

4 Finland

Labour co-operatives as an innovative response to unemployment

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Introduction

In this chapter, we will focus mainly on the new co-operative social enterprises active in the field of work integration. We will thus only briefly mention the more traditional (in the Finnish context) social enterprises, such as workshops and sheltered workshops, which emerged in the country after the Second World War, in order to bring people affected by the war back to the labour market and to normal life.

Finnish society has, especially since the Second World War, concentrated its efforts on the building industries such as the wood and metal industries. At the same time, the country developed a welfare state in which public institutions played a central and overwhelming role. The municipalities, in particular, have had – and still have – a key role in providing social and welfare services. This policy has been unanimously backed by the various social associations and political parties. As a result, the third sector in general, and social enterprises in particular, have played only a minor role as employers in Finland. Local initiatives, voluntary organisations or social economy solutions have had practically no involvement in organising welfare services, except in a few sectors such as services for war veterans and people with disabilities. Today, about 3 to 4 per cent of the total employment is organised by associations, and if we also take into account co-operatives and mutuals, the rate rises to about 6 to 8 per cent.

Full employment has been a general feature of the labour market from the 1950s. This was helped by emigration to Sweden and other more industrialised countries from the 1950s to the early 1970s. The state has traditionally been responsible for employment policies, and the Ministry of Labour has labour agencies in almost every municipality.

National regulation of the labour market and a comprehensive social policy encouraged and made possible the steady growth of the Finnish national economy. These measures were also instrumental in significantly increasing the welfare level of citizens. Labour-market policy was seen as an integral part of economic policy.

The welfare state continues to provide good educational opportunities regardless of family wealth, free or almost free healthcare and good social security for

all citizens. The welfare state has made it possible to increase the quality of the labour force and to achieve high standards of living and general education.

However, the deregulation of national economic policy changed the situation. The shift to more global markets and deregulation in the past ten years, together with mass unemployment in the early 1990s, have resulted in a shift in labour-market policy. The former policy has become ineffective; it sometimes produces results contrary to its objectives of encouraging economic growth and promoting social welfare (Koistinen 1996: 17–20).

In the early 1990s, the unemployment rate reached a peak, at about 20 per cent. Depending on the source, it was estimated that between 100,000 and 200,000 unemployed would become long-term unemployed during the late 1990s and thus no longer be eligible for the reasonably good unemployment benefits provided by the state.

Over the period 1987 to 1993, atypical employment forms, such as temporary jobs and part-time work, markedly increased. In 1993, every third new job was a part-time job. In the same year, three-quarters of new jobs were temporary, and only 20 per cent of the new jobs were traditional, permanent full-time jobs (Parjanne 1997). Mass unemployment problems in the first half of the 1990s have resulted in a rapid development of private local initiatives in employment creation.

In public discussion, co-operatives and other enterprises with democratic, equal and common ownership are not often seen as being part of the third sector or of the social economy. This view has deep roots in Finnish history, where the large agricultural and consumer co-operatives and mutual insurance companies have always been seen as private firms, rather than as a part of the social economy. Associations are traditionally seen as representatives of various citizen groups and not as active entities in the economic or social sectors.

1 Co-operative social enterprises in work integration

In this section, we will briefly describe different types of co-operative social enterprises active in the field of work integration, while in the next section, we will focus on one particular type – labour co-operatives – which we will describe in more detail.

Co-operatives and social enterprises for the disabled

The hundreds of protected (sheltered) workshops for disabled people organised by the associations for the disabled can be considered as a traditional way of trying to integrate mentally or physically disabled people into work situations or to achieve rehabilitation through work. The sheltered workshop movement has existed for decades. There are also four Fountain House clubhouses for persons with mental health disabilities offering work-like activities and/or transitional jobs.

Nowadays, various associations of persons with mental or psychiatric disabilities are establishing co-operatives or other social enterprises in the field of work

integration. New social co-operatives have been created, and some of the traditional workshops or sheltered workshops are in the process of transforming themselves into actual businesses that are trying to finance their own functions to a larger extent. In many cases, this is due to the fact that regulations concerning state aid for rehabilitation have changed, so that a person can now receive state aid for rehabilitation only for a restricted period of time. In many municipalities, this means that the workshops can no longer receive state aid for their regular workers who are physically or mentally disabled.

In 1997, such social enterprises were employing 153 persons who were at risk of being excluded from normal work contracts, and 946 persons in workshops. The projects managed by these associations and foundations employed an additional 343 persons at risk of being excluded from labour markets.

