

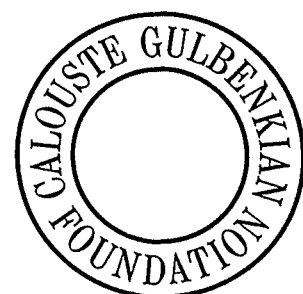
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# Community business works

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A report by a working party set up to consider  
community self-help groups and local productive activity

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Calouste Gulbenkian Foundation

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## Preface

This report is the second publication by the Foundation in the past year which has focused on the work of community based initiatives in strengthening their productive activities, thus contributing to the alleviation of unemployment. The first, *Whose Business is Business?*, was the result of a study of some of the ways in which people in areas of high unemployment and deprivation were forming new alliances to tackle their problems. It suggested that, given support, community business ventures could develop into a 'third arm' of enterprise, comparable with non-profit housing associations which operate in collaboration with the public and private sectors.

At the same time as that study was proceeding, in December 1980, the Foundation invited Baroness Seear to chair a small working party to take a longer and broader view of what steps might be taken to promote entrepreneurial activities by community self-help groups in developing local productive activity. Other members of the working party were: John Davis, David Donnison, Hywel Griffiths, Andy Hawkins, Ivan Henry, John Pearce, Ray Phillips, Peter Stark and George Wright (represented by Denis Gregory). Others who attended a meeting to present views were: Colin Ball, Charles Clarke, Geoffrey Holland (2 meetings) and Stan Windass.

This report contains the conclusions and recommendations of the Working Party. It is a strategic and far-sighted report with proposals for action which require the attention of representatives of both central and local government, voluntary groups, business, educational and professional institutions and community groups themselves. The Foundation readily accepts those recommendations addressed to it, and indeed has taken action already to implement a number of the proposals.

The Foundation owes a very considerable debt to Lady Seear and the other distinguished members of the Working Party for producing this valuable document in just 12 months – a testimony to the hard work and commitment of the group. The Foundation and the Working Party join in appreciation and admiration for the way in which Peter Kuenstler, the Organising Secretary, and his assistant Saskia Jackson, have drawn together evidence from a very wide range of sources and produced a very readable document.

Peter Brinson  
Director  
UK Branch  
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## 1. Background

The working party by its terms of reference was required to consider and explore a wide range of both philosophical and practical issues. This was done through informal debate and discussion rather than by any formal process of marshalling evidence and deriving conclusions from it. The working party had access to a quantity of writing and ideas most of which was presented in summary form.

Inevitably the discussions during 1981 were overshadowed by economic events and the mounting statistics of unemployment. The growth of interest in community enterprise does not arise solely from the present dire employment position; the widespread and growing pressure for its development is clearly connected with the decline in conventional employment opportunities. How is the demand and support for community enterprise likely to be affected by changes in the level of employment and unemployment in the future? Forecasting is at best an inexact science. Given the wide range of factors that can influence future prospects this question can be answered only in the most general terms.

Since the employment position is unlikely to stay the same it must either get worse or get better. It will get worse if for any one of a number of possible reasons international recovery from recession is long delayed or weak when it arrives: or it could be that such a recovery will take place but that for a variety of reasons this country will not share in it. If this proves to be the position, then community self-help schemes at local level of the kinds discussed in this report may well provide a lifeline for a considerable number of people.

This does not imply, however, that if the British economy recovers such schemes will have no place. If this recovery comes, it will be at any rate in part the result of a restructuring of industry which will call for new skills and knowledge. Forecasters in Britain and in the EEC countries stress the likely demand for skilled and trained manpower and the increasingly poor prospects for the unskilled. Without the kind of opportunities community enterprise can offer, the plight of the unskilled will become even more gloomy. In any case, if recovery comes it will probably take years before those presently worse hit areas benefit substantially from it.

Further, if the British economy succeeds in breaking through to sustained growth and profitability then it will become possible to meet more of the almost unlimited demand for services in both the public and the private sector. Such services are at present much needed but the resources to pay for them are not available. A real expansion of the service sector could provide expanding openings for community enterprise operating both independently and in partnership with the public service. Irrespective of the way in which the economy turns out, there is a continuing role for community enterprise which can bring positive benefits in its own right.

As unemployment and its attendant evils have become a common place of the headlines, the inner city and some of the most deprived peripheral housing estates have suffered worse than most other areas. The specific inequities of unemployment are multiplied and enlarged, including the plight of young people who have no experience and little expectation of paid work; the loss of jobs especially in manufacturing; the discrimination which leads to disillusion and despair faced by ethnic minorities. The realities of the effects of individual and family deprivation become more and

more evident. In such environments the outward signs of material and psychological decline and decay are shared by both individual and community.

It has become fashionable and relevant to talk of alienation and the breakdown of social control. Individuals and communities are in danger of losing their sense of identity. Without work and the status and feeling of purpose which work gives, people find it hard to know where they belong. In the past cohesion and identity have often arisen from a shared task or a shared place of work. Older workers deprived of work are both materially and psychologically deprived: young people who have never had a job seek their meeting places and rallying points elsewhere, on the streets, in pubs and clubs.

It is against this background, and in the very midst of this kind of turmoil, that the current search for new forms of community activity is taking place. No longer restricted to a small intellectual or bohemian elite, turning its back on the town and the suburb to seek some utopia or commune apart, the search is now for new forms of productive co-operation down the street or round the corner. It is a search in which frustration at the sterile outcome of some aspects of the 'consumer' society is leading some at least of those engaged in it, to attach greater value to the quality of life than to the accumulation of wealth. It is their hope that, together with their friends and workmates, and in reasonable working conditions, they can make a decent living for themselves and their families while contributing goods and services for which there is a demand. Different individuals and groups come at this along widely differing religious, political and ideological routes: for some it is the result of the breakdown of large-scale capitalism or the solution to unemployment; for others the full blossoming of individualism; or the flowering of conviviality, communality and co-operative endeavour. There is no widespread or readily recognisable 'movement' or ideology, and still less a national organisation. The conditions imposed by existing legal and fiscal regulations tend to give rise to a rapid increase in the numbers of co-operative societies and companies limited by guarantee; and at the same time the frontiers of 'charitable activity' are being more actively explored than ever before. A new and still fluid vocabulary has come into being, of community enterprises, community businesses, local enterprises, local initiatives. Different forms of organisation can be found using the same titles: similar organisations using different titles.

One particular characteristic is that of combining social and economic values and objectives, though the mixture varies from case to case. Another is that the productive activity of a local group in providing work opportunities is seen as an—perhaps the—essential way of keeping a local community alive or of restoring it to life. This is in contrast to the efforts of many community groups in the past which set themselves social, cultural or educational, as distinct from economic, objectives. Indeed, much of the local community productive activity which has sprung up is being developed by groups which were originally established primarily, or in some cases solely, for what used to be regarded as 'non-economic' purposes.

## 2. Some explanations

Throughout its discussions the working party was faced with the vagueness of its own understanding of the word 'community'. Two previous reports sponsored by the Foundation (*Community Work and Social Change*, 1968 and *Current Issues in Community Work*, 1973) were faced with and failed to resolve this question of a precise definition. The first report commented: 'As used popularly everyone appears to know what they are talking about even though they may mean different things and use the term loosely. As used by the sociologist, no one seems to agree on the concept or indeed whether there is any such animal'. (p2)

The starting point of the working party's use of *community* is geographical: people who know each other because they live in the same locality and thus have interests and problems in common. It is not helpful to provide precise dimensions of locality because, for example, a community enterprise might well be formed by the co-operative action of a number of like-minded workers even if they live in different neighbourhoods or areas of the same town. They may have in common the fate of having been made redundant after working together for years in the same local industrial plant.

The phrase *community enterprise* is used to cover a range of groups within a community and is used in preference to 'community business' or 'community business venture' because it has a rather broader connotation. Its use is not confined to groups in which the total control of policy and all decisions are exclusively in the hands of members of the group living within a limited locality. The functioning of many groups is in fact influenced by decisions taken by external authorities over which the members of the group can have little or no control. The availability of funding is a key example of this. The phrase *community groups* is used to describe those groups which work in some form of co-operative association (on the basis of one person one vote) to achieve objectives of community benefit rather than for the maximization of individual private profit.

In the case of community enterprises the description, more often found in the United States than in Britain, 'not for profit' is insufficient, or even misleading, if it suggests that any type of community enterprise can afford to ignore profit either as a source of motivation and incentive or as a resource for further development. The key factor is what arrangements are made for the use and distribution of profits. To distinguish community enterprises from other and better known types of small or medium-sized enterprises four features can be usefully listed. Community enterprises:

- have social, economic and community development objectives directed at meeting locally perceived needs: in present circumstances the need to create jobs often has priority among such needs;
- are usually planned and operated by partnerships or alliances involving various committed and concerned public, private and community bodies;
- are community controlled unlike privately or worker owned businesses;
- use surpluses and profit either for re-investment in the business itself or for community benefit.



Community enterprise and its potential for the future can be better understood and assessed if considered within the context of the changes taking place in the nature of work and of people's ideas about work. We have found it useful to make a distinction between employment and work. *Employment* has been taken to mean being paid for work: the contracting of personal time to another for a consideration and involving an acceptance of the authority of the employer. *Work* is the application of labour to achieve some product or goal, and may be undertaken within the context of employment or outside it. The distinction between work and leisure has been more elusive. Activities which for one person are work may be leisure for someone else or indeed for the same person at another time or in other circumstances. A somewhat misguided exhortation to the unemployed to make better use of their increased leisure made by a politician illustrated this only too well.

