

Open Research Online

The Open University's repository of research publications and other research outputs

Trends in Co-operative Development

Other

How to cite:

Newholm, Terry; Spear, Roger and Thomas, Alan (1993). Trends in Co-operative Development. Co-operatives Research Unit, The Open University.

For guidance on citations see [FAQs](#).

© [not recorded]



<https://creativecommons.org/licenses/by-nc-nd/4.0/>

Version: Version of Record

Link(s) to article on publisher's website:

<http://dx.doi.org/doi:10.21954/ou.ro.00015b9c>

Copyright and Moral Rights for the articles on this site are retained by the individual authors and/or other copyright owners. For more information on Open Research Online's [data policy](#) on reuse of materials please consult the policies page.

oro.open.ac.uk

CO-OPERATIVES RESEARCH UNIT



**TRENDS IN CO-OPERATIVE
DEVELOPMENT**

**By Terry Newholm, Roger Spear and
Alan Thomas**



TRENDS IN CO-OPERATIVE DEVELOPMENT

**By Terry Newholm, Roger Spear and
Alan Thomas**

Co-operatives Research Unit
The Open University
Walton Hall
Milton Keynes
MK7 6AA
Tel. No: 0908-653054
Fax No: 0908-652175

March 1993

ISBN No: 0 7492 60998

A study of the

TRENDS IN CO-OPERATIVE DEVELOPMENT

Introduction	4
1. Co-operative Support Organizations	7
2. Diversification into the Social Economy	9
Attitudes to CSO Diversification	13
3. Staff Specialization	14
4. Trends in Training	16
5. Funding Co-operative Support	18
6. CSO Performance	22
Conclusion	24
Appendix	27

Introduction

Following the increased interest in worker co-operatives in the 1970's many people began to see this form of business as a significant alternative to conventional hierarchical organisation but still within the market economy. This interest was increased with rising unemployment. The development of worker co-operatives was seen as part of local economic development and money became available through local authorities to finance Co-operative Support Organisations (CSOs)¹.

By 1988, the CRU's Directory of Co-operatives recorded 94 CSOs of which probably 47 were Co-operative Development Agencies (CDA)², 27 were committees in

¹CSO - Co-operative Support Organisations are a broad range of organisations which give some level of support to co-operatives and groups wishing to set up co-operatives. They may include EDUs, registration bodies, finance and training organisations etc., as well as CDAs.

²CDA - Co-operative Development Agency refers to an organisation whose prime function is to provide a wide range of services in a specific geographical area to support co-operatives and groups wishing to set up co-operatives. These will have an independent management committee and funding, and may have a variety of names beside CDA.

initial stages and the rest were regional associations, business centres and council departments who also worked with co-operatives. Numbers of registrations of worker co-operatives rose over this period. Since then economic recession and very high interest rates have liquidated record numbers of small businesses and created a poor climate for new start-ups. Co-operatives have not been immune from this.

Recently, with continued restriction on local authority spending, some CSOs have begun to diversify their efforts into other areas of the social economy. They have become involved as development workers and consultants with groups other than worker co-operatives - secondary co-operatives, community and 'ethnic' businesses, credit unions, housing co-operatives and voluntary organisations. There has also been a growth in the amount of training carried out by CSOs both towards the formation and support of worker co-operatives and other sorts of small businesses.

This study aims to chart the main trends taking place in funding, areas of involvement, co-operative development and within the CSOs themselves.

A two stage study of CSOs was carried out through questionnaires and telephone follow up. The first (pilot) stage was in 1989/90 and the second stage in 1991/92. Twenty four CDAs contributed to the pilot study (51% response rate). The second questionnaire was completed

by 36 CSOs (listed in the annex) including 26 CDAs. In many cases the replies were remarkably detailed. We attempted, through a telephone follow up, to ensure a high proportion of the same CDAs in both stages - to strengthen the longitudinal aspects of the study. A further 9 CDAs and one Economic Development Unit (EDU)³ gave information on the main issues by telephone. This represents a 75% response rate for CDAs alone.

Of the 24 organisations who supplied data for the pilot study 13 completed the second questionnaire, 4 more responded by telephone, 4 had closed, one transferred to an EDU, one merged with another CDA, and one, Birmingham CDA, asked for payment to fill in the questionnaire. Therefore, there is consistent information from 1987 to 1991, projected to 1992, for 17 CDAs.