An example of these co-operatives is *Osuuskunta Järvenpään Oma Oksa* (Co-operative Own Branch), in Järvenpää municipality, thirty kilometres north of Helsinki, which is working as a subcontractor, assembling and packing products in the plastic and chemical industries, and is also running a laundry. This co-operative originated in an old sheltered workshop that was to be closed down. It now consists of eight workers – five of whom are mentally disabled – and three other members: the municipality, the local association for the mentally disabled and a local worker co-operative. According to the manager, the five mentally disabled members greatly improved their capacity to work after the sheltered workshop was turned into a co-operative owned by the workers and other interested parties. The financial results are also improving and it is estimated that the co-operative will be self-sufficient in the near future. There are even pressures to have new and larger premises for its expanding activities.

Social workshops and Local Associations for the Unemployed

The number of social workshops for the young unemployed has risen from 60 to 350 in the last four years (Andersson 1997). Some of these are organised by associations. About 300 workshops are members of the Finnish Workshop Association. These workshops provide a half-year experience of work, in areas such as arts and crafts, repairing cars and motorbikes, and in woodworking.

There are about 350 (of which 250 are registered) Local Associations for the Unemployed in Finland. These are local initiatives deriving from the needs of the unemployed for information, social connections and further education. The Associations have established a nationwide central association, called 'VTY'. The associations for the unemployed provide one example of the new types of citizen action and self-help reintegration in Finland. It appears very important for these associations to advance their members' working skills by training them for the contemporary labour market. For example, one course offered by one of these associations aims at the improvement of their members' language and computer skills. Most instructors are volunteers, but some teachers and paid employees (often a manager and a secretary) are hired with a state subsidy. This subsidy is paid by the local employment office for people who have been unem-

ployed for more than one year. Usually, the contracts are made for a minimum of six months.

To advance and maintain the social, physical and mental condition of the unemployed, some of the associations act as a form of self-help and mutual aid. For the unemployed, the opportunity to meet and interact with other people in a similar life situation in order to share ideas, experiences and information appears to be really meaningful. Giving and receiving support also strengthens the members' self-confidence and identity. New social contacts can bring new friends or even job opportunities. In addition, many associations offer possibilities to participate in sports and handiwork. Premises are often provided free of charge by local parishes or municipalities. Low-priced meals are served by the unemployed themselves.

Some of the associations for the unemployed arrange courses on issues such as 'how to apply for a job' or 'how to start a co-operative or a private enterprise'. These courses and seminars are usually arranged free of charge or for a minimal fee to members. Most of the inputs to activities in these associations are provided by volunteers; usually, there are only one to three subsidised employees. The associations are not self-sufficient enough to employ staff without subsidies (Pättiniemi and Nylund 1997).

An example of how associations can develop different work-integration activities is illustrated here by the work of the *Hyvä Arki* Group ('Good Everyday Life'). The *Hyvä Arki* Group consists of three different enterprises: the *Hyvä Arki* Association; the *Hyvä Arki* Services Co-operative; and a biological food retail co-operative, *Hyvä Arki*. The *Hyvä Arki* Association is an association with a social purpose. It arranges activities including discussion groups, training courses, working in workshops, and preparation of cheap meals, to involve the long-term unemployed. It also arranges short-term 'training' jobs for the unemployed. The aim of the *Hyvä Arki* Services Co-operative is to sell proximity services, such as home cleaning or preparing and serving inexpensive lunches for the elderly; to hire out workers to municipalities and big companies in the region; as well as to repair apartments and houses of private citizens, using primarily the labour of the unemployed. The activities of the *Hyvä Arki* Association and Services Co-operative form pathways from unemployment and social exclusion to working life. The excluded persons can informally train in the basics skills of working life through the activities of the Association, and can then be employed for a longer period in one of the real jobs of the Co-operative.

About 3,500 persons take part annually in the activities of the Association, which employs twenty persons full-time. The Co-operative employs about forty persons on a full-time basis and it offers job opportunities to an additional 110 persons for a longer or a shorter period annually. The short experience of the *Hyvä Arki* Services Co-operative (established in spring 1997) shows that it is possible for the groups which have the most difficulties in integrating themselves in work, to find jobs. The co-operative is run professionally; it markets its services to key clients and actively arranges vocational training for its workers as well as pre-job training for the excluded persons to whom it intends to offer jobs. Its work

is widely respected by Espoo City and the other municipalities that use its services.