With regard to the *formal and informal economy*, a wide series of sub-definitions have come into currency. Much of the interest in the informal economy has been engendered in the context of fiscal abuse so that it has picked up the title of 'the black economy'. In a more positive way, a broad definition of work might divide it into work in the market economy; work in the redistribution economy (effectively the public sector); and work in the personal economy.

During 1981 small business became 'the darling of governments and allied interests' according to the *Financial Times* which devoted a special supplement\* to describing the ways in which statutory agencies, banks, finance corporations and big businesses were seeking to promote and support small businesses. *Community business* is usually small business but it is a distinctive form of small business, distinctive in terms of motivation, objectives and planning and operational needs. Sharing many features with other small firms, both private and those in co-operative or common ownership, community business ventures 'are best seen as a response to the special problems of disadvantaged areas and groups, which have proved intractable in the face of conventional approaches'.†

Community Business Scotland, set up to encourage and promote the formation of new community businesses, adopted the following definition: 'A community business is a trading organisation which is owned and controlled by the local community and which aims to create ultimately self-supporting and viable jobs for local people in its area of benefit, and to use profits made from its business activities either to create more employment or to provide local services, or to support local charitable work. A community business is likely to be a multi-purpose enterprise and it may be based on a geographical community or on a community of interest'.

The study of community business ventures made in 1981† shewed the variety of enterprises and the several different routes of entry through which they had come into being. The three main ways were: i. informal groups of people in the same locality and experiencing the same kind of deprivation got together to take action; ii. existing institutions or organisations (companies, trade unions, voluntary bodies) took the initiative to get people together and to get enterprises started; iii. a combination of i. and ii. leading to collaboration between an existing organisation and a local informal group or groups.

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\* *Financial Times* 3 June 1981

† *Whose Business is Business?* 1981, Gulbenkian Foundation

There is also variety in what community enterprises do. Twelve principal fields of product and service were identified: joinery and wood products, knitwear and clothing, pottery and crafts, printing, toy manufacture, construction, landscaping and gardening, office cleaning, retailing, catering, provision of workshop space, recycling and refurbishing (furniture and household appliances). Most of these activities were chosen on the basis of what seemed possible in terms of the capital skills and other resources which were thought to be available, or of what seemed desirable and needed locally, rather than as the result of any thorough market investigation. The size of the enterprise was typically not more than 11-14 people being employed: some had part-time employees and in some cases there were also volunteers.

Many operated in currently marginal markets with apparently little possibility of accumulating capital rapidly to make further expansion possible. They had difficulty in obtaining credibility and credit, and sometimes lacked the technical information and expertise required. Many depended on several sources of funding, including the Manpower Services Commission; local authorities, including programmes such as those in the Urban and Inner City Partnerships financed through central government department; special regional development bodies; private industry as well as independent foundations and trusts.

Often such community enterprises do not conform to the conventional picture of a 'business' either in their financial or their organisational structures. There is frequently, however, an exceptionally high level of commitment and drive, and where enthusiasm can be successfully married to expertise at an early enough moment, such a union is likely to have a fruitful and healthy result.

The 1981 *Whose Business is Business?* study discussed in some detail the problems and constraints faced by community business ventures. What emerges clearly is that, irrespective of what happened to other forms of small business, community businesses were nobody's darling. Despite an increase in interest and some practical support from some local authorities and a number of major private corporations, the resources that are needed by a newly starting community enterprise are still very difficult to locate and acquire. Financing may necessitate the lengthy and difficult matching together of a 'package' from several different sources, each waiting on another to make a firm commitment. And even when the lot has been put together, it may well prove to be insufficient to meet the capital and running costs of the new enterprise over its first difficult period. Moreover, finance is not the only requirement. There are difficulties about finding suitable premises at affordable rents. Goodwill and even technical skills and good workmanship are not enough if they are not complemented by adequate management, competent financial control, market research and fundamental entrepreneurial initiative.

One result has been a high rate of infant and perinatal mortality for community businesses. The significance of this should not be exaggerated because the rate is high for all small businesses, and community businesses suffer additionally not only because they are new and strange creatures but also because they markedly depart from the conventional assumptions about the nature of business. One stereotype of a businessman is often that of the shrewd and determined, even ruthless individual, set on accumulating wealth and ready to sacrifice certainly himself and possibly others in this pursuit. Those who engage in community business ventures like many individual businessmen do not generally conform to this stereotype in any way, neither in their own self-image nor in the eyes of others.

The motive most often cited for the initial coming together to venture into business is 'to create employment'. This was not the motive which lay behind the builders of the productive enterprises of industry and commerce in the past. For them the generation of employment was a means to achieving their end of providing a product or service by the sale of which they could profit. For many community businesses the point of departure is to create jobs and the way to do this is to identify some product or service for which there may be sufficient demand to enable those working in the business to earn a satisfactory livelihood, and to avoid the loss of self-respect that accompanies unemployment.

What is happening and needs to be encouraged is a wide variety of experiment in combining the various approaches. This is especially needed in under-privileged areas (black and other ghettos of the inner city) where the task of mobilising the human and material resources requires a comprehensive approach which includes education, training, advice, information as well as financial support for small businesses, potential entrepreneurs and community groups.

### 3. Opportunities and constraints

#### Structures

*Whose Business is Business?* concluded that community enterprises were based on a set of common principles utilising a variety of legal and organisational structures. The principles include permanent job creation with mixed social and economic objectives; recycling, rather than distribution of profit; broad collaborative involvement in planning and operation rather than narrow interest domination; and strong loyalties. The variety of legal and corporate models, of which seven are set out in detail in Appendix B (reproduced from Table II of Chapter 4 of *Whose Business is Business?*), involve registration either under the Companies Act or as co-operatives under the Industrial and Provident Societies Act. The variations chiefly affect conditions of membership, the limits on the use of profits, and the ways in which management and control are exercised.

In addition to the front line community structures, *Whose Business is Business?* emphasized the importance of having locally based 'upper tier' or promotional bodies, themselves entrepreneurial in nature, broadly based and able to offer a range of back-up services both before and during the creation of local group activities. At this level too it found a wide variety of structures: local enterprise trusts, local enterprise agencies, local co-operative development agencies, local enterprise boards, town development trusts, some of which conform to lines laid down nationally while others have emerged in forms which are a local response to local conditions. The role of such 'upper tier' bodies in relation to the local productive units is no passive one and is described as one of 'animation'. Their main concern in the past has been the support of small private businesses and workers' co-operatives: the report implies that they could and should play a more prominent part in support of other forms of community enterprise as well.

A third level of 'programmes', regional or national is also identified. These include the Highlands and Islands Development Board, the Manpower Services Commission, the Department of the Environment, Welsh Office, Scottish Office and for rural areas, the Council for Small Industries in Rural Areas and the Development Board for Rural Wales. The two features of such programmes were first that they were established for more general purposes; support for community enterprises was only part of, even marginal and incidental to their main objectives. The second feature was that despite this they constituted a significant and often major source of financing for the launching of community enterprises. A major recommendation therefore, which the Community Business Venture Feasibility Unit derived from these conclusions, was for a new and separate development fund specifically devoted to community enterprises; one which would assist them create new jobs for marginal groups and areas, help them to mobilise additional support and resources and would itself provide wide ranging help in animation, planning and development as well as undertaking research.

#### Charitable and commercial status

The issue of charitable status is both a legal and a social—some might say a political—one. The basic legal definition of a charity remains as it has been over several centuries. The main legal heads for charity are three: the relief of poverty, the advancement of education and the advancement of religion and there must be a

desire to benefit the community. The 1976 Goodman Report on Charity Law and Voluntary Organisations pointed out that many things which benefit the community are far removed from being charities and it cited as an example a successful commercial business which provided massive employment. The report also found that whereas the relief of poverty had long been held to be charitable, the prevention of poverty, ie by setting up on a non-profit making basis opportunities for creating employment, was not. There are complex problems; starting a new industry to enrich a community in which poverty already existed might possibly come within the existing definition of a charity. The report of the Charity Commissioners for 1980 devoted some paragraphs to the relationship between charities and trading activities. While it recognised that the provision of community shops on a non-profit basis would be of considerable benefit to the elderly, mothers of young people, and the disabled in areas where no other shop existed as in many villages without good public transport facilities, the report concluded that this, while constituting a definite element of community benefit, was not charitable. The predominant activity would be trading which is essentially a commercial and non-charitable activity. The fact that the institution would be non-profit-making, except in the sense that it would have to pay its way, is immaterial.

Community groups made up of laymen are not the only people to find themselves unsure and often confused about such subtleties; many lawyers are not fully conversant with the most recent decisions of the Charity Commissioners and the implications such decisions may have for the precise wording to be adopted in the objects clause or the statement of aims of a community business venture seeking charitable status. With the heavy costs involved in liability for the various forms of taxation chargeable on a commercial business together with the often heavy burden of local rates, the inclusion or omission of a word or a phrase may make all the difference to the venture's chance of financial survival or failure.

Community enterprises of the kind described constitute a 'third sector' which is not confined to being charitable in the narrow sense of the relief of poverty or of benefit for those deemed incapable of providing their own livelihood, nor to being commercial in the sense of having as its aim the accumulation of maximum profits for the personal gain of one or more individuals. The third sector is made up of elements of both the charitable and the commercial. It is not run for private profit in that no individual will benefit from the success of the venture on a greater scale than all the others involved in it; it may indeed in certain circumstances be run in the full knowledge and with the acceptance that it is unlikely ever to make a profit or even that it will persistently incur a loss. But on the other hand, the practice of deliberately 'loss-making' is, as the result of the complex fiscal and financial regulations of the contemporary business world, well known and accepted in the so-called business and commercial world. We would add that even in the so-called hard business world, the practice of providing massive grants and subsidies to meet the deficits of 'commercial' ventures, deficits which have been neither planned nor foreseen, has now become commonplace. The purpose of the community venture however is to prevent poverty by providing all its participants with a reasonable livelihood and satisfying work on a basis of equity and shared responsibility, at the same time providing a product or service of use and value to the community. Like any other business, it will set its targets and make its budgets. If there is a deficit, it should be a planned or at least a foreseen deficit. There is a strong case that it should be eligible for 'charitable' status and for the fiscal exemptions and benefits which go with that status. The alternative is to provide payments or doles to individuals 'out of work' and to forego the universally

accepted advantages of giving people the autonomy and satisfaction of doing useful work and reaping the benefit of what they produce.

