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HANDBOOK FOR MEMBERS OF CO-OPERATIVE COMMITTEES

HANDBOOK
FOR
MEMBERS OF CO-OPERATIVE COMMITTEES

BY

F. HALL, M.A., B.Com.

Adviser of Studies to the Co-operative Union
of Great Britain and Ireland

With a Foreword by W. R. RAE, J.P.

(Chairman, Central Education Committee, Co-operative Union Limited

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FOREWORD.

RULE by Committee is now so closely interwoven into British schemes of social government that no word of justification for its existence need be written. It took the place of the "Folkmoot" of the Anglo-Saxon peoples when the size of the group made the meeting of the "folk" unwieldy, and has obtained in one form or other since before the Anglo-Saxons invaded our island and became British. The legend is that the wisest and best were chosen—vide the Witanagemot story in history—and the popular feeling, which may in some instances be little more than a hope, is that this is still the basis of selection. It is manifest, however, that owing to the complexity of our social organisation there must be many occasions when, with the best possible intentions, the choice of the smaller group exercised by the larger one has not met with the success hoped for. The qualities discovered in the individual which attracted support have not always been those which, in themselves, or in conjunction with those of others, have tended to smooth and successful working. Committee mind and ability have not always been the sum of the minds and abilities of the constituent members. At the same time it should also be recorded that any careful observer must come to the conclusion that, in the main, committees, cognizant of their own weakness, have made splendid efforts to overcome any inherent difficulty and have always been open to advice and guidance; and much valuable literature exists giving both.

The Co-operative Movement is ruled by committees. No society is now so small in membership as to make it possible to have its business matters submitted to the will of the whole on every occasion. Every one of the thirteen hundred odd societies

comprising the Movement while, by rule, governed by its membership and while, from time to time, matters are submitted to the whole, is, as a general custom, controlled by a small group of about a dozen or more of its members, chosen for this particular purpose and functioning, in the main, along lines of great responsibility and importance. To the Co-operative Movement, more perhaps than to any other, an attempt to produce a Guide or Handbook for Committees, should be welcome. Questions of enormous import, chiefly because of their economic nature, are dealt with by our committees; and in view of the tragic possibilities that may follow mistaken action, demand a very high degree of knowledge, not only of Co-operation but of the right methods it must use to work out its own economic salvation. There can be no doubt, therefore, that the action of the Co-operative Union in bringing a book of this sort into being is wise. The purpose of this one is utilitarian, and its intention is clarity. It will be found to contain information which every committee man or woman should know, written in the clearest and simplest style possible.

The book extends, as was expected, to many pages, and in consequence cannot possibly be analysed in a short "Foreword"; but there are several chapters that commend themselves so highly to me that I feel I must refer to them, though briefly. From my experience in the Movement I feel certain that the chapters dealing with the Duties and Legal Responsibilities of Committee-men will be found to be of supreme importance. Ignorance on these points has been the cause of much hesitancy and timidity in decision. Further, I have found among earnest workers in the Movement such an amount of indefiniteness in conception of the meaning and function of capital that the chapters bearing on Finance and that other puzzling problem the Employment of Money, must be of paramount interest. It is by no means an impertinence to refer to the ignorance of the average co-operator on such matters

for he has had no opportunity hitherto of acquiring the necessary information. He left school at or before fourteen years of age, and has since been engrossed in the struggle for daily bread, and now that he sees a way to greater economic freedom cannot be blamed if he has not the skill of the financier. But he has, as indeed I know, a fund of common sense and a strong wish to acquire information of the kind that those chapters give him, and therefore I welcome their simple, direct, and exhaustive nature.

Many of our committee-men are more than conversant with labour problems; they have acquired their knowledge in the school of bitter experience; but even they are not too well acquainted with all their phases. They are, now, not wage-earners struggling for a place in the sun, but employers who may or may not furnish the sunshine. The portions of the book referring to employment in the Movement in its many ramifications and peculiar relationships will be very valuable information indeed. Co-operators have always tried to be model employers; they will be the better able to realise their wish if they will study this Handbook. Limitations and possibilities will be all the more clearly understood. Because of these and all the other cognate mass of information on procedure, relations to officials, sub-committee work, &c., &c., which go to form the total of valuable hints and advice, I find it difficult to express in brief terms my high estimation of the importance of the whole book. No greater service of a practical nature has ever been done to our Movement. I shall indeed be very disappointed if time does not do more than simply justify my word of praise.

The work has been entrusted to capable authorship. Professor Hall, by his eminence as a student of Commerce and Economics, by his long and special experience in Co-operation, and by the width of outlook that these two have given him, was just the man to write the book. Further, he has, I understand, shown no

hesitancy in consulting experienced colleagues—a fact that gives the book even greater final importance. Mr. Hall has rendered great service to the Union since he joined its staff, but this is in my opinion the most important and helpful contribution he has made. The Appendices also, gathered under the author's supervision, contain a great deal of thought-provoking information.

As a final word, I wonder if I shall be forgiven for saying that many committees other than Co-operative, who are engaged in cognate work, will be well advised to make themselves acquainted with the mass of technical advice contained in it. It will be found, by all those who, like ourselves, work under the Industrial and Provident Societies Acts, to be exceedingly helpful in a great many ways.

W. R. RAE,
(Chairman, Central Education Committee).

November, 1923.

AUTHOR'S PREFACE.

THE members of co-operative committees may come and go; but the committees go on for ever. Within the period of my own official connection with the Co-operative Union I have witnessed many changes in the composition of committees with which I am acquainted in various parts of the British Isles. One or two of the committees have changed their personnel entirely during recent years, and few of them are constituted exactly as they were even five or six years ago. Some changes have been for the better; some changes have not been as satisfactory. The members of co-operative societies constitute a somewhat fickle electorate; and personal matters and issues of the moment—as well as the pernicious rules fixing time limits for committee members—often lead to the setting aside of committee members of experience and sound judgment who have rendered, and are still capable of rendering, good service to their society. The most efficient person is not necessarily the one who will be elected at a members' meeting; and a handbook intended to increase the knowledge and improve the judgment of the rank-and-file members may be as necessary as a handbook for committee members and would-be committee members.

Such a need, however, does not reduce the need for a handbook of information and guidance for those who are elected, or seek to be elected, to the committee of a society. In consequence of the frequent changes in the constitution of the committees there is always a large number of committee members in the stage of apprenticeship; and let the members of a society choose ever so wisely, the new members of their committee will still be in need of guidance and information if they are to carry out their duties effectively. It is for the purpose of meeting this need that the present book has been prepared.

The task of preparing the book has not been an easy one. It has been attempted before without reaching a conclusion, and other writers have declined it. If I have undertaken it as a duty it is because I felt, with the committees of the Union responsible for its preparation and publication, that such a book, imperfect though it might be in its first issue, was required. Experience gained in meeting committees in an advisory capacity, in lecturing to them at week-end schools and on other occasions, and in observing various committees at work has convinced me of the necessity for such a book and of the existence of a wide-spread desire for it among thoughtful committee members and other co-operators. This experience has also furnished guidance as to the points upon which committee members feel that they "want" information most. This "want" I have tried to supply. There are, in addition, other points which committee members ought to know, but which they may not have felt as a want in the same degree; and I have tried to supply some of their needs in this respect as well. The book is intended to serve not only as a friend to the individual committee member and a work of reference in the committee-room, but also as a text-book for the students in the Union's correspondence lesson course for committees, which course, it is hoped, will be taken by a large number of students.

The arrangement of the matters treated in the book occasioned much thought. Several alternative methods of presenting the subject—all unsatisfactory for one reason or another—were considered; and it was not easy to make a choice between them. The one adopted was selected, after some consultation and discussion, as probably the best of these unsatisfactory alternatives. The great need seemed to be to include all that should be included without making the book too long; and this inclusion has been attempted, though some matters have been omitted which a reader here and there may think should have been included. He is invited to submit his suggestions for incorporation in a future

edition—if the book should be fortunate enough to meet with such approval as to warrant a further edition. Two examples of the difficulty of deciding for and against inclusion may be given. The work of the officials of a society impinges so much upon the work of the committee, and the latter must know so much of the former in a general way in order to supervise it effectively, that an extension of the treatment of the work of the officials appeared very desirable. The book, however, is intended to be a handbook for committees, not for officials, and it already exceeds the length originally contemplated, so that much of what might have been written, and perhaps ought to have been written, on this and kindred topics, has been omitted. Again, much more might have been said on the subject of taxation and rating, for a committee member will be all the better equipped if he knows more about rates and taxes than is included in the book; but the book is not intended to be a treatise on these subjects, important though they are, and the line of demarcation had to be drawn at a point which seemed to mark the turn in the balance of advantage, the point at which exclusion rather than inclusion appeared to be preferable having regard to the general purpose in view.

The chapter on the legislation affecting co-operative societies (Chapter II) has been included, not so much because committee members are expected to be familiar with all the details of this legislation—though the more they know of the details the better—but because they should have a general idea of the legislation and be able to use the book as a work of reference on any point connected with it that may arise in performing their committee duties. Moreover, the chapter will be helpful for reference purposes in reading later chapters of the book. There is some repetition in the book. This was unavoidable if points having important bearing on more than one topic dealt with in the book had to be shown in their relation to each; and the repetition has been intentional in the sense that it has been admitted for the sake of completeness and emphasis.

The book will, I believe, help the committee member and the aspirant for committee honours who wishes to be helped; but questions will arise in every committee-room that are peculiar to that committee or to the society for which it acts or to the moment in which the questions arise. No text-book dealing with general matters can prescribe for each and every difficulty that may thus occur. Only the business ability, the resourcefulness, the sound judgment, and personality of the individual members of the committee can solve the majority of these problems. Hence the need for members of committees to supplement a study of this book by a wider study of business, finance, and co-operative organisation. The Education Department of the Co-operative Union, by its system of lessons by post (correspondence courses), offers ample opportunities for those who wish to undertake this wider study. But the supplying of the necessary tools to a committee member does not provide a guarantee that he will do his job well or even attempt to do it well. There is a personal responsibility resting upon the committee member to do his best in his co-operative work, to put to good use in the service of his society all the knowledge and ability he possesses. No text-book, no statistics, and no other information that can be supplied to him will relieve him of this responsibility, or make a good committee member out of a person who is unwilling to do his best. Office seekers, time servers, money hunters, will not make good co-operative leaders, even if they are supplied with perfect text-books. There must be the desire and the will to serve, and it is for those who have this desire and will to serve that this book has been prepared.

The personal qualification of a committee member is, indeed, all-important. If he is not animated by the desire to serve it would be better that a prospective candidate should not accept nomination. Once elected to the committee the successful candidate is a trustee for the whole of the members—not the representative of a party, a group, a sect, or a clique. In what he conceives to be the interests of the society and its members he may

have to take a line of action which may rouse the noisy opposition and denunciation of a vocal minority. Without seeking to make himself a martyr or to represent himself as a hero, he should do what he thinks is right, accepting the consequences. Temptations to depart from a high standard of conduct will be numerous; but the committee member should at such times remember the responsibilities of his trusteeship, and in all his co-operative work he should never lose sight of the fact that a people's movement like the Co operative Movement will depend for its success upon the integrity, as well as upon the ability, of its leaders.

There can be few movements in any country which have in their service as large a number of committee men and committee women as may be found so loyally serving the British Co-operative Movement. The task of these committee members is no easy one. They are carrying the banner of a social gospel whilst meeting the trading competition of rivals who have no ideal but self. To give expression to the ideals of co-operation in all their dealings, whilst loosely attached members are ready to transfer their trade to non-co-operative traders with the slightest inducement, is no easy task. Many of the committees are unpaid; few are adequately paid; yet, week by week, they give ungrudgingly of their scanty leisure that their fellow-members may be better fed, better clothed, and better housed whilst making their way to the Co-operative Commonwealth, where the welfare of all will be the object of each and the welfare of each the responsibility of all. To have the opportunity of helping these committees in their task is a gratifying pleasure; and I trust my achievement may prove equal to my desire to make the task easier for them.

I am much indebted to several friends for assistance in preparing the book and appendices. The late Mr. Jarman of Warrington discussed the form and contents of the book with me on many occasions. Mr. W. R. Rae (Chairman), who has kindly supplied a foreword, and members in successive years of the Central Education Committee and Publications

Committee have given advice on many points and on many occasions; Mr. A. Whitehead (General Secretary of the Co-operative Union) has assisted me with much information on legal and administrative matters, whilst other colleagues on the staff of the Union have also added to my indebtedness. Mr. J. Pollitt, Labour Adviser, in the intricate details connected with labour matters; Mr. T. W. Mercer, Publications Department, whom I would like specially to mention, by suggestion and in other ways, throughout the preparation of the book for the press and whilst it was passing through the press; Mr. C. E. Wood, Educational Secretary, by help in matters connected with the organisation, past and present, of the Union and its committees; and Mr. R. A. Palmer, Cashier, by readily-given assistance on the subject of taxation, have all placed me under an obligation. To all these, to other members of the Union staff who have helped in a less direct manner, and to Miss M. Price, who has helped me at all stages in preparing the manuscript, checking proofs, and in other ways, I tender my thanks.

Holyoake House, *FRED HALL.*

Manchester,

December 29th, 1923.

Advantage has been taken of the opportunity provided by the issue of a second edition to make minor corrections and amendments. A substantial revision has not been attempted.

Manchester, *FRED HALL.*

October, 1924.

The demand for a third edition has made it possible to bring the Statistics and information up to a more recent date than that of the second edition. In the work of revision I have received much assistance from Mr. G. E. Griffiths, and my indebtedness to him I wish to acknowledge.

FRED HALL.

Manchester,

September, 1928.

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CHAPTER I.

INTRODUCTORY.

WHAT is a co-operative society? A definition is not easily framed if it is to be strictly accurate; but it is desirable to attempt one. A co-operative society is an association of shareholders, usually described as members, who, as individuals, have contributed a fund of capital to be employed under their collective direction for trading purposes in providing for their needs as producers or as consumers.

Objects of Co-operative Societies and Joint-Stock Companies Compared.

In many respects co-operative societies resemble joint-stock companies, but in many respects they differ from them. These similarities and differences will form the subject of detailed comment later. Here, it will suffice to say that, in their primary object, co-operative societies and joint-stock companies differ.

A joint-stock company is almost invariably an association formed primarily for the purpose of enabling the members of the company to secure a return upon their capital. This object they seek to achieve by supplying goods or services to the community in general and not merely to their own members; but profit, not service, is their object. In a co-operative society the securing of a return upon capital is not the main purpose. The primary object for which the members of a co-operative society provide their capital is either, as in the case of a society of producers, to become their own employers, or, as in the case of a society of consumers like a retail distributive society, to organise the purchase or preparation of goods of which they are the consumers.

There are some modifications of, or variations from, these two types as in the case of a farmers' creamery society or a co-operative credit bank. In these societies, also, the primary object is not the securing of a return upon capital as ordinarily understood, but the serving of some other need of the members of the society. In the case of the creamery society, the object is the more efficient preparation and marketing of the produce of the members; and in the case of a co-operative bank it is to assist those who stand in need of the help which capital can give them as individual or collective producers.

The principal types of British co-operative society —associations of producers and associations of consumers— are sufficiently illustrative for our purpose. They represent groups of persons with distinct needs. The primary need of the one group is employment under their own direction; the primary need of the other group is the need common to all consumers—regular supplies of the right kind of goods at just prices. The Rochdale Pioneers recognised that every producer is also a consumer, and visualised the possibility of providing for the needs of their members as consumers and also as producers. Though they commenced with retail distribution to meet the need of their members for pure goods at fair prices, their "plan" included the organisation of production and even the ownership of land. They sought to develop production and to secure land in order that the members of the society might be employed by the society in producing or preparing the goods sold in its shops.

Nothing could more clearly indicate the purpose for which they subscribed their capital and commenced their society than the statement in their "objects" that they intended "to commence the manufacture of such articles as the society may determine upon, for the employment of such members as may be without employment, or who may be suffering in consequence of repeated reductions in their wages." The "need" of these members included regular

employment at just wages ; and in trying to meet this need the securing of a return upon capital was a secondary matter.

The Rochdale Pioneers thus considered the " needs " of their members both as consumers and as producers, and visualised the possibility of satisfying their needs in both capacities. Every thorough-going co-operator to-day has the same vision. Above all, they sought to introduce a new spirit into industry and social life. They wished to make industry the servant of man instead of his master. They desired to introduce into industry the sweetness and harmony of co-operation in place of the jealousy and rivalry of cut-throat competition. They wished to make each man's good the care of all, and the welfare of all the object of each. They sought to give trade a moral basis, and make it a co-operative effort to raise the standard of life in all its phases, instead of an economic struggle. They wished " service " not " profit " to be the object of industrial organisation. It is in this difference of object that a co-operative society differs most essentially from a joint-stock company.

The fact that the securing of a return upon capital is not the primary aim of a co-operative society has led to the interesting suggestion that a co-operative society may be described as a union of persons, and a joint-stock company as a union of capitals. By its relative emphasis this distinction serves a useful purpose ; but as a definition it is not completely satisfactory, for a co-operative society and a joint-stock company are alike in being both a union of persons and a union of capitals. What distinguishes a co-operative society from a joint-stock company is the motive which brings the members of the association together, and the objects which they seek to realise with the capital they have contributed.

For the present, and until some genius evolves a better one, we purpose employing the definition already given,

viz., that a co-operative society is an association of shareholders, usually described as members, who, as individuals, have contributed a fund of capital to be employed under their collective direction for trading purposes in providing for their needs as producers or as consumers. Two points in this definition call for notice. One is the use of the word "shareholders," which may seem to some co-operators to be laying undue stress upon the capital qualification. It is, however, nothing more than a bare and accurate statement of fact, for a person is not a member of a co-operative society unless he is a shareholder. It may be suggested that we might speak of an association of persons instead of an association of shareholders; but there is another reason for using the term "shareholders," and it springs from the fact that the members of a co-operative society are not necessarily "persons" as usually understood. Co-operative societies, joint-stock companies and other bodies corporate may become members of a co-operative society.

The second point in the definition which may have arrested the attention of the reader and perhaps caused him to think the ideals of the movement were being disregarded is the statement that the members have contributed their capital "in order that it may be used for trading purposes." This may seem to confine a co-operative society to trading; but it does not really do so. A society must trade, however, if the law is to be complied with. The Industrial and Provident Societies Act of 1893, which is the principal Act governing co-operative societies, says (Clause IV.) "a society which may be registered under this Act (herein called an Industrial and Provident Society) is a society for carrying on any industries, businesses, or trades specified in or authorised by its rules, whether wholesale or retail, and including dealings of any description with land." The primary object for which the Industrial and Provident Societies Acts alone permit the registration of a society is the pursuit of some industry, business, or trade.

Legal Provisions for the Establishment of Co-operative Societies.

Most co-operators and probably most co-operative committee members will be surprised to learn that the governing Acts of Parliament under which co-operative societies enjoy their rights and contract their responsibilities do not recognise a co-operative society under the name of a co-operative society. A co-operative society, as the term is generally understood, is legally described as an industrial and provident society* and is almost invariably registered under the Industrial and Provident Societies Acts. Throughout this book, however, we shall use the more generally understood term "co-operative society."

Co-operative societies have not always enjoyed the advantages of special Acts of Parliament like those of 1893 and 1913 by which they are now governed. In the very early days of the co-operative movement, the groups of persons forming a co-operative society had no simple legal protection and had to depend upon the integrity of those who were entrusted with their funds or other possessions. The Friendly Societies Act, 1834, which amended one passed in 1830, permitted the formation of societies for any purpose which was not illegal.

It was in accordance with this Act that the "Rochdale Society of Equitable Pioneers" was enrolled. Although the Act did not confer advantages such as co-operative societies enjoy at the present time under more modern legislation, it did confer many advantages. It gave a society power to enforce its rules upon its members; gave power to the members to enforce their just claims; and gave power to the courts to punish those committing fraud with respect to the property of the society; it declared the property of the society to be vested in the trustee or treasurer of the society for the time being, and he might sue or be

* *See* Clause IV. of the Act quoted above.

sued in his own name; the transfer of stock might be compelled by the Court of Chancery if an officer absconded or refused to transfer; the Court of Chancery might be petitioned free from payment of court or counsel's fees; all documents, &c., were exempted from stamp duty; the society had prior claim for the payment of its debts if an officer became bankrupt or insolvent, or if he died; and power was given to invest the society's funds in savings banks. Other advantages were also conferred upon a society enrolling under the Act.

The Act, therefore, gave co-operative societies a status and opportunity which must have seemed remarkable to those who remembered the time when co-operators could not give legal effect to their wish to trade on their own account without recourse to deeds of settlement which were costly and did not give to members the individual protection they desired.