Housing associations and estate co-operatives

Some organisations for the unemployed also address their housing problems. *Sirkkulan puisto yhteisö* (Sirkkula Park Community Association) is an experiment in associative housing and work integration for excluded groups. The community tries to integrate people with severe alcohol problems into work and into society. The people in the community have built good homes for themselves and they have various kinds of workshops where the members produce (mainly hand-made) goods for sale on the market.

In some suburbs there is a movement to form estate co-operatives. Three co-operatives of this type have already been set up and new projects are under development. These co-operatives were formed by unemployed residents, landlords, volunteers and voluntary associations working in the estates. In some cases, municipalities and Lutheran parishes are also actively involved as members. Usually, estate co-operatives operate in the fields of housing improvement, public space development and proximity services (mainly childcare). Clients are primarily landlords and the municipality.

Village co-operatives

In the countryside, some village societies or voluntary committees (about 3,300 in number) have taken the initiative to create village co-operatives. Frequently, village co-operatives are formed by the majority of villagers, together with the associations working in the villages, to improve and develop the village in general. Some of the main goals are to secure services such as local shops, post offices, banking services, primary schools and social services (Hyyryläinen 1994). Village societies are increasingly producing social welfare and healthcare services and are proceeding to employ unemployed villagers. Information about the employment effects of these initiatives is not yet available.

2 Labour co-operatives – a self-help answer to unemployment

The emergence of the labour co-operative movement and its relation to other worker co-operatives

The first wave of worker co-operatives appeared at the beginning of the century in the transportation and construction work sectors, while the second wave came in the same sectors after the Second World War. The worker co-operatives of the third wave were a self-help solution to the mass unemployment of the early 1990s. A new feature of the 1990s development is that worker co-operatives have

emerged in new sectors, especially in knowledge-intensive areas like training, consulting and planning.

About half of the 350 worker co-operatives established after 1987 can be considered as traditional co-operatives. They work in one or two industrial sectors, and their ideas are mostly related to services for businesses or private households (Pättiniemi 1998). The other half of the worker co-operatives consists of multi-sectoral worker co-operatives and labour (or work) co-operatives. These co-operatives are formed mainly by unemployed people willing to re-enter the labour market after a period of unemployment. The idea of labour co-operatives is to rent out or lease their members' labour to other companies or to households. The labour co-operatives differ from other worker co-operatives in that the members are not permanently employed by the co-operative. There are times when a member is employed by the co-operative and times when he/she is not employed and is receiving unemployment benefits from the state. Finnish multi-sectoral worker co-operatives and labour co-operatives resemble more closely social co-operatives in work integration than 'genuine' worker co-operatives.

The first labour co-operative was established in autumn 1993 in Kirkkonummi, a municipality 35 km west of Helsinki. The establishment of the *Työsosuuskunta Uudenmaan Aktio* (Labour Co-operative, in Uusimaa country) was initiated by the Local Association for the Unemployed earlier in the same year.

The Local Association for the Unemployed (see section on Social workshops and Local Associations for the Unemployed above) had experimented with how they could find temporary or permanent jobs for their members. They advertised the willingness of their members to do temporary work. They also placed a notice board in their office, where the companies or private households that needed workers could put their notices. The experiment was successful. However, there were some problems insofar as the notes from private persons or enterprises offering jobs often disappeared from the notice board, and some jobs that were offered were from the black economy. The association then called a meeting of members, in order to discuss possible ways to avoid these problems. On the agenda there was also a suggestion to establish a co-operative whose aim would be to arrange temporary working opportunities for the association members. The co-operative would rent its members work time to households or companies needing temporary or permanent labour. The co-operative would also take care of the essential employer's duties, such as paying the worker's taxes, value added taxes, social security benefits and so on. The association's members decided to back up the idea. The co-operative held its founding meeting in November 1993, and it began its activities after its registration in the same year (Suominen 1995).

The establishment of *Aktio* received wide publicity and a very positive response from the media. Soon afterwards, other Local Associations for the Unemployed convened similar meetings or, alternatively, backed up the establishment of similar labour co-operatives.