### **Economic reality**

Most community enterprises arise from the realities of the day-to-day life of people living as friends and neighbours in the same area. Yet they are still widely regarded as unrealistic, artificial or utopian, the product of the theorising of social workers and 'do-gooders'. Their novelty and what is or seems to be the lack of formal precision about their structure and their objectives raises many questions, not least in the minds of those who have the responsibility for taking decisions involving the allocation of funds both private and public. Can investment in community enterprises be justified? How effective and how efficient are they in comparison with other programmes on which the funds could be spent? To what extent are the jobs that may be created by community enterprise merely the result of displacement or substitution? What is the role of such enterprises in the regeneration of the blighted inner city areas or in the overall economic recovery of the country? The very fact that such questions are posed in such a sweeping manner is perhaps the result of the over-extravagant claims that have been made by some champions of particular forms of community economic activity, and of the inflation of their ideological rhetoric. Possibly it is also due, at least as much, to the desperate search on the part of those who pose questions, for a new panacea or at least a fresh formula which will promise a way out from the mounting disarray and the dearth of solutions left to economists and politicians.

It is not our view that community enterprises are *the* solution to massive unemployment nor will they transform the blighted urban areas into tolerable places in which to live and work. They cannot be the sole and entire answer to the economic recession which faces the whole industrial world. Indeed it is patently futile to pose such questions if, as seems sometimes to be the case, the assumption is that there is somewhere along the line a scheme or set of schemes which will in fact produce the answer to all these predicaments of our society.

More sensibly, community enterprises are one relevant and valid response to these predicaments: and most significantly they are responses which are being made in practice by men and women in many different localities in Britain and elsewhere in the industrialised countries. They are not just worthy ideas and theories; they are happening.

More important is the question as to whether there is any justification for special measures to be taken in order to assist such initiatives. In other words, why interfere with the normal process of the market? If community enterprises are a valid and relevant answer, then, this argument would run, leave it to the normal functioning of the economy to produce them and keep them in existence as long as they are able to make a useful contribution to the economy. Such an argument is, however, based on the assumption that there is a well-functioning market economy to which local initiatives such as community enterprises are subject. This is not the case. In practice, today's markets do not operate freely. Their functioning is distorted by a variety of powerful forces which would require much time and effort to disperse. Even if there were the will to bring about these changes they would not adequately alleviate today's problems.

Community enterprise is the action of people faced with an immediate and urgent situation to which they can respond given adequate moral and material support. For those who hold to the theory of the market as a fundamental dogma, community enterprise is not an acceptable form of economic activity insofar as it calls for some degree of subsidisation. The justification for such subsidisation is based on a form of socio-economic accounting, as yet in its infancy but of which considerable development is desirable. While it is reasonable that community enterprises should be planned and assessed within a traditional commercial framework, and provide no justification for slipshod management or inadequate accounting and costing procedures, the overall measurement of viability should be made in terms of a combination of return on capital invested, together with social benefit obtained. The costs to public funds of unemployment are rightly causing concern even though it is difficult to estimate them with any degree of accuracy. Estimates circulating in 1981 ranged between £4,250 and £5,500 per annum for an unemployed man with a wife and two children. Moreover, it was being suggested that the cost of maintaining law and order, as well as of the prevention and treatment of ill-health was higher in areas of high unemployment than elsewhere. Much more work is needed to throw more light on these factors. And after all that is quantifiable and that can be given a monetary value has been estimated, there will still be the incalculable value added in terms of human dignity and self-esteem, which results from co-operative and spontaneous effort of self-help to provide satisfying work and a satisfactory remuneration.

The response of community enterprise, even if it were more widely practised than at present, could never replace the opportunities for large scale employment which could be provided through massive increases in public expenditure including public works of infrastructure, housing, education and social services as well as large scale investment in the private sector. The 1981 survey, *Whose Business is Business?*, showed that market opportunities for community enterprise are available and viable in a number of product and service areas, and that they exist in areas which are not attractive to commercial employers or to government subsidy which tends to favour capital expenditure. Many areas of service or small scale production no longer produce a stable high rate of profitability on which large scale enterprises have to depend for investment and to meet their high overheads and the high rates of interest charged on their capital borrowing. On the other hand there are a number of opportunities which call for a combination of resources and skills which is beyond an individual entrepreneur but which can be seized by a small group acting together.

### **Informal economic activity**

Much of the current literature on community businesses envisages them as formal structures and legal entities. In practice there is a vast amount of local community economic and productive activity which is informal. The informal economy has frequently been equated with the illegal or 'black' economy, and the form of illegality is usually assumed to be tax evasion. Much informal economy activity does not involve any breaking of the law and in some, where the law is being broken, it is through ignorance or negligence rather than being deliberately planned. Community enterprises, as is indicated above, usually have a legal structure and therefore a degree of formal existence, but many of them have developed from earlier informal activities. Some have started as individual Do-It-Yourself activities which have expanded to take in neighbours and friends as beneficiaries or collaborators or as both; others have started as formal organisations established for

cultural or social purposes which have subsequently informally developed economic activities.

The extent of this informal economy is well known to be difficult to gauge. Indeed some of it is for obvious reasons resistant to external attempts to investigate it since it may be within or on the borders of the 'black' or illegal economy. Organised groups of unlicensed taxi drivers, window cleaners, handymen, motor maintenance, 'networks', knitting clubs which knit not only for their own families but for the market, and groups which generate employment and income through environmental improvement schemes and the rehabilitation of local amenities are the types of initiatives which can be found in many places across Britain.

Although some of the current research evidence shows that those already in full-time employment are more likely to be engaged in informal work, whether paid or unpaid, in many areas of chronic unemployment and economic stagnation the informal economy is the real economy. It would be helpful if experience in the informal could grow into formal economic activity, but often the legislative framework is far too harsh on people who want to try out an idea and earn something on the side—yet that is the very activity we should wish to encourage. A community business with charitable status could be an important means of tapping ideas from the informal sector. For example an unemployed person might work up a business idea within a community company, which would retain the earnings, if any, and build up working capital. He would not however own the eventual business himself but that may not be that important. Perhaps greater numbers of individuals could set up in business if they were able to do it under the shelter of a community business.

### **Subsidies and statutory intervention**

Over the years the traditional forms of voluntary organisations within local communities have had to place growing reliance on financial and other aid from governmental and statutory sources. In some instances local groups, whether affiliated to national bodies or simply the expression of local concern and initiative, have acted as agents for the authority which had a statutory duty to provide a particular service. In others, the local group has provided a service which though covered by legislation was not mandatory on the authority, and in others the local group has pioneered work in a field not as yet covered by mandatory or enabling legislation. In all three types of service provision there has been co-operation between the voluntary and the statutory bodies, but it has been and remains an ad hoc and varying relationship. The extent to which authorities have been prepared to provide subsidies or grants has varied as political and ideological stances have changed locally or nationally. It has varied even more drastically according to the allocation of government spending.

Cost benefit studies of the comparative effectiveness of direct governmental services as compared with those provided through voluntary organisations are only in their infancy and for each form of service the results are likely to prove different. What might be true of youth organisations may not be true for meals on wheels. In the case of community groups engaging in productive economic activity, the situation is rather different. Community enterprise could provide both goods and services and, where it is able to make profits, could utilize those profits to subsidise some of the services. Even where profit is not feasible, community enterprises could survive on 'breaking even' in a way which would be unacceptable in most of



the private sector. But to extend the argument, it would seem to make good sense to accept the need to enable it to create and maintain long-term jobs and to provide local services. With the current levels of unemployment such an approach is preferable to the financial and social costs of maintaining people in long-term unemployment with all its attendant individual and social problems.

Most of the statutory schemes whether administered by the MSC or otherwise have up to now been formulated on the supposition that all that was required was a measure to hold, prepare and train temporarily surplus manpower until such time that jobs of the kind that had been plentifully available in the past, again became abundant. The situation has changed and is widely recognised to have changed. The MSC programmes have been slow to change appropriately; and even where the central authority has been able to express apparently more realistic and pragmatic views, the degree of centralization that exists seems to have prevented a similarly flexible view from being translated into local practice. The announcement in December 1981 of an experimental scheme for making 'enterprise allowances' available in three areas of the country for individuals or groups of unemployed to set up their own enterprises is, it is to be hoped, a harbinger of the more far-sighted policy that is required.

### **The role of local government**

National statistics on unemployment inevitably mask considerable local variations. It is locally at individual and collective levels, and by public and private institutions alike, that the immediate effects of redundancy and the drop of economic activities are felt. It is logical therefore that especially in the worst-hit areas, it should be the democratically elected local authority which takes some initiative in finding a positive response to the deprivation and indignity suffered by local people. Such initiative cannot, and is not meant to, replace the national measures to implement overall policy for the stimulation, creation and maintenance of employment, and, in the event of unemployment, for income maintenance through social security. Local action to provide job opportunities, as indeed to remedy many other social deficiencies, is unlikely to be effective by itself. The belief that it could solve these problems underlay the Community Development Programme of the 1970s and led to disillusion and disaffection.

