing copies of this manual free of charge to welfare recipients are encouraged to contact the Council. An agency can request as many as 25 copies at one time. It is also recommended that these agencies purchase desk copies for their staff at the regular price.

prepared by.



Orders are now being taken for the revised edition.

registered at about one a day. There are now some 1200 throughout the British Isles, employing about 15 000 people.

In Quebec some 150 worker-owned co-operatives have been developed in the last two years. Throughout Canada there are probably some 500 to 600 employee owner firms, employing about 5000 people.

In Alberta, there have been a number of attempts over the years to establish worker co-operatives. The early years of the province saw a number of forestry operations directed as worker co-ops, and apparently some fishing on Alberta's northern lakes is currently organized through worker co-operatives. One of the most recent examples is presently found in Lethbridge, where with community, church and government support, an automotive remanufacturing plant is being investigated. There are still other worker co-op ventures in operation with others in the planning stages.

The International Committee of Workers and Artisans - the subcommittee of the International Co-operative Alliance responsible for worker co-operatives - has noted that in 1975 there were in the neighbourhood of 44 000 worker or artisanal co-operatives with about six-million members. By 1983 that number had grown to 91 000 co-ops with more than 23 million members. A 200% growth for the co-ops and a 380% increase in the number of members. For other types of co-operatives the percentage increase in growth during the same period was 17% while membership increased 30%.

Just because there are more worker co-operatives coming into being is not necessarily a sign of usefulness. However, various studies over the past 10 years have begun to unearth some interesting statistics about worker co-operatives and other forms of worker-owned businesses. Everyone from the OECD, with its Initiative for Local Job Creating, to the World Bank and the Harvard Business School has studied worker ownership and endorsed the concept.

### Effectiveness and Participation

Worker owned businesses seem to be efficient enterprises, but conclusions vary. One study placed worker co-operatives at a level from one to one and a half times more efficient than similar sized private firms. Other research suggests that worker-owned business are no less efficient than competitors of a comparable size. Another proposition is that worker-owned enterprises reach a level of optimal efficiency sooner than do traditional

businesses of comparable size.

Yet there are certain aspects beyond efficiency and productivity which are the more important attributes of worker co-operatives. A major part of our country's failure to make productive economic decisions - in addition to any international pressure - has to do with the lack of effective participation in our economic life by a significant number of our citizens.

The Department of Finance records that between 1974 and 1982 the savings rate of Canadians, as a percent of gross national expenditure, rose from 9.9% to 13.7%. Yet in 1983 the Toronto Stock Exchange's fourth-quarter Canadian Share Ownership Survey showed that only 7% of the adult population held common stocks in public corporations. While there is higher participation in the private shareholdings of closely held companies, even that is not significant in the degree of overall public participation.

A substantial element of the adult population has no ownership interest in the means of production, and only marginally better influence afforded by a highly rigid system of industrial decision-making. It is little wonder most people are only interested in the size of their paycheque.

The creation of jobs is not just a technical questions, it is a social matter. Instead of just generating jobs, the task an increasing number of people recognize as necessary is to create stable, healthy businesses, capable of efficiently producing and marketing needed products in a competitive manner. Jobs will result from the development of sound worker co-operatives, just as the success of the wheat pools has meant prosperity for its farmer-members and the success of housing co-operatives has meant fulfillment for the families that call them home.

Co-operatives and other, similar forms of enterprise link ownership with broad-based control. These kinds of businesses can play an important role in helping to reshape our economy so that it is managed by its participants and thus less vulnerable to outside influence. In contributing to this transition some of the structural adjustments which are necessary to confront chronic unemployment might even be made by the precise people employment policies are meant to benefit.

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Laird Hunter practices law in Edmonton and is the national editor of "Worker Co-ops," a quarterly journal investigating issues in work place democracy.

Credit Unions (including caisses populaires in French-speaking communities) have been defined as incorporated groups of people with some well-defined ties of associations, occupations or residence, who pool their savings in the form of shares and deposits and out of the funds so accumulated make loans to members for purposes which are considered to be provident or productive.

Financial co-operatives have been around for a long time. There is evidence of co-operative credit societies in Babylonia over 4000 years ago and in China over 2000 years ago. However, the forerunners of modern credit unions had their origin in Germany in the late 1840s.

This was a time of social and political unrest when new ideas about economic organization were being eagerly examined. The financial institutions of the day came under scrutiny because traditionally they served only those with wealth and social prominence. For ordinary farmers and craftsmen credit was either unavailable or subject to annual interest rates ranging from 100% to 1000%.