The possibility of a regular review by the CRU, based on the CSOs Annual Reports has been discussed. This would require clearly identified aims and some consistency in the reports. We thank those who participated in the survey and hope that its findings help

³EDU - Economic Development Units refers to a division within a local authority engaged in economic development and which may support co-operatives as part of that brief.

them secure future funding and lead to improvements in service.

1. Co-operative Support Organizations

Support for co-operative development takes place usually through co-operative development agencies (CDAs) but also through organisations with different names such as SCDC (Scottish Co-operative Development Company). Since these organisations all have a primary function of developing and supporting worker co-operatives we use the term CDA through this paper to distinguish them from others engaged in wider economic development (such as EDUs), or specific aspects of co-operative support such as financial services and training organisations. Where all these organisations are specifically being included the term CSO is used.

The surveys show that more than a third of the committees working in 1988 towards setting up a CDA were successful and gained funding. A little over a quarter of these working CDAs have closed; two being amalgamated with another CDA and four transferred to a local authority EDU. This high turnover is reflected in CDA workers feelings of uncertainty about future funding. The net effect of this is that there are now a similar number of CDAs to that in 1988. However a few agencies, such as Greater Manchester CDA, and SCDC, with a wide area to cover and more than one important

centre, have branch offices. The number of effective locations therefore may be nearer eighty.

Although some larger CSOs, like the Wales Co-operative Development and Training Centre, have reduced staff, the general trend has been upwards. Some smaller CDAs have, closed but a good proportion of the remaining ones have reported increased staff numbers. Probably the most significant effect of this is that the number of agencies struggling with only one worker has been reduced.

With the average reported number of workers in 1991 having risen slightly to 3.74 (2.7% rise from 1987), this gives an independent CDA total of about 175 employees. The average budget for 1991 was reported as £104,959. This would indicate a total for the Worker Co-op sector of a little under £5m p.a. If the £1/2m annual budget of the Plunkett Foundation, mainly supporting agricultural co-operatives, and other such organisations were added to the resources employed by CSOs, the total funds for the development of the co-operative and the wider social economy would of course greatly exceed this.

ICOM estimate a reduction in the number of CSOs from 80 to 60 in 1992.

2. Diversification into the Social Economy

One of the main objectives of this research was to assess the extent to which CDAs had diversified their efforts into support for the social economy in general.

Staff time spent on core development work with worker co-operatives was reported to have declined steadily from 44% in 1987 to 31% in 1991. However, this must be set against a small average rise in the number of staff over the same period; most respondents, 87%, did not expect this proportion to fall further. Larger CDAs⁴ tended to spend a significantly higher proportion of their time on worker co-operative development work throughout the survey period (1987 - 1991).

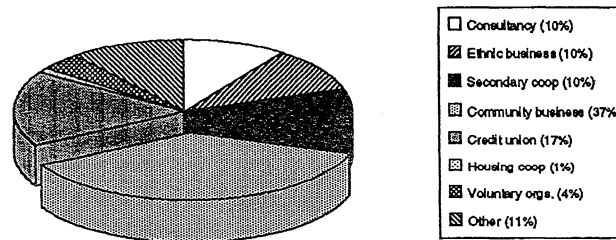
⁴Larger CDAs are considered to be those with four or more staff, they also usually have a degree of specialisation.

Smaller CDAs are those with three or fewer staff members; these will mostly be general development workers.

This division gave approximately equal categories. A further subdivision comprising of the largest CDAs, such as SCDC and Wales Co-operative Development and Training Centre might have been useful if the data on these few agencies had been more complete.

Most CSOs reported carrying out work in the social economy. Work in the social economy (consultants with non co-operative organisations, and development work within ethnic businesses, secondary co-operatives, community businesses, credit unions, housing co-operatives, and voluntary organisations) was reported as **doubling** over the same period to 19%. This has not happened evenly. More than a third directed towards social economy work in CSOs is now with community businesses (Fig 1). With over half the CSOs reporting some activity in this field, it has clearly become important.