The assumption by local government bodies of activities which have been traditionally left in the hands of the private sector is a major cause of political disagreement. Much publicity has been given to the possibilities of a swing-back through a process of privatisation of certain services such as refuse collection, from local authority to private management on a contract basis. Without entering into this controversy, we note a number of points which arise from the general experience so far recorded about community enterprises. The first is that the operational community enterprise requires a substantial amount of support and fostering both to get started in the first instance and also to keep going in its early stages. Second, that among the bodies with which a new enterprise will have to negotiate is the local authority, especially for premises and planning permission, and third, that the local authorities have the power and in a number of instances have already exhibited the will and the practice of providing support for local enterprises. The local authority is not the only body which can help and the indications are that some form of local alliance or 'umbrella' body is desirable in order to publicise and promote, foster and support local community enterprises. We have seen that voluntary institutions and organisations have played useful parts whether their interest originates in welfare

services, education, tourism, environmental conservation and improvement or cultural activities. The private sector of commerce and industry too is concerned through local chambers of commerce and trade associations as well as large corporations and financial institutions which operate locally.

Unemployment and its prevention and relief have become vital issues for the labour movement both through trades councils, local branches of trade unions and the unemployment centres being promoted throughout the country by the TUC. Educational institutions such as polytechnics and universities have a contribution to make through technical expertise in such matters as product research, also in management and accountancy, and their function is both in applied research and in training, of a kind accessible and applicable to the needs of community groups and local enterprises.

It may be any one of these kinds of local institutions which takes the initiative in forming an alliance, but it is essential that the local authority is a member of it. In practice many such bodies have come into existence on the initiative of the local authority as part of an overall policy of economic development within its area. In many places it is the local authority which takes a lead in stimulating the formation of new enterprises. Although the contribution of community enterprise to the reduction of the total unemployment figures is recognised as marginal, the economic strategy of, for example, the London Borough of Hammersmith and Fulham favours the encouragement of small, locally controlled, and labour intensive enterprises. Priority is given to new enterprises created by borough residents or groups of residents, and to existing firms owned by local people. Working in co-operation with the local council for voluntary services, the local authority funded a conference and training programme for community and voluntary groups interested in setting up schemes for job creation. This meeting attended by some 60 people from 46 local groups put forward numerous suggestions for products and services which they thought they could provide locally: machinery and furniture refurbishing, handyman services for the elderly and disabled, newspapers on tape for the blind, clothes alterations services, local cafes on badly served housing estates, ethnic meals on wheels and other catering services. These were based on what was perceived as local needs and what was thought to be possible. Significantly it produces a merging of economic and social activities.

The local authority in co-operation with the Greater London Council on a matching basis, decided to provide funds for the development of community enterprises during the year 1982/3, and through the alliance already established with the voluntary and private sectors it expected to 'lever' further funds for projects which were shown to have potential for success. Funding of community enterprises by local government has been done in a number of instances through the provisions of Section 137 of the 1972 Local Government Act or Section 83 of the 1974 Local Government (Scotland) Act. In large authorities this can result in making a very large sum of money available. The West Midlands, for example, have proposed to make this available for promoting local enterprise in their hard-hit area. The Merseyside County Council is investing the money so raised and using the interest from the investment in order to fund innovative forms of employment creation and training including community enterprises. This has become clear from other examples involving local government expenditure, eg for the subsidisation of public transport the general situation is both politically controversial and legally obscure. Moreover, the traditional procedures for ensuring public accountability of funds imposes severe constraints on local authorities wishing to take a more

positive role in the support of local community initiatives to enter into productive activities and to create employment.

### **The private sector**

Following consultations between the Department of the Environment and a number of leading industrialists and financiers, Business in the Community was established in 1981 as a national unit aiming to develop and discuss ideas which would stimulate the private business sector to play a greater part in supporting local communities and helping to meet the economic and social problems the communities face, especially those arising from high unemployment. The unit has found a number of schemes already in operation including financial and technical participation in local enterprise trusts, secondment of experienced and skilled personnel to assist local community ventures, investment in and provision of premises and equipment for use by small businesses, support and provision of training facilities and training staff, co-operation with local authorities and other statutory bodies engaged in the fostering and promotion of small businesses and community enterprises.

It is however only a small number of particularly enlightened national leaders of the private business sector who have committed themselves to this kind of endeavour. Inevitably there is likely to be a certain ambivalence among entrepreneurs both large and small about the idea of giving aid and succour to actual and potential competitors. In the long run businesses may have to depend on each other in order to survive, but this is not obviously so at a time when the winds of trade are adverse and the number of business failures mounts steadily.

For the larger corporations, however, the message has become clear; and it is a message which combines benevolence, responsibility and enlightened self-interest. Marks and Spencer are quoted, 'a business cannot progress in isolation from the community in which it works and trades; helping wherever possible to restore a healthy and prosperous environment is a responsibility which is not only good citizenship but is good for business'. IBM comment: 'The long-term profit-making potential and continued survival of industry will be jeopardised unless companies substitute for their token handouts a heavier investment in the community. These responsible actions are therefore part of a company's survival kit'.

There still remain difficult and delicate decisions to be faced especially at local levels, and especially with regard to the extent to which the private entrepreneur and financier interprets support for community enterprises. Should it be a welfare handout made under the heading of social responsibility, a commercial investment requiring all the normal forms of collateral and credit guarantees; or should it be a casting of bread upon the waters in the hope that it will bring a return which will ensure his own survival and if possible continuing prosperity?

If there is ambivalence in the attitude of private commerce and business to community enterprise, there is, too, some ambivalence among some of those engaged in community enterprise as to their attitude and reaction to the expressions of goodwill from private business. For most of them, money, advice and technical assistance are welcomed from whatever quarter they may become available, and so long as they are provided in forms and on conditions which are not inimical to the basic aims and methods of their community activity. But clearly this source of financing and other assistance poses issues of principles and ideology for those who see in community enterprise an alternative sector and one

with which they would hope to replace the private profit-making sector. There is then a real dilemma. As more and more projects are created then the need is for more and more specialist advice for particular enterprises. It does not always follow that existing industrial development and advisory agencies can help. The ethos, the objectives and the intentions of community businesses remain quite different from existing business. Decisions are taken in a context of both commercial and community importance and that means taking into account a wider range of values and considerations than when profitability and return on investment are the main criteria.

## **4. Changing patterns**

The terms of reference of the working party upon whose discussions the present report is based were extremely wide. They asked for consideration of an underlying philosophy as well as for the exploration of future relationships and changing values of work and leisure, a definition of political strategies as well as exploration of technological, market and structural implications. In the event many of these issues were barely touched upon. This chapter is made up of a number of brief notes which touch upon some of these topics but hardly explore them in any depth. At best they may help to suggest some of the areas in which, though discussion has already been opened up by politicians, economists, sociologists, administrators and both employed and unemployed citizens alike, much further debate is needed.

### **Attitudes and values: ideas of enterprise and profit**

The mixed ancestry of community work and community enterprise reflects a wide range of attitudes from condescending philanthrop to defensive solidarity. Such combinations, bordering on contradictions, persist. On the one hand for example it is argued that society as a whole is becoming increasingly self-centred and individualistic and that to believe in the productive capacity of local community groups is to be deluded. Self-help means helping oneself, even if at the expense of others. On the other hand it is maintained that full employment in the last decades, the desire for material security and the ascendancy of large institutions and corporations both public and private have fostered an attitude of dependency, of expecting to work for someone else, to be employed rather than create your own work alone or with others. Enterprise and entrepreneurial initiative have been discouraged and continue to be discouraged by the existing social security, planning and taxation systems.

A similar mixture or muddle of ideas is to be found concerning profit. Self-evidently profit is taken to be excessive profit for personal gain and for some has an almost sinful connotation more or less as a tenet of political or ideological belief. This in turn has led to a facile acceptance of inefficient and of loss-making public ownership. At local level it has become almost an article of faith among some community groups that being disorganised and unbusinesslike is the same as being 'not for profit'. Thus the old tradition of seeing social activity as different and separate from economic activity is almost extended into an attitude that social service and businesslike commercial enterprise cannot both be legitimate activities for a self-help community group. This separation is further perpetuated by regulations such as those governing the making of grants and subsidies to programmes for job creation among the unemployed. Any surplus wealth created has to be repaid to the funding authority: alleviation of the deprivation caused by unemployment is acceptable, but a fundamental replacement of the causes of deprivation by continuing productive activity is discouraged.

### **Leadership and participation: management and membership**

Community businesses have had difficulty in finding people with entrepreneurial ability and the skills of running a business. This is in part because of the stereotyped views still held of entrepreneurs as people concerned only for their personal

private benefit and gain as contrasted with the selfless and altruistic attitude of the community activist. Such a view leaves out of account the professional satisfaction of getting things done well which motivates so many managers irrespective of the system within which they function. In the past other entrepreneurs such as housing associations also had difficulty in attracting suitable managers but they have since succeeded in attracting efficient and businesslike managers who are motivated to build, improve and maintain good quality housing for their fellow citizens. Once the creation of employment through a viable community business is accepted as socially useful work, the same could happen in the field of community businesses.

The skills of managing and running a business are a new range of skills with which the uninitiated layman moving into this field has to become acquainted. It is an area often unnecessarily surrounded by the professional mystique of lawyers, accountants and professional managers. It is something seldom provided for in the school curriculum. Many community activists have in the past associated such skills with 'them' and therefore not needed or wanted by 'us'. In fact a willingness to learn is urgently required on both sides. The layman from the community group needs to acquire management skills and knowledge: the professionals, often more accustomed to the requirements of larger and more complex financial structures, need to adapt their knowledge and skill to the scale of the local community undertaking.