Two men, Herman Schulze-Delitzsch, a lawyer, and Friedrich Raiffeisen, a small town mayor, were independently moved to do something about this situation, which had been aggravated by a severe drought in 1846 followed by an unusually harsh winter. Schulze-Delitzsch first founded a society to provide craftsmen with co-operative health and life insurance. Next he organized a buying co-op for shoemakers. The need of this shoemaker's co-op for capital drew his attention to the large, unmet need for credit among craftsmen and small shopkeepers generally. As a result he set up associations where members each contributed a regular monthly amount to the capital fund. This money was in turn loaned out to qualifying members.

The idea was to make small urban businessmen more self-reliant and effective entrepreneurs. By 1860, due to the founder's zeal, there were about 200 Schulze-Delitzsch associations in Germany operating along lines still relevant to credit unions today: loans were approved by a set of fellow members, membership was open to "all worthy seekers" of credit, deposits of share capital and long term savings were encouraged, the annual

meeting was the association's supreme authority, each member had only one vote regardless of his share holdings, the annual meeting elected a board of directors who in turn elected an executive committee to oversee the business, and all directors were volunteers, although salaried management ran the organization.

Meanwhile, Friedrich Raiffeisen was distressed by the plight of farmers affected by the 1846 drought. He initially promoted societies which obtained capital from wealthy contributors and loaned it at reasonable terms to needy farmers. These societies, based on a commitment to brotherly love and Christian principles, also offered other services: care and education of destitute children, formation of libraries, and the provision of jobs for former criminals.

The organizations, however, depended upon the charitable contribution of capital by the wealthy. And as the supply of such capital was not reliable, these organizations did not survive. Instead, the Raiffeisen societies adopted the self-help principle whereby the members themselves contributed the capital. In spite of this change, the philosophy of these societies still placed more emphasis on brotherhood than economic self-sufficiency.

By 1913 there were nearly 17 000 rural Raiffeisen co-operative credit societies in Germany, along with about 1000 urban Schulze-Delitzsch societies. The idea quickly spread to Italy and Austria but did not take hold in Britain, probably because the consumer co-operatives there also accepted savings deposits from their members.

## North American Beginnings

Co-operative credit societies were introduced to North America by a Quebec journalist and parliamentary reporter, Alphonse Desjardins. After witnessing the effects of a severe economic depression in 1885 and listening to elected representatives in both Quebec City and Ottawa deplore the cruel injustice of usury, Desjardins was moved to do something to help his poverty-afflicted fellow citizens. He studied the German societies as well as the variation which had developed in Italy. By 1900 he had refined his model and was ready to apply it. He incorporated the Rochdale co-operative principles of one member, one vote and non-profit operation. From Raiffeisen he took

the territorial basis of organization, from the Italian model the idea of basing loans more on character and honour than on material worth, and from Schulze-Delitzsch the emphasis on thrift and saving for self-reliance.

On November 22, 1900 the first *caisse populaire* was incorporated in Desjardins' home town of Levis, Quebec, where 80 people signed the charter of incorporation. By 1908 there were 18 more *caisses populaires*, all functioning on the basis of the parish; all of them enthusiastically endorsed by the clergy. Only people deemed honest and industrious were admitted to membership, and loans were only made to those who could convince the credit committee of the usefulness of the loan and who had a proven record of regular saving.

Until his death in 1920, Desjardins worked tirelessly to promote these small people's banks which fostered the welfare of the common people through their own thrift and judicious use of credit.

In 1909 Desjardins had helped set up the first U.S. *caisse populaire* in Massachusetts, and from there the idea became rooted in the English-speaking parts of the continent, spreading across the United States. The movement also came back into Nova Scotia where it was part of the extension program at St. Francis Xavier University in Antigonish in the 1920s and early 1930s. The objective of the renowned Antigonish movement was not to reform the financial system, but rather to provide a means of developing human potential and fostering human dignity through the process of self-help.

#### Credit Unions in Alberta

Although Alberta's first co-operative credit organization was formed in Killam in 1927, as a branch of the Killam Co-operative, it was not until five or six years later, during the Depression, that the idea began to receive widespread consideration. By the 1930s, U.S. Credit unions had formed a Credit Union National Association (CUNA) with headquarters at Madison, Wisconsin. Its purpose was to promote public education about credit unions and to assist in their development anywhere in the U.S. or Canada. The closing of bank branches and the virtual cessation of lending in Alberta during the Depression stimulated the search for alternative sources of credit. The representatives from CUNA found the people of Alberta quite receptive to their ideas.

However, the credit union was not the only new financial idea to hit Alberta in the 1930s.