To enable the reader to understand the present legal position of co-operative societies, their powers, responsibilities, and possibilities, it is desirable to trace in outline the history of the legislation affecting them since the passing of the Friendly Societies Act of 1834. At this stage, however, to do so would divert attention from more important matters; and a brief review of the historical development of the legal provisions affecting co-operative societies is therefore relegated to Appendix I., which should be read in due course by all who are entrusted with the responsibility of membership of a committee of a co-operative society. It will, however, be desirable for the committee member or the would-be committee member to gain a general knowledge of the legislation at present operative in governing co-operative societies. For this purpose, Chapter II. will be devoted to a review, with comments, of the Industrial and Provident Societies Act of 1893, which is the principal Act governing them to-day, and of the Amending Act passed in 1913.

Brief comparison of co-operative societies with partnerships and joint-stock companies.

Why should any legislation be necessary? The answer is that it confers upon societies powers and advantages which they would not otherwise enjoy. If a group of persons engage in trade without registration they constitute, in the eyes of the law, a partnership. But partnerships are also regulated by law. No partnership may consist of more than twenty members (ten in the case of a partnership undertaking the business of banking), and this limitation of members would be fatal to any attempt to form a successful co-operative society. Moreover, each member of a partnership who participates in the management of the business (as a member of a co-operative society can), is individually as well as jointly liable for all the debts of the partnership. This means that an ordinary partner is liable not only for the partnership debts in proportion to his share in the partnership, but is liable also for the whole of the debts of the partnership if the other partners fail to pay their share; and all his private possessions, save a small minimum of household requirements and craftsman's tools, may be seized to satisfy partnership debts. This unlimited liability would be a deterrent to many who now join a co-operative society with the knowledge that their liability is limited to the number of shares they agree to take up. Moreover, a partnership is dissolved by the death of any partner, and where would a co-operative society be if it had to be dissolved every time a member died? Obviously, the partnership form of organisation would not facilitate the development of a co-operative society or of the Co-operative Movement.

Where a large number of members is desired, for the reason that a large amount of capital is required or for any other reason, registration is essential. Two principal types of association are possible. One is the joint-stock company registered under the Companies Acts and the other is

the Industrial and Provident Society (commonly called a co-operative society) registered under the Industrial and Provident Societies Acts. In neither case is there a maximum limit to the number of members which may be admitted. In both cases the liability of the members is limited to the amount of share capital they agree to contribute. There are, in addition, other similarities which need not detain us here. (*See* Appendix II.)

There are also important differences between a joint-stock company and an industrial and provident society. In a joint-stock company the shares are always transferable shares, so that once a person has invested capital in shares of a company he cannot withdraw it, but must look for a purchaser of his shares if he wishes to turn them into cash. An industrial and provident society can issue either transferable or withdrawable shares and can even repay transferable shares under certain conditions. The convenience of withdrawable shares to the typical member of a co-operative society, who knows little of the technicalities of share transfers or of the jargon of the Stock Exchange, is fairly obvious; whilst the practice of taking or repaying share capital at the will of the member prevents shares rising to a premium or falling to a discount. This gives to co-operative investments a steadiness and reliability which the shares of companies and even Government loans do not enjoy.

There are other differences. A joint-stock company has to register a maximum amount of share capital (known as authorised, or nominal, share capital), and beyond this amount it cannot issue shares without altering its constitution. A co-operative society can increase its share capital to any amount, but *individual* holdings are limited to £200. There is no limit to the individual holdings of shareholders in a joint-stock company. Though the voting methods in both types of association might be the same, they are usually different. In a joint-stock company, the number

of a member's votes usually depends upon the number of his shares, whereas in a co-operative society the voting is usually one member one vote.* Again, a joint-stock company registered under the Companies Acts does not enjoy the privilege of exemption from assessment under Schedules C and D of the Income Tax Acts; but a society registered under the Industrial and Provident Societies Acts may secure this privilege. There are other points of difference, and some of them are given in Appendix II.; but those we have quoted will be sufficient to show the advantages of being incorporated with limited liability and the special advantages of incorporation under the Industrial and Provident Societies Acts rather than the Companies Acts.

Advantages Secured by Registration under the I. and P. Societies Acts.

We may now summarise the principal advantages gained by a society through registration: It becomes a body corporate with perpetual succession, able to sue and be sued in its own name without the intervention of trustees as was formerly necessary; its members enjoy limited liability; the number of members above the minimum is unlimited whilst in a partnership the number is limited to twenty; it is not liable for assessment to Income Tax under Schedules C and D if it does not at one and the same time sell to non-members and restrict its membership; it has many advantages such as the option of having withdrawable share capital which joint-stock companies do not enjoy; members may join or withdraw without the inconvenience and cost of transferring shares; the rules of the society bind the society and all the members of the society; and the members have the right to nominate some person or persons to

* Except in the case of some federal societies like the Co-operative Union, where the membership consists of societies whose membership may vary from two upwards, and where for this reason some attempt is made to give one vote for the same number of individual members in the various societies which are members of the federal organisation. In the English and Scottish Wholesale Societies voting power is now in the main determined by the amount of each society's trade. Other variations occur in productive and other federal societies.

receive the whole (not exceeding £100) or part of their investments at death.

The powers conferred upon a co-operative society by existing legislation are fairly wide. It has power to increase its membership and capital to an unlimited extent; it may carry on practically any business which any other trader is entitled to undertake, except that in regard to banking it must comply with special provisions of the Act; it may engage in transactions in land; it may accept loans and enter into mortgage agreements; it may invest "any part of its capital in or upon any security authorised by its rules," and also in trustee securities, the securities of any local authority, in the shares or on the security of a registered co-operative society, building society, or company with limited liability, and in certain classes of savings bank or in the post-office savings bank, as well as make advances to members on the security of real or personal property; it can sue in its own name and hold property in its own name; it can recover debts from its members and can exercise a lien upon a member's share capital for debts owing to the society; and by its rules it can provide for the settlement of disputes arising with members and the decision is binding and conclusive on all parties without appeal.

On the other hand, registration imposes some limitations. Individual holdings of share capital are limited to £200; ordinary banking is not permitted if any of the share capital is withdrawable; a society has to fix in its rules a nominal limit to the amount of loan capital it desires to raise; it has to submit annual and triennial returns to the Government; and there are other limitations of a less important character which will be noted in later chapters.

Rules of Societies.

A society is governed by two written codes: Acts of Parliament, and its own rules. The Acts of Parliament give general powers; and the rules indicate which of these powers the society proposes to adopt. Nothing can be

included in the rules that conflicts with Acts of Parliament governing co-operative societies. We may say in a general way that Acts of Parliament determine the relationship of societies to the State and the outside world; and the rules of the society determine the relationship of members to one another in conducting its affairs. When a member joins a society the rules of the society are binding upon him; and in the capacity of a member of his society he cannot act contrary to the rules without being liable for the penalties imposed for a breach of the rule he has broken.

We have already indicated that the Acts of Parliament governing co-operative societies will be considered in Chapter II.; but it is desirable to add a word here about rules. Certain matters must be provided for in the rules, *e.g.*, the object, name and registered office of the society, the mode of holding meetings, &c. These matters are included in Schedule II. attached to the 1893 Act and for purposes of reference are given in Appendix III. of this book. Persons commencing societies naturally desire guidance regarding rules; and for this purpose the Co-operative Union has drafted sets of model rules which societies can adopt, with or without modification, subject to the Co-operative Union's copyright in the Model Rules. As the needs of all societies are, in the main, the same, these model rules form a good basis of the rules for new societies. Every society can, however, draft its own rules if it so desires; but, obviously, the experience gained during the many years' existence which societies have now enjoyed gives to the Model Rules embodying that experience a special merit which committees should consider. There are different sets of Model Rules for distributive societies and for productive societies. There are many references in the chapters of this book to the Model Rules, which we have now explained; but it must not be assumed that everything which is included in the Model Rules is necessarily included in the rules of any one society unless that society has adopted the Model Rules in their entirety.

Our chief purpose at this stage, however, is not to discuss the contents of the rules, but to draw the attention of the reader to the fact that co-operative societies are governed by their rules and by special Acts of Parliament. A copy of the rules of his society will show the committee member the powers and obligations of the society and its members; and he may obtain from the Co-operative Union a copy of the Model Rules if he so desires. The provisions embodied in the Industrial and Provident Societies Act of 1893, and the Amending Act of 1913 will form the subject of consideration in the next chapter. The two Acts are also contained in a special handbook published by the Co-operative Union.

CHAPTER II.

THE INDUSTRIAL AND PROVIDENT SOCIETIES ACTS OF 1893 AND 1913.*

This chapter may be omitted on a first reading of the book by those who find a difficulty in reading legal phraseology ; but reference to the chapter will be necessary when reading later chapters, and it should be read through subsequently by all those who wish to understand the legal powers and responsibilities of societies, their committees, and members.

THE principal Acts of Parliament governing co-operative societies to-day are the " Industrial and Provident Societies Act, 1893," and the " Industrial and Provident Societies (Amendment) Act, 1913." The former was practically a re-enactment of a previous Act (1876) with additions and improvements. Whilst the 1876 Act empowered societies to carry on " any labour, trade, or handicraft," the 1893 Act gave them wider powers by enabling them to carry on " any industries, businesses, or trades " authorised by their rules. The provisions regarding exemption from liability to income tax assessment under Schedules C and D were adopted from the Customs and Inland Revenue Act of 1880 and embodied in the 1893 Act; the power of nomination was extended; and other minor improvements were effected. The 1893 Act remains the principal Act to-day, and some general review of its provisions may therefore be desirable at this stage, though many of them will receive fuller description and discussion in later chapters of this book.

*A short amending Act passed in 1928 is noted on pages 37 and 366.

I.—The 1893 Act.

Objects and Registration of Societies. Share Capital and Banking.

The objects for which societies may be registered are set forth in Section 4 of the Act, and these have already been discussed on page 4. The same section contains provisions regarding the maximum amount of share capital which members may hold (£200) and also regarding banking. These matters are considered in detail in Chapter IV.

Clause 5 of the Act deals with the registration of societies. It specifies the minimum number of members required for a society, the manner in which the application for registration shall be presented, the regulations regarding the choice of name, the use of the word "limited" as the last word of the name of the society, and the place of registration; and it requires a society to deposit copies of its rules with the Registrar for those parts of the United Kingdom where the society intends to carry on its business.

Sections 6, 7, and 8 continue the provisions regarding registration and deal with the acknowledgment of registration by the Registrar, the powers of a society to appeal if the Registrar refuses to register a society or any of its rules or amendments of rules, and with the evidence of a society being duly registered. Section 9 deals with the cancelling and suspension of registry. The Registrar may cancel the registration of a society if he is satisfied that the membership has fallen below the minimum prescribed by the Act, or if the acknowledgment of registry has been obtained by fraud or mistake, or if the society has ceased to exist. He may also cancel the registry at the request of a society if he thinks fit, and may cancel it with the approval of the Treasury if he is satisfied that the society exists for an illegal purpose or has wilfully violated any provisions of the Act. The Section further provides for the power of the Registrar to suspend a registry and for the right of appeal of societies against his decision to cancel or suspend registration.

Rules of Societies.

Section 10 of the Act is very important. It states that certain matters (contained in the second schedule of the Act and given in Appendix III. of this book) shall be provided for in the rules, that an amendment of rule shall not be valid until registered in the manner prescribed, that "a copy of the rules of a registered society shall be delivered by the society to every person on demand, on payment of a sum not exceeding one shilling," and that the rules shall provide for the purposes for which, or the manner in which, the profits shall be appropriated.

Registered Office.

Every registered society must have a registered office (Section 11) to which all communications and notices are to be addressed. The situation of the registered office and any change must be notified to the Registrar. Section 12 provides that "every registered society shall paint or affix, and keep painted or affixed, its registered name on the outside of every office in which the business of the society is carried on, in a conspicuous position, in letters easily legible, and have its registered name engraven in legible characters on its seal, and also have it mentioned in legible characters in all notices, advertisements and other official publications of the society, and in all bills-of-exchange, promissory notes, endorsements, cheques, and orders for money or goods, purporting to be signed by or on behalf of such society, and in all bills of parcels, invoices, receipts, and letters of credit of the society." This section is an important one for committee members to note, for they may incur personal liability for debts if the orders contracting them are not given in the name of the society or if the documents do not bear the name of the society.

Audit of Societies' Accounts. Annual Return.

Section 13 relates to the audit of societies' accounts. The first part of the section has been repealed by the 1913

Act, and may be ignored until we deal with that Act on page 33. The second part of the section empowers the auditors to have access to all books, deeds, documents, &c., of the society, and imposes upon them the duty either of signing the accounts as "correct, duly vouched, and in accordance with law," or making a special report to the society upon them in regard to the points in which they are defective.

Section 14 deals with the Annual Return, which must be forwarded not later than March 31st in each year, showing the receipts and expenditure, funds and effects of the society. This return must be signed by the auditor(s) and be accompanied by the report of the auditor(s) for the year. The 1913 Act contains some further provisions upon this matter and also regarding a triennial return, and these provisions will be noted when dealing with the 1913 Act. (*See* page 33.)

Section 15 provides that "every registered society shall supply gratuitously to every member or person interested in the funds of the society, on his application, a copy of the last annual return of the society for the time being"; and Section 16 provides that "every registered society shall keep a copy of the last balance sheet for the time being, together with the report of the auditors, always hung up in a conspicuous place at the registered office of the society."

Inspection of Books of Societies.

Section 17 deals with the inspection of the books of the society and empowers "any member or person having an interest in the funds" of the society to inspect his own account and the books containing the names of the members of the society,* and it provides that the society by its rules may authorise the inspection of any additional books, but not the loan or deposit account of any other member without that member's consent, unless the person inspecting is an officer of the society or is specially authorised by a resolution of the society.

* It has been ruled that this covers the power to take copies.

Section 18 enables the Registrar, if he thinks fit, upon the application of ten members (of twelve months' standing) of a registered society, to appoint an accountant or actuary to inspect the books of the society and report thereon; and it lays down the conditions to be observed in such an inspection.

Banking. Supplying of Returns as required by Chief Registrar.

Section 19 deals with banking by societies, a matter that will be dealt with later (pages 68 and 69), and Section 20 imposes upon societies the obligation to supply returns and documents required by the Act in such form and with such particulars as the Chief Registrar directs.

Status of a Society.

The status of a corporate body is given to a society registered under the Act by Section 21. This status gives it the right to sue or be sued in its own name (in a partnership it is the persons composing the partnership who must sue and be sued), it enjoys perpetual succession and possesses a common seal, and it gains the privilege of limited liability, so that if the society is unable to pay its way and is wound up, no member of the society is liable for more than the amount of share capital he or she has agreed to take up.

The Member and his Society.

By Section 22, the rules of a society bind the society and members thereof to the same extent as if each member had subscribed his name and affixed his seal to them. Section 23 prescribes that all moneys payable by a member to a registered society shall be considered a debt due by him to the society recoverable either in the County Court of the district in which the registered office is situate or in that of the district in which the member resides, at the option of the society. It further gives a society a lien on the shares of any member for any debt owing to the society by him, and any sum credited to the member on account of his shares may be applied towards payment of such debt.

Exemption of Societies from Charge to Income Tax under Schedules C and D.

Section 24 is the important section relating to the exemption of societies from the charge to income tax under Schedules C and D of the Income Tax Acts.* It reads: "A registered society shall not be chargeable under Schedules C and D of the Income Tax Acts unless it sells to persons not members thereof, and the number of shares of the society is limited either by its rules or its practice. But no member of or person employed by the society shall be exempt from an assessment to the said duties to which he would otherwise be liable." It thus appears that the society escapes liability to assessment even if (*a*) it sells to non-members but does not limit its shares or membership, or (*b*) limits membership but sells only to its members. It only becomes liable if at one and the same time it limits its membership and sells to non-members. Of course any members liable to income tax still pay tax upon the share interest they receive, and the society is liable to be assessed for taxation under Schedules A and B. This matter will be discussed more fully later. (*See* pages 220 and 221.)

Nominations.

Members Dying Intestate. Probate Duty. Payment of Member's Capital to Representatives. Transfer of Stock.

Sections 25 and 26 refer to nominations, but as these sections have been either repealed or amended by the 1913 Act (except as regards nominations made before the 1913 Act), the subject of nominations can best be considered when the 1913 Act is being considered. Section 27 provides that where a member whose total investments (share, loans, and deposits) do not exceed £100, dies intestate, *i.e.*, without having made a will, and without having made a nomination in respect of his investments, the committee may, without letters of administration, distribute the sum to his credit among such persons as appear to them, on such

* This is now embodied in the Income Tax Consolidation Act of 1918.

evidence as they deem satisfactory, to be entitled by law to receive it. 'If, however, the amount of his investments exceeds £80 it is necessary that a receipt be obtained from the Inland Revenue Commissioners for the succession or legacy duty payable upon the amount, or a letter or certificate stating that no such duty is payable. If any such member is illegitimate, and leaves no widow, widower, or issue, the committee must deal with his property in the society in such a manner as the Treasury directs. The payment of duty in regard to the property of deceased members is also affected by Section 6 of the 1913 Act, to which reference should be made. (*See* pages 35 and 36.)

Section 28 refers to payment of probate duty and is repealed by the 1913 Act which, in Section 6, makes other provisions in regard to this matter. (*See* page 35.) Sections 29 and 30 give a committee power to pay to the representatives of an insane member or other person "the amount of the shares, loans, and deposits not exceeding £100 belonging to such member or person"; and the 1913 Act (Section 7) repeals the words "not exceeding £100," so that the whole of the amount standing to the credit of an insane member or other person may be paid at the will of the committee to his or her representative subject to the conditions laid down in Section 29 of the Act.

Section 31 is of a rather technical nature and deals with the transfer of any stock belonging to a society and standing in the name of a trustee or trustees. It need not detain us here, as cases under this section will seldom arise in a retail society.

Who may be Members of a Society? Liability on Bills of Exchange and Promissory Notes.

Section 32 provides that a person under the age of 21 but above the age of 16 may be a member of a society unless the rules prohibit him. He may enjoy all the rights of membership, but may not be a member of the committee,

a manager, or treasurer of the society. Section 33 is rather important to committees. It provides that " A promissory note or bill of exchange shall be deemed to have been made, accepted, or endorsed on behalf of the society if made, accepted, or endorsed in the name of the society or by or on behalf or account of the society by any person acting under the authority of the society." As the society may be committed to considerable liabilities through the issue of promissory notes or the acceptance of bills of exchange, it behoves the members of committees to be careful regarding the authority which they may give to persons in respect to these documents. Thus, in the issue of cheques or the acceptance of bills of exchange sole authority to sign should not be conferred upon one person, as the confidence reposed in this person might be abused and disaster follow. The signatures of two members of the committee with the counter signature of the secretary or treasurer should be required for cheques, bills of exchange, and similar documents. [Reference should also be made to Section 66 (*see* page 30) for further provisions regarding these documents.]

Register of Members.

Section 34 provides that any register or list of members or shares kept by any society shall be *primâ facie* evidence of the names, addresses, and occupations of the members, the number of shares held by them, and the amount paid or agreed to be considered as paid upon such shares ; and also it is evidence of the date when they became, or ceased to be, members of the society. It is therefore important that strict accuracy be observed in recording the date of admission of members and the payment of share capital. As a member continues to be liable for certain debts of the society for a period after ceasing membership, a mistake of even one day may affect him, or the society, seriously ; and the register of members will be *primâ facie* evidence of the date when he ceased to be a member.

Contracts.

Section 35 relates to the making, variation, or discharge of contracts on behalf of a registered society. It applies to societies the same rules regarding written (with or without seal) and parol contracts as are applicable in contracts between private persons. A contract which if by law valid between private persons "though made by parol only and not reduced in writing may be made by parol on behalf of the society by any person acting under the express or implied authority of the society, and may in the same manner be varied or discharged." And in a contract required by law to be in writing, the signature of a person acting under the express or implied authority of the society will commit the society. The effect of these provisions is that a manager or other person may commit the society to a written or oral contract if he is acting under the express or implied authority of the society. Thus, the manager of a drapery department might commit a society to a contract for shirts because he would then be acting within the implied authority of a drapery manager; but he could hardly commit the society to a contract for purchasing a row of houses or a motor car as he would not then be acting within his implied authority. Where a change of manager or buyer takes place, a society should notify the firms from which it is in the habit of making purchases, so that there may be no mistake regarding the cessation of the authority of the former buyer to act on its behalf. This matter is further referred to in Section 66 (*see* page 30).

Property and Funds.