Over the years 1994 to 1996, many labour co-operatives were formed on the

Table 4.1 Development of worker and labour co-operatives in Finland, 1993–1998

Year	Number of worker co-operatives	Of which labour co-operatives
1993	23	1
1994	50	17
1995	80	40
1996	163	65
1997	257	130
1998	350	190

Source: *Uusosuustoimintaprojekti* (1998)

initiative of, and with the help of the Local Associations for the Unemployed. At the beginning, labour co-operatives were concentrated in the cities, but today there are more and more of them in the small country towns and villages (Pättiniemi 1997). The number of labour co-operatives has risen from one in 1993 to about 190 in 1998 (see Table 4.1).

The social and economic goals of labour co-operatives

The explicit aim (mentioned in the statutes) of labour co-operatives is to promote the economic and social well-being of their members by offering them work opportunities. They aim at employing their members full time by hiring out their labour to other employers. However, part-time and temporary working opportunities are also welcome. In practice, part-time or temporary work increases the possibilities of getting a permanent, full-time job. It also means that the member's contact with the labour markets and his/her ability to work is maintained.

Some of the labour co-operatives have additional social goals. For example, they may select from two competent members for a particular job, the one with the greater social need for it (Pättiniemi 1995). Karjalainen found in his research that about 10 per cent of the worker co-operatives in Finland (especially the smaller ones) have this kind of additional goal (Karjalainen 1996). Many of the labour co-operatives have also arranged training opportunities for their members. Sometimes, it is even provided for in the statutes that surplus revenue should be used for the training and education of members. A couple of labour co-operatives define their goals in terms of benefits for the community in which they are operating.

All labour co-operatives agree that, while employing their members themselves is not really important, it is necessary to offer them employment opportunities and to help them enter the labour market. This aim can just as well be attained by helping them to be employed directly by other companies. It is regarded as a good result if a member is employed full-time outside the co-operative and therefore leaves the membership. In fact, a couple of the labour co-operatives have already ceased their activities because practically all the members had been employed directly by other companies.

Some labour co-operatives also consider themselves as training providers,

where the members can develop their own business ideas and plans, test them and later, if the plans are viable, begin their own businesses as independent entrepreneurs (Karjalainen 1996). The Finnish authorities and employer organisations consider labour co-operatives as a good path or channel through which members can become conventional private entrepreneurs (Karjalainen *et al.* 1998).

Labour co-operatives provide their members with new relations and a functioning community where they can discuss their problems and solve them by mutual self-help. In this way, labour co-operatives help their members overcome the mental and social consequences of unemployment. A recent study concerning one labour co-operative based in Helsinki, found that the majority of the members considered that attending the co-operative meetings and doing non-paid work helped them mentally and socially while unemployed (Eloaho and Koivuniemi 1997).

Labour co-operatives are a new kind of economic self-help organisation, in which not only the economic goals but also the social aims are important. It can thus be said that a new kind of social solidarity is being formed.

In what sectors are labour co-operatives operating?

Most labour co-operatives are operating multi-sectorally. About 60 per cent of them offer their services in construction and office work – the two sectors that have been most affected by the recession. About 40 per cent also offer computer or data services, while 30 per cent offer the services of accounting, cleaning, social services, training, metal work, textile work and maintenance of premises (Karjalainen 1996).

Representatives of business in Southern Finland estimate that co-operative solutions work best in social services; in work integration; in services provided to other enterprises; in training and consulting services; in the renovation of public spaces and, on a small scale, in other construction services (Karjalainen *et al.* 1998).

Who are the founders of labour co-operatives?

Labour co-operatives are typically established by people who have been unemployed for one to two years. Two-thirds of the members are between thirty-six and forty-five years old. Generally, people of this age group have considerable experience of working life and some old contacts with the companies they have worked for in the past. These contacts can make it easier for the co-operatives to enter business. In Finland, people over forty are regarded as 'too old' to be employed as new employees and they are often excluded from the labour markets. In the management structures of the co-operatives, men and women are equally represented. In 1995, about 43 per cent of the ordinary members were women.

Immigrants have established ten co-operatives, involving about 300 members.

The establishment has sometimes been accomplished with the help of immigrants' cultural associations. Especially active have been the immigrants from the former Soviet Union while immigrants from Somalia have also created their co-operatives. But there are also multi-cultural co-operatives, with members from different ethnic backgrounds. The aim of these co-operatives is to integrate the members with Finnish business and work life. These co-operatives are active, for example, in import and export, the catering and restaurant business, retail of ethnic foods and childcare for ethnic groups.