### **The time factor**

Part of the mythology concerning the successful businessman and entrepreneur is that of being able to take swift decisions. For community enterprises time poses a number of problems. The fact that control and decision-making lies in the hands of several persons rather than one and that they themselves may feel that they are expected to act as representatives of the interests of still more people in the community, means that the essential processes of coming to a consensus—of acquiring relevant information, of understanding its significance, of discussing the pros and cons, of finding a balance or of doing deals—will inevitably take longer than in organisations where authority and power is concentrated and centralized.

All forms of community development and community activity take time and are not intrinsically geared to the standard requirements of a 12-month accounting period. In fact this is true of most commercial and industrial undertakings, but they are not normally dependent on grants or subsidies which are allocated on an annual basis as is the case of most statutory or voluntary sources of funding for community activities. It is unreasonable to expect that any small business such as a community enterprise should be able to 'show results' or achieve financial viability within such a short period: a three/four year period would be more reasonable.

The length of time taken is not solely a function of the type of organisation whether it be a community or other kind of enterprise, it is also determined by the external conditions to which it has to comply. For community enterprises the period of gestation is long. The very idea of a community business has to be made acceptable first to its potential members, then to its potential backers. So far the putting together of the mixed 'package' of funding, technical support and formal permissions is a difficult and protracted one. Each group embarking on it tends to set out alone and on an uncharted voyage. If the charts were more adequate and the component parts of the package reduced in number or more readily available

and available on the same time scales, not only would the gestation period be reduced but the chance of eventual success would be considerably enhanced.

Once established, however, a community group of any kind, just because it consists of several people, is likely to experience changes of membership. Not only do people move out of the area from time to time, but even if they stay put, they may get diverted or distracted onto other things, or within the dynamic of the group their role and influence may fluctuate considerably. Time thus can play a disruptive role as the consistency and continuity of ideas and policy change.

### **Community groups and technology**

At a time when many indicators of the national economy continue to decline, technological change has become a favoured candidate to resolve the problems, but there are almost as many views as there are commentators on how rapidly and widely such change will spread. Which industries will be most affected, and at what rate and with what effects on labour demand? Will the labour force polarise into the highly qualified technologists and their technicians on the one hand and on the other a larger population of unskilled workers of whom a steadily increasing number become unemployed? The technological changes already perceptible make it imperative that there should be radical changes in the content and structure of education and training and this like other aspects of the changing scene of work will directly affect community groups, not only in respect of their programmes and activities but for their very survival.

If public spending is reduced and private philanthropy suffers from inflation and other pervasive economic ills, then local groups will have to become more dependent on their own capacity to generate wealth, whether in the form of money or of unpaid work and services, to ensure their own survival. If the major public and private sectoral furnishers of paid employment fail to provide sufficient work opportunities for those who wish to be occupied full or part-time, then the incentives will remain and grow for such opportunities to be provided through local self-help initiative. If the labour costs of essential domestic and personal services are encouraged to rise to keep pace with the rising labour costs in other innovative and competitive sectors of industry, there will be ever increasing possibilities for an expansion in the local domestic and community economy to provide such services more cheaply, at prices which people can afford. If the growing concentration of industrial production continues, and the majority of items of mass consumption are manufactured by a limited number of multinational corporations or are dominated by nations which have made the necessary innovative changes in industrial technology and training at the right time, then the future for community enterprises will be, not in competing with them, but in supplying the vast amount of 'software' which will be required to feed into their hardware production. The computers will require programmes, the video players will require tapes or discs, the machines themselves of all kinds will require servicing and maintenance. And these are precisely the kinds of economic activities most suitable for community enterprise. Thus even with a generally gloomy prospect for economic production and prosperity, limited optimism can be permitted to break through so far as community enterprise is concerned.

### **Space and building**

The basic needs of a community group can be listed in physical terms as a place to meet, a place to conduct activities, a place to undertake communication and

information (correspondence, notices, publications), and places where information, advice and support can be found. To this should be added equipment, transport and money. If we are right in thinking that in the future 'work' will constitute an even more important place among the activities of community groups, then an additional primary need will be a place to work. Community centres or complexes then will look less like schools or adult education centres and more like a collection of small working spaces, flexibly planned and constructed with basic equipment and technical resources provided communally. This is not to suggest that educational work or activity should constitute a diminishing feature in the programmes of community groups but rather that the programmes will be a mixture of educational, recreational and productive activities, many of them perhaps becoming difficult to categorise precisely under just one of these three headings.

Combining several workspaces in one building has apparent advantages in terms of shared services and of convenience in cases where raw materials or finished products have to be transported. The trend towards productive activity may also mean that small groups will be able to work in small custom-built workshops or in garages, sheds or private houses. The informal economy has already shown the way. As this mixed use of premises increases and comes more into the open, it will create problems for local planners and the preservers of environmental amenities. Much, possibly most, of the expansion of productive enterprise in private dwellings will be in the form of individual and private ventures, but there could be a similar growth in community enterprise, especially where it is concerned with the production or use of modern micro-chip technology and the type of small computerised machines which can be housed easily and without creating nuisance in private houses.

### **Preparation for employment**

There is widespread dissatisfaction with many aspects of industrial and commercial training in Britain. The British situation, especially as far as young people leaving full-time education is concerned, is frequently unfavourable compared with the education and training systems operating in other industrialised countries.

Rapidly changing patterns of work and employment will provide greater opportunities for and make bolder challenges upon community groups, not only with regard to employment, but also insofar as major changes will be needed in the provision of educational and training opportunities. There are already skill shortages even in certain traditional sectors and skill gaps as traditional jobs are replaced or drastically restructured.

The opportunities for community groups to expand their activities in preparing people for more extended work/leisure occupations of their own choosing are easier to see than what those groups may be able to do in preparing people for new types of paid employment. However, the chances that have been provided by, for example, MSC funding for community based training workshops have begun to show how this could be developed. Compared with training provided on the job in workshop or factory controlled by traditional types of private or public employers, or of training provided in technical schools, colleges and other specialised institutions, community enterprises are unlikely ever to provide more than a very small proportion of training places. However, there could be significant ways in which they might provide a complementary form of training alongside work experience in larger more traditional kinds of workplaces and the more



theoretical learning offered in schools and technical institutions, especially for those with learning disabilities or handicaps who need special assistance to achieve technical and productive capacity. Supplementary and remedial education for young people in the basic skills they will need to function adequately in contemporary society has also proved to be an area in which community based schemes have a peculiarly apt role to play.

### **Professionals and volunteers**

Both words 'professional' and 'volunteer' are ambiguous and there is often confusion as to how they are being used. Thus to be in favour of 'volunteers' in the provision of personal social services is sometimes taken to imply automatically either a distrust of professional expertise or an attack on paid employees in the social services. It should be clear that this is not necessarily so. In the future it will be both possible and desirable that more personal services of all kinds should be provided by local volunteers from community groups and this will result in a more comprehensive and appropriate overall service. This does not imply that there should not also be professionals in the social services, but that they should be differently deployed. This has already started in the so-called 'patch' system which is being used in a number of local authority areas by which teams of social workers are based locally and given overall responsibility for providing social service in their locality or 'patch'\*. There may well be several forms of trial and error which have to be undergone before a satisfactory solution is found; the solution may well not be the same in all areas since the appropriate form of provision will have to fit the geography of the area, the density of the population and the incidence of people requiring the particular service. Two basic considerations will be the maximum decentralization of administration and the devolution to community control, under adequate professional and specialist supervision, of as much as possible of the actual provision of services.

Whether or not local members of community groups who undertake to provide services will continue to be called volunteers or not is uncertain. Some services may be provided by paid or unpaid people or by those who are refunded at least their expenses. Whether or not there is payment, it should not be assumed that being a 'volunteer' thereby does away with the need for appropriate knowledge and skill. As is already happening but so far only on a limited scale, there will have to be widespread provision of learning opportunities in the form of on-the-job training, part-time courses at convenient times, apprenticeships and a combination of many different approaches to training so that more people can learn how to utilise their increased 'free' time in providing a high standard of caring service to their fellow citizens in need. Many community groups came into being precisely in order to meet this demand for mutual caring and welfare. The strength and growth of good neighbour schemes of which over 3000 were identified in England† recently indicates how strongly and pervasively this motivation still exists. But it should not be seen as an attack on professional intervention nor as an alternative to the necessary degree of state provision and direction in the social services.

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\* *Going Local: Neighbourhood Social Services* Hadley and Magrath, Bedford Square Press 1981

† *Action for Care: a Review of Good Neighbourhood Schemes in England* Abrams, Abrams, Humphrey and Snaith The Volunteer Centre 1981

It will however require a readiness on the part of those who promote and administer volunteering to re-assess their work, and in particular to work out together with those who are active both in existing volunteer bodies and in local community groups how the recruitment, matching and training for volunteers can be extended so as to face the possibilities of the future.

## 5. Conclusions and principles

Changing economic, industrial and social patterns, especially over the last 150 years, have elicited a changing pattern of responses, many of them originating through local initiatives. Those initiatives which stemmed from a spirit of philanthropy tended, while localized in the forms of settlements or local bodies for social service, to be focused on welfare issues ranging from provision for the destitute and handicapped to a more positive development of cultural and recreational facilities for all. Mutual aid also starting at the local level gave birth to other strands of labour movements and co-operatives. More recently the concern for community development, especially in the inner city areas, has highlighted the artificiality of trying to deal separately with people's economic and social welfare.

Another topic we have discussed is the changing pattern of the industrial and commercial structures, including the different roles allocated from time to time to the governmental and the private sectors in the production of goods and services.