There was an evangelistic lay preacher and high school teacher called William Aberhart who preached to perhaps as many as 350 000 people in Alberta, Saskatchewan, British Columbia and Montana every Sunday over Calgary radio station CFCN. These broadcasts began in 1925 and continued until just before Aberhart's death in 1943 when they were taken over by his successor Ernest C. Manning.

In 1932 Aberhart embraced the economic doctrine of social credit put forward by the Scottish professional engineer C. H. Douglas. After this, his Sunday broadcasts became a mixture of his own version of social credit and religious fundamentalism. When the United Farmers of Alberta government did not accept the ideas of social credit, Aberhart set up the Social Credit Party and won the election of 1935. His election promise of \$25 per month to every Alberta citizen, although motivated by the need to increase consumer purchasing power, was impossible to keep. There was no money in the treasury and federal banking regulations prevented the province from issuing its own money. So Aberhart's government did the next best thing; they set up a government bank known as the Treasury Branch. By the end of 1938 there were branches in nine Alberta centres.

At first the Social Credit government seized upon the idea of credit unions as a major vehicle to carry out their financial reforms. The Credit Union Act was passed in 1938 and, shortly after, the Inglewood Savings and Credit Union of Calgary was officially incorporated as Alberta's first credit union. However, when the government realized that the credit unions would be locally owned and controlled, they lost their enthusiasm for them, although still providing them with logistical support, probably because they were preferable to the big bad eastern banks.

Credit unions evolved quite differently in Saskatchewan, where many were formed in the late 1930s and 1940s with support from other co-operatives like the Saskatchewan Wheat Pool. Credit unions were rural, community based people's banks. In Alberta the Treasury Branches had pre-empted much of this potential rural development. Therefore, the most productive ground for the CUNA extension workers from Madison was the urban areas where they proceeded to organize employee credit unions at a great rate. There were 39 credit unions in Alberta in 1941, 119 in 1944, 190 in 1947 and 237 by 1951.

In spite of this growth, Alberta still had the

lowest per capita credit union membership of any province except Newfoundland. The reason for this was undoubtedly the activity of the Treasury Branches which currently enjoy a market share in Alberta about equal to the credit unions.

There are now about 500 000 credit union members in Alberta and 3.9 million members across Canada. This growth has required new umbrella organizations to serve the individual credit unions. In 1942 the Credit Union League of Alberta was formed to support development of the movement. In 1947 the Alberta Central Credit Union was incorporated to be a clearing house and to provide a liquidity pool. In 1958 the Mutual Aid Board (later the Credit Union Stabilization Corporation) was established to provide a pool of reserves for credit unions needing assistance. Meanwhile, in 1953 the Canadian Co-operative Credit Society was formed to provide a liquidity pool for all Canadian Credit Union Centrals.

#### Pitfalls and Troubled Times

In 1967 the Credit Union League and the Alberta Central Credit Union merged to become Alberta Credit Union Central. The transition from a federation of small savings and loan type organizations to a full-fledged provincial banking operation presented many pitfalls. Directors and managers had practically no experience with large swings in financial markets. When interest rates rose rapidly in the mid-1970s bonds held by the Alberta Central fell sharply in value. The result was a liquidity crisis in the Alberta credit union system which was only overcome through the help of credit unions in Saskatchewan and British Columbia. There were two lessons learned in this period by the Alberta system: maintain adequate liquidity reserves, and support a national liquidity system.

Another problem arose during the boom years of 1978-81 when lending activity in some credit unions became less sensitive to traditional lending guidelines. The NEP-induced bust and subsequent recession caused Alberta credit union system losses to mount to about \$300 million for the years 1983 to 1985.

The provincial government has backed these losses, but in exchange has taken direct control of the Alberta Credit Union Stabilization Corporation. The Corporation had previously been closely associated with Central, to the extent of having overlapping directorships and common employees. This separation was long overdue since the Stabil-

ization Corporation is really a deposit guarantee organization and was mandated to enforce certain operating standards. Being too close to the democratically elected Central board had prevented them from doing their job because their relationships with individual credit unions became politicized.

The recent losses experienced by the Alberta credit union system must be seen in the context of the losses experienced by the Northland and Canadian Commercial banks, both of which failed, and by the Alberta operations of most other banks, which did not fail due to the diversification of their asset portfolio across the whole country. The vulnerability of regional financial institutions underscores the need for credit unions to maintain adequate national liquidity reserves.

Unlike banks, credit unions do not exist solely for financial reasons. Like other co-operative organizations, they provide opportunities for both personal and community growth. In credit unions, staff are trained to provide services, boards learn the role of policy-making and members become better educated in financial management and in the democratic processes required for effective community involvement.