Reasons for establishing labour co-operatives

The main reason for establishing labour co-operatives has been the unemployment of the members. According to Karjalainen members consider that labour co-operatives can produce the following benefits (Karjalainen 1996):

- opportunities for temporary employment are increased;
- entering a labour contract becomes easier;
- one can actively affect one's own job; and
- professional skills can be maintained.

The democratic and participative nature of co-operatives has also been important for the members. These features have been clearly highlighted in newspaper interviews with women who have established co-operatives (Hovi 1998).

One of the reasons for establishing labour co-operatives, especially during the deepest recession, was that official labour agencies could not produce or identify employment opportunities for the fast increasing masses of unemployed. In most of the municipalities, labour offices were accustomed to unemployment rates of 4 per cent, but within a few years, the unemployment rate increased to about 20 per cent. The few new jobs offered had either high qualification requirements or were temporary in nature. On the other hand, the recession also made private companies reluctant to enter into labour contracts for temporary work with private persons, because they feared that they might later have to form permanent labour contracts. The creation of a labour co-operative thus appeared as a new and more effective tool through which to get employment. The fact that a co-operative is a legal entity with the right to make contracts with other companies, with private persons or with the public sector, and is obliged to fulfil all the employer obligations, made it easier to fill temporary or short-term jobs. The co-operative can draw up business contracts with other companies, while its members can enter into ordinary labour contracts with their own co-operative and thus be ordinary employees. This entitles them to all the benefits that the Finnish labour market offers to an employee. The co-operative pays the wages, employer payments, taxes and other legal payments arising from the labour contract.

As a matter of fact, according to Finnish law (the unemployment benefit law concerning private entrepreneurs), if someone owns less than 15 per cent of the

decision-making power of an enterprise and works in the enterprise, he/she is not regarded as an entrepreneur but as an employee. Having the status of an entrepreneur would imply a risk of losing the relatively good unemployment benefits that workers receive while unemployed.

In some cases, labour co-operatives are quite similar to multi-stakeholder enterprises (Borzaga and Mittone 1996), community enterprises or local partnerships, where various local interests are combined to fight unemployment for the benefit of the community. The members of labour co-operatives are trade union branches, municipalities, parishes and other associations as well as local banks and even other entrepreneurs. Labour co-operatives resemble local partnerships or community enterprises especially in the countryside.

In Ähtäri municipality, in Central Finland, for example, the local partnerships have taken the co-operative form. In other cases, as in St Michel, in Eastern Finland, local partnership projects have been promoting the establishment of labour co-operatives in the region.

The members of labour co-operatives consider it important to enforce collectively-bargained wage levels in the work contract with their own co-operative. Labour co-operatives are active in sectors like construction work, where labour black markets are present in Finland, where they keep up the collectively bargained wage levels and pay the taxes and insurance fees of employees. Consequently, labour co-operatives also hold back the emergence of labour black markets and the officials of state and municipalities respect this.

Another reason for the high rate of co-operative establishment might be that, from September 1996, the minimum own capital required for establishing a joint-stock company has been increased to 50,000 FIM (more than 8,400 Euro). This is an amount beyond the financial capabilities of people who have been unemployed for a long period.

Employment and economic effects of labour co-operatives

In 1995, worker co-operatives (labour co-operatives included) provided employment opportunities to about 1,500 people, while in 1996 it was estimated that worker co-operatives gave employment opportunities to over 4,500 people. Recently, the Ministry of Labour has estimated that new co-operatives give at least some earnings to about 19,000 people annually (Paasivirta 1998).

In the Kainuu region, in the Northeast of Finland, ten new co-operatives have enrolled 180 members. From January to August 1997 these co-operatives employed temporarily about 125 persons on a short-term basis. In another study of the same region (Kotisalo 1998), it was estimated that labour co-operatives have had a total impact on employment of thirty full-time equivalent jobs. An additional fifty members were employed outside the co-operatives (Nivala 1997). The wages paid in all new co-operatives in Kainuu in 1997 amounted to about 2.15 million FIM (361,000 Euro). Consequent social security and wage-related payments plus public incomes from VAT and income taxes totalled about 2.3 million FIM (385,000 Euro) (see Table 4.2). Adding savings in public spending,

Table 4.2 Public sector's income from labour co-operatives in the Kainuu region, 1997

Income from VAT <i>Turnover: 4.52 million FIM (760,200 Euro)</i>	995,000 FIM (167,347 Euro)
Income taxes <i>Wages: 2.15 million FIM (361,600 Euro)</i>	645,000 FIM (108,481 Euro)
Social security, other work/wage related insurance and wage related payments	645,000 FIM (108,481 Euro)
Total public sector income	2,285,000 FIM (384,309 Euro)

Source: Kotisalo (1998: 116)

one reaches a net impact on the public budget of about 4.3 million FIM (about 716,000 Euro), as shown in Table 4.3.