Sections 36 to 42 refer to the property and funds of a society. Section 36 gives a society power (unless its rules otherwise direct) to hold, purchase or sell, take or let on lease, mortgage or build upon land, whilst Section 37 makes provision in regard to copyholds. Section 38 gives a society power to invest any part of its capital in or upon any security authorised by its rules and, also, if its rules do not

direct otherwise, in trustee investments, the stocks of local authorities and the shares of any other society registered under the Industrial and Provident Societies Act, or under the Building Societies Acts, or any company registered under the Companies Acts or incorporated by Act of Parliament or by charter, provided that no such investment be made in the shares of any society or company other than one with limited liability. A society may also invest (Section 39) any part of its funds in any savings bank certified under the Trustee Savings Bank Act, 1863, or in a post-office savings bank; and by its rules may provide (Section 40) for advances to its members upon the security of real or personal property and in the case of a society registered to carry on the business of banking in any manner customary in the conduct of such business. Section 41 gives a society power to appoint proxies to act on its behalf where it has invested capital as shares or on the security of any other body corporate, and these proxies, during the continuance of their appointment, may act as if they were the holders of the shares except that they may not transfer the shares or give receipts for any dividends thereon. By Section 42 any other corporate body may, if its regulations permit, hold shares in its corporate name in a registered society.

Discharge of Mortgages.

Sections 43, 44, and 45 refer to the discharge of mortgages in England and Ireland and in Scotland. They are of a somewhat technical nature, and provide that receipts in full discharge of mortgages must be signed by two members of the committee and counter-signed by the secretary (or by the liquidator where a society is in liquidation), and in the form specified by the Act or rules of the society. Section 46 refers to the execution of deeds in Scotland. Any deed or writ to which a society is party is held to be duly executed on behalf of such society in Scotland if it is either executed in conformity with the present law thereof or is sealed with the common seal of the society, subscribed

on its behalf by two members of the committee and the secretary of the society, whether such subscription is attested by witnesses or not.

Officers in Receipt of Money.

Sections 47 and 48 refer to officers in receipt or in charge of money. As it is important that committees should be fully informed on this matter the sections are reproduced from the Act in full :—

Section 47. "Every officer of a registered society having receipt or charge of money, if the rules of the society require, shall, before taking upon himself the execution of his office, become bound, either with or without a surety as the committee may require, in a bond according to one of the forms set forth in the Third Schedule to the Act,* or such other form as the committee of the society approve, or give the security of a guarantee society in such sum as the committee directs, conditioned for his rendering a just and true account of all moneys received and paid by him on account of the society at such times as its rules appoint, or as the society or the committee thereof require him to do, and for the payment by him of all sums due from him to the society."

Section 48. "(1) Every officer of a registered society having receipt or charge of money, or his executors or administrators, shall, at such times as by the rules of the society he should render account, or upon demand made, or notice in writing given or left at his last or usual place of residence, give in his account as may be required by the society, or by the committee thereof, to be examined and allowed or disallowed by them, and shall, on the like demand or notice, pay over all moneys and deliver all property for the time being in his hands or custody to such person as the society or the committee appoint; and in case of any neglect or refusal to deliver such account, or pay over such

* *See* Appendix IV.

moneys or to deliver such property in manner aforesaid, the society may sue upon the bond or security beforementioned, or may apply to the County Court (which may proceed in a summary way), or to a court of summary jurisdiction, and the order of either such court shall be final and conclusive.

"(2) This section shall apply to every servant of a registered society in receipt or charge of money in every case where he is not engaged under a special agreement to account."

Disputes within the Society.

Section 49 provides that disputes between members and the society or an officer of the society shall be decided in the manner directed by the rules of the society, if they contain any such direction, and the decision shall be binding and conclusive on all parties without appeal; and application for the enforcement of the decision may be made to the County Court. Unless the rules forbid it, the parties to a dispute in a society may refer such disputes to the Chief Registrar (or to the Assistant Registrar in Scotland or Ireland). The Registrar may, with the consent of the Treasury, hear and determine such dispute and his decision will be enforceable in the same manner as a decision made in the manner described by the rules. He may order the production of books and documents; and any person refusing to attend and produce documents or give evidence is guilty of an offence under the Act. The section also provides that disputes which by the rules are to be referred to justices shall be determined by a court of summary jurisdiction. "Where the rules contain no direction as to disputes or where no decision is made on a dispute within forty days after application to the society for a reference under its rules, the member or person aggrieved may apply either to the County Court, or to a court of summary jurisdiction, which may hear and determine the matter in dispute."

Inspection of Affairs.

Inspection of the affairs of a society is provided for in Section 50. This section gives the Chief Registrar (or in cases where a society's business is exclusively in Scotland or Ireland, the Assistant Registrar for the country) power, with the consent of the Treasury, to (*a*) appoint an inspector or inspectors to examine into and report on the affairs of a society; or (*b*) call a special meeting of the society. He may do so upon the application of one hundred members or one-tenth of the membership if there are fewer than a thousand members. The request to him for such an inspection or meeting must be supported by evidence showing that the applicants have good reason for making their application and are not actuated by malicious motives. They may have to bear the whole or part of the costs incidental to (and by the 1913 Act preliminary to) the inspection and give security for the costs before the inspection takes place. An inspector appointed under this section may require the production of books and documents and examine, on oath, servants and members of the society. The object of this section, which should be read by all interested in the matter of inspection, is obvious. It is to prevent a committee or any section of the membership acting in contravention of the rules of the society or the Act, or doing anything prejudicial to the interests of other members of the society who may be a minority but nevertheless have certain rights which cannot be infringed even by a majority.

Change of Name. Amalgamation or Conversion of a Society. Definition of a Special Resolution.

Sections 51 to 57 deal with the change of name, with amalgamation and with the conversion of a society into a company, or a company into a society. As a society may by special resolution change its name, amalgamate with another society or with another company, transfer its engagements to another society or to a company, or convert

itself into a company; and as a company may by special resolution convert itself into a society, a definition and explanation of a special resolution becomes necessary. A special resolution is defined for the purposes of this Act as a resolution being:—

> "(*a*) passed by a majority of not less than three-fourths of such members of a registered society for the time being entitled under the rules to vote as may have voted in person, or by proxy where the rules allow proxies, at any general meeting of which notice, specifying the intention to propose the resolution, has been duly given according to the rules; and
>
> (*b*) confirmed by a majority of such members for the time being entitled under the rules to vote as may have voted in person, or by proxy where the rules allow proxies, at a subsequent general meeting of which notice has been duly given, held not less than fourteen days* nor more than one month from the day of the meeting at which such resolution was first passed.
>
> At any meeting mentioned in this section a declaration by the chairman that the resolution has been carried shall be deemed conclusive evidence of the fact."

The change of name effected by a special resolution needs to be approved in writing by the Chief Registrar or in the case of societies registered in Ireland or Scotland and doing business exclusively in these countries by the Assistant Registrar for the country in which they are registered. The section contains detailed provisions regarding the liability of members and of societies taking advantage of this section relating to amalgamation, conversion, etc.; and the section should be carefully perused by all committees who may be contemplating participation in any scheme of amalgamation or conversion.

A special resolution for any of the purposes mentioned in the Act does not take effect until a copy of the resolution,

*This is really fifteen days, counting the day of the meeting as the first one.

signed by the chairman of the meeting at which the resolution was confirmed, and counter-signed by the secretary of the society, has been sent to the central office and registered there.

Dissolution of a Society.

Sections 58 to 61 of the Act contain provisions relating to the dissolution of a society A society may be dissolved by an order of the court to wind up the society, by a resolution of the members similar to that required in the case of a company, or by the consent of three-fourths of the members testified by their signatures to an instrument of dissolution. Section 60 provides that where a society is wound up in pursuance of an order or resolution "the liability of a present or past member to contribute for payment of the debts and liabilities of the society, the expenses of winding-up, and the adjustment of the rights of contributories amongst themselves, shall be qualified as follows:—

(*a*) No individual, society, or company, who or which has ceased to be a member for one year or upwards prior to the commencement of the winding-up shall be liable to contribute.

(*b*) No individual, society, or company shall be liable to contribute in respect of any debt or liability contracted after he or it ceased to be a member.

(*c*) No individual, society, or company, not a member, shall be liable to contribute, unless it appears to the court that the contributions of the existing members are insufficient to satisfy the just demands on the society.

(*d*) No contribution shall be required from any individual, society, or company exceeding the amount, if any, unpaid on the shares in respect of which he or it is liable as a past or present member.

(*e*) An individual, society, or company shall be taken to have ceased to be a member, in respect of any withdrawable share withdrawn, from the date of the notice or application for withdrawal."

Where dissolution is taking place through the medium of an instrument of dissolution, the instrument must set forth the liabilities and assets of the society in detail, the number of members, the nature of their interests in the society, the claims of creditors and the provisions to be made for their payment, and also the proposed distribution of the surplus assets of the society. Three members and the secretary of the society must make a statutory declaration that the provisions of the Act have been complied with and the Registrar must advertise the dissolution of the society (at the expense of the society) so that any creditor may intimate any unsatisfied claim. If no person claims to have the dissolution set aside within three months of the insertion of the advertisement the society becomes legally dissolved as from the date of the advertisement. This method of dissolving a society is not general, and any committee proposing to take advantage of it should read Section 61 carefully before proceeding.

Offences, Penalties, and Legal Proceedings under the Act.

Sections 62 and 70 refer to offences, penalties, and legal proceedings and for that reason are important. Section 62 has been replaced by Section 10 of the 1913 Act, which reads :—

"The following provisions shall be substituted for Section sixty-two of the principal Act :—

It shall be an offence under this Act if

(*a*) A registered society, or an officer or member thereof, or any other person, fails to give any notice, send any return or document, do or allow to be done anything which the society, officer, or member, or person is by this Act required to give, send, do, or allow to be done ; or

(*b*) a registered society, or an officer or member thereof, or any other person, wilfully neglects or refuses to do any act, or to furnish any information required

for the purposes of this Act by the chief or other registrar, or by any other person authorised under this Act, or does anything forbidden by this Act; or

(*c*) a registered society, or an officer or member thereof, or any other person, makes a return, or wilfully furnishes information in any respect false or insufficient; or

(*d*) a registered society carries on the business of banking when it has any withdrawable share capital or in carrying on such business does not make out and keep conspicuously hung up such statement as is hereinbefore required, or makes any payment of withdrawable capital contrary to the provisions of this Act.

Section 63 provides that every offence by a society under this Act is deemed to have been also committed by every officer of the society who is bound by the rules to fulfil a duty the non-fulfilment of which creates the offence, or "if there be no such officer, then by every member of the committee" of the society, unless such member be proved to have been ignorant of or to have attempted to prevent the commission of such offence; "and every act or default under this Act constituting an offence, if continued, shall constitute a new offence in every week during which the same continues."

Section 64 contains provisions regarding persons who obtain possession of any property of a society by false representation, or withhold or misapply property of a society, or apply it to any purposes other than those expressed or directed in the rules of the society. Any person so guilty, may, on the complaint of the society or of any member instructed by the society, or the committee of the society, or of one of the Registrars, be fined and ordered to return the property or repay all moneys misapplied, and in default may be imprisoned with or without hard labour.

Section 65 deals with the falsification of accounts and reads: "If any person wilfully makes, orders, or allows to be made any entry or erasure in, or omission from, any balance sheet of a registered society, or any contribution or collecting

book, or any return or document required to be sent, produced, or delivered for the purposes of this Act, with intent to falsify the same, or to evade any of the provisions of this Act, he shall be liable to a fine not exceeding fifty pounds."

Section 66 specifies the penalties and responsibilities of those who do not correctly and on all occasions use the name of the society in matters affecting the society. It reads: "If any officer of a registered society or any person on its behalf, uses any seal purporting to be a seal of the society, whereon its name is not so engraved as aforesaid, or issues or authorises the issue of any notice, advertisement, or other official publication of the society, or signs or authorises to be signed on behalf of the society any bill of exchange, promissory note, endorsement, cheque, order for money or goods, or issues or authorises to be issued any bills of parcels, invoice, receipt, or letters of credit of the society, wherein its name is not mentioned in manner aforesaid, he shall be liable to a fine not exceeding fifty pounds, and shall further be personally liable to the holder of any such bill of exchange, promissory note, cheque, or order for money or goods for the amount thereof unless the same is duly paid by the society."

If any person, with intent to mislead or defraud, gives to another person a copy of rules which are not the rules registered under the Act or represents them as the rules of a registered society when the society is not actually registered, he commits an offence under the Act (Section 67). To prevent the possibility of mistakes, committees should therefore make sure that when rules are amended or replaced, the correct rules are issued to those who apply for a copy. Sections 68, 69, and 70 refer to the amount of the fine (£5) for offences for which no other amount of fine is fixed in the Act, and for the manner of recovering the fines or appealing against them. Section 11 of the 1913 Act adds to Section 69 of the 1893 Act certain provisions for the recovery of penalties.

Remuneration Fees and Sundry Matters.

Section 71 refers to the remuneration of the Registrar and high bailiffs of the County Court. Section 72 gives the Treasury power to appoint Public Auditors and determine their remuneration. It also provided that the employment of public auditors should not be compulsory, but this part of the Act has been repealed by the 1913 Act. (*See* page 33.) Section 73 gives the Treasury power to determine a scale of fees for matters transacted or for documents to be inspected under the Act, whilst Section 74 gives the Treasury power to make regulations respecting registry and procedure under the Act and the forms to be used for such registry. The Treasury under the powers conferred by this section has prescribed certain forms for various purposes.*

Section 75 deals with the evidence of documents; Section 76 refers to the duties of Registrars; and Sections 77 and 78 adapt the provisions of the Act to the legal procedure of the Channel Islands.

Definition of Terms.

Section 79 is a defining section, and explains the meaning attached in the Act to the words "Registrar," "Land," "Property," "Registered Society," "Amendment of Rule," "Rules," "The Committee," "Persons claiming through a member," "Officer," "Meeting," "Office," "County Court," and "Gazette." Those who desire an exact definition of these words should therefore refer to the Act, a copy of which is included in the Handbook referred to at the foot of this page. The only words we need now consider are "The Committee," and "Officer." "The Committee" means the committee of management or other

* Copies of these forms are included in the Handbook to the Act, entitled "The Industrial and Provident Societies Act, 1893, and Amendment Act, 1913," and published by the Co-operative Union. A copy of this book should be in every committee-room, and its principal contents should be studied by every committee member who desires to be conversant with the powers, duties, and administration of a society registered under these Acts.

directing body of a society; and the word "Officer" extends to any treasurer, secretary, member of the committee, manager, or servant, other than a servant appointed by the committee, of a society.

The final section of the Act (Section 80) refers to the enactments repealed by the 1893 Act.

Amendment of the 1893 Act.

The 1893 Act worked, on the whole, very well; but difficulties arose in regard to nominations and led to the famous "Eccles" case, which had reference to nominations. This stimulated the demand for an amendment of the Act. By this time, societies were growing, and it was thought desirable that stricter provisions should be made regarding the qualification of persons entrusted with the audit of societies' accounts. With the growth of their trade in both amount and variety, societies were feeling the restriction of shareholding to £200 to be irksome, and attempts were made to secure the abolition of the restriction or the raising of the limit. In this matter the efforts of the movement were unsuccessful when the 1913 Act was passed; but an amendment was secured which clarified and improved the position in regard to nominations.

II.—The 1913 Act.

The 1913 Act repealed some parts of the 1893 Act, and to-day the special Acts governing industrial and provident societies are the 1893 and the 1913 Acts. We may now review the provisions of the 1913 Act.

Two Societies may form a third one.

Section 1 of this Act makes it possible for two or more registered societies to form another registered society. The 1893 Act required a minimum of seven members for the formation of a society; but two members will now suffice if they be registered societies. The application for registration must be signed by two members of the committee

and the secretary of each constituent society, and must be accompanied by two printed copies of the rules of each society.

Audit of Accounts.

Section 2 refers to the Audit of Accounts. It provides that every registered society shall once in every year submit its accounts for audit to one or more of the public auditors appointed under the provisions of the principal Act (the 1893 Act, *see* pages 15, 31, and 32), and that an auditor shall not hold any other office in connection with the society. This Section repeals the first sub-section of Section 13 of the Act of 1893, but the second sub-section, relating to the rights and duties of auditors, still remains (*see* page 16). A list of public auditors, with the scale of charges approved for them, may be obtained from the Registrar of Friendly Societies, London. Societies may, however, arrange with a public auditor to undertake the audit for them at some figure other than that mentioned in the scale. The employment of a public auditor, which was optional under the 1893 Act, is therefore now compulsory.

Annual Return.

Section 3 refers to the Annual Return, and runs with Section 14 of the 1893 Act (*see* page 16). It provides that the annual return of a society shall be made up from the date of the last annual return to the date of its last published balance sheet (if falling between September 1st and January 31st) or December 31st. Along with the annual return there must be forwarded to the Registrar a copy of the report of the auditors and a copy of each balance sheet made during the period covered by the return.

Triennial Return.

Section 4 contains a new provision relating to what is known as the Triennial Return. A society must make out

and send to the Registrar at least once in every three years and along with the annual return for the year, a special return signed by the auditor or auditors showing the holding of each person in the society (whether in shares or loans) at the date to which the annual return is made out. Where the members of the society are distinguished in the books of the society by numbers, these numbers may be used instead of the names of the members. The reader may be reminded that a society must supply gratuitously on application "to every member or person interested in the funds of the society" a copy of the last annual return of the society (Clause 15 of the 1893 Act, *see* page 16), but the 1913 Act does not state that a member is entitled to a copy of the Triennial Return. The Co-operative Union recommends, however, that copies of both returns be supplied to members.

Nominations.

Section 5 of the 1913 Act contains the most important alterations to the 1893 Act. It refers to nominations and the provisions of both Acts may therefore be considered at this stage. The main provision is that a member may, by writing under his hand delivered at or sent to the registered office of the society during the lifetime of such member or made in any book kept thereat, nominate any person or persons to or among whom there shall be transferred at his decease his property in the society (whether in shares, loans, or deposits, or otherwise), or so much thereof as is specified in the nomination if the whole amount is not specified. If his total property in the society at the time of his death exceeds £100 the nomination is valid for only £100 thereof. A person so nominated may not be an officer or servant of the society unless such officer or servant is the husband, wife, father, mother, child, brother, sister, nephew or niece of the nominator.

A nomination may be revoked or varied by a subsequent

nomination or by notice in the manner in which a nomination is made; but a nomination cannot be revoked or varied by the will of a nominator, or by any codicil thereto. Any amount in excess of £100 may be disposed of by will. The society must keep a book containing full particulars of all nominations and revocations and variations of same. Marriage of a member revokes any nomination which he or she may have made before marriage; but if any property of a married member is transferred to a nominee under a nomination made before marriage, and the officer of the society making the transfer is ignorant of the marriage, the receipt of the nominee becomes a valid discharge to the society, and the liability of the society ceases.

Section 5 further provides that the committee of a society, subject to the limitations set out above, shall transfer or pay to the person nominated the full value of the nominator's holding. If transference of shares raises the holding of a member to more than £200, the surplus over £200 must be paid out. Where a nominee is under sixteen years of age, the society may pay the sum nominated to either parent, or to a guardian of the nominee, or to any other person of full age who will undertake to hold the same on trust for the nominee or to apply the same for his benefit and whom the society may think a fit and proper person for the purpose.

Estates of Deceased and Insane Members.

Section 6 refers to Death Duties, and takes the place of Section 28 of the 1893 Act. Estates of deceased persons are not liable for death duty when the total amount, after deduction of debts and funeral expenses, does not exceed £100; and the object of Section 6 is to secure the payment of estate duty upon any part of a deceased member's holdings which may be liable but may be disposable wholly or partly by nomination or distributed by the society in accordance with Section 27 of the 1893 Act, as the estate of

a person dying without will. The section provides that where the principal value of the estate of a deceased person, in respect of which estate duty is payable, exceeds £100, any property transferred by nomination or as the property of an intestate person without probate or administration shall be liable to estate duty as part of the amount on which that duty is to be charged. The committee before making any such transfer or payment may therefore require a statutory declaration by the claimant, or one of the claimants, that the total value of the estate including the amount invested in the society does not exceed £100 after paying debts and funeral expenses.

The second part of the section reads: "If the principal value of the property or money to be so transferred or paid exceeds eighty pounds, the committee of the society shall, before making any transfer or payment to any person other than the legal representative of the deceased member, require production of a certificate from the Commissioners of Inland Revenue of the payment of the estate duty, and a duly stamped receipt for the succession or legacy duty payable in respect of the property or money so transferred or paid, or a certificate that no estate, succession, or legacy duty is payable thereon."

Section 7 refers to the property of insane members and modifies Section 29 of the 1893 Act. As it has been discussed in connection with that Section (page 19) it need not detain us here.

Dissolution of Societies.

Section 8 provides that a society shall not be dissolved and its registration cancelled unless a certificate, signed by the liquidator or the secretary or other officer of the society approved by the Registrar, has been lodged with the Registrar showing that all property vested in the society has been duly conveyed or transferred by the society to the persons entitled.

Expenses of Inspection and Special Meetings and Minor Amendments to 1893 Act.

Section 9 referring to the expenses of inspections and special meetings has been already noted when discussing the 1893 Act (page 25). Section 10, which replaces Section 62 of the 1893 Act, has already been noticed when discussing that Act (pages 28 and 29). Section 11 gives further powers in regard to serving of summonses and recovering of penalties by adding to the provisions of Section 69 of the 1893 Act (page 30). The final section of the Act (No. 12) deals with the short title of the Act, the construing of the Act, and the sections of the 1893 Act repealed by it.