Fig 1 1991
SOCIAL ECONOMY
Workload in all CSOs



However, some organisations like Community Enterprise Lothian specialise in this area. In addition EDUs, including CDAs which have transferred to EDUs, report

a much higher than average move towards community business development. There is also a significant split between larger and smaller CDAs. The latter report nearly a quarter of their time directed to other parts of the social economy whereas the former report only 10%. Within this much smaller diversification by the larger CDAs only secondary co-operatives and voluntary organisations would seem really significant (Fig 2a). Smaller CDAs have extended their workload into community businesses, credit unions, secondary co-operatives, ethnic businesses and non-co-operative consultancy (Fig 2b). Of course this represents an aggregation of trends and some CDAs specialise in, or have explored, only one of these areas.

Fig 2a 1991
Social Economy
Workload in larger Independent CDAs

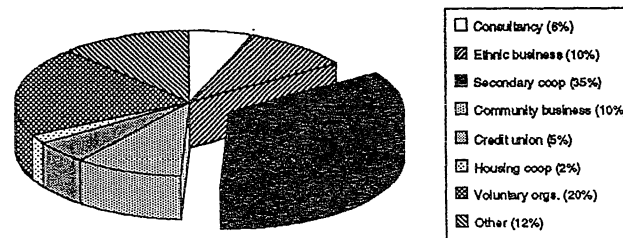
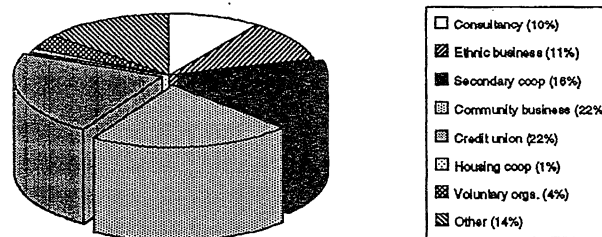


Fig 2b 1991
Social Economy
Workload in smaller independent CDAs



Note: Depth of pie indicates level of work in Social economy as proportion of total work.

Housing co-operatives received very limited general support except from a few specific organisations, such as the Black Country and Harlow CDAs, who had made particular efforts in this area. However, intentions were much stronger, with the projected involvement in housing co-operatives for 1991 reported in the pilot phase of this study considerably exceeding the actual involvement for that year in the subsequent questionnaire. There are some areas of the social economy where the expertise of the CDAs can be readily used whereas others such as housing require additional specialised knowledge and have other development groups to serve them.

When considering the findings of this report it is important to remember firstly, that increased time spent in a particular work area does not necessarily represent successful development and, secondly, there is usually a substantial time lag between promotion work and reported results.

Attitudes to CSO Diversification

This section is based on the final part of the questionnaire, in particular, the question:

"What are your views on CSOs expanding their work from development work with worker co-operatives, to include work with appropriate groups within the community?"

Predictably views were very varied. A few respondents, like Cleveland CDA, were enthusiastic and a few were totally opposed. Some viewed co-operative development as too small an area of work to be viable and therefore regarded diversification as inevitable, a chance to spread the word. For Southwark CDA it represented an opportunity to fill managed workspace and improve funding. The need to improve funding possibilities was of course a common theme.

To some extent acceptability of this diversification depended on the nature of the community or social economy organisations targeted. Housing co-operatives

and credit unions being controlled by participants might be acceptable whereas, in spite of the demand, some community businesses could be considered unacceptable. Dilution of objectives was the major worry of those opposing. Some workers said that the social economy already had support agencies but others argued that collaboration could bring benefits.

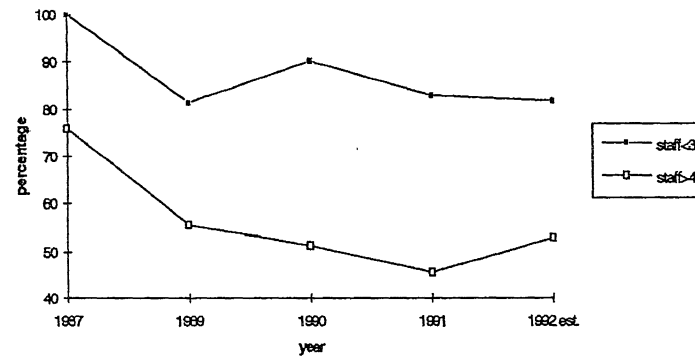
For the majority of the CDA workers replying to the questionnaire the prospect or reality of extending their work to include other areas of the social economy presented no real ethical problem. This was often qualified with wanting extra resources so that the core activity of worker co-operative development could continue unaffected. With smaller CDAs reporting a greater staff increase since 1987 and diversification, it may be that the time lost on core work is not too significant.