An important strength of credit unions is their freedom to innovate. They can decide what mix of services they need as members, how to price these services and how to dispose of any surplus generated. Typically, credit unions support community projects through both the purchase of local debenture issues and grants. Sponsorship of sports teams and events is common. Generally speaking, the deposits collected in a community are re-invested in that community. Credit unions also contribute to third world development through financial and technical aid to new co-operatives as well as through direct relief.

The fact that credit unions are owned by their membership provides them with continuous market feedback. Members make suggestions for new services and form committees to study their feasibility. Some of the innovations in the financial services industry pioneered by credit unions in Canada include the following: flexible hours of operation, automated teller machines, daily interest savings and chequing accounts, weekly-payment mortgages, debit cards, point of sale electronic funds transfer systems and ethical investment funds. Of these services first offered by credit unions, the first four are now offered by other institutions. To my knowledge, the last three are not.

Credit unions will probably always have a role to play, as long as the financial service needs of people are not adequately met by organizations whose capital is supplied by those with no personal interest in the organization. Credit unions have nothing to do with old ideas about a political left/right dichotomy. They are free and private enterprises in contrast to the government Treasury Branches. To futurists like Alvin Toffler and Marilyn Ferguson, co-operatives represent the wave of the future; a rejection of big business and big

government in favour of locally based collective initiatives to better develop human potential and foster human dignity as well as improve the economic well-being of both the individual and the community. If they are correct, credit unions will be around for a while yet.

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Don Haythorne, the director of finance and evaluation for the Edmonton John Howard Society, has worked as a research consultant for the Credit Union Central of Alberta.

## Community Development Conference

- Sponsor: Edmonton Social Planning Council
- Dates: April 27 - 29, 1987
- Title: Community Development By Any Other Name...  
A Conference on Nurturing Community
- Location: Edmonton, Alberta
- For Whom: Community Activists and Professionals
- Theme: In a society which encourages individualism and specialization, community involvement is increasingly elusive and uni-dimensional. Without community, the individual feels incompetent, lonely and dependent on fragile supports. By using community development processes, people can achieve collective, self-determined goals.
- Major Topics: Community Development Theory  
History of Community Development in Alberta  
Community Development Ethics  
Current State of Community  
Community Development Projects In Alberta  
Future Community Development Applications in Alberta
- Keynote Speaker: Dr. Hubert Campfens, Sir Wilfrid Laurier University
- Brochure: To request a detailed brochure and registration materials, please write to the Edmonton Social Planning Council, #418, 10010 - 105 Street, Edmonton T5J 1C4 or call (403) 423-2031.



# News from the Council

FIRST READING is published six times per year by the Edmonton Social Planning Council. If you would like to receive the publication on a regular basis write to FIRST READING, #418, 10010 - 105 Street, Edmonton, Alberta T5J 1C4, or telephone (403) 423-2031. Opinions expressed are those of the authors and do not necessarily reflect the views of the Council. The editor of FIRST READING is Joseph Miller. The financial assistance of the United Way is gratefully acknowledged. Second Class Mail Registration No. 6390  
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## Conference on Violence

**Family Violence:  
An Integrated Response**  
March 4,5,6, 1987  
Edmonton Convention Centre

An interdisciplinary conference featuring international, national and local resource people with animation by Catalyst Theatre.  
Keynote Speaker: Dr. Peter Jaffe, London, Ontario.

Over 50 sessions for the concerned public and professionals who are affected by the various forms of family violence.

For a detailed poster/brochure contact: Grant MacEwan Community College, Community Services Outreach - (403) 462-5550.

## Brown Bag Forums

**Date:** Wednesday, February 11, 1987  
**Time:** 12:10 - 1:10 p.m.  
**Topic:** "Child Sexual Abuse and Pornography: Is There a Relationship?"  
**Speaker:** Joyce Hanley, Staff Trainer, Social Services of Alberta  
**Location:** 4th Floor Boardroom, 10010 - 105 Street, Edmonton

**Date:** Wednesday, March 18, 1987  
**Time:** 12:10 - 1:10 p.m.  
**Topic:** Managing Welfare: Guaranteed Income or Guaranteed Poverty?  
**Speaker:** Gayle Gilchrist-James, Chair, National Council of Welfare and Associate Professor of Social Welfare, University of Calgary - Edmonton Division  
**Location:** 4th Floor Boardroom, 10010 - 105 Street, Edmonton

Everyone is welcome!  
Admission if Free. Bring a Lunch!  
Bring a Friend!