The long tradition of local community activity in Britain is alive and in ferment. This is true of both the statutory, local government side, and the multitude of voluntary, non-statutory groups and organisations. The ferment takes several forms. There is questioning and uncertainty arising from experiences of community development which involved both large scale governmental intervention and also a rapid growth of professionalism in community work. The economic recession and the resultant questioning and uncertainty about the industrial and commercial future of the country have given impetus to that part of the tradition which was based on beliefs in the local common ownership and co-operative organisation of the means of production and the institutions of consumption.

At the same time, people's attention is increasingly being drawn to the impact of innovation and technological change on all aspects of their lives, and in particular on the future shape of work. This calls in question what realistic meaning can be given to such concepts as the right to work and full employment. Consequently, it calls for the rethinking of the purposes, content and methods of education and training. It gives added significance to the age-old problem of maintaining a balance or creative tension between the effort to develop a 'whole' person and the desire to prepare individuals efficiently for active participation in an industrial or post-industrial society.

Against this background community groups of all kinds face severe constraints whether they are endeavouring to come into being or to stay in existence. A key element which they have in common is that of being conceived and run 'from the grass-roots up' rather than 'from the top down'. This implies major issues of localization, decentralization and accountability. There is also a crisis of identity, that is to say, of the legal, fiscal and charitable status of groups engaging autonomously in a combination of activities which do not readily fit into any of the existing official categories. Local self-help community enterprises, whether they engage in manufacture, in the provision of commercial or welfare service, in educational, cultural or recreational provision, will not replace the established public and private sectors. They can however in steadily increasing measures furnish a valuable and significant complement to those sectors. As such they constitute an important new 'mix' of paid and voluntary work which will present a challenge to financial institutions, organised labour and the more traditional elements of voluntary work as a whole.

From such conclusions we are able to derive some principles and a number of recommendations.

1. Local community groups should be given the maximum autonomy possible and provided with sufficient resources to undertake enterprises which create opportunities for work. These enterprises should include the production of goods and the provision of services of all kinds, including social and educational services.
2. The work of established community groups should not be overlooked because of a pre-occupation with the need to support wholly new ventures. With well-earned reputations for educational, cultural, recreational or welfare activities, and sometimes having premises and strong roots in the locality, such established groups are able to perceive unmet needs and can provide a solid base for the development of community enterprises leading to the creation of jobs and the generation of wealth through production of goods and services.
3. Success or failure of a community enterprise should be measured by its success or failure in achieving its objectives, and not exclusively by whether it makes a financial profit or avoids a loss. It may well be that, as in current commercial and business practice in both the private and public sectors of the economy, the targeted performance for an enterprise actually envisages making a loss, in the interests of some agreed social or other compensatory benefits. Performance targets should be fixed so as to ensure that high work standards are observed with due regard to the competence and capacity of those involved. Among the justifications for lack of profitability might be:
  - a. the enterprise is providing employment for people who if they became or remained unemployed would cost the state about £5,000 pa each;
  - b. the enterprise is preventing physical or mental ill-health, crime or other anti-social behaviour such as vandalism, the cost of which is difficult to quantify;
  - c. the enterprise is helping to avoid or prevent individual/family poverty.The acceptance of this principle—of not accepting financial profitability as the sole criterion—does not remove the obligation on a community enterprise to follow proper financial procedure, to budget and to keep and publish accounts.
4. The acceptance of criteria other than commercial profitability implies that there is public and political agreement on and acceptance of objectives which are felt to be justified even if not profit-making. In particular there has to be agreement on the extent to which the provision of work opportunities and the production of goods and services are acceptable as social costs to be offset by desirable social benefits such as the avoidance of the degradation and alienation caused by unemployment, the maintenance of law and order, an improved quality of life and higher levels of well-being.
5. The devolution of maximum responsibility to local groups involves a high level of risk—risk of financial failure and other kinds of risk including that of failure to satisfy the traditional requirements of accountability for public funds, or failure to obtain a local consensus on the action to be taken. Such risks must be acknowledged and taken. By themselves they are not a sufficient reason for reducing or restricting local autonomy, but risks should be defined in advance, accepted for what they are and contained within acceptable limits.

## 6. Recommendations

Some of the things we propose below are already being done in some places. Where such action is not being taken or is only tentative or at an inadequate level we recommend that it be taken.

Our proposals are of two kinds: first, those addressed to areas of public policy; second, proposals for direct action by the Foundation.

With regard to public policy, we start by addressing those bodies whose commitment we see as a pre-requisite to action; then make suggestions about funding; finally, we indicate ways in which we suggest that community involvement should be extended and strengthened.

### 1 Local government

Local authorities should see that bodies are established and maintained to serve local small-scale enterprises in their area, both traditional small businesses in the private sector and in particular community enterprises. Such a body should comprise an alliance or consortium to include the authority itself, private business, trades council and trade unions, voluntary bodies and the MSC. It would promote and support local community action by providing, itself or in association with other external bodies *inter alia*:

- i assistance and support in the preliminary stages of exploration, promotion and development of community enterprise;
- ii risk capital and credit guarantees;
- iii technical advice on management, marketing, taxation, legal matters, financing etc;
- iv land and premises;
- v political support and 'trouble shooting';
- vi general monitoring of the performance of community enterprises, the setting of standards; and certification or validation in cases where special privileges or exemptions are to be granted (cf Recommendation 13 below);
- vii training facilities and consultancies.

We make this our first recommendation because we believe that the local authority has to be the key—but not the majority—element in the kind of local promotional structure we think essential. And we make it while recognising the considerable difficulties, financial and otherwise, which local authorities are having to face.

The establishment of such a promotional and supportive structure is not a substitute for the creation of local productive enterprises through community groups nor should it be allowed to become a source of bureaucratic constraint or a diversion of resources away from primary productive units. We think that it should provide a comprehensive package of promotional and support services, as, for example: the Highlands and Islands Development Board community co-operative scheme. We do not propose any precise 'model' or set structure, because different local circumstances and relationships give rise to a variety of forms and patterns, with different constituent bodies taking the initiative and playing the role of 'lead agency'. In any such bodies there should be in addition to statutory and formal bodies a broad representation of local

community groups; its proceedings and decisions should be open, visible and accountable to the public.

**2 Central government**

Central government commitment to and support for local community enterprises of all sorts should be increased. Such support from the centre, while not able by itself to ensure practical results at the local level, is a vital component. It could be channelled through a number of existing programmes, including inner city partnerships, small business support schemes, MSC, regional programmes and development agencies. We welcome the experimental scheme for 'enterprise allowances' in three selected areas announced in December 1981 and urge that if it proves satisfactory it should be extended to other areas as soon as possible. We suggest below under Funding a number of additional measures.

**3 Political parties**

We have indicated some of the differences between community enterprises which are small and small businesses in general. Each of the political parties has indicated interest in this approach to economic development. It would be timely, therefore, for each party to review and restate its position on local self-help productive activities by community groups, indicating its commitment and the policy measures it would propose.

**4 Trade unions**

We welcome the initiative taken by TUC Wales in its proposals concerning the role of community and co-operative enterprise in job creation. The trade union movement, both centrally and locally, should undertake as an urgent, even if difficult, task a review of its attitude and policy towards the new patterns of employment which are emerging through community enterprise.

**5 Funding**

We support the proposal made in *Whose Business is Business?* for a special *additional* development fund to be set up for community business ventures. We would wish to see it put at the disposal of local bodies such as are proposed in Recommendation 1, rather than itself engage nationally or through regional offices in the direct promotion or administration of local enterprises.

6 Public bodies with funds at their disposal such as CoSIRA and regional development agencies should be permitted to make them available as grants and/or loans at low rates of interest for the promotion and support of community enterprises.

7 Special incentives in the form of tax concessions or deductability should be considered to encourage more private business corporations to strengthen the local money cycle by supporting local self-help productive ventures, through grants, loans, credit guarantees, secondment of personnel and technical advice and assistance.

8 Bodies whether governmental or from the private sector of industry and commerce, should adapt their funding practices and requirements to the needs and realities of the funding of community productive groups. This would mean, inter alia, that they should take account of the considerable

time needed to establish and develop economic activities through community enterprise and the need for any such enterprise to have assured financial provision for more than 12 months at a time.

- 9 Local authorities should establish a fund to be used for community enterprise promotion. This could be done by allocating revenue for this purpose and/or by using their discretionary powers (under Section 137 of the 1972 Local Government Act or Section 83 of the 1974 Local Government (Scotland) Act) by which they may raise a rate of up to 2p and utilize it for community benefit. Indeed the limit of such a rate might well be raised above the 2p fixed in 1972 and 1974 respectively. They should consult with other local and concerned bodies including private sectors, trusts and foundations, with a view to establishing a system of matching grants or other forms of cost-sharing to aid and support local community enterprise.

#### 10 **Community involvement**

To the greatest extent possible, local self-help groups and community enterprises should benefit from contracts and other undertakings paid for by government expenditures, whether from central or local authorities. This should apply not only for such purposes as environment and recreational facilities, but also general land and property maintenance, the rehabilitation, improvement and maintenance of housing and the provision of general supplies where this can be done on economic terms. When appropriate, eg for housing improvement, financial allocation could be made to individual householders, local tenants or other community groups so that they might choose from a list of approved local enterprises capable of undertaking the work to be done.