3. Staff Specialization

Since the earlier data of 1987 specialisation of staff in larger and smaller CDAs has increased (Fig 3 shows a decline in per cent of general development workers). Clearly there was more scope in CDAs with more than four workers and here those designated as General Development Workers represent less than half.

Although larger CDAs are of course more likely to have administrators, there is little reported difference in overall proportion of staff time spent on administration; 27% for those with less than three staff and 23% for those with more than four. Some CDAs with only one staff member report spending only 10% of their time on administration. This apparent efficiency may be explained by a concentration on development work to the longer term detriment of performance but the exclusion of data on very small CDAs would leave a higher figure for staff time spent on administration in small CDAs - this indicating greater administrative efficiency with size.

Fig 3
Staff designated as Development Workers



4. Trends in Training

Training was another growing activity for CDAs. This was reported as employing an average of 19% of staff time in 1991 having risen from 11% in 1987. It appeared, however that European Social Fund (ESF) funded training had peaked in 1990 to occupy 5% to 30% of workers time providing an average income of £18,500.00 pa. for 57% of CDAs giving this service (Fig 4)⁵. Because of the time lag in receiving ESF payments, the income from this work continues to rise in real terms, providing for some of the increase in staff that would not have been possible with largely static local authority funding. Whatever the strategic arguments about the value of ESF funded training, to date it would seem to have made a significant contribution to the finances of participating CDAs. With an EC review of the ESF and doubts about the future security of this income it is difficult to assess the future trends in this area.

By contrast other types of training had increased to occupy twice the time they did in 1987 and almost as

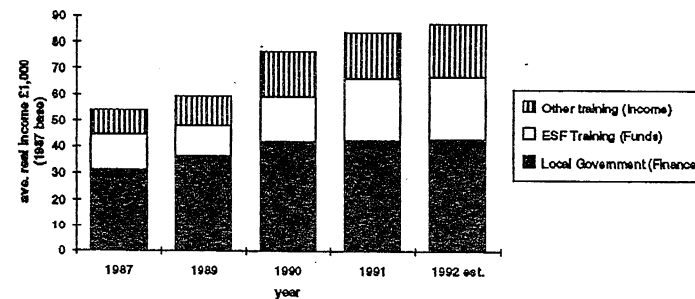
⁵ This figure includes only those organisations offering training which is part financed from the ESF.

Note: Separate segment on pie chart shows largest proportion

much as that devoted to ESF. This growth was noted especially among larger CDAs. No CDA expected either of these areas of work to decline in importance. Accreditation was regarded as an important way for CSOs to establish a secure position in the training area.

Training funds appear to finance about 50% of CSOs activities, however, if matching local government funding is taken into account this figure rises to about 75%. CSOs have become predominantly training organisations, yet their reported activities show only 19% of staff time spent on training. It may be that ESF finance is not just for training.

Fig 4
Training as a proportion of budget



5. Funding Co-operative Support

In real terms funding for CDAs has been virtually static between 1987 and 1991 (Fig 5). Taking into account a greater workload and an average staffing level increasing from 3.64 to 3.74, this has led to difficulties. Whilst overall funding from City, Borough or District Councils has declined in absolute terms, that from Counties has increased (Figs 6 & 7).

Changes to single tier local authorities in the tory government suggested reorganisation of local government and continued public spending constraints will clearly have an effect on this. Here there may be a particular potential problem for CDAs (9 in our sample) serving county areas which receive 70% or more funding from their County Councils and a total of 85% from local government sources. They may not have been able to diversify their income (Fig 8). By contrast, some medium size CDAs report receiving almost half their income from a combination of ESF, rental, consultants etc.(Fig 9). These include Brighton, Cambridge, Coventry, Harlow and Port Talbot.

This is not to argue that the latter *are* necessarily more financially secure. They may have been forced to look elsewhere for financial backing, although their average real income does seem to have increased (compare Figs 4

& 5). Additionally, the removal of only a proportion of funding can endanger other funds and/or limit the activities of a CSO to the point that it is no longer viable.