The essential outcomes of the evaluation of the impact of labour co-operatives in the Kainuu region are that:

- the co-operatives employ temporarily a substantial number of the unemployed in the region (about 200 persons). These persons can maintain or even develop their vocational skills;
- the new enterprises, which are mainly labour co-operatives, are based on connecting and networking of different kinds of skills and do not need heavy capital investments;
- in the local economy and in society at large, these new enterprises produce economic, social and psychological net benefits;
- there is an opportunity to export products and services from the region and to add to the region's wealth.

(Kotisalo 1998)

Since autumn 1996, four labour co-operatives from the South of Finland have been attending the 'Haviva - ADAPT' project, which aims to develop the business skills of the new co-operatives. By the end of October 1997, eighteen new permanent jobs had been created inside these co-operatives and fifty-two members had found permanent jobs outside the co-operatives. About 48 per cent of the 147 members had found new permanent jobs within a year (Kostilainen and Pättiniemi 1997).

Table 4.3 Net impact of labour co-operatives on the public budget in the Kainuu region, 1997

Public sector incomes	2,285,000 FIM (384,309 Euro)
- Subsidies to labour co-operatives	185,000 FIM (31,115 Euro)
+ Savings in public spending (unemployment benefits and other social benefits)	2,160,000 FIM (363,286 Euro)
Net impact on the public budget	4,260,000 FIM (716,480 Euro)

Source: Kotisalo (1998: 117)

The success of labour co-operatives has even led some regional public labour agencies to take similar actions. These labour agencies have begun to lease temporary workers to private companies so that they have the status of public sector workers and the labour agency collects the fees. In some regions, state employment agencies even consider labour co-operatives as their rivals.

Since labour co-operatives are mainly working in the areas in which their members have become redundant, they do not necessarily produce new jobs; they are rather a modern private vehicle to organise post-industrial temporary employment possibilities. Labour co-operatives are part of new co-operative business solutions. In general, these new solutions do not have global importance in employing people, but the local impact of these solutions can be, and is, significant. New co-operative enterprise solutions are seen as pilot projects that can, if they are successful, increase the popularity of co-operatives and other people-centred business organisations (Karjalainen *et al.* 1998).

Organisation of the Finnish labour co-operatives

New co-operatives are in general quite small. Their size varies from 5 to 120 members. Finnish Co-operative Law provides that the ultimate decision-making in the organisation is based on a system of general meetings, held once or twice a year. In general meetings, members participate in the decision-making process according to the 'one member, one vote' principle. Members decide the strategies of future work; accept, or not, the balances; and elect the board of directors (usually formed by the members) and the auditors.¹

The board of directors elects the managing director² (if required) who, together with sectoral team managers, takes care of the business on a daily basis. The managing director is paid only on a half salary basis for the management duties and has to make the other half from the actual work. In co-operatives, voluntary work can be used only in the management of the organisation and for the maintenance of the premises. The directors are usually not paid for their work on the board.

Using the Co-operative Law as a basis, labour co-operatives have developed participatory and well-functioning organisations. But the multi-sectoral nature of most labour co-operatives also creates some internal problems. Labour co-operatives tend to concentrate their activities in the sectors that prove to be most successful, thus neglecting the members that could be employed in other sectors. As a result, in some cases, members from the least successful sectors have been asked to resign from the co-operative, or they have become passive members, who do not take part in the co-operatives' activities.

Lack of competent managers is a major problem, while lack of business planning and of marketing skills are also generally seen as factors that hinder the development of labour co-operatives. In research conducted by the Institute for Co-operative Studies of the University of Helsinki, the new co-operatives were asked to define their needs for training. A total of 190 new co-operatives answered the enquiry. The resulting training needs are set out in Table 4.4.

Table 4.4 Training needs of new co-operatives

Specific training needs	% of co-ops
Marketing	86
Co-op. entrepreneurial skills (e.g. management training for members and managers)	85
Business economics	85
Business legislation	73
Computer skills	59
Product development	52

Source: *Uusosuuskuntien koulutustarpeet* (1997: 5)

These responses suggest that the problems experienced in labour co-operatives are mainly linked to business and management skills. This is hardly surprising in view of the fact that people who attempt to establish these enterprises do not have a managerial background.