- 11 Local authorities should see in self-help community groups allies and agents to assist in the discharge of their statutory duties in health, education and the personal social services. These services should to the greatest extent possible be seen and run as a community based and community controlled productive activity. The authorities should allocate funds for the strengthening of community groups so that they can provide for themselves the maximum amount of services to meet their own needs: specialist and other external intervention should be seen as supplementing the community provided services and supplying technical aid where it is not available from local resources, rather than vice versa.
- 12 There should be more education, training and research directly applicable to the situations and needs of community groups. Funds for this should be made available to the groups themselves so that they might undertake it themselves or enter into consultation with the appropriate educational institution (university, polytechnic, adult education centre, WEA, professional institution etc) and commission it to provide the service required.
- 13 Constraints on individuals' participation in local community enterprise should be reduced and where possible wholly removed. This should apply whether such participation is full-time or part-time, paid, unpaid or semi-paid, eg 'sweat equity' that is working for little or no remuneration in order to build up a share of a viable business. We foresee the necessity of eventual measures to ensure a basic income for all, eg through some form of tax credit schemes or by other devices. Until that time, however, new and clear-cut regulations

are required to raise the earnings limit and to enable bona fide volunteers in local community enterprises to maintain their eligibility for social security benefits even if they are not always 'available for work' and even if they may be earning incidental income and expenses. The community benefit that could be gained from such an approach would be greater than the cost of possible abuse. Such an approach might i. be first introduced with regard to young people and those unemployed for a long time as an extension of existing programmes for them; ii. require some form of 'validation' to reduce possibilities of abuse (cf Recommendation 1).

- 14 Changing patterns of and attitudes to work and leisure, and in particular high levels of unemployment, have important implications for bodies which recruit and utilize volunteers or seek to stimulate volunteering. Such bodies should systematically explore at both national and local levels what these implications are or are likely to be in the near future and consequently in what ways their current policies and practices may need to be changed.
- 15 It is a clear implication of several of the recommendations made that there should be people available who have the time and skills required to promote and develop community activities of the kind we have described. We have in mind experienced local people with the ability to gain the acceptance and cooperation of their fellow residents. Such local people will require incentives and opportunities to broaden their experience and skills. Training should be provided on the job and through in-service courses. The subject matter should include marketing, management and entrepreneurial skills as well as social welfare and community organisation: consultants with relevant experience in these fields should be made available through the alliance suggested in Recommendation 1.

The recommendations for action, which were addressed in the first instance to the Calouste Gulbenkian Foundation, are by no means confined to that or any other foundation. Both private and public institutions should be involved in seeking to:

- a Initiate a review of the consequences and administrative implications of decentralization and accountability in public administration, such as we have suggested in relation to central and local government funding of local community enterprise. This should include consideration of the role of local auditors and cover a number of legal aspects.
- b Initiate a review of the situation of community and other self-help groups vis à vis company law, charity law and fiscal regulations. We understand that the Foundation may be involved in enquiries into other aspects of charity law, eg community radio and also into the relevance and application of the law in general. We think that a review on the limited scale we suggest here is both an urgent and a comprehensible task.
- c Commission or encourage the production of radio and television programmes to popularise community and co-operative enterprises. One way to do this would be to get episodes written into popular serial programmes such as Coronation Street or The Archers. The BBC and commercial broadcasting interests especially Channel 4 should be approached to explore how the subject could be put forward before the largest possible audiences of the 'unconverted'.



- d Make resources and information available for local consortia of community groups to enter into negotiation with local authorities, development corporations and private industry concerning the establishment of local alliances which really meet their situations and needs. Local community groups may find it useful to have a part-time or full-time person available for a limited period to help them prepare their side of the picture before entering into the kinds of alliances which have been suggested both by ourselves in Recommendation 1 above and by the MSC. In some instances MSC may be prepared to pay for such a person under the CEP but the Foundation may have a role in providing supplementary support or in helping to get the idea better known and the opportunity taken.
  
- e Make pump-priming resources available for local alliances and community groups and in particular those facing situations of racial discrimination and deprivation:
  - i. to commission a 'resource person' to help them establish or strengthen their own self-help provision;
  - ii. to commission from an appropriate educational or research body of their own choice training or research tailored to their own requirements, priority should be given to innovative approaches to training including mobile or peripatetic schemes.
  
- f Make resources available to support and evaluate initiatives and schemes whereby:
  - i information and skills relevant to running a business (market research, production research, financial management, tax and legal questions) can be made available to members of community groups;
  - ii acceptable criteria for community enterprises other than profit-making can be established as well as ways of estimating them;
  - iii local representatives of industry and commerce can be informed and 'sensitized' about the specific needs of community enterprises;
  - iv the need for and implications of basic income maintenance are more clearly understood;
  - v there is greater understanding of the workings of a 'local economy' and the potential value of recycling profits locally;
  - vi there is greater understanding of the principles and practice of social accounting, especially in relation to costs of unemployment;
  - vii a number of selected community enterprises shall be monitored over a period of years (3-5) with a view to the publication of case studies.

## **Appendix A**

### **Terms of reference of the Working Party**

- 1 Urgent consideration of the philosophy, underlying principles and framework needed to promote entrepreneurial activities by community self-help groups in developing collective local productive activity (including non-economic production such as community service and voluntary contribution to leisure-time activity); and to explore the future relationship and changing values of work and leisure from the perspective of self-help community groups in deprived areas.
- 2 Exploring the implications of (1) in terms of markets, technologies, resources, structures and other factors presenting opportunities and constraints.
- 3 Definition of political strategies arising from the above, with particular reference to community self-help groups' immediate needs and the development of their own resources for meeting those needs, supplemented by the contribution of relevant external resource-providers.

## **Appendix B**

### **Legal structures**

*Whose Business is Business?*, a report of the Community Business Ventures Unit published by the Calouste Gulbenkian Foundation in 1981, was based on an examination of some 40 community enterprises operating or being planned in Britain and on more detailed case studies of 11 of them. The report also contains lists of government departments, private institutions, and national agencies together with details of the services they provide for community enterprises. The following table, reproduced from *Whose Business is Business?*, gives the main features of the various legal structures which have been adopted by the enterprises listed in the report.

Table 2, Chapter 4 of *Whose business is business?* (pages 42–45)

Model	Objects	Membership	Management	Profits	Problems re CBVs/Advantages
<p>CO-OPERATIVE UNION</p> <p>General Rules for an Indus. and Provident Society</p>	<p>Retail, Service, provision, manufacturer, producer, grower of any goods</p> <p>Societies using these Model Rules must become members of the Co-operative Union</p>	<p>Membership is open to anyone over 16, holding at least one £1 share. Societies may take shares. No individual member may have more than £1,000 shares. Each society may stipulate a minimum no. of shares required for membership. In addition an application fee can be designated. The total value of the shares taken does not need to be paid fully at once. All members have one vote regardless of the no. of shares held</p>	<p>The Annual meeting shall appoint the directors and fix their remuneration. The meeting shall have a chairman who does not vote unless a casting vote is necessary. A director must be a member of the society. The manager and secretary of the society are responsible to the Directors. Special rules must be made to allow employees to become directors. However, no more than 2 employees may serve on the Board at any one time</p>	<p>The profits are to be applied as follows:</p> <ol style="list-style-type: none"> <li>payment of interest on share capital</li> <li>A reserve fund for the society</li> <li>A sum for the promotion of education, culture or recreation</li> <li>Subscriptions to the funds of the Co-op Party</li> <li>A dividend on the value of purchases from the society to members and if desired non-members</li> </ol>	<p>ADVANTAGES:</p> <ol style="list-style-type: none"> <li>Membership not restricted to workers</li> <li>The value of a share is £1, but a society may stipulate a requirement of more than 1 share for membership</li> <li>If a minimum is set above £1, it need not be paid at once</li> <li>The Council can only be made up of members</li> </ol> <p>DISADVANTAGES:</p> <ol style="list-style-type: none"> <li>Rules develop for co-op retail societies; application of profits includes dividend to consumers</li> <li>Subscription to Co-op Party will deter some potential users</li> <li>The promotion of education/culture/recreation could be very limiting - no mention of more general Community Benefit which cannot be seen as one of education/culture/recreation</li> </ol>
<p>CO-OPERATIVE UNION</p> <p>Societies formed for the benefit of the community</p> <p>Model Rules are awaiting formal agreement from The Registrar of Friendly Societies.</p> <p>The Skelmersdale co-ops pioneered these rules and are registered using them</p>	<ol style="list-style-type: none"> <li>To engage in Trade, to promote employment in its area of operations and to reduce unemployment</li> <li>The Society shall carry on the business of manufacturer/producer/cultivator/wholesaler/retailer ...</li> <li>The Society shall not trade for profit</li> </ol>	<p>Membership is open to bodies with similar interests, and employees of these bodies. Corporate members shall be required to hold at least 5 x £1 shares and may apply for more. Individual members shall hold one £1 share only. Shares shall hold no right to interest, dividend or bonus</p>	<p>The AGM will elect the Committee which will be made up of 4 employees and 4 members of the Holding Company (in Skelmersdale there was the Assn of N Western Worker Industries Ltd). The Chairman shall be appointed from the Committeemen rep' the Holding Company (ANWWI) and shall have a casting vote. The Committee may co-opt for any period non-members and members to serve on the committee who will have a vote. No more than 3 at any one time</p>	<ol style="list-style-type: none"> <li>The Society may estab. any fund or scheme based on productivity whereby it can make payments in addition to wages and salaries to all or any of the categories employed by it.</li> <li>Where the surplus of business carried on in a year including all grants from govt or other agencies does not exceed such grants - any surplus shall be transferred to the Holding Co</li> <li>Where the surplus does exceed the total of such grants, an amount equal to the total of such grants shall be transferred to the Holding Company</li> <li>The net surplus (after b&amp;c above) shall be applied one half to be retained and kept in reserve and one half to go to the Holding Co.</li> <li>If a society is dissolved the surplus, after all debts and liabilities are paid is to go to the Holding Company.</li> </ol>	<p>The Model Rules refer to each individual society fostered by a 'Holding Company'. The composition of the Holding Co. which could involve all the interests necessary to support a CBV is not discussed</p> <p>However, membership of the Societies is open to a wide variety of interests via corporate body membership. Individual membership is not limited to workers, nor is there a geographical restriction on membership</p>