Fig 5
CSO Income
Where full data is available 1987-92

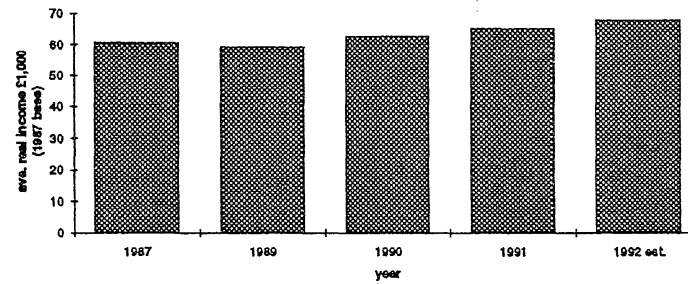
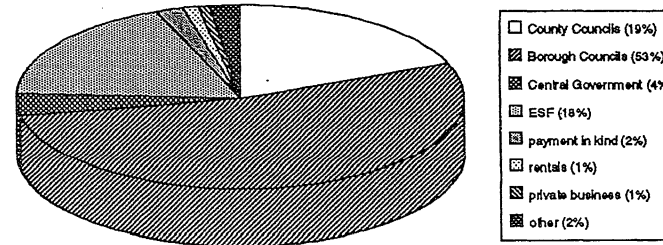


Fig 6
1987 Income Distribution
(breakdown of CDAs in Fig 5)



Most CSOs, large and small, expected their local authority funding to be cut in 1992. Of course the political complexion of the local authority was mentioned as an important influence and since the recent local elections the position of CSOs cannot have improved.

Most organisations have tried to diversify their sources of funding and income but this is time consuming especially for the very small CDAs. It may also prove to be limited or fruitless. Cambridge CDA have found that there is only restricted scope in providing subcontracted training services to the CSOs. As some CSOs have found, consultancy and training often rely ultimately on the same sources of funding. Hounslow CDA pursued EC Horizon Programme funds only to find them largely consumed by the government for the 'City Challenge' programme. Oxfordshire CDA attempted to do a training deal with the local TEC for a year before concluding that they were not going to make any progress!

Sponsorship from industry has usually been limited to specific circumstances such as from British Coal where pits are closing. Sponsorship from the wider co-operative movement is very rare.

A strategy of widening their geographical area of operation to be able to make applications to other local authorities has been considered by a number of agencies.

CSOs share also diversified services so that other Committees such as Social Services, Education and Housing might be approached successfully, but the basic problem remains the same - central government's policy of restricting local government finance.

The ESF still seems to provide scope both for expansion and for CDAs not previously involved in this training. Although some workers have complained that this proves to be a distraction from, rather than facilitating co-operative development.

Training in the Social Economy in general is seen by some CDAs to offer growth prospects.

Workspace Management for the few CDAs involved can provide an income of over £40,000 pa. which exceeds the cost of management. This gives some independence and would allow a minimal service to be continued were no other funding was available.

There were other strategies reported of CSOs diversifying their income:

- TECs as collaborators in training and/or sources of matching money for ESF training.

- Section 11 funding for projects with disadvantaged groups through the Home Office and Local Authority Social Services Departments.
- Charitable Trusts for specific development projects.
- Urban Aid, Task Force, City Challenge (where applicable).
- Consultancies with either worker buyouts or Local Authority Privatisation's (ICOM has a working group on guidelines for this area).

6. CSO Performance

After a decline in the numbers of new registrations of co-operatives between 1988 and 1990 the CDAs report increases in enquiries, groups worked with, and registrations! It is argued that the rise in unemployment during a recession does not initially result in a rise in the number of co-operatives registered. It may take some time for redundant workers to regain enough confidence to consider co-operative business as an option and it certainly takes time to train and organise the members.

The current 'long' recession has been characterised by particularly low demand whilst people pay back their

debts arising from by the 1980's 'boom' and the subsequent exceptionally high interest rates. This combination of low demand and high cost of borrowing in the early 1990's would defy the efforts of even the most dynamic development agency.

To secure future funding CDAs are increasingly being asked by hard pressed authorities to justify their funds in terms of performance targets and employment creation - this may emphasise quantity rather than quality. Many CDA workers felt that their funders failed to appreciate the difficulties of working within the market, often with disadvantaged clients.