Industrial and Provident Societies' Act of 1928.

This Act is a short one of two clauses to amend Section 22 of the Act of 1893, which provides that members of a society are bound by its rules. It qualifies the binding effect upon a member of any amendment of the rules so far as the member's liability for share capital is concerned. It provides that a member of a society registered under the Act of 1893 shall not, without his consent in writing having been first obtained, be bound by any amendment of rules registered after he became a member and after the passing of the (1928) Act, if and so far as such amendment requires him to take or subscribe for more shares than the number held by him at the date of registration of the amendment, or to pay upon the shares so held, any sum exceeding the amount unpaid upon them at that date, or in any other way increases the liability of the member to contribute to the share or loan capital of the society.

CHAPTER III.

THE FORMATION AND REGISTRATION OF A SOCIETY.

WHEN a number of persons think of forming a co-operative society they usually have an object in view, and they must ascertain whether this object is one which falls within the scope of a society that may be registered under the Industrial and Provident Societies Acts.

Objects.

The objects clause of the 1893 Act is very wide, and permits the registration of a society "for carrying on any industries, businesses, or trades specified in or authorised by its rules, whether wholesale or retail, and including dealings of any description with land." Banking* may not, however, be carried on by a society unless it observes special conditions, the principal one being that none of its share capital may be withdrawable. The activities in which a society may engage are sufficiently wide to cover the needs of most societies; and where it is desired to carry on the business of banking, as in the case of the Co-operative Wholesale Society, the Act is complied with by issuing none but transferable shares.

Membership.

Having satisfied themselves that they will be able to achieve their object if registered, the group of co-operative pioneers will find that they must have at least seven individual members before they can be registered under the

* Banking, here, does not include what are commonly known as penny banks or small-savings banks. Special provision is made for these.

Industrial and Provident Societies Acts. By the Act of 1913, however, two members will suffice, provided they be registered societies. An example of such a society with only two members is the Co-operative Insurance Society, the sole members of which are the Co-operative Wholesale Society and the Scottish Co-operative Wholesale Society. With the growth of federal societies established for special purposes such as farming and baking, greater advantage is likely to be taken of the 1913 Act. Thus the Walsall and Cannock societies recently formed the "Walsall and Cannock Agricultural Society" to work the farms which they jointly own. Besides individuals and registered co-operative societies, joint-stock companies may also become members of a registered society. A guild branch or similar organisation cannot become a member of a society; but where a guild branch wishes to keep its funds with a society the secretary or treasurer, or the two jointly, may take up membership in their own names.

Returning now to the societies composed of individuals, it may be noted that any person above 16 years of age may be a member of a society* but if under 21 may not be "a member of the committee, trustee, manager, or treasurer of the society." Both men and women may be members of a society; but in a few societies the membership is confined in practice entirely, or almost entirely, to men. The tendency to-day is for women to form an increasing proportion of the membership; and in many societies they constitute more than one-half of the total membership.

The growth of woman-membership is largely owing to the growing popularity of "open membership," which means the admission to membership of a society of as many members of a family as care to join. Formerly there was a tendency to limit the membership by rule, or practice, to

* Unless provision be made in the rules to the contrary. Some societies fix a minimum age of 18. It should be noted throughout the reading of this book that societies may by their rules limit advantages conferred upon them by the Act.

one member of a family. This practice kept down the clerical work and the investment of capital at a time when capital was not desired, and the practice had other minor advantages. The husband was, of course, usually the member. The practice of restriction was always repugnant to earnest co-operators with their pride in the equality of the sexes, and the exclusion, in practice, of women was largely responsible for an agitation some years ago and still continued with less zeal, because less necessary, for "open membership." The restriction was always bad in principle, and the principal reason for its adoption, viz., the limiting of capital, is now felt to be the very reason why restriction should be abandoned. So long as membership was confined to one in a family the share investment of that family was limited to £200. With open membership, the possible share capital obtainable from a family of five is £1,000; and the need for more capital during the war led to an amendment of the restricting rule in the few societies where it still remained. It is probably the case, too, that open membership brings more trade. A person appears to have a much greater interest in the society if he (or she) is a member in his (or her) own right than if all the purchases are made through the account of some other member of the family.

It is also possible for two or more persons to be joint members. This is convenient where husband and wife wish to maintain only one account and benefit equally from the accumulation of dividend and interest.

Rights, Privileges, and Responsibilities of Members.

A member of a co-operative society has certain rights, privileges, and responsibilities which it is now our purpose to examine. In the first place, he is by virtue of his membership a joint-owner of the society; but this does not entitle him to enter one of the society's shops, seize a ham, and say "It's all right. I am a member of the society and one of the owners of the shop." He can only exercise in a constitutional manner the rights which joint ownership

confers upon him, and that is through the meetings of members which are held at intervals of a month, quarter, or half year, according to the provisions made in the rules.

At such meetings he is entitled to speak and vote, if he has complied with the rules of the society. The rule relating to voting generally provides for one member one vote ; but the basis is different in the wholesale societies and the Co-operative Union. The rules of some societies deny a member the right to vote unless his shares are fully paid ; and in other societies the rules prohibit employees of the society from voting on certain questions even when they are members. It has always seemed to the writer that this last disqualification could hardly be maintained at law, because it appears to be a denial of the elementary rights of membership. Still, the practice has prevailed in some societies, and rules embodying the disqualification have been registered and have been operative for many years without being questioned. This may be accepted by some as presumptive evidence of the right to disqualify, although it should be remembered that registration of rules does not of itself prove that the disqualification could stand if tested at law. The restrictions on the powers and opportunities of employee-members probably spring from the fear that employees, when specially interested in some question, might attend the meetings of societies and in the voting swamp the other members of the society. As employees are a minority in a society, this can only happen if the other members neglect their duty of attending the meetings.

The greater interest recently taken in the question of industrial organisation and participation by the worker in the control of industry has brought the question more prominently before the notice of co-operators. As a result, several societies have recently amended the disqualifying rule, and given to employee-members the same rights as other members—a step which has been recommended by the Co-operative Congress. Some societies have

gone farther and provided that the employees shall be represented, as such, on the committee of management; whilst other societies which had rules prohibiting the election of employees to the committee have recently amended these rules and given employees the same rights as other members in this respect.

A member, unless disqualified by rule, may act on the committee of a society or fill any office provided he is 21 years of age. The qualifications and disqualifications of committee members are discussed more fully in Chapter VI., and the subject may therefore be left for the time being. The number of members of the committee of a new society can be decided in accordance with the suggestions made on page 112, and should usually be about eight.

Membership of a co-operative society carries with it the responsibility of contributing share capital. The rules of societies vary on this point. In many societies a member need hold only one £1 share; in other societies he must hold one £1 transferable share and one £1 withdrawable share; and in others he must hold a minimum of £5 or £10 in share capital. The share capital is not necessarily paid in one lump sum on joining the society. The usual practice is to exact a small payment on entrance and allow the balance to be made up by accumulations from accruing dividends and share interest, the rules of many societies stipulating that a definite amount, *e.g.*, 3s. 3d. per quarter, shall be periodically contributed or deducted from the dividend each quarter or half year until the shares are fully paid. In many societies this rule has not been enforced; but it ought to be enforced; and committees are running some risk in permitting such a breach of the rule. The Registrar has recently taken up a very definite attitude on this point, and committees would be wise if they enforced the rule.

The amount of capital a society should collect before commencing business depends upon the variety and volume of activities it proposes to undertake at the commencement

and whether it intends to purchase or rent business premises. It is not wise to commence with less than an average of £5 per member, and an average of at least £10 per member should be fixed as the ideal to be reached at an early date, as this amount will be required for trade purposes and to enable the society to become a member of the Wholesale Society. As the society develops, still more capital may be required. The subject may be left at this point for the present, as a fuller review is undertaken in Chapter IV.

The liability for unpaid share capital† remains so long as the member remains a member of the society, and it continues for some purposes for a year after his ceasing to be a member. If the winding-up of a society commences within a year of his ceasing to be a member and the assets of the society, including the unpaid and paid-up capital of the remaining members, are not sufficient to meet the liabilities, he may have to pay the full value of the number of shares he held at the time of resignation ; but no member is liable to contribute in respect of any debt or liability contracted after he ceases to be a member. If the contributions for which existing members are liable are sufficient to meet the claims made upon the society, the member who has resigned is free from liability.*

Any member or person having an interest in the funds of a registered society may inspect his own account and the books containing the names of the members at all reasonable hours at the registered office of the society or such other place where they may be kept, subject to certain regulations specified in the Act. A society, by its rules, may give a member power to inspect any additional books specified in the rules, but except he be an officer of the society, not to inspect the loan or deposit account of any other member without his written consent or the authority of a resolution of the society. This clause gives a member an opportunity of knowing that his own account in the books of the society

†See 1928 Act, p. 37.
*For further details, *see* Clause 60 of the 1893 Act.

is correct, and enables him to know who are his fellow-members. Whether a member shall be allowed to make any copy of, or extracts from, entries in his account, or the list of members, is considered by some to be a debatable point. The Registrar in a recent case ruled that a member was entitled to make such a copy, and also to make a copy of the list of members and their addresses.

So far, we have been dealing with the position of an individual as a member. We may now turn our attention to societies which desire to become members of other societies. One society may become a member of another society if the rules of this second society permit it to accept society members; and society members may take up share capital to any amount permitted by the rules of the society of which they become a member; but a joint-stock company or other body corporate that is not an Industrial and Provident Society may not take up more than £200 in share capital. Of the societies which become members of other societies it may be said that their rights, privileges, and responsibilities are the same as those of individual members except that they act through their legal representatives—usually the secretary and delegates appointed to attend quarterly and other meetings. The outstanding examples of such membership are provided by the wholesale societies and the productive or co-partnership societies. They are distinguished from the retail societies principally by the fact that the voting power of the members is different. Whilst "one member one vote" is the general rule in retail distributive societies, the votes of the societies which are members of the English and Scottish Co-operative Wholesale Societies are principally dependent upon the trade they do with their Wholesale Society. The rules in regard to voting in the co-partnership societies vary, but, in general, votes are given in proportion to shares held. The societies which are members of federal or other societies exercise their vote and control as mentioned above, principally through delegates whom they appoint to attend the meetings of the society of

which they are a member; but they usually nominate and vote for members of the committee of the federal societies according to decisions of their own committee. The process of nominating and voting for these positions is usually conducted through the post.

Whether the membership of a society be composed of societies or of individuals, the members have the right to refuse membership to those who apply for it. Societies have exercised, and do exercise, this right. The Co-operative Wholesale Society, for example, would refuse to admit an individual as member; and societies have been refused admission to membership of a federal society because there was another society in the same town already a member, and the admission of a second society would increase overlapping and competition. A registered society may refuse to admit as member a person who is considered undesirable; and it may even expel a member, subject to the rights of appeal mentioned on pages 82 and 83. The right to refuse applicants who desire to join a society must be exercised with caution, for a society gains exemption from income taxation under Schedules C and D " unless it sells to persons not members thereof, and the number of the shares of the society is limited either by its rules or its practice," and refusal to admit members may prejudice its right to exemption.

Procedure in Forming a Society.

Having discussed some of the legal provisions affecting membership we may now consider the procedure adopted in the formation of a society. There must, of course, first be the desire on the part of a number of individuals to form a society. They will probably discuss the matter in a more or less informal manner, and will usually decide to have a public or semi-public meeting to which they will invite those whom they desire to join the society. To ensure success they will probably undertake a preliminary canvass of prospective members, and perhaps engage a

canvasser for this purpose; and this canvass the pioneers of the society will extend by "button-holing" their friends and fellow-workmen. They will also probably distribute leaflets on Co-operation and handbills announcing the meeting among members of trade unions in the district, supplementing this publicity by a door-to-door distribution of suitable literature and by a public advertisement on the hoardings and in the press, assuring themselves by their personal canvass of the nucleus of an audience at the meeting.

Before the meeting takes place, arrangements must be made for speakers. The advantage of having some well-known and respected local persons as chairman and speakers should not be overlooked; and the Co-operative Union can be asked to send a speaker who is competent to explain the objects, methods, and advantages of a co-operative society and the Co-operative Movement, and is able to give advice to those who are desirous of forming a society. Literature, obtainable from the Co-operative Union, ought also to be provided at the meeting to give due publicity to the objects and advantages of Co-operation. Questions and enquiries should be encouraged, and the meeting should not be of a very formal character or made tedious by long speeches. The pioneers of the society-to-be should have already asked one of their number to act as secretary, and at the meeting he must be provided with a good supply of forms of application for those who desire to join the society and contribute share capital. If a number of people in the district have already promised to join the society when formed, it will be of assistance to report the fact as an inducement to others. It is a common experience that a person is usually more willing to take a new step if some other person has taken it, or is taking it. It is therefore worth while having a list of intending members to quote at the preliminary meeting.

At this meeting, after some preliminary discussion, a resolution in favour of establishing a society will probably be submitted, and if the resolution is passed, a pro tem.

committee, secretary, and other officers will be appointed to prepare a code of rules, arrange for the registration of the society, and secure additional members. When this committee is preparing the rules it will be able to obtain further assistance from the Co-operative Union. The Union staff have had a long and varied experience in preparing and amending rules; and by taking advantage of their experience a new society can avoid both mistakes of omission and mistakes of commission. The needs of all societies are in the main the same; and, as pointed out in Chapter I., the Union has found it beneficial to prepare a standard set of rules known as the "Model Rules," which a society may adopt as they stand or with such modifications as may be required to meet the special needs of the society. The availability of the Model Rules saves new societies much expense that would be incurred in obtaining legal advice in drafting a set of rules of their own.

Matters to be provided for in the Rules.

Certain matters must be provided for in the rules, and they are stated in the second schedule of the 1893 Act and given in Appendix III. to this book. Briefly, they may be said to be (1) the object, name, and registered office of the society; (2) terms of admission of members; (3) mode of holding meetings, determining voting, and altering rules; (4) appointment, removal, and payment of committee and officers; (5) the number and value of shares which a member must and may take up in the society; (6) provision for taking loans and deposits, if desired, and a statement of conditions relating thereto; (7) determination whether shares shall be withdrawable or transferable; (8) conditions of withdrawal from the society; (9) mode of application of profits; (10) provision for custody and use of society's seal; (11) provisions regarding investment of capital; (12) inspection of books by order of the Registrar; (13) appointment of an inspector and calling of a special meeting by order of Registrar; (14) voluntary dissolution of the

society. Besides other matters which the society will as a matter of course provide for in its rules, and the foregoing requirements imposed by the Act, the society has certain statutory duties which must be set forth in the rules for the information of members; and when the society is being registered a form has to be completed indicating the number of the rule in which each requirement is provided for. These statutory duties are as follows (*see* Appendix III):—

(*a*) The delivery on demand of copies of the rules and the sum to be paid for the same. (The society must supply on demand a copy of its rules to any person on payment of a sum not exceeding one shilling.)

(*b*) The publication and use of the name of the society. (The society must have its full registered name painted or affixed in legible characters on the outside of every office or place of business, must mention it in all documents issued by the society, and also have it engraved upon its seal.)

(*c*) The annual audit of accounts, the appointment of a public auditor for the purpose, and the keeping of a copy of the last balance sheet and the auditor's report always hung up at the registered office. (The society must have its accounts audited at least once a year by a public auditor and keep a copy of the last balance sheet, with the auditor's report, hung up in a conspicuous place in the registered office.)

(*d*) The sending to the Registrar of an annual return of the receipts and expenditure, funds, and effects of the society, with copies of the auditor's reports and balance sheets, and the supplying on application of a copy of the last annual return. (The society must once in each year before March 31st prepare an annual return on the lines mentioned on page 33, and forward a copy, with a copy of the auditor's reports and all balance sheets issued since

the date of the last annual return, to the Registrar. It must also supply a copy of this return, without charge, to every person interested in the funds of the society who makes application for a copy.)

(*e*) The inspection of a member's accounts and the books containing the names of the members. (As mentioned on pages 16 and 43, a society must permit a member to inspect his own account and the list of members of the society.)

(*f*) The sending to the Registrar of a triennial return of the holding of each person in the society, whether in shares or loans. (As mentioned on pages 33 and 34, the society must once in three years forward a list of the shareholders and loanholders to the Registrar along with the annual return for the year.)

(*g*) (Applicable only to societies carrying on the banking business.) The making of the half-yearly statement required by the Act and the displaying of this statement in the registered office and other places of business.

If a society desires to make provision in its rules for certain other matters, the fact must be stated in the form of application for registration, and the number of the rule must be given in each case. (*See* Appendix III for list of these matters.)

A society must have a registered office and notify its situation and any changes in its situation to the Registrar.

Registration and Name.

Before a society can be registered it must have seven members if they are individuals (or two if they are societies), and it must make application for registration on a special form* obtainable from the Registrar.† This form of application must be signed by seven members and the secretary

* A copy of this Form is given in the Handbook to the Industrial and Provident Societies Act, 1893, and Amendment Act, 1913, issued by the Co-operative Union.

† Where the word Registrar is used in this book the Registrar of Friendly Societies is intended.

of the society, and sent with two copies of the rules of the society to the Registrar as mentioned below for registration.

The name selected for the society must not be identical with, or closely resemble, that of any other society, nor must the word "company" be adopted in the name. The word "limited" must be the last word of the name of the society. A society must be registered in that part of the United Kingdom (England and Wales, Scotland or Ireland*) in which its registered office is situate; but if it wishes to carry on business in one of the other parts it must record its rules and any amendments thereof with the Registrar in that part before it becomes entitled to any of the privileges of the Act in that part. There is a chief registrar in London and registrars in Edinburgh, Belfast, and Dublin. The Registrar must examine the rules and satisfy himself that the provisions of the Act have been complied with, after which he issues an acknowledgment of registry. When the society receives this acknowledgment it may safely commence business. If the Registrar refuses to register a society or an amendment of rules, the society can appeal against his decision.† The Registrar has power to cancel the registry under certain conditions, *e.g.*, if the number of members falls below the prescribed minimum or if the society has ceased to exist.

Formerly no fee was payable when a new society was registered, but a fee of £10 is now payable on registering a new society and £2 on registering a partial amendment of rules with a fee of £4 for a complete amendment of rules. The Chief Registrar has authority, however, to use his discretion in the matter of fees when registering a new society. He may reduce the fee to not less than £3 in the case of any society whose objects or rules or whose special circumstances, in his opinion, entitle such society to such reduction. The

* There are now registrars in both Dublin (for the Irish Free State) and Belfast (for Northern Ireland).

† To the High Court in England or Ireland and to the Court of Session in Scotland.

Chief Registrar has agreed to issue his certificate of registration at the reduced fee of £3 to all societies affiliated with the Co-operative Union on certain conditions. In order to obtain this reduction, all new societies will be required to adopt rules approved by the Co-operative Union, to become affiliated with it, and to send the rules for registration through the Central Office of the Union, so that its stamp of approval may be attached.*

Alterations of Rules.

From time to time alterations of, repeal of, or additions to, rules will be deemed necessary. Such changes can be given legal effect only when they are made in the manner laid down by Act of Parliament. The Act lays it down that the rules of a society must provide for the manner in which alterations may be effected. Usually, it is provided that rules may be altered only at a special general meeting, and the notice convening the meeting must contain an intimation of the business which is to be considered at the meeting. The rules usually provide that a majority of two-thirds of the members voting at any special general meeting is required to carry any amendment of the rules. No confirmation of the alteration is required at any subsequent meeting unless the rules so stipulate, but before the alteration can become operative it must be registered with the Registrar on the special form prescribed and must be acknowledged by him. As previously noted, a fee of £4 is payable on registering any complete alteration of rules (but the Registrar may reduce this to £2), and £2 on registering a partial amendment of rules.

Audit of Accounts.

Every society is required to submit its accounts for audit at least once in every year to one or more public auditors A public auditor is a person who has been approved as such

* Circular dated February 4th, 1907, issued by the Co-operative Union Limited. The fees have since been altered to the amounts stated above.

by the Treasury, and whose name has been added to the list of public auditors compiled by the Treasury.* There is no examination for this purpose; but the Co-operative Union organises a course of training for the examinations of the Incorporated Society of Accountants and Auditors. Formerly any person might be appointed auditor of a co-operative society, but the Act of 1913 restricts societies in their choice to public auditors. At an early meeting of a new society, an auditor will have to be appointed. A list of public auditors may be obtained from the Treasury, or the Co-operative Union may be invited to submit names. A list of an approved scale of fees may be obtained from the Treasury; but societies may make their own terms with their auditors. In some societies, one or more lay auditors are retained to act along with a public auditor, but the public auditor is the one who is responsible in the eyes of the law for the accuracy of the balance sheet. An auditor is not allowed to hold any other office in connection with the society. The Act provides that "the auditors shall have access to all the books, deeds, documents, and accounts of the society, and shall examine the balance sheets, showing the receipts and expenditure, funds and effects of the society, and verify the same with the books, deeds, documents, accounts and vouchers, relating thereto, and shall either sign the same as found by them to be correct, duly vouched, and in accordance with law, or specially report to the society in what respects they find them incorrect, unvouched, or not in accordance with law." (Section 13, clause 2, of the 1893 Act.)