Model	Objects	Membership	Management	Profits	Problems re CBVs/Advantages
<p>ICOM RULES FOR I&amp;PS ACT 1965-1978</p> <p>Workers Co-operative (Friendly Society)</p> <p>(see Kennington)</p>	<p>Covers manufacturing and/or selling and/or providing service</p> <p>Also states that the Society has social objectives in addition to commercial ones. It is concerned with the 'physical', 'mental' and 'spiritual' well-being of its members and the wider community</p>	<p>The basic common ownership principle is that the enterprise is controlled and owned by the people working in it. In order to register for a certificate under ICO Act all members must be workers. Anyone working in the co-op whether f.t. or p.t. or voluntary are eligible for m'ship if they are over 18. To obtain reg under ICO Act, more than half people working in co-op must be members. Each member may hold only one share, without dividend and non-transferable share-membership ticket.</p> <p>Each co-op must decide whether it wants contributions from members in loans and/or shares</p>	<p>The Co-op must have a committee of not less than 5 nor more than 19—with these numbers committees and the general meeting can be the same. Above 20 a representative structure is recommended. Only members may vote, but it is possible to invite non-members to join in an advisory capacity. The Committee is also responsible for the appointment of managers. Ultimate control lies with the members in the general meeting and committees and managers are given discretionary powers to do a job</p>	<p>The General Meeting will decide the proportional split between the following 3 areas to which profits must be applied</p> <ol style="list-style-type: none"> <li>1. A reserve for the continuation and development of the co-operative</li> <li>2. A bonus to members</li> <li>3. Payment to social and charitable objectives</li> </ol>	<ol style="list-style-type: none"> <li>1. Non-registration under ICO Act prevents application for ICO funds</li> <li>2. Membership limited to workers if ICO Cert required—limiting if does not want or does not need 7 workers in early stages</li> <li>3. Non workers (non-members) may advise, but not vote</li> <li>4. The lack of membership (with votes) from the community may overlook the needs of the community as intended by CBVs</li> <li>5. Membership is only open to workers except for the founding members—who may only resign, they cannot be removed or replaced</li> </ol>
<p>ICOM MEMORANDUM &amp; ARTICLES OF ASSOCIATION</p> <p>Company Ltd. by Guarantee and without share capital</p> <p>Workers Co-operative (Company)</p>	<p>In addition to the commercial objectives of the Company is a clause stating a commitment to support the concept of Common Ownership in Industry and Commerce and to support the industrial and Common Ownership Movement. In carrying out its objectives the Company will consider the 'physical, mental and spiritual' well-being of those who are employed by the Co or others generally in need</p> <p>In the event of dissolution, after debts/liabilities are satisfied, then any balance of assets must be transferred to other common ownerships with compatible objectives or charitable purposes</p>	<p>The maximum liability is £1.</p> <p>Members may contribute via loan stock</p> <p>Only employees of the company may be members. No member has more than one vote</p>	<p>A General Council between 3-20 people will be elected at the AGM. Only members of the Company may be elected to the Council. Outsiders may be invited to attend general meetings. The General Council is the main management body of the Company. It may delegate its powers to any sub-committee</p>	<p>The income and property of the Co are solely for the promotion of its objectives. No portion is to be paid to the members except wages, bonuses and expenses incurred for the Company.</p> <p>The General Meeting shall decide the proportion for the allocation of profit in the following 3 ways:</p> <ol style="list-style-type: none"> <li>1. A general reserve for the continuation and development of the company</li> <li>2. A bonus to members</li> <li>3. To make payments to social and charitable objects and to support the ICO Movement</li> </ol>	<p>Co's registered using ICOM Mem &amp; Arts are eligible to apply for a certificate under Industrial and Common Ownership Act</p> <p>Problems outlined for ICOM Co-ops are also relevant to ICOM Companies</p> <p>The ADVANTAGES of a company over a co-op are:</p> <ol style="list-style-type: none"> <li>a. only need 2 not 7 members to register</li> <li>b. borrowing may be easier</li> </ol> <p>The DISADVANTAGES of a company over a co-op are:</p> <ol style="list-style-type: none"> <li>a. taxes on profits above £80,000 are paid at a higher rate</li> </ol>

Model	Objects	Membership	Management	Profits	Problems for CBVs/Advantages
<p>NEIGHBOURHOOD CO-OPERATIVES</p> <p>CDA MODEL RULES</p>	<p>The rules refer to trades/ industries or businesses to be carried on for the benefit of members—or any services which members deem necessary</p> <p>There is no specific reference to social objectives, except that the objects must be for the benefit of members—therefore, presumably social objectives could be included. Or—the services described could be of community benefit</p>	<p>Membership is for f.t. and p.t. employees and others who reside in the neighbourhood and give occasional help</p> <p>Members must be over 16. Shares are limited to one per member and are a nominal value of £1. Co-operatives may make loans from potential members a condition of membership</p>	<p>There will be a committee of between 3 and 9 members elected at the AGM. Only members may be elected. The Committee may exercise all such powers as may be exercised by the Society</p>	<p>Profits are to be applied:</p> <ol style="list-style-type: none"> <li>to a reserve for the continuation of the Society</li> <li>to a bonus for f.t. and p.t. employees</li> <li>to the estb of other neighbourhood co-ops or</li> <li>to a charity</li> </ol> <p>The proportions to be detailed by the General Meeting</p>	<p>PROBLEMS</p> <ol style="list-style-type: none"> <li>There may be a problem over the definition of a 'neighbourhood'—how wide an area can this cover. It prevents use by 'communities of interest' as opposed to 'communities of a geographical area'.</li> <li>The distribution of profits presents the same problems as under ICOM Model Rules—Can 'community benefit' as per CBV principles be considered charitable?</li> <li>'Experts' living outside the area can only be members if they accept nominal remuneration and thereby become 'workers' in the co-op</li> </ol> <p>ADVANTAGES</p> <ol style="list-style-type: none"> <li>Membership is not just for paid workers, but for others from the community who wish to help</li> </ol>
<p>COMMUNITY CO-OPERATIVES</p> <p>HIDB MODEL RULES</p>	<p>The objects are to carry on virtually any activity designated to be for the benefit of the members</p>	<p>Membership is open to those over 18 who now or did reside in the community served by the Co-op, and the HIDB and any other corporate body if decided by a general meeting. Members must have at least one share the value of which is set by each co-op and may be paid in instalments if the co-op chooses.</p> <p>Each member has one vote</p>	<p>Each Co-op will have a Management Committee of between 5-15 members. The members of the first M.C. shall be the subscribers of the application for registration. Subsequent committees to be elected at AGMs. The M.C. exercises all powers not required to be exercised in an AGM. Only members of the Co-op may be on the M.C.</p>	<p>Profits are to be applied:</p> <ol style="list-style-type: none"> <li>to a general reserve for the continuation and development of the co-operative</li> <li>Paying interest on paid-up share capital</li> <li>Paying a bonus to members in proportion to the business transactions by them with the Co-operative at rates and terms dictated by the General Meeting</li> <li>Social and Charitable objects</li> </ol> <p>The proportion and manner of the distribution of profits shall be decided by the General Meeting</p>	<p>ADVANTAGES</p> <ol style="list-style-type: none"> <li>There is a clear reference to 'Community' in the membership rules unlike other models</li> <li>In the disbursement of profits—'social' is added to charitable thereby avoiding any arguments over the interpretation of 'Charitable'</li> <li>Corporate bodies, such as L.A.s or companies, can be members</li> </ol> <p>DISADVANTAGES</p> <ol style="list-style-type: none"> <li>The HIDB is unlikely to act as a sponsoring body for schemes outside its area. However, the potential exists for re-registering the model or even copying it and deleting any reference to the HIDB</li> </ol>

Model	Objects	Membership	Management	Profits	Problems/Advantages for CBVs
GOVAN ENTERPRISES	No expenditure of income will be made which is not wholly charitable	Anyone resident/working in Govan is eligible. Non-residents/workers can be nominated by 2 members-- this category must not exceed 50% of total membership	There will be a minimum of 4 and a maximum of 20 member directors and 4 co-opted directors. Co-opted Directors cannot be employees. The entire business of the company shall be managed by the Board except for any activities that can only be exercised by the company in a general meeting. The Board has the power to appoint and remove paid employees. Employees are to nominate representatives to the Board. They can only speak/advise and have no vote	There can be no distribution of profits amongst members of the company and on dissolution then remaining assets must be given or transferred to another charitable organisation with similar objectives	This example is the same as the Wolverhampton constitution. The Govan model has already been registered in Scotland. Wolverhampton is yet to be submitted to the Registrar for England and Wales
MEM & ARTS	1. The relief of poverty by the alleviation of unemployment principally for the residents of Govan	No employee may become a member			
CO LTD BY GUARANTEE without share capital	2. To provide or assist the provision of training opportunities for residents	All members will pay an annual subscription, the amount will be decided by the Board of Directors, but will not exceed £10 unless the consent of a general meeting is obtained.		The income and property of the Company shall be applied only to the promotion of the objects of the company and there will be no dividend or bonus to the members of the Company	
REGISTERED IN SCOTLAND	3. To carry on business in manufacturing/construction, re-cycling and service industries, to further the above objects	Members have only one vote. The convenor of any meeting shall not have a second/casting vote			
A multifunctional community company	4. To borrow and raise money for the purpose of the company				
	5. To print/publish any newspapers, periodicals, books or leaflets necessary for the promotion of its objects				
	6. To take any necessary steps to secure funds for the company				

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