Finance

Labour co-operatives have the same kind of financial problems as other small companies. Among these problems, the lack of own capital is the most important. Access to loans and other financial means is limited, as it is for other Finnish small enterprises in the service sector. Generally, the own capital of new worker and labour co-operatives is small. In 1995, it was on average 12,363 FIM (about 2,080 Euro). The amount of the membership share was on average 622 FIM (about 105 Euro) and it ranged from 100 FIM (about 17 Euro) to 1,500 FIM (about 252 Euro) (Karjalainen 1996).

Since the beginning of 1996, new co-operatives, if they were established mainly by the unemployed, have had the opportunity to apply for self-initiative support from the Ministry of Labour. This support covers 80 per cent of the costs during the establishment period. There is, theoretically, no limit to the amount of the support but, in practice, it is limited to 60,000 FIM (about 10,090 Euro). The co-operatives can use this support to cover the establishment costs; to employ managers or office staff; to buy computers or to rent a telephone or fax; and to fund items which are not directly connected to trading. Recently, a condition has been introduced which stipulates that, in order to receive the grant, the co-operative must have a viable business plan. This condition is somehow paradoxical, since one of the purposes of the support given is actually to help plan a viable business.

Municipalities, local training institutions, trade union associations, parishes, Lions Clubs and local banks rent out premises to worker and labour co-operatives at below market prices or even free of charge. Another kind of financial help received by the new co-operatives is employment training financed by the Ministry of Labour. A group of unemployed people wanting to establish a co-operative can have free-of-charge training in co-operative

entrepreneurial skills, in business economics, in co-operative management, in co-operative law, in marketing, in developing service concepts and products, and in business planning.

Labour and other co-operatives have, in theory, the same opportunities to receive state support and loans as companies generally. There is only one exception, viz. the 'enterprise founder loan' which is by law confined to joint-stock companies founded by one or two persons. The problem with labour co-operatives is that they are practically all working in the service or construction sectors and, in these sectors, loans or support from the state financial institutions are not allowed. Although labour co-operatives have only a small amount of own capital and financial resources – a characteristic which is considered a major obstacle to the development of their activities – they have made little use of the subsidies for employing long-term unemployed or of other state or municipally supported employment possibilities.

3 Support structures

Support structures for new co-operatives and other forms of social enterprises have been developed only recently. Support for establishing and developing a co-operative can be obtained from the Institute for Co-operative Studies of Helsinki University and from nine regional co-operative development agencies (CDA). The Institute has been promoting new co-operative solutions for problems in the countryside as well as in cities since the late 1980s. Its role has been essential to the development of labour and worker co-operatives. It has organised (together with the Ministry of Labour, the People's Educational Association (KSL) and the *Finncoop Pellervo*) some 200 presentations on co-operative self-help solutions.

Co-operatives participate in seminars, conferences and training courses organised by the Institute and by CDAs. In the period 1997/98 *Finncoop Pellervo*, together with the Institute for Co-operative Studies and the Ministry of Labour, organised the 'New Co-operative Project', aimed at producing materials and at providing other forms of help for the establishment of new co-operatives (Piippo 1997). Besides its co-operation with other organisations, the Finnish Co-operative Central Union *Finncoop Pellervo* (an association of agribusiness and banking co-operatives) also works on its own to support the emerging new co-operatives.

A group of labour co-operatives has recently formed an association for political lobbying. In the Hämeenlinna region, 100 kilometres north of Helsinki, labour co-operatives and other new co-operatives have established a secondary co-operative to help them organise training, financing and lobbying. Another secondary co-operative has been established in Northern Finland, in autumn 1998. Other social co-operatives also receive professional support from the nationwide and/or local associations in their specific social or health sectors.

4 Co-operative social enterprises and social capital

The revitalisation and popularity of new co-operatives in Finland is a sign of the entrance of social and community matters into entrepreneurial life. There was a social need for the widening of scope of entrepreneurship from private and selfish economic pursuits to co-operation and to fulfilment of common needs and goals (Köppä 1998). As we have seen, new co-operative social enterprises have, especially in the smaller communities, a multi-stakeholder character. This is mainly the case where local associations, Lions Clubs and other societies, parishes and municipalities are members of the co-operative and/or are financially or morally backing their activities. Even if this backing is sometimes very nominal, it represents a new, unforeseen solidarity in the society. Important horizontal connections are formed to tackle the needs of the community and to develop its economic and social welfare. New social capital is formed, insofar as the horizontal solidarity among the members and the new kinds of economic and social self-help solutions represent a new form of solidarity in the modern capitalistic society.