Annual Return and Triennial Return.

Every society must forward to the Registrar every year "an annual return of the receipts and expenditure, funds, and effects of the society as audited." This annual return must be signed by the auditor or auditors, and "show separately the expenditure in respect of the several objects

*Additions to the list are now, in practice, practically confined to members of certain professional societies of auditors.

of the society." A special form of return is supplied by the Registrar. The return must cover the period from the date of the last annual return up to the last date of balancing prior to the forwarding of the return unless the date of the last published balance sheet falls more than four months before or one month after the 31st December, in which case the return must be made up to December 31st. The return must reach the Registrar not later than March 31st each year. Every society must supply, free, to every member or person interested in the funds of the society, on his application, a copy of the last annual return of the society for the time being; and must keep a copy of the last balance sheet for the time being, together with the report of the auditors, always hung up in a conspicuous place at the registered office of the society.

At least once in every three years a society must make out and send to the Registrar, together with the annual return for the year, a special return signed by the auditor or auditors showing the holding of each person in the society (whether in shares or loans) at the date to which the said annual return is made out: "Provided that, where such persons are in the list of members kept by the society distinguished by numbers, it shall be sufficient if they are distinguished in the special return by such numbers, and in that case it shall not be necessary to specify their names." The Act does not say, as it does in the case of the annual return, that all members are entitled to have a copy of this triennial return; but societies would be wise to concede this privilege. As some societies might demur because of the publicity it should be pointed out that the names of the persons need not be given: numbers will suffice if the share and loan holders are distinguished by numbers in the list kept by the society of these holders of capital.

Engagement of Manager and Secretary.

The registration of the society being duly completed and the main obligations regarding the forwarding of returns

being understood, the committee will turn their attention to the business of the society. The society will require a manager, and will require premises. To secure the former, an advertisement should be inserted in the *Co-operative News* or the *Scottish Co-operator*. The committee will be wise if they are generous in regard to the salary they offer, and they can obtain an idea of what is considered an adequate salary by the managers themselves if they apply to the secretary of the National Union of Co-operative Officials, who will supply a scale of salaries approved by that Union. They can also obtain information and guidance from the secretary of the Co-operative Hours and Wages Board for the district or section, and from the secretary of that section of the Co-operative Union in which the society is situated. In selecting a manager from the list of applicants, importance should be attached to the co-operative qualifications as well as to the business qualifications of the candidates. A society can never be truly co-operative unless its manager is a good co-operator. He should be loyal to the Wholesale Society and other co-operative suppliers, and his vision of co-operation should include more than shopkeeping. Although primarily concerned with buying and selling, he should also be interested in the wider aspirations and activities of his society and the movement of which it is a part. The certificates issued by the Co-operative Union, which indicate the interest of students in studying the theory and practice of their trade as well as their success in pursuing these studies, should also be given due consideration in selecting a manager; and the advice and suggestions of the managers and representatives of the Wholesale Society who come into contact with managers and their work are valuable to committees desiring to make a wise choice of manager.

Much of the success of the society will depend upon its good organisation and business system, especially the accuracy and efficiency of its system of accounts, and a proper start in these matters is of supreme importance. For this reason, great care should be exercised in the

selection of a secretary. Years ago it was common to have a part-time secretary who was really a committee man but performed certain secretarial duties such as the keeping of minutes, leaving the book-keeping or the responsibility therefor to a cashier. This plan still survives in some of the older and smaller societies; but it is recognised now that the secretary should be a full-time official with a knowledge of, and responsibility for, all the accounts of the society. There is much to be said in favour of appointing a manager-secretary. The whole of the executive responsibility rests then on one man, and the jealousy and friction which often arise when the duties are divided are thus avoided. Should a manager-secretary be appointed, the book-keeping part of the secretary's duties will be undertaken or supervised by a cashier; but the manager will have access to all books, and will receive all communications addressed to the secretary, privileges often denied him where there is a separate secretary.

If a special secretary should be desired, the columns of the co-operative press are open for an advertisement inviting applications for the post. It should be considered an essential qualification of any person appointed that he possess the secretary's certificate granted by the Co-operative Union to those who have undertaken the training course for secretaries and have passed the examination held on the completion of the course. The scale of salaries issued by the National Union of Co-operative Officials will provide a guide to the salary that should be offered.

Membership of the Co-operative Union, the Wholesale Society and Educational Association.

At an early date after the formation of the society has been decided upon, the committee should apply for the society to be admitted a member of the Co-operative Union and the Co-operative Wholesale Society. The relationship of societies to these federal institutions is so important and a knowledge of their organisation so necessary to all

members of committees that we propose to devote a later chapter to them. In the present chapter, therefore, we deal only with one or two matters which will arise when a society wishes to join them.

A society desiring to become a member of the Co-operative Union must take up one 5s. share, which carries no interest rights. In addition, retail societies must pay annually a subscription at the rate of 2d. for each of their own members. Other types of society pay an annual subscription at a rate agreed upon between themselves and the Union.

A society desiring to become a member of the (English) Co-operative Wholesale Society must take up shares to the value of £5 for every two of its members; and a society desiring to become a member of the Scottish Co-operative Wholesale Society must take up not less than one share of the value of £2 for each of its own members; while a society desiring to become a member of the Irish Agricultural Wholesale Society must take up one share of the value of £1 for each member. In all cases, loan capital may be taken up in addition.

Presuming the newly-formed society undertakes educational work—through its educational committee, if it has a special educational committee—it should join the educational association of the section in which it is situated, as such membership will bring it into touch with other societies undertaking educational work, and from this connection much beneficial information and help can be derived.

Capital Requirements of a New Society.

When the society commences business, its capital will be small. New members, to many of whom Co-operation will be but little known, will not be likely to invest much capital even if they have it at their disposal. It will not be until the society has been established some time and by its success and stability has gained the confidence of old and

new members that capital will be deposited freely. Moreover, as will be pointed out in a later chapter, capital is largely accumulated by members allowing their dividends and share interest to remain ; and dividends are usually low during the first few years of a new society's existence. With capital small in amount the accumulating share interest is small in amount, so that it is not until a few years have elapsed that a society's anxiety regarding the accumulation of capital is a thing of the past. In the meantime, the competing claims of new departments for capital have to be carefully weighed.

The smallness of the capital of the Rochdale Pioneers when they began business has become proverbial, and some societies have commenced business with an even smaller amount of capital. They have earned our admiration for their success ; but it must be remembered that the stories of small beginnings which are chronicled in our co-operative text-books are the stories of societies which have succeeded. Scores of societies have failed because they had insufficient capital when they commenced. The amount of capital which a society needs will depend upon the nature of the trade or trades upon which it embarks and whether it purchases or rents premises. Supposing it starts in the humblest possible way with the usual first department—grocery—in rented premises, and desires—as it ought to desire—to pay its accounts promptly, it should have a minimum capital of at least £5 per member and would be wise to strive for the £10 per member mentioned earlier in this chapter (page 43).

Premises.

Whether a society should buy or rent premises at the commencement of its activities depends upon the amount of its available capital and local conditions. Circumstances permitting, ownership is usually preferable to tenancy. Ownership permits greater freedom of action in adapting the premises and enables the society to reap fuller advantage

from any expenditure it incurs in making alterations. When purchasing, an eye should be kept on future developments and the possibilities of expansion. It is not economical for a society to have its central departments distributed in different streets or in different parts of the same street. The premises should be in, or as near as possible to, the main street. Too frequently, co-operative societies have had premises hidden in back streets which have been inaccessible and without the advertising benefits which location in a main street confers. In regard to the building and equipping of shops, full advantage should be taken of the Wholesale Society's architects and its building department. The "Co-operative Manager's Text-book," published by the Co-operative Union, contains illustrations and many useful suggestions regarding the matters that should be provided for in planning and furnishing shops. Whilst the premises should be attractive, care should be taken not to lock up too much capital in buildings. Massiveness and high cost are not always an indication of good value.

This chapter has been a long one. It has been principally, but not entirely, devoted to the matters connected with the formation of a society. We can now turn our attention to matters with which all committees—whether their societies be new or old—should be acquainted.

CHAPTER IV.

CO-OPERATIVE CAPITAL.

A CO-OPERATIVE SOCIETY, like every other trading organisation, must have capital. The amount of share capital is variable; and this is one feature which distinguishes a co-operative society from a joint-stock company. A joint-stock company must register a definite amount of share capital, and it may not accept share capital beyond this amount without going through certain legal formalities for increasing the amount of this capital, which is known as its nominal share capital. A co-operative society can increase the amount of its share capital to any figure it likes, so long as no individual* holds a greater amount of shares than £200. A co-operative society, like a company in this respect, may also accept loan capital, and, under the provisions of the I. and P. Societies Acts, it may organise banks for small savings which are a special form of loan capital.

There are thus three principal forms in which capital may be provided for a co-operative society by members or others —share capital, loan capital, and deposits in small-savings banks. In addition, there is a special form of capital—reserve funds. These reserve funds are not primarily established as a method of providing capital, but they do in fact serve that purpose. Just as a member entitled to a share of the surplus or profits can have it transferred and added to the amount of his share capital, so the members in general meeting may allocate or transfer a portion of the trading surplus to a reserve fund. In both cases the capital of the society is increased, the difference being that in the former

* The amount which another society registered under the I. and P. Societies Acts may invest is unlimited by law.

case the capital is individually owned and in the latter case it is collectively owned by the members. The reserve funds and the advantages thereof are the subject of comment later. Our present purpose is merely to note that the reserve fund is a form of capital available to the society.

Forms of Capital.

We may therefore distinguish four forms of capital available to a society. They are :—

1. Share Capital provided by members.
2. Loan capital subscribed by members or non-members.
3. Deposits in banks for small savings subscribed by members or non-members.
4. Reserve funds owned by the members collectively.

In addition, sundry items such as unallocated profits and bank overdrafts serve the society as capital, since they increase the resources of the society and would have to be replaced by a corresponding amount of share or loan capital if they did not exist.

Shares.

Share capital implies membership. A person who subscribes share capital becomes by that action a member of the society. Stated the other way round, only members can provide share capital. The contribution of loan capital, or deposits for small savings, does not make the contributor a member : loan capital and deposits in the small-savings banks may be contributed by members or non-members. Share capital therefore confers voting rights ; loan capital does not. The difference *re* membership between share capital and loan capital is important. The members are, in relation to outside persons, the society. When outside persons lend money or sell goods to the society they have a right to be paid what is owing to them if the society comes to an end and is wound up, and have a legal right to have their debt paid to them before the members receive a

penny of their share capital. At the same time, members have the protection of limited liability: that is to say, their liability in case of a deficiency is limited to the amount of the share capital they have agreed to take up.

There are two kinds of shares to be found in co-operative societies—transferable and withdrawable. The difference between the two is indicated by their names. The owner of a transferable share can cease to be a shareholder by transferring his share or shares to some other person; the owner of a withdrawable share can cease to be a shareholder by giving the notice required by rule and withdrawing the amount standing to his credit in his share capital account. Withdrawable share capital is more popular than transferable share capital for an obvious reason—it is easier to withdraw shares than to find a purchaser for them; and it is much more advantageous to be able to demand repayment of share capital than to have to wait until a transferee has been found. The greater popularity of withdrawable share capital is shown by the fact that at the end of 1927 the transferable share capital of retail societies amounted to less than £1,500,000 and the withdrawable share capital to more than £90,000,000.

Transferable share capital is, by some co-operators, considered desirable and even necessary, particularly in the wholesale societies and in the productive societies in order to give greater fixity to capital which has to be locked up in assets not speedily converted into cash. It also has its advocates for retail distributive societies as well; and some retail societies provide, by their rules, that members must take up one transferable share, any shares taken up after this first one being withdrawable shares. The societies thus provide themselves with a nucleus of capital which cannot be withdrawn at will by the members. Transferable share capital may, however, be repaid, as noted below, if the rules provide for it. It therefore possesses some of the qualities of withdrawable share capital, the essential difference being that a society may refuse to repay transferable

shares, but cannot refuse to repay withdrawable share capital except in the case of an emergency. In this respect, transferable shares in a co-operative society differ from the shares of a joint-stock company, which can only be transferred by the owner and cannot be repaid by the company except by permission of the Court.

Transfer and Repayment of Shares.

The normal way in which the holder of a transferable share ceases to be a holder is by transferring it to some other person. This person, known as the transferee, acquires all the rights and liabilities (such as the debt for any part of the amount of the share which is unpaid) attaching to the share, and the price asked or paid for the share is no concern of the society. In practice, societies can usually find a transferee for any shares which an outgoing member wishes to sell. In societies where some or all of the shares are transferable, the rules usually provide that the shares shall be consecutively numbered and entered by number in the share register, wherein the names of the members are alphabetically recorded. The share register should show the name of the original owner and subsequent owners of each share, and if the share is cancelled it should show the date of cancelling. The method of transferring shares is generally prescribed by the rules, the transfer being usually effected by means of a special form of transfer, a specimen of which is generally given at the end of a society's rules. A specimen transfer form appears on page 46 of the Model Rules issued by the Co-operative Union.

We have already mentioned that transferable share capital can be repaid. It now remains to explain the conditions under which repayment can be effected. Provision for repayment must be made in the rules, and the following extracts from the Model Rules issued by the Co-operative Union indicate the provisions considered desirable by the framers of those rules :—

SEC. 5.—REPAYMENT OF CAPITAL.

33. *Repayment Compulsory on Members.*—Subject to the payment of, or a sufficient provision for, all subsisting claims on the society, the committee,with the approval of any general meeting, may apply any moneys for which they cannot find profitable investment in paying off :—

(1) The shares of any member who has bought of the society less than any amount fixed by the ordinary business meetings in any prescribed time ;

(2) The excess of shares held by those who hold the largest number above those who hold the next largest ;

Provided that no member be required to accept less than the full sum paid upon each share paid off.*

34. *Repayment on the Request of Members.*—Subject as aforesaid, the committee may, in the case of any transferable share required to be held by a member desirous of withdrawing from the society, on the application of the holder of any such share, repay any sum not exceeding the amount then credited thereon ; and shall repay the whole sum so credited in any case where a member is paid off under the provisions of Rule 33, or where they refuse to confirm the transfer of any such share which is fully paid up.

35. *Shares Repaid to be Extinguished.*—All such repayments shall be made on resolutions of the committee, which, with the receipts for the money paid, shall be entered or referred to on the respective registers of withdrawable or transferable shares after-mentioned, designating any transferable share by the number to be given to it, and thereupon the shares in respect of which such payments are made shall be extinguished.

36. *Moneys Left with the Society after Notice of Repayment.*—If a member who has received notice that the committee is prepared to pay him off leave the sum to be

* It will be noticed that this rule applies to the repayment of withdrawable share capital as well as transferable share capital.

thus repaid in the hands of the society, he shall not be entitled to any interest thereon after the expiration of the time named in the notice of repayment."

Suspension of Repayment of Withdrawable Shares.

Having noticed that a society by its rules may take power to repay transferable share capital, we may now notice that a society may also take power in its rules to suspend the withdrawal of withdrawable share capital. An example of the manner in which this may be done is contained in Rule 55 of the Model Rules, Clause 7 :—

> (7) The right of withdrawal may be suspended by the resolution of the committee. Such suspension may be either for an indefinite period or for any time thereby fixed, but such resolution shall in all cases be subject to confirmation by the next general meeting, whether special or ordinary, and if not confirmed the suspension shall cease. Such suspension shall extend and apply to all notices of withdrawal which shall have been received and remain unpaid at the time such resolution is passed by the committee. The time (if any) fixed by such resolution as aforesaid may be extended from time to time by a resolution or resolutions continuing the same, but such resolution or resolutions shall be subject to confirmation in the same manner as the original resolution, and if not so confirmed the suspension shall cease. No member shall be allowed to withdraw share capital during any such period or periods of suspension. A notice of withdrawal given during any period of suspension shall be ineffectual and invalid.

Merits of Withdrawable and Transferable Shares.

It will be seen from a reading of the above clauses from the Model Rules *re* transferable and withdrawable share capital that, in practice, there need be little difference between two kinds of shares. A committee can repay

transferable shares and can suspend the payment of withdrawable shares. To suspend the repayment of withdrawable shares is, of course, a serious step, and one to be taken only in a crisis ; but repayment *can* be suspended in a crisis ; and withdrawable share capital would therefore seem to be almost as serviceable as transferable share capital at such a time. The point is argued here because transferable share capital is preferred by some co-operators on the ground that it is more fixed than withdrawable capital. This statement is only true subject to the qualifications we have given above.

There can be no doubt that withdrawable share capital is preferred by the investing member, who is frightened by the term " transferable share " and the limitations attached to it. He understands and is attracted by withdrawable share capital, which he can add to, or withdraw, at any time. The more easily he can withdraw his capital the more readily he will deposit. Tell a man he cannot withdraw his money, and he wants it all the more. Tell him he can have it at any time, and he ceases to demand it as urgently. A run upon a bank does not start because people really want their money but because they think they cannot get it. If a bank or society can pay all the demands made upon it when a run takes place, the money speedily comes back, because the people have proved to themselves that they can have it when they want it. So it is with regard to withdrawable share capital. If a member knows that he can withdraw his share capital at any time, he will be more ready to increase his investments with the society. On the whole, therefore, withdrawable share capital is more attractive than transferable share capital.

Notice for Withdrawal of Shares.

It must not be inferred from what has been said that a member can always withdraw his withdrawable share capital at a moment's notice. A society only keeps a certain amount of loose cash in its tills and safes, and if

several large shareholders were to demand full repayment of capital at a moment's notice, a society might have a difficulty in meeting their demand. Most societies therefore specify in their rules that notice must be given when a member wishes to withdraw capital. Thus the Model Rules provide that one week's notice must be given to withdraw any sum up to £2 ; two weeks' notice for sums of £2 to £5 ; three weeks' notice for sums of £5 to £10 ; and an additional week's notice for each additional £5 or fractional part thereof. This notice gives the society time to get the necessary cash from the bank or to realise any investments which may have been taken up with the capital ; but in practice a member who is urgently wanting his money can usually obtain it in less time than that fixed by rule, and sometimes without any notice at all. The rule, however, is useful and protects the society against a run on its capital.

Nominal Value of Shares.

The shares are usually of the nominal value of £1 each, but they may be of any amount, and some societies prefer to have shares of the value of £3 or £5 each. It is necessary to state in the rules the minimum number or value of shares which a member must take up ; and some societies also state a maximum and foolishly fix a limit of £50 or £100. Where no lower limit is fixed, the £200 maximum imposed by Act of Parliament will apply. In some societies, though shares are of the value of £1 each, it is specified by rule that a member must hold three shares or five shares, whilst other societies require a member to hold one £1 transferable share and one £1 withdrawable share or £2 in all. Whatever be the minimum number of shares prescribed, a person who joins a society becomes liable for the payment of that amount. It does not follow that he must pay it in full at once ; and it is to be regretted that thousands of co-operators, thanks to the laxity of committees, have not fully paid even the one £1 share which by rule they should hold. It is usually

provided, as for example by the Model Rules, that the share or shares shall be paid by instalments. The Model Rules provide for an instalment of 3d. per week or 3s. 3d. per quarter, with a fine of one shilling per quarter for non-payment. If the instalments are not paid according to rule, the amount should be deducted from the dividend due to the defaulting member, and they may be treated as a debt due to the society recoverable through a court of law.

Loan Capital.

Loan capital can be accepted by a society only when power to accept it is given by the rules. In framing the rules, therefore, care should be taken to include a rule giving power to accept loan capital. The second Schedule to the Act of 1893 says that one of the matters to be provided for in the rules of a society registered under the Act is "determination whether the society may contract loans or receive money on deposit, subject to the provisions of this Act, from members or others, and if so, under what conditions, on what security, and to what limits of amount."

It will be seen that the rules authorising the accepting of loan capital must specify the conditions of taking, the security for, and amount of, the loans. Hence the rules which provide for the taking of loan capital usually give power to accept advances of money from any person, whether a member of the society or not, upon the security of bonds, or agreements, or of a mortgage either legal or equitable,* of any of the society's property. As a rule, the loans are accepted upon a loan agreement which is inserted in the lender's loan book. The Handbook to the Industrial and Provident Societies Act issued by the Co-operative Union contains (pages 10–14) suggested regulations for a loan department, and also a specimen form of loan agreement, as well as a form of bond which a society may give as security for a loan if its rules do not permit it to accept loans on an

* An equitable mortgage is an agreement to complete a legal mortgage if required. It is less formal and expensive than a legal mortgage.

agreement. The Model Rules give the committee of a society adopting them power to obtain a loan "on such terms as to the time and manner of repayment as it thinks fit."