Here, however, the news in one way would seem good! With largely static real funds CDAs increased their average number of Co-op registrations per staff member from a little over one in 1990 (the low point of this recession) to 1.29 (or the equivalent of 8 new workers per CDA worker per annum) in 1991. ICOM report a 21% increase in Co-op registrations over the past year and confirm that 1992 is likely to see a similar level of activity.

It has been suggested that since the present recession has hit the South and West worse than other areas it would be there, that the revival in registrations of worker co-operatives in 1991 would be most pronounced. This, it was noted, would be conditional on the infrastructure supporting them not being drastically reduced. The

present data shows, and ICOM confirms, a lower increase of registrations in the South and West (up by 17%) than in areas where the decline in traditional heavy industry has been effected over a long period. In these areas the registration rate has increased by 24%.

To the date of this report, all of the CDAs which have closed or committees which failed to gain funding to support co-operative development have been located in London, the West Midlands, the South East and South West. The failure of these areas to produce the expected faster growing registration rate would seem to be explained, at least in part, by a lack of support for those CSOs. Large areas in the South are not covered by CDAs and with the exception of notable locations there is now little impetus to the development of co-operatives outside London.

Conclusion

In general CSOs are diversifying their efforts to include new areas of work in the social economy besides direct development of worker co-operatives. This is less true of larger CDAs, but smaller CDAs have been much more likely to be working with community businesses and credit unions. Secondary co-operatives are of more general interest to large and small CSOs. For most CDAs bottom up worker co-operatives remain the focus of interest and success, but more work is expected with

conversions from private businesses, privatisation's and especially phoenix co-operatives.

There is a considerable difference between CDAs sources of funding. Some are entirely dependent on one county council whereas others have diverse sources of income. For the few cases of managed workspaces rental may at least provide residual income for development work.

Any distinction between larger and smaller CDAs in terms of security of funding suggested in the pilot study seem to have disappeared. The doubts expressed by the majority of agencies at the beginning of the year can only have been intensified by subsequent political events. Some of the larger CDAs, thought to have political support and therefore financial support, may now be vulnerable to continued government restriction of local government finance.

Although CSOs clearly play an essential development role in the co-operative sector, they seem to do so within the parameters set by the 'economic cycle'. An evaluation of productivity rates and other measures of performance must therefore only be set within this context.

Overall, measured in simple productivity terms, CDAs have achieved more with less! They have improved their crude rate of registration of co-operatives at the same

time as preparing and widening the scope of activity without a significant rise in real budget.

They have increased substantially the scale of their training work - in terms of numbers of new skills acquired, number of people trained and number of people gaining qualifications for that training (accreditation is increasingly recognised as important).

Few CSOs, however, have had the resources to put together a comprehensive package of co-operative policies for their communities. The diversification of the past few years would seem to be specific excursions mainly by smaller CDAs partly due to local demand, and partly in response to a changing financial environment.

Nonetheless this experience of diversification of development work and of finding sources may be increasingly relevant to the development of new strategies by CSOs in a severe financial climate.

Appendix

We would like to thank the following organisations for returning questionnaires:

Avon CDA
Barnsley Borough EDU
Bedfordshire CDA
Bootstrap Enterprises Blackburn
Borough of Waltham Forest EDU
Braintree Co-operative Services Ltd
Brighton CDA
Cambridge CDA
Cardiff and Vale CDA
Cleveland CDA
Community Enterprise Lothian
Coventry CDA
Devon CDA
Durham CDA
Edinburgh CDA
Gloucestershire CDA
Harlow CDA
Hounslow CDA
Humberside CDA
Lambeth CDA
London Co-operative Training
London ICOM
Lynx Training
Northamptonshire CDA

Norwich City Council EDU
Nottingham CDA
Oxfordshire CDA
Plunkett Foundation
Port Talbot CDA
Reddich CDA
Sheffield Co-operative Development Group Ltd
Southampton Area CDA
Southwark CDA
Sunderland Common Ownership Enterprise Resource
Centre
West Glamorgan Common Ownership Development
Agency
West Midlands Co-operative Finance Ltd

We would like to thank the following for contributing by
telephone:

Black Country CDA
Cheshire CDA
Ealing CDA
Essex Co-operative Support Group
Greenwich CDA
Kingston and Richmond CDA
Leicester and County CDA
Manchester Economic Initiative Group (MANCODA)
Scottish Co-operative Development Company
Wales Co-operative Development and Training Centre