5 The future of co-operative social enterprises in work integration

In Finland, associations in the economic or social sectors are traditionally seen as representatives of various citizen groups rather than as acting in their own right. Therefore, the idea that associations can be employers is a novelty of the mid and late 1990s. The possibility of the third sector employing people was first raised in 1997, but active measures in employment have been taken throughout the 1990s.

Measures aimed at the reintegration of people threatened with exclusion appeared simultaneously in rural villages and in major cities with high unemployment rates. The first type of organisations to appear were the Local Associations for the Unemployed, at the end of the 1980s. They provided reintegrative services for the unemployed (such as training to maintain and improve the working skills and other capacities of the unemployed) aimed at helping their members to re-enter the labour market. Both the services produced and the social life in these associations are considered to be important.

Labour co-operatives and other new co-operatives provide employment for their members either inside the co-operatives or in other enterprises after a 'training period' provided by the co-operative. Labour co-operatives and other new co-operatives can be viewed as new initiatives both in employment policy and in economic life. In economic life, they represent a new way of doing business, where people take their destiny into their own hands without depending on the public sector or on large private enterprises. Labour co-operatives can be seen as transitional enterprises with two purposes. Firstly, they are a preliminary step in developing an employee-owned business. Secondly, they can be a tool for their members in transition from unemployment to wage earner status.

On the other hand, the Finnish welfare state is still considered to have the

main responsibility in the field of social welfare and of healthcare services. The public sector still has the old habit of adopting ideas for new services from the associations. It is predicted that the reintegrative actions of associations will gradually grow in importance and in number during the next few years (Pättiniemi and Nylund 1997).

The numbers of labour and other co-operatives in work integration have risen sharply during the last four years, and although the worst recession and unemployment crisis is now over, the number of co-operatives keeps rising. Originally, labour co-operatives represented a self-help solution by the unemployed themselves; but gradually, municipalities, the state and associations have become interested in them.

Labour co-operatives can be an important development force for the local and regional economy. The positive effects of labour co-operatives are especially noticeable in villages and suburbs affected by high unemployment. The co-operatives can produce a meaningful environment for their members to practise and develop their skills and to participate actively in the society. At the same time, they can also form social communities where the depressing effects of unemployment on the persons affected can be reduced and new social capital can be produced.

Labour and other co-operatives in work integration have produced – with minimal inputs from the public sector – both new job opportunities and opportunities to renew or improve vocational skills for thousands of the unemployed. With a little more support from the public sector (be this financial or other support), Finnish society would greatly benefit from the job creation and financial effects of the co-operatives in work integration.

Co-operative social enterprises other than labour co-operatives are still young, but the commitment of associations and other co-operative members, together with the relative success of these experiments, indicate that these initiatives are going to gain a permanent place in Finnish society. They represent a further step on the way from the traditional municipality or association-run sheltered workshops or work centres to a more business-oriented way of working. On the other hand, these experiments have shown that social enterprises cannot achieve full self-financing (Mannila 1996) when working with severely handicapped people.

The public interest in the positive employment effects of new co-operatives has led to a reinterpretation of the regulations regarding who is an entrepreneur and who is allowed to receive unemployment benefits as well as to a new support measure for establishing co-operatives (see the section on Finance).

Labour co-operatives can be seen as a transitional phase in a process that can evolve in three directions. First, a labour co-operative can evolve into an ordinary worker co-operative or into an employee-owned business. The co-operative then gradually develops its own products and services and employs its members or at least part of them on a full-time basis. A second possibility is that the *raison d'être* of the co-operative gradually disappears, as its active members become employed directly by other companies and the original purpose of reintegration of the members is met. In the third possible scenario, labour co-operatives

develop their local connections to municipalities, other businesses and associations and gradually develop into a local partnership organisation or a community business, where other local stakeholders also take responsibility for the local unemployment problems.

Notes

- 1 Co-operative Law, Chapter 8: 13–17 and Chapter 9: 17.
- 2 Co-operative law, Chapter 9: 17–19.

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