The rules should also fix the rate of interest or the maximum rate of interest which will be paid on the loans and the period of notice required for withdrawal of loans. The rules relating to loans must state an amount or limit for the loan capital, but this amount or limit need not be a fixed one; it may be variable. Thus the Model Rules state that the amount of loan capital "shall not exceed the nominal capital of the society without the previous authority of a registered rule of the society. With such authority it may be any sum not exceeding the amount so authorised." Under this rule an increasing amount of loan capital may be accepted as the share capital increases. The rules may give power to accept an amount of loan capital beyond the amount of share capital—say twice as much—but some amount must be stated.

Banks for Small Savings.

We have already noted in an earlier chapter that a society with withdrawable share capital cannot undertake banking; but Clause 19 of the Act of 1893 enables it to organise banks for small savings. This clause runs—

> "The taking of deposits of not more than ten shillings in any one payment nor more than twenty pounds for any one depositor, payable on not less than two clear days' notice, shall not be included in the business of banking within the meaning of this Act; but no society which takes such deposits shall make any payment of withdrawable capital while any claim due on account of any such deposit is unsatisfied."

Loan holders and depositors in the banks for small savings are repaid in full before shareholders if the society is wound up. As mentioned in this chapter (page 60), they are not, by virtue of being loan holders or depositors,

members of the society; and therefore they are not able to take part in the government of the society, unless they are also shareholders.

We have seen that the amount of share capital which any individual member may contribute is limited to £200; but the total which the society may accept is unlimited so long as no individual holds more than £200. The total can be increased by increasing membership. The amount which any one person may deposit in the small-savings bank under Clause 19 of the 1893 Act is limited to £20; but the total which the society can accept is unlimited. To increase the total, all that is necessary is to increase the number of depositors. On the other hand, there is no limit to the amount of loan capital which any one person may provide, but the total which a society can accept is limited by its rules in the manner indicated above.

Limitations of Capital as imposed by Rules.

Besides the limits on share capital and deposits in the small-savings banks (£200 and £20 respectively) imposed by Act of Parliament, there are other limits imposed by societies' own rules. Thus some societies fix a maximum of £100 for share capital and £10 for small deposits; but the number of societies imposing these low limits has recently been much reduced owing to the greater need for capital for developments and the diminished purchasing power of the £. Such limitations hinder the accumulation of much-needed capital. Other limitations of capital include (1) the payment of a lower rate of interest on large holdings than on small holdings of share capital, *e.g.*, some societies pay five per cent. interest on the first £50 and 2½ per cent. on the remainder of a member's holding. (2) The payment of interest according to the purchases of the member, *e.g.*, paying a member interest at the full rate on £200 of share capital if he purchases goods to the value of £50 during the year, but at a lower rate if he does not purchase goods to this amount. (3) Failing to take power in the rules to accept loan capital and small deposits. All these limitations

are bad in their effect. They are discussed below in connection with the general policy of securing capital.

Accumulation of Capital.

The bulk of the capital of the retail distributive societies is raised as share capital. Loan capital is not yet raised as freely as it might be. The following summary of the total capital of retail distributive societies shows the position at the end of 1923 and 1927 :—

	1923 £	1927 £
Transferable Shares	1,830,008	1,284,518
Withdrawable ,,	73,531,535	90,996,485
Total Share Capital	75,361,543	92,281,003
Loan Capital proper	6,736,040	10,702,763
Small-savings Bank Deposits	3,676,880	4,400,767
Bank Overdrafts	1,398,756	1,076,222
Sales Club Deposits	308,813	452,902
C.W.S. House-purchase Scheme and Mortgages	171,966	110,500
Employees' Guarantee Deposits	142,179	167,614
Tokens	48,515	64,238
Employees' Thrift and Superannuation Funds	.....	447,072
Sundries	78,405	70,754
Total ranking as Loan Capital	12,561,554	17,492,832
Total Share and Loan Capital	87,923,097	109,773,835

The following table shows that share capital, except in the years of the trade slump, has recently increased more rapidly than formerly; but sooner or later the growth of co-operative trade may be limited, unless capital is still more rapidly accumulated. In fact, the wholesale societies' development of productive departments a few years ago was hampered by lack of capital, and retail societies, if they develop their departments as they should, may again experience a shortage of capital, as they did during the war years. In the past, retail societies have had too much rather than too little capital, or rather their capital tended to come in more quickly than their activities were developed. It was not that capital came too quickly;

it was that the developments came too slowly. It is absurd, and always was absurd, for societies to say that they or the movement had too much capital. Co-operators will never have more capital than they need to work out their own industrial emancipation.

SHARE CAPITAL OF RETAIL DISTRIBUTIVE SOCIETIES IN THE UNITED KINGDOM IN SELECTED YEARS.

At End of	Membership.	Share Capital.	
		Total.	Average per Member.
		£	£
1881	547,212	5,380,246	9·83
1891	1,044,675	11,312,806	10·83
1901	1,793,167	21,965,994	12·25
1911	2,640,429	33,253,777	12·59
1918	3,846,531	54,039,225	14·05
1920	4,504,852	76,374,691	16·95
1921	4,548,557	74,818,802	16·45
1924	4,702,868	80,216,116	17·06
1925	4,910,983	85,564,198	17·42
1926	5,186,728	87,909,381	16·95
1927	5,579,038	92,281,003	16·54

The war has caused a change of circumstances. Prices are higher and the quantity of goods required to stock a shop costs nearly twice as much as it did in pre-war days. Thus the stocks of retail societies at the end of 1913 were valued at £9,088,827, an average of £3. 3s. 2d. per member, and were valued at £19,099,818 at the end of 1927, an average of £3. 8s. 5d. per member. The average capital per member (share and loan) at the end of 1913 was £14. 8s., and at the end of 1927 was £19. 13s. 6d., an increase of £5. 5s. 6d. per member. After providing for the increase in the value of stocks, this allows little margin for extensions and for increased investments in the wholesale societies. Buildings cost more and shop furnishings cost more, so that societies require more capital to-day than they formerly did to carry on the pre-war variety of activities. At the same time, the wholesale societies require more capital to carry on their pre-war activities and volume of trade.

In addition to the needs thus created by the rise in prices there are other needs arising out of the desire of both wholesale and retail societies to increase the range and volume of their activities. These needs further accentuate the demand for more capital.

Every society, therefore, needs to examine its own position in regard to capital. Most committees are satisfied if the total capital of their society is increasing. This test is not sufficient : they must watch the figure of average capital per member. If the society doubles its membership without doubling its capital, it is in a relatively worse position in regard to capital than it was before the membership increased. Increased membership, if it brings increased trade, creates a need for more shops, fixtures, and stocks ; hence, a need for more capital. In the table on page 71 the average share capital per member for the whole of the movement is shown for selected years, and corresponding figures are given in the Introduction to the Statistics in the Co-operative Union Congress Report year by year. Every committee-man should watch, quarter by quarter, the average amount per member in his own society ; in fact, it should be stated on the balance sheet in order to keep this important matter before the notice of the members.

Distribution of Shareholding.

The figures of average capital per member may prove misleading if not supplemented by other figures. In most societies a large number of members hold only a small amount of share capital ; some members do not hold the minimum required to make them full members. The figures of some societies which were examined a few years ago and quoted by the Survey Committee showed that in one society 17·5 per cent. of the members had less than five shillings standing to their credit as share capital ; these, and a further 10·4 per cent., or 28 per cent. in all, had less than 10s. share capital to their credit ; and 40·6 per cent. had less than £1 ; with 54·6 per cent. holding less than £2 each.

In another society 61·4 per cent. had less than £2; 34·6 per cent. had less than £1; 25·6 per cent. had less than 10s.; and 18·2 per cent. had less than five shillings. Some figures published at the time of preparing this chapter show that in a large society with nearly 40,000 members 43·3 per cent. of the members held less than £2 each of share capital and held only 3·3 per cent. of the total share capital of the society among them. No doubt many of these members with small holdings were persons who had just joined the societies; but there is unfortunately ample evidence that committees have not been as insistent as they ought to have been regarding the payment of instalments of share capital. Many members who could have paid up the full amount of their minimum share-holding were not pressed to do so.

In some societies, a number of members always draw their interest and dividend quarterly or half-yearly, and even withdraw their capital down to the last shilling or two. If they were not allowed to do so, say the officials, they would withdraw altogether. They do so withdraw in some societies, which then have the trouble and expense of closing share accounts and opening them again for scores of these in-and-out members each quarter. What remedies are available in such cases? Some societies fine a withdrawing member two or three shillings and impose an entrance fee, and this does something to check the in-and-out member. This, and the rigorous application of the rule regarding payments of instalments regularly is probably the best way of meeting the situation.

Increasing of Capital.

It is estimated that each society to-day requires at least an average share capital of £10 per member to carry on the normal activities of a retail society and to provide the amounts which have to be invested in the wholesale societies; and this average leaves no margin for special departments or new productive undertakings. Insistence upon all members holding the minimum share capital

prescribed by rule would probably increase the total share capital of the movement by £500,000 ; but more than this is required. The time is coming when the minimum may, necessarily, have to be raised. In the meantime, societies should induce their members to deposit capital more freely and leave their interest and dividends to be added to share capital instead of withdrawing them as often as they do at present. The rate of interest paid on share capital should be one that is just to both the lender and the society ; but it should attract the amount of capital required by the society. A full discussion of this question falls, however, within the scope of later chapters on Finance (Chapters XIII.—XV.), to which the reader is referred. Naturally, the movement should press for the removal of the limit of £200 for share capital imposed by Act of Parliament. The time has surely come when co-operative societies can be trusted with all the capital which their members care to invest with them, for the capital is always under the control of those who provide it. The need is all the greater, and the justification is all the greater to-day, when the purchasing power of £200 is much less than it was before the war. But it will be difficult to justify the claim fully so long as societies retain any rules which fix a lower limit than £200 and so long as there are so many members with such small holdings. Committees should take the initiative in amending these pernicious rules and in persuading members to increase the amount of their share holding.

A discussion of the amount of total share capital and average share capital per member cannot well be closed without reference to the fact that in Scotland a much larger proportion of the total capital is raised as loan capital than in England. Thus, in Scotland at the end of 1927 the total share capital of retail distributive societies was £12,037,001 (an average of £17. 5s. 5d. per member), and in England the total was £79,614,450 (an average of £16. 9s. 5d. per member) ; but the total deposited as loan capital proper was £1,974,322 in Scotland (an average of £2. 16s. 8d.

per member), and for England and Wales the total was only £8,425,903 (an average of £1. 14s. 10d. per member). No satisfactory reason, other than custom and tradition, explains the preference of Scottish societies for loan capital.

Other steps that can be taken to increase the amount of a society's capital include the developing of the loan capital account and the banks for small savings. There is an abundant source of capital in the small-savings bank proper, and it has scarcely yet been tapped. The amount of accumulated funds in these banks at the end of 1914 was £1,900,084, and at the end of 1927 was £4,400,767. This increase is largely due to propaganda for the raising of more capital. The amount might easily be raised to £20,000,000 in a few years if societies would lay themselves out to develop this form of saving. The development of co-operative banking and co-operative insurance also offers an opportunity of adding enormously to the funds of the movement.

Reserve Funds.

Reserve funds should be augmented regularly and considerably. They are formed primarily to provide for the day of stress or adversity, and every business man with sound business instincts realises that they add to the strength and stability of any organisation. They are parts of the profit put away temporarily instead of being distributed among the members. When a time of danger or stress comes, the reserve fund enables the society to overcome its difficulties. Not the least important feature of a reserve fund in a co-operative society is that it is a fund of collectively-owned capital—savings from the profit or surplus.

There are various kinds of reserves, such as General Reserves, Dividend Equalisation Funds, Insurance Funds, &c., and these will be discussed in Chapter XV. under the heading of Finance. Our present desire is to point out that the Co-operative Union, with the repeated approval of the Co-operative Congress, urges societies to establish a general reserve fund (in addition to reserve funds for special purposes) amounting to twenty per cent. of their share and loan

capital. If a society adopts this suggestion it will increase its capital by twenty per cent. and obtain about one-sixth of its capital free of interest. Even if, as is usual, the trading departments are charged with interest on such capital, the amount so charged is credited to the Reserve Fund, or added to the surplus available for dividend, and the result is the same as it would be if an equivalent amount of capital were provided free of interest.

Dividends and Capital Accumulation.

Dividend has an appreciable influence upon the accumulation of capital. An investigation made by the Survey Committee disclosed the fact that the share capital per member was highest in those parts of the country where the rates of dividends were the highest.* The figures upon which their conclusions were based were pre-war figures when societies took no active measures to induce their members to deposit share or loan capital. During the war period, however, when rates of dividend fell continuously, members were asked to contribute more capital; and many restrictions on the accumulation of capital were withdrawn. As a result, the capital of the retail societies increased at a record rate, despite the counter attraction of Government loans. At the present time, it is estimated that about one-half of the capital of retail societies comes from dividends and interest left to accumulate and one-half from direct deposits of share capital by members.† The experience of the last few years has shown, however, that a very large amount of additional capital may be secured if societies set out definitely to attract it, and the movement would depend less than at present upon dividends for its capital if committees tried to attract more share and loan capital.

* This, of course, is not a conclusive argument in favour of high dividends as against low dividends, but it is a fact which must be borne in mind when discussing the dividend question.

† Before the war much more than one-half of the annual increase came from accumulations of interest and dividend; and one reason why the Co-operative Wholesale Society's capital did not increase more rapidly during the war and post-war years is undoubtedly the fact that in some trading periods there was no dividend at all, and in other years the rate of dividend declared was below the pre-war standard.

Investment of Capital.

Having discussed the ways in which capital may be secured, we may now turn our attention to the investment or use of this capital. The first claim upon the capital of a society is that arising from the society's own trading activities. The society must have premises ; it must have stock ; and it must have spare capital to pay wages and other expenses. After these needs have been provided for, it will desire to become a member of the Wholesale Society, and will need to provide capital for this purpose. As its membership and trade increase it will desire to commence a bakery or some other productive enterprise or enterprises. All these requirements involve an outlay of capital which the society must meet. After a time, it will probably desire to invest capital in other co-operative undertakings from which it draws supplies and this will increase still further the demands upon the society's capital resources.

On becoming a member of the English Co-operative Wholesale Society a society must take up one £5 share for every two of its members, or if becoming a member of the Scottish Wholesale Society must take up £2 of share capital for each of its own members, or if becoming a member of the Irish Agricultural Wholesale Society £1 of share capital for each of its own members. In regard to investments in these or other co-operative societies, it should be noted that such investments can only be made if they are permitted by the rules of the societies in which, and by which, the investment is to be made and only to the extent permitted by the rules. There is no limit to the amount to which a society may invest in a joint-stock company or another society unless such a limit is fixed by the rules. Beyond the investments in the form of shares, further investments can, of course, be made in the wholesale societies as loan capital—either on short notice or for long periods.

When a society is fairly well established it naturally desires to own its own premises. It then gains security of tenure and can reap the full benefit of any structural

alterations or internal improvements which it may effect. But this locks up capital, and before deciding finally to build, or purchase, premises, the committee of a society should be sure that it possesses adequate capital for the purpose and that the premises are going to be useful for at least some years ahead. The subject has already been referred to briefly in Chapter III, but repetition on such an important subject may not be out of place. The position of the premises in relation to the centre of trade in the town should be considered along with the possibility of expansion and development. It is far more economical to have six departments in one block of buildings than to have six separate shops in different buildings, even if they are in the same street. It is therefore desirable to give some thought to future developments when commencing to build or purchase premises and to cover future requirements, where possible, even if the premises bought have to be let for a time. As a society enters upon productive departments the expenditure of capital becomes inevitable. Even if the premises are rented —and this in the case of productive departments is very undesirable—the necessary machinery and equipment has to be provided. Care should be taken not to launch out too rapidly for the capital and trade of the society. As a rule, societies have not been enterprising enough in this respect ; but there is a danger in the other extreme. As a general rule, well-established societies find that they have to lock up one-half to two-thirds or three-fourths of their total capital in their own undertakings, and have the balance for other purposes.

A part of this remainder is required for investment in the wholesale societies and other co-operative undertakings, such as the special productive societies, federal bakeries, laundries, &c. Beyond these investments, many societies— particularly the older ones in Lancashire, Yorkshire, and the north generally—have capital invested in house property. In some places, and this is particularly the case in Scotland,

house ownership is almost inevitable in purchasing premises for shops; but, on the whole, the feeling to-day is against retail societies being house owners on a large scale. There is a great demand for the capital for other purposes, and cottage property instead of being an assistance has been in many cases a drain upon societies, yielding a lower return upon capital than that paid as share interest to members. Management of house property, always calling for close attention, is difficult for the management committee of a society engaged with multifarious duties arising out of the trading activities of the society, and the housing problem has now become so complex and acute that larger resources than the Co-operative Movement has at its disposal are necessary to cope with it. At the end of 1927, about £3,375,000* of the capital of retail societies was invested in house property.

In addition to the classes of investment of co-operative capital already mentioned, railway stocks, municipal loans, and national loans also attract co-operative capital, and some societies hold investments in industrial and commercial undertakings, some of which are not merely non-co-operative in character, but actually compete with the co-operative movement. For the last-named class of investment nothing good can be said. It is almost as bad as equipping rival armies to fight one another. For the other investments in non-co-operative industrial undertakings, the most charitable view to take is that the committees responsible for them have not yet realised that they weaken and do not strengthen co-operation by putting co-operative capital under the control of private capitalists and organisers of industry. These investments are often made "to support local industries" and to "find work for our own members in their own district." The answer to these arguments is that the capital should be employed in commencing co-operative

*This must be distinguished from advances on house property which were formerly included with the value of house property in the Co-operative Union Statistics.

undertakings in the same district which would equally find work for co-operators.

Municipal and national loans are often selected for investment purposes because they are safe and the investment can be quickly realised and turned into cash. This argument is sound ; but if the capital were invested as loan capital with the Wholesale Society, it could be converted into cash just as speedily and would in the meantime be assisting co-operative developments. In addition to the investments we have described above, every society must, of course, keep a certain amount of cash on hand or at the bank to meet calls for cash. Needless to say, this bank balance in the case of the English and Welsh societies should be kept with the Co-operative Wholesale Society's bank. It is to be hoped the Scottish Co-operative Wholesale Society will also have a bank ere long where Scottish societies can keep a reserve of cash.

The remunerative employment of capital, the discussion of rates of interest on various forms of capital, the best policy to be adopted in regard to reserves—these matters and others allied to them will be considered in later chapters devoted to questions of finance.

CHAPTER V.

THE GENERAL ADMINISTRATION OF A SOCIETY.

I.—The Place of the Member.

Admission and Expulsion of Members.

WHEN a person desires to become a member of a co-operative society, it is customary to ask him to make his application on a special form—on which he enters his name, address, and other particulars—and to pay an entrance fee or deposit of share capital at the same time. In some societies, he must pay both an entrance fee and a deposit on account of share capital.

The applications for membership are submitted by the secretary to the committee at their next meeting; and the committee decide whether the applicants shall be admitted as members or not. Usually, all applicants are accepted; but the committee have the right to refuse admission to any person who applies for membership. This is, of course, only true where the rules confer upon the committee the power of admitting new members. If the members retain in their own hands the right to admit members, they also, of course, retain thereby the right to refuse to admit them. In some societies, the committee "recommend" the members in general meeting to admit as members the applicants whose names and qualifications they have previously scrutinised; whilst in other societies the names of the applicants are listed and the list is hung in the office or other easily-accessible place of business, the chairman of the next meeting of members moving that the persons whose names have been posted be admitted as members. The rules should prescribe the procedure to be followed for the admission of members. For examples of rules dealing with these matters the reader may wisely

refer to Sections I and II of the Model Rules,* 7 to 21. Until they have been admitted as members, applicants are not entitled to the rights of membership such as voting.

Committees should not lightly refuse to admit an applicant for membership. At the risk of undue repetition of what has been said in Chapter III, we would point out that, apart from other disadvantages, the systematic refusal of admission of new members might cause a society to contravene Section 39 (4) of the Income Tax Consolidation Act of 1918 (which repeals and replaces Section 24 of the Industrial and Provident Societies Act of 1893), which gives a society exemption from charge to income tax under Schedules C and D " unless it sells to persons not members thereof and the number of shares of the society is limited either by its rules or its practice." At the same time, the society *has* the right to refuse to admit any person applying for membership; but it should have good grounds for any refusal. If, for example, the applicant has previously been a member and has been an unsatisfactory member, or if he is a trade competitor and his membership of the society is deemed undesirable for this reason, there would be good grounds for refusing him. Any entrance fee that may have been deposited with the application should then be repaid. Where an applicant for membership is refused admission† by a society, the rules of the society usually give him power of appeal at the next ordinary business meeting of the society; and he may similarly appeal if the committee, against his desire, remove his name from the list of members or keep it there when he wishes to have it removed.

Subject to this right of appeal, if given by the rules, the committee may remove any member's name from the list or may retain it when the member wishes to resign. The rules may, and should, also provide for the expulsion of

* Where the Model Rules are referred to in this chapter, the reference is to Form 4.

† A refusal to admit would also arise if a committee refused to accept a transferee to whom a member wished to transfer a share or shares.

members. Thus the Model Rules* provide (Rule 116) that "a member may be expelled by the vote of two-thirds of the members present at a special general meeting of the society upon a charge in writing of conduct detrimental to the society, communicated to him, by order of the committee, one calendar month before the meeting." Happily, cases of such expulsion seldom arise. It sometimes happens, however, when the committee strike the name of a member off the list because he has not complied with some rule, *e.g.*, has not paid up his share capital. In such cases, the member, under the conditions noted above, has the right of appeal to the members at their next ordinary business meeting.

Control, Management, and Administration of a Society—The part of the members.

The control, management, and administration of a society are divided among the members, the committee, and the officials of the society. We shall have occasion later to discuss the relationship of the committee and officials in the management of the society. At this point we need only suggest that the committee should formulate the general policy of the society; the members should criticise and approve it; and the committee should supervise the officials and management of the society in keeping with this policy. The reports of the officials to the committee should enable the committee to exercise this supervision; and the reports of the committee to the members should be sufficiently informative to enable the members to exercise their control in a satisfactory manner. The members exercise their control at periodical meetings, which in some societies are held monthly, in others quarterly, and in others half-yearly. At these meetings, criticism by members should be encouraged, not stifled; but it should be constructive, informed, impersonal, and tactful criticism. Criticism usually indicates interest on the part of the critic and it is far less

* Form 6.

harmful in the long run than apathy and indifference. Those societies which hold their meetings monthly do not as a rule prepare a balance sheet monthly, but publish a quarterly or half-yearly balance sheet ; and the business of the monthly meeting is usually confined to the admission of new members, confirming the committee's minutes, and perhaps discussing a monthly report prepared and presented by the committee, and in some cases discussing delegates' reports. Some societies read the minutes of the committee meetings at the next meeting of members, whilst other societies print the minutes in full or in synopsis form, and circulate them at the members' meeting.

Members' Meetings : Ordinary and Special.

Members' meetings may be of two kinds : ordinary and special. An ordinary meeting is one held in the ordinary way of business for considering routine matters or matters that do not effect a fundamental change in the constitution of the society. A special meeting is one at which fundamental changes in the constitution—such as an alteration of rules—can be effected, or other special business can be transacted. The rules should state the nature of the business which may be transacted at ordinary business meetings and at special general meetings, and they should also provide for the time and place of holding ordinary meetings and the notice to be given for such meetings as well as the manner in which that notice must be given. The rules of different societies bearing on these points show great variation ; and those who wish to acquaint themselves with the general practice may consult Chapter VI of the Model Rules, Section I, Rules 68 to 73. For some purposes, *e.g.*, amalgamation, not only is a special meeting required, but a special resolution is also necessary. This special resolution has to be submitted at a special meeting and has to be confirmed at a subsequent meeting. This is in accordance with Section 51 of the 1893 Act, which is discussed on pages 25 and 26.

Special general meetings are usually provided for in rules dealing specifically with them; and an illustration of the provisions which experience has proved desirable in calling and conducting such meetings will be found in Model Rules 74 to 77. Speaking generally, a special general meeting is distinguished from an ordinary business meeting by the fact that it is specially called to consider some business or resolution stated in the notice convening the meeting, and only that special business or resolution can be considered. Under the Model Rules, it may be convened by the secretary under an order by the committee or upon requisition by 20 members; or by one of the requisitionists, if the secretary fails to fulfil his duty. An ordinary meeting may be made special (if provided for by rules) for any purpose of which notice has been given, provided that the special business is not introduced until the ordinary business is concluded.

The rules should also provide for the quorum* required for ordinary and special general meetings, for the chairmanship of such meetings, for the number of votes which each member shall have, for the manner in which the voting rights shall be exercised, and for the conduct of the meetings generally. In the Model Rules these matters are provided for in Chapter VI, Section I, Rules 78 to 85. Regulations for the conducting of the business at the meetings are generally embodied in a code known as the "Standing Orders." An example of a code of standing orders is given in Appendix VI.

The attendance of members at quarterly or half-yearly meetings is usually not large; generally, it is deplorably small, and does not exceed 5 per cent. of the total membership—unless there is something of an extraordinary nature, such as a special election or a reduction of the dividend,

* The number fixed for a quorum will depend upon the size of the society. Twelve in a very small society; 20 in a society of 1,000 members; 30 in a society of 5,000 members; and 50 for larger societies, may be suggested as suitable numbers.

exciting the interest of the members. Indeed, if all their members were to attend general meetings, few societies would be able to find a hall large enough to accommodate them. With the growth of societies and their extension into districts remote from the centre—some societies now have branches 20 and even 50 miles from the headquarters of the society—it has become impossible for reasons of expense and distance for some members to attend their Society's meetings. To meet this difficulty, the plan of district meetings has been adopted by many large and medium-sized societies.* Where district or branch meetings are held, it is necessary to submit the same agenda at each meeting, and the votes cast at the different meetings are recorded and added together. Obviously, no business can be voted upon at any such meeting unless notice thereof has been given in advance and the item of business or the notice of motion has been included in the agenda for consideration at all the meetings.

Whether district meetings are held or not, a notice of motion should be required for all matters not normally included in the agenda; and the rules should provide for these notices of motion by stating how many days' notice is required and what method of announcing the holding of the meeting and the notices of motion shall be adopted. It should be observed that a notice of motion when adopted is not necessarily a special resolution. Thus, a member might give notice of his intention to move that the society give £1,000 to the funds of the Co-operative College. Such a motion would not be of the nature of a special resolution; and a special meeting would not be necessary to consider it.

A special resolution is defined by the 1893 Act, Section 51, as one passed by a three-fourths majority of persons voting at a special meeting and confirmed by a bare majority at a subsequent meeting duly notified and held not less than 14 days later (*see* page 26). A special resolution is required

* This subject is discussed by S. & B. Webb in their book *The Consumers' Co-operative Movement*. *See*, also, pages 95 and 96 of this book.

for a change of name, transfer of engagements to another society, amalgamation, and for conversion into a company. A special resolution has to be registered and does not become operative until registered.

The rules themselves should provide for the manner in which rules may be amended. Usually, as in the case of the Model Rules, it is provided that they may be altered at a special meeting by a specified majority of persons voting. Notice of the meeting and the proposed alteration must be given; but the resolution altering a rule is not a special resolution, and confirmation at a subsequent meeting is not necessary.

Voting and Voting Methods.

The voting in retail co-operative societies is almost invariably on the basis of membership—one member one vote. Every person who has been admitted to membership and has had his name added to the list of members is entitled to vote even though his share or shares are not fully paid. This, of course, is subject to any qualifications that may be made by the rules. These rules may disqualify a member from voting until his share capital is fully paid; but in the absence of a disqualifying rule every person on the roll is entitled to vote.

In the case of ordinary business, a bare majority is sufficient to carry a resolution. In the case of some resolutions at special meetings—such as an alteration of rules—a bare majority would hardly suffice to prevent "snatch voting;" and the rules should provide what majority is required to carry the resolution. The Model Rules provide that rules may be made, altered, or repealed by a majority of two-thirds of the members voting at any special general meeting. It is important to notice that the majority is two-thirds of the members *voting*, not two-thirds of the whole membership or two-thirds of those present at the meeting. If the larger societies waited for a two-thirds majority of the whole of their membership, they would have

to wait indefinitely for an alteration of rules. A majority of two-thirds means that two votes must be cast in favour of the resolution for each one cast against it. As we have already pointed out, a special resolution with a special majority, followed by confirmation at a subsequent meeting by a bare majority, is required for some purposes, such as amalgamation.

Voting may be by show of hands at the meetings or by ballot at the meetings, or at selected centres, such as the office or shops, according to the rules. Voting by proxy may also be allowed. If not otherwise stated in the rules, the voting will generally be by show of hands. There is much to be said for both methods; but, on the whole, voting by ballot at selected centres is preferable for the election of committees and officers as well as for very important matters, especially in large societies operating over a large area. The advantage of ballot voting is not merely that of secrecy; it is also convenient. It permits the fixing of a number of voting centres throughout a society's area, so that members who would be unable to attend meetings held at the society's head-quarters, because of their hours of labour or the distance between their home and the meeting room, are enabled to vote. This convenience of ballot voting at scattered voting centres is considered by some to be a disadvantage. They assert that a member should not be allowed to vote unless he is sufficiently interested to attend the meetings. But non-attendance, a critic may reply, is not always due to lack of interest. It is often due to inability to attend for reasons we have already stated. Even where votes are recorded at meetings and members are compelled to attend in order to vote, it is not uncommon for the majority of those present to troop out of the room when they have recorded their vote.

It is further argued against voting at branches that the employees have an undue influence over the voting of members who, not unnaturally, turn to the employees for advice upon matters which they consider the employees understand

better than they do. Any undue influence by employees should, of course, be resisted, and an employee who tries to exercise it should be punished; but the members should know enough of the society, and be strong enough, to form their own opinions. If members were sufficiently well informed, they would not need to depend upon the advice of employees; and if, because they are not strong enough to act on their own judgment, they are worse governed than they need be, it is their own fault and not the fault of the system of ballot voting at branches.

Joint Members' Rights in Voting and Attending Meetings.

Where there is joint membership only one vote for the joint membership is allowed, and only one of the joint members is entitled to attend the meetings. Admission to the meetings and the issue of voting papers is generally dependent upon the production of the share book, or the society's receipt for it, if the book is at the office for balancing purposes; but some societies issue to those entitled to attend the meetings an admission card, similar to a railway pass or season ticket. In the case of joint membership, the one who presents the pass book is, as a rule, allowed to attend the meetings and vote. When the voting paper has been issued, the share book or receipt is usually stamped to prevent a person obtaining a second voting paper. To avoid difficulties in regard to voting in the case of joint membership, the rules should provide that joint members must nominate in writing the person who is to exercise their vote.

Powers of Members in matters remitted to the Committee.

It is only in very small societies that the members in general meeting can supervise the administration of their society; and the appointment of a committee to act on behalf of the members during the intervals between the meetings of members becomes necessary in practically every society.

To this committee the members delegate certain powers, and these powers o ight to be clearly defined in the rules. Powers conferred upon the committee by the rules cannot be withdrawn except by an alteration of the rules. If the committee have acted within their powers in some matter definitely committed to them by the rules, the members cannot override the decision. If, for example, the power to appoint the manager is specifically conferred upon the committee and they make an appointment which is unacceptable to the members, the latter have no power to cancel the appointment. They may express their disapproval of the appointment, and the committee, if they wish, may then cancel it ; or the members may pass a vote of censure upon the committee and any self respecting committee will then resign, upon which a new committee may be appointed and discharge the manager ; but so long as the rules give the committee the power to appoint or dismiss the manager, the members cannot alter the decision of the committee. The powers and duties of a committee are, however, discussed in other chapters, so that this subject need not detain us here.

A Society's Delegations and the casting of the Society's Votes.

There are some powers which may be either exercised by the members or delegated to the committee; and there has recently been some discussion in the Movement regarding the wisdom and desirability of delegating these powers to the committee. Two such powers are (1) the appointment of delegates to meetings, conferences, and congresses, and (2) the casting of the society's vote for candidates for the committee of the Co-operative Wholesale Society and the various committees of the Co-operative Union.

In regard to the appointment of delegates, the practice varies. In some societies the committee make all the appointments; in other societies the members' meeting decides how many representatives shall be appointed to attend and who they shall be, though the committee may act in cases of

emergency arising between members' meetings. It is very difficult to lay down a general rule that will be universally acceptable and satisfactory ; but two general statements of policy on the point may be made. In the first place, the committee should be in touch with all the organisations with which the society is connected, and in the second place the interest of the members in these organisations should also be fostered as far as possible.

Accepting these statements of policy as wise, it would seem to be best for the committee to appoint the representative where only one representative is allowed ; but to share with the members all other appointments. Most societies, for example, are entitled to appoint two or more representatives to the quarterly meetings of the Co-operative Wholesale Society. In such a case, the members' meeting might decide how many representatives should attend, permitting the committee to appoint from its own members a reasonable proportion of these representatives.

Of the remaining representatives' tickets available it is not uncommon to allocate one, or more, to the Education Committee and to the Women's, Men's, or Members' Guilds, or to nominate from the members' meeting a sufficient number of delegates to make up the number which the members have agreed shall be appointed. Where members are thus appointed it is best to appoint them for a period of twelve months, as a change of representatives at each meeting prevents the maintenance of continuity of policy. Moreover, a delegate attending the meetings for the first time has little grip of the business, and more intelligent criticism follows when the same delegate attends a second, third, or fourth time.

Where the number of delegates that may be appointed is fairly large, there is much to be said for allocating one ticket to the education committee and one to each branch of the guilds, provided they maintain the continuity of representation recommended above. The argument for this course of action is not that the education committee and

guilds are directly concerned with the management of the society, but that they are concerned with maintaining and developing the interest of the members of the society in the affairs of the wider movement as well as of their own society. They widen their own knowledge of the movement by attending the meetings and conferences of the Co-operative Union and Co-operative Wholesale Society, and become thereby better able to interest and inform the rank-and-file members of the society through the educational work which they are doing. As the privilege of appointing representatives is granted to these organisations for the purpose of enabling them to conduct their own work more effectively, a good case can be made out for requiring them to pay the expenses of their own representatives. The interests of the society are, however, protected and promoted by these representatives, and the society is one, though the different committees and different organisations have each their own special work to do. The members of the society will, therefore, be taking no more than a generous view of their duty if they pay from the general funds of the society the expenses of all delegates, even though they be appointed by the education committee or the guilds.

If a number of delegates be appointed to attend any meeting, conference or congress where important questions of policy or action are to be decided and votes taken, it is desirable to hold a meeting of the delegates and committee. They should discuss the items on the agenda; and, allowing the delegates sufficient liberty of action for a change of opinion in the light of the discussion and new facts disclosed at the meeting itself, the delegates collectively should decide the general policy and attitude of the delegates speaking and voting in the name of the society. The views of the committee will naturally have great weight with the delegates when deciding their course of action. Delegates should be required to present to those who appoint them a written report of their delegation; and the payment of their expenses should be dependent upon the presentation of this report.

In regard to expenses of delegates, the suggestions made on pages 115 to 117 respecting deputations will apply.

In regard to the casting of the society's vote for candidates for the committees of the Co-operative Union, the Co-operative Wholesale Society, and similar organisations, the balance of advantage lies with the practice of allowing the committee to decide how the vote of the society shall be cast. Those who wish this decision to be left to the members' meeting claim that the interest of the members in the movement would thus be strengthened, and that members would thereby be enabled to know more than they now know of the national organisations and the persons who form the national committees. Moreover, it is further claimed that there would be less tendency for societies to bargain for votes if the members in quarterly meeting or half-yearly meeting decided how their society's vote should be cast.

Against these arguments, it is pointed out that the rank-and-file members cannot know, as well as the committee know, the merits of the respective candidates. Being actively engaged in the society's business, being in close contact with the federal organisations and their work, meeting other committees, attending conferences and meeting representatives of the federal organisations, the members of the committee know a large number of active co-operators, and know something of their business capacity as well. If decisions were left to the members in quarterly meeting, the candidate who would be most likely to appeal to them would be the one who had the best platform appearance, who could make the most plausible speech, or who could cause his name to appear most frequently in the columns of the co-operative press. But this person is not necessarily the person best qualified for the boardroom of a national co-operative organisation. The quiet, modest, painstaking, shrewd, and loyal co-operator may be the poorer orator but may be the better of two candidates as an administrator. The members of a society's committee are more likely than the rank-and-file

members to see and appreciate this side of a candidate's ability; and, for this reason, may be considered the best fitted to exercise the society's vote in any election. It is, of course, possible, and usually desirable, for the committee in their quarterly report to the members to give the name of the candidates for whom they have voted. This course will permit the rousing and maintenance of the interest of the members and will tend to check any abuse such as bargaining for votes.

District Representation and District Committees.

Some societies cover such a wide area and the districts in which they operate are so distant and distinct from one another that district or branch representation on management committees and even district or branch committees have been introduced. The underlying purpose of district representation is to give the members of each district a chance of securing a voice in the management of the society. Without some such provision, the candidates at the centre (where members may be more numerous and the candidates better known than in the outlying districts) would have a greater chance of securing election than an equally capable, but less well known, candidate living in an outlying district. The centre might thus secure a monopoly of the seats, leaving the outlying districts without representation. It may appear that this does not matter if the best six, eight, or ten members are selected for the committee; but district representation gives the members in the different districts greater confidence in the committee, since they feel that the needs of their district are less likely to be overlooked if one or more of the members of the committee reside in their midst. They have a better chance of knowing the members in their own district and selecting the best of them for the committee; and they do not feel so far removed from the control of the society if they know, personally, at least one of the committee because he resides among them.

The arguments regarding district representation are not all on one side. There is no case for district representation unless the area covered by the society is a big one and the districts covered by it are to some extent cut off from one another so that the members in them form practically distinct local communities. Moreover, unless the district representatives are men or women with a wide outlook, the tendency is for district representation to promote district interests rather than general interests. If a new branch is to be opened, each district representative thinks his ought to be the favoured district, or thinks that the opening of a branch in another district is not desirable, and in matters of this kind, as well as others, parochialism rather than general welfare may affect the decision of the committee, unless the committee members are big enough to rise above it. We may leave this question by suggesting that district representation should be adopted only when absolutely necessary, and when the districts are big enough to merit it and are able to put forward an adequate number of competent candidates. When it is adopted, the number of committee-seats allocated to the districts should bear some relationship to the membership of the society in the different districts.

District committees are less frequently appointed than district representatives. Their purpose is to deal with local matters in cases where the society is a large one, and the districts are far removed from the society's headquarters. For these reasons, the general committee cannot give the same detailed supervision to the branches which the committee of a smaller society operating in a compact area is able to give. Propaganda, the sifting of complaints, oversight of the branches in their area, the making of suggestions to the general committee regarding developments and improvements in the district—these and similar duties fall within the scope of the district committees. Such committees, whilst relieving the general committee of a considerable quantity of detail work, thus serve also as a

useful training ground for the general committee. If district representation also prevails in a society which has adopted the plan of district committees, the representative of the district on the general committee should be *ex-officio* a member of the local committee. The general committee is, of course, the authoritative body, and the only committee entitled to speak in the name of the society. For this reason, local committees are subordinate to the general committee in everything they do. Where district committees exist, it is therefore desirable they should from time to time, say once a quarter, jointly meet the general committee, in order to discuss matters of general interest to the society, to obtain greater uniformity of action in local work and to secure co-ordination with the work of the general committee.

Whilst the members may retain in their own hands the exercising of all the powers required to be exercised in the administration of the society's affairs, they usually delegate most of them to the committee. The extent of this delegation is indicated in the rules, which should set forth clearly the powers conferred upon the committee. For example, as we have already pointed out (page 90), the power to appoint and dismiss the managers, secretary, and other employees is usually delegated to the committee; but in some societies the members still retain in their own hands the power to appoint the secretary, though this power is being increasingly delegated to committees as the advantage of appointing a full-time secretary receives increasing recognition.

Powers of Members in influencing the Policy and Administration of their Society.

The share of the member in the management, or rather the control, of the society is nowadays generally confined to the approval of the admission of new members, the election of the management and educational committees, and the approval of the committees' reports, the statement of

accounts, and the payment of dividend at the rate recommended. In exercising his right of criticism of the balance sheet and accounts, as well as of the committees' reports, the individual member can exercise an influence over the management of the society and in shaping the policy of the society. In addition, other matters which by the provisions of the rules must be confirmed or decided by the members, such as the purchasing of land or the alteration of the rate of share interest, may come before the members in general meeting assembled.

These illustrations do not indicate the limits of the powers of the individual member in the management or control of the society. It is always possible for him to give notice of motion when he desires the society to do, or refrain from doing, or if he desires the members to instruct the committee to do, or refrain from doing, some act which bears upon the society's operations; and he may even give notice of motion for an alteration of rules if such alteration is necessary in order to secure some end he desires. His powers go so far that if he can obtain the support of the necessary number of members required by rule, he can insist upon a special meeting being called to consider some motion of which notice is given in the notice convening the meeting.

The individual thus has a considerable share in the control of the society; but his powers are defined and limited by the rules, and these rules generally confer upon the committee certain powers that cannot be withdrawn from them so long as such rules exist.

CHAPTER VI.

THE GENERAL ADMINISTRATION OF A SOCIETY.

II—The Place of the Committee.

Qualifications of Members of Committee.

WE have already seen in Chapter II that whilst persons under 21 years of age (but over 16 years of age) may be members of a society they may not be members of the committee. In no retail society that we know is there an upper age limit; but in the Co-operative Wholesale Society no person over the age of 70 may be nominated for the committee. The age qualification is not necessarily the only qualification of a member of a committee.* The rules of a society often provide that he must hold a certain number of shares in the society or purchase goods to a certain value per year, or have been a member of the society for a certain length of time. These qualifications are reasonable, if the qualifying amounts or periods fixed are reasonable. A member of the committee is a leader in the society. He is expected, and rightly expected, to set an example to other members; and he cannot do this unless he is loyal in providing capital and in purchasing from the society. What are reasonable qualifying amounts it is not easy to say, for what is reasonable in one case—say in the case of a man with a fairly large family all at work—is unreasonable in other

* Rule 89 of the Model Rules provides as follows: "*Qualifications of a Committee-man.*—No person can be a committee-man who is not a member; and a person who holds any office of profit under the society other than an office remunerated in manner provided by Rule 105, shall be disqualified from being a committee-man; and any person who accepts such a place, or becomes bankrupt, or is concerned in the profits of any contract made with the society except as a member or employee of any society or company which contracts with or does any work for it, shall thereupon vacate his office."

cases—say a widow living alone. The former might secure the necessary purchase qualification by buying only one-fourth of the family's requirements from the society, whilst the latter might have difficulty in securing it though buying everything possible from the society. The purchase qualification should vary according to the rates of wages prevailing in the district and the variety of trading departments. In most cases, with prices at the 1927 level, £10 of share capital and £30 of trade per year are probably reasonable minima that would exclude no person who had a desire to be loyal. Before a person is elected to the committee he ought to have been a member for at least a year; and a rule requiring this qualification is not unreasonable. An exception might be made in the case of persons who have transferred from other societies and may have therefore had some co-operative experience—perhaps on a committee. The reason for the time qualification is two-fold: First, the desire to ensure the member's possessing some elementary knowledge of co-operation and the society; and, second, the desire to prevent persons joining the society merely to secure a seat on the committee.

There are frequently rules which disqualify, as well as those noted above which fix a minimum qualification. Some societies debar a person from membership of the committee if he is in business for himself in some trade carried on by the society. Thus, a man in business for himself as a butcher would be, by rule, ineligible for election to the committee of some societies which have a butchering, or fleshing, department. Such a rule is a commendable one. Untold difficulties have arisen where members of a committee have been in business for themselves, and in some measure in competition with their society; and, equally, trouble has arisen where individuals on the committee have opposed the society's undertaking some new business similar to the one in which they themselves were engaged, *e.g.*, the insurance business.

A less necessary rule is one preventing the relatives of

an employee from being elected to the committee. The object is to prevent favouritism, which unfortunately exists inside as well as outside the Co-operative Movement. The rule on the whole is bad ; the disadvantages outweigh the advantages. Zealous co-operators, able and anxious to serve their society, competent to render effective service on the committee, may in their co operative enthusiasm be anxious, also, that their children shall enter co-operative service ; but the restrictive rule we are now considering compels them to choose between restricting their own co-operative activities or sending their children into competitive trade which they themselves disapprove and desire their children to shun. Even as security against favouritism the rule is not infallible. Whilst it may prevent a person from acting on the committee if his cousin, whom he scarcely knows, is an employee, it does not prevent his so acting if his closest friend is an employee !

Another disqualification frequently inserted in the rules of societies is one which says that a member of the committee shall vacate his office if he becomes bankrupt. This is desirable because of the effect upon the confidence of members in the society and its committee. Another rule disqualifies a member of a committee if he is concerned in the profits of any contract made with the society except as a member or employee of any society or company which contracts with or does any work for it. On the whole, this disqualification is advisable. It does not exclude the possibility of jobbery—which is its object—but it reduces the possibility.

As exemplified in Rule 89 of the Model Rules (see footnote page 98), a person is often disqualified by the rules of his society as a member of committee if he accepts an office of profit in the society except as provided by the rules. This rule disqualifies employees ; but several societies have recently withdrawn this disqualification, and some have allotted one or more seats on the committee to employees. It appears only just that employees who are members

should have the same rights as other members in this respect; but the question is a difficult one and is more fully discussed in a later chapter dealing with labour matters.

It is often urged that canvassing for votes should be a disqualification. Canvassing is more frequently practised than defended. Those who do defend it say that the voters become better acquainted with the qualifications of the various candidates when canvassing is allowed. Those who condemn it say that canvassing does not necessarily result in the election of the person best fitted for the committee, but in the election of the most assiduous canvasser, or the one who has most friends to work on his behalf, or the one who can pull most "strings." It also frequently involves much expense in advertising, in the issuing of election literature, &c., and places the poorer, but perhaps abler, candidates at a disadvantage.

Canvassing of the ordinary kind is prohibited in the elections for the committee of the Scottish Wholesale Society (*see* page 316), and is now prohibited in the elections of the English Wholesale Society committee, except for the issue of one circular. In the latter elections, prior to the adoption of the new rule, candidates or their societies often spent several hundred pounds before securing success. Poorer candidates and smaller societies who could not afford this expense or arrange for their manager or members of their committee to spend a few weeks in canvassing before the election took place were at a great disadvantage. Moreover, the practice of canvassing tended to bring about the system of bargaining for votes. "You vote for our candidate for the Co-operative Wholesale Society and we will vote for your nominee for the Publishing Society's Committee," was becoming a practice too prevalent for the healthy and right development of Co-operation. As a result of these mutual pledges, societies were often pledged for years ahead, and could not transfer their vote, without breaking their pledge, even if better candidates were nominated. Such a system does not ensure the election of the best person,

and it has the further evil of giving undue power to large societies that can offer a large block of votes in return for support for their nominee.

Too frequently it happens also that a candidate for a seat on the committee is supported because he comes from a particular workshop or belongs to a particular club or political party. The merits of the respective candidates do not receive sufficient consideration, and the interests of the society suffer. Occasionally an organisation canvasses, or organises support, for a candidate because she is a woman. This, too, is bad. It is right that women should be placed on terms of equality with men in regard to election to the committee of societies as they are by law in regard to membership of societies ; but they should be elected to the committees because they are the fittest persons and not solely because they are women.

It is, of course, difficult—especially in a large society—for members to become acquainted with all their fellow members who are likely to be competent members of committees. Only by knowing candidates through their attendance at the business meetings of the society or through the guilds or educational activities of the society can their fellow members judge their fitness for committee work. Too often, however, the frequent speaker, or the one who criticises the committee regularly, secures a publicity that leads to his election to the committee, where ideas are more important than words, sound judgment better than both, and honesty and sincerity of purpose a condition of real success. To overcome some of the difficulties we have enumerated, novel methods have been tried by societies from time to time, but it cannot be said that they have been very successful. One method is to permit each candidate to issue, at the expense of the society, a statement of his claims and qualifications. Another, is to hold a special meeting for the purpose of hearing an address from the candidates and to provide members with an opportunity of cross-examining them. It is to be regretted that in some

societies, unofficial organisations have been created for the purpose of organising the candidature of particular candidates belonging to the organisation. The growth of such "parties" inside a society must tend to weaken the unity of the members in the society.

During recent years a demand for an examination of candidates has grown more and more insistent. There is much to be said for such an examination, and the organisation by the Co-operative Union of week-end schools and correspondence and other classes for committee-men has provided members with an opportunity of becoming better acquainted with the duties of the committee-room. An examination on the committee-men's course of study is arranged at the end of each session by the Co-operative Union. Everything else being equal, a candidate who successfully passes that examination should prove a more useful member of committee than one who has not passed it; but success in the committee-room depends upon many qualities, a large number of which cannot be tested in an examination of the usual kind. Thus, an examination is no test of a man's loyalty—we must look to his purchases and actions for that; it is no test of his honesty—we must know his record to judge that; it is no test of the strength of his co-operative spirit—he may pass the examination and be a selfish individualist. Examinations alone are not a sufficient test.

In the previous paragraph we have suggested some of the principal personal qualifications of a member of committee. The first qualification is that he should be a thorough co-operator. It is not sufficient that he should be a member of the society, or even that he should subscribe the full £200 of share capital and purchase from his society all his requirements, though these qualifications are desirable. He should, in addition, be a co-operator by conviction. If he is a co-operator by conviction, right actions are likely to follow. He should be able and willing to devote the necessary time to the discharging of the duties of the

office he has undertaken. In most societies, this will mean a considerable tax upon his time and energies ; and he will have little time left for other spare-time occupations. He should have the necessary capacity for the work and should prepare himself for the more efficient discharge of his duties by devoting some time each week to a study of the subjects with which he has to deal in the committee-room. When it is realised that many members of a committee do not join the committee until they are over 40 years of age, and have studied industrial and commercial questions very little, if at all, prior to their election, the importance of a study of finance and allied subjects becomes evident.

Perhaps the most important qualification on the business side is sound judgment. Committees, too frequently, try to manage the society. This is not their function. Their function is to guide and direct policy. It is the managers' function to manage. The managers have, or should have, the expert and technical knowledge. The committee will be advised by their experts and should be able to judge which of the alternative courses suggested by their advisers is the right one to follow. They should also be able to judge from the records and statistics placed before them whether the society is being well managed or not. Hence, sound judgment of men and measures is a most important qualification. Given this, the more a committee-man knows of the technical side of the society's business the better ; but he should not let his knowledge tempt him to interfere with the management of departments, for he will, by so doing, weaken the sense of responsibility in the managers of those departments and probably create friction.

Needless to say, a committee-man should be honest in all his dealings. The temptations in the way of a member of committee are numerous. It is not that he will be likely to put his hand in the till ; but it is easy to create deputations and make them into holidays rather than occasions for discharging important responsibilities. It is easy to take fees for attending meetings without taking any interest in the

meetings ; it is easy to accept hospitality from those who anticipate "favours to come." These are little things ; but they are tests of a man's honesty and strength of character. Let him give way to them and he loses his power, as well as his right, to check bigger abuses of neglect of duty among his colleagues or the staff of the society.

Above all, the committee member must be prepared to put his society first and himself second. A co-operative society is a combination of a trading institution and an organisation for social service. The committee member must not seek his position for his own sake but for the sake of the society. He should be willing to lead—if his fellow-members so desire ; but he must be willing to lead in order to serve ; and he must be willing to serve as well as to lead. Too frequently, members join a committee for the sake of the few shillings they thereby gain; and it often happens that a person who has met with misfortune or has become too old to follow his ordinary trade is elected to the committee "to find him a bit of a job and a bit of pocket money." These are wrong motives. A person should be elected to the committee because of his fitness for the position and for no other reason.

Term of Office for Members of Committees.

So far, we have made no reference to the length of time for which members of committee are elected, or should be elected. There is a wonderful diversity of practice in this matter. In one society not long ago the rules provided that members of the commitee should be elected for six months only and should not be eligible for re-election until they had been out of office for a period. In other societies the members of the committee are elected for three years. Most societies fix the term of office for the members of the committee between these two extremes. Closely linked with the term of office is the provision made in the rules of some societies that a member of the committee after serving for two, three, or more years, shall not be eligible for re election

until he has been out of office for a period of six months or one year.

Before we can discuss these points with profit, it is desirable to examine the reasons which are given for this diversity of practice. The main idea in the minds of those who advocate short periods of service is that all the members "should have a chance," that the honours and other accompaniments of office should "go round." This same idea is responsible for the rule that retiring members shall not be eligible for re-election until they have "stood down" for a period. Another argument employed in favour of the standing-down rule to ensure that offices should go round is that a larger number of members thereby acquire the experience which can be gained, and only gained, in the committee-room. Still another argument employed is that there is a tendency to re-elect retiring members automatically, and that the compulsory "standing down" prevents the committee becoming fossilised and their work stereotyped. The compulsory standing down is therefore a convenient way of getting rid of old committee members who could not be replaced in a competitive vote by new candidates except by giving them offence and causing much heartburning.

Against the advantages claimed for short-period elections and for the practice of compelling retiring members to stand down for a period many disadvantages must be set. Frequent alterations in the personnel of its committee are not good for a society. They interrupt the continuity of policy in the administration of the society's business; and it is generally better to have a moderately good policy continued for some time than to have frequent changes of policy, however good the changes may be in themselves. Short-period service also tends to inefficiency, for the new members of the committee have to learn the intricacies of committee work, which takes some time, and until they have mastered them and gained considerable experience

they cannot render the same measure of service as the more experienced members they displace. Moreover, members of a committee who have worked together for some time acquire the power of working together effectively; and "team work" is interrupted by changes in the personnel of the committee.

To the argument that the personnel should be altered from time to time to give more members a chance of gaining experience, the counter argument may be brought that a committee-room is not intended to serve as a school. The committee are not appointed to be students but to supervise the management of the society, and this supervision is less efficient if the composition of the committee is altered too often. Frequent changes are bad, too, for the officials. Although the new member may be more easily dominated by the "strong" official, the officials are hindered in their work if they are continually required to initiate and coach new members of the committee.

A survey of the whole position, observation of committees at work, and a consideration of the needs of societies lead to the conclusion that it is wise for members of committees, including the president where specially elected, to be elected for a reasonable period—say three years—and for one-third to retire each year but to be eligible for re-election. This gives the members of committee a chance of mastering their duties and rendering some useful service before they have again to submit themselves for election; whilst continuity of policy is likely to be maintained if only one third retire each year. Some critics argue that this does not make the constitution of the committee sufficiently responsive to the control of the members who might like to replace the whole of the committee speedily and at one operation, because of a conflict of opinion between the members and committee. To these critics the answer may be returned that such changes are generally demanded in the heat of the moment when some item of

business or policy is causing considerable, and probably undue, division of opinion in the society. If the grievance is real and lasting the members of the committee can be gradually replaced as their turn for re-election arrives. Moreover, it is always possible for the members of the society to pass a vote of censure upon the committee, and any self-respecting committee, if they believe that the vote represents the considered opinion of a reasonable proportion of the membership of the society, will then resign. Finally, if the members took more care in the election of the committee, they would obtain a committee in which they could place more confidence, and occasions for dissatisfaction with the committee would arise less often.

The standing-down rule is distinctly bad. It removes from the committee the most experienced members, and these are the members whom it is most desirable to retain. As to its being a convenient way of getting rid of the committee members who have overstayed their welcome, it may be said that if the members of the society have not sufficient courage to replace a committee member who has given dissatisfaction or whose days of usefulness are over, they deserve to be less well served than they need be. In regard to those members of committee who, for physical or mental reasons, are not able to keep up with the work of the society, the case can be met by adopting a rule debarring from nomination or re-nomination those who have reached a certain age—say 60 for new candidates and 70 for those who are in office. The difficulty in applying this rule is that some persons are younger at 70 than others are at 50. Yet the rule, on the whole, is a good one.

Methods of Electing Committees.

The election of members of committee is to-day a rather formal matter in most societies. In only a few is it now the custom to nominate and elect at the same meeting. Nominations are usually required to be made about a month

before the election takes place; and the names of the nominees and their proposers and seconders are given in the notice convening the meeting at which the election is to take place. It is the secretary's duty to see that the nominations are in order. Voting then takes place at the quarterly or half-yearly meeting, generally by ballot. In some societies, however, ballot boxes are placed in the shops, and members may vote there on one or more days prior to the date of the meeting at which the results are to be announced. In order to ensure confidence in the fairness of the election, it is advisable to appoint scrutineers to supervise elections and count the votes.

CHAPTER VII.

THE GENERAL ADMINISTRATION OF A SOCIETY.

III—The Constitution and Remuneration of the Committee.

Size of Committees and Method and Rates of Payment.

THE question of payment of committees is a difficult one to decide, and this difficulty is reflected in the great variety of method, and rates, of payment in the Movement. In some societies no payment is made; in other societies a lump sum is allocated and the committee divide it among themselves by agreement, usually in proportion to the number of meetings attended; in other societies a fixed amount per member per year, or shorter period, is paid, irrespective of the number of meetings held or attended, and in these societies the chairman is usually paid at a slightly higher rate than the other members of the committee; in still other societies the members are paid a fixed sum per meeting held and attended; and variations from these methods are to be found here and there.

Which is the best method and what is a reasonable amount to pay? These are questions which naturally arise. They do not admit of a simple and concise answer. Let us take the method first. Where the payment is per meeting it unfortunately tends to an increase of meetings; and in some societies two or three meetings, each qualifying for payment, are held consecutively on the same evening. This defeats the purpose of the regulation, but on the other hand, it seems unfair that the committee's services should not be recognised when a large number of extra meetings is held.

On the whole, examination of the various methods leads to the conclusion that a fixed payment per member per year is the best system along with the publication in the

balance sheet of the attendances of the members of the committee at all full committee and sub-committee meetings. The payment of an annual sum tends to check the multiplication of unnecessary meetings; but where a considerable number of extra meetings have to be held there seems no good reason against, and some good reasons for, the committee's claim for extra payment for these meetings being considered at the following members' meeting. The fact that the payment of this extra sum becomes public and dependent upon the goodwill of the members at the quarterly or half-yearly meetings tends to keep extra meetings within reasonable limits.

The determination of a suitable rate of payment for members of co-operative committees seems to be almost impossible. It depends upon the size of the society, the number of members of committee, the amount of work to be done—which is not measured solely by the amount of time spent upon it—the responsibility borne by the committee, the ability of the members of the committee, and other considerations which it is difficult to estimate in terms of money. There are critics who assert that whatever be the best system, the worst system is generally adopted in the Co-operative Movement. They argue that societies either pay too much or too little; too little to attract the man with business ability, who finds the prevalent rates insufficient to compensate him for the trouble and worry entailed; but too much in some respects, because many men who are devoted to Co-operation and would be willing to do the work for nothing, for the sake of the cause, will not undertake the canvassing in which smaller men are willing to engage for the sake of the shilling or two per week which they receive as fees. There is no proof that the better-paid committees of to-day are doing their work more zealously or more effectively than the unpaid committees of fifty years ago, who served their societies with rare devotion; but committees to-day have undoubtedly to spend much more time in executing their duties than their predecessors had

to do, and if the zeal appears less it may be only in appearance, and may be due to the fact that societies have passed beyond the pioneer stage, which is notoriously the period in all movements when enthusiasm is strongest. On the whole, the present tendency to increase the rate of payment for committees is to be welcomed. The work of the committee member is being taken much more seriously than it was recently; and the educational work which has been undertaken by the movement during the last 30 years is being reflected in the composition and work of the committees of the present day.

We have already said that the rate of payment must be influenced by the number of members of committee and the number of times they meet. It therefore seems desirable at this stage to make suggestions on these points. In a small society of, say, less than 2,000 members, a committee of five or six, but in any case not more than eight, members should suffice. The number of meeting-nights of such a committee, including sub-committee meetings, need not exceed one per week on the average—at most three per fortnight. Assuming the annual trade of the society to be, on the basis of 1927 prices, £100,000 per annum, £10 per annum per member would not be too high a rate at which to remunerate the committee and it will probably be as much as the society can afford. This fee does not include payment for attendances on the society's business at conferences or out-of-town deputations or delegations; but it should include payment for the periodical visits of inspection to shops, work which should be shared by all the members of the committee. As the society grows, a larger committee will be required and more meetings per week may be necessary, for the society's business will become more complex and the work of the committee more onerous. The following scale may be considered an approximately fair and reasonable scale having regard to all the circumstances. It is only the suggestion of the writer, and is not in any sense an officially-approved scale:—

No. of Members of Society.	Amount of Annual Sales.	No. of Committee.	Nights per week for meetings.	Annual fee for each member of Committee (Chairman extra).
				Up to
Up to 2,000	Up to £100,000	6– 8	1	£10
2,000 to 5,000	Up to £250,000	8–10	2	£15
5,000 to 10,000	Up to £500,000	8–10	2	£20
10,000 to 20,000	Up to £1,000,000	10	2	£30
20,000 to 50,000	Up to £2,500,000	12	2	£40
Over 50,000	Over £2,500,000	12	2 or 3	£50–£80

At first sight this scale may appear uneven ; in any case the rates can only be considered approximately satisfactory, as no two societies are exactly alike. Some work in compact areas, others spread over many miles ; some have few departments, others have many, including important productive departments and farms ; some have good managers and others are not as well served, so that the committee have more work to do in consequence. Where societies operate in a large area and members of the committee have to travel some distance to the committee meeting, a good case can be made out for the payment of travelling expenses in addition to the scales of fees mentioned.

Let us examine first the number of members of committees. We have recommended eight members for a society with a trade of a quarter of a million a year and only 12 members for a society with 10 times that amount of trade. Why ? It would take too much space to go over all the points in detail ; but, briefly, it may be said that in the larger societies there is not 10 times the amount of committee work there is in the smaller society : the agenda is not 10 times as long. The admission of new members does not take much longer to dispose of ; the secretary's and manager's reports do not take 10 times the length of time to consider ; the work of the larger society becomes more routine ; the extra four members share in bearing the burden of the extra work, such as visiting the branches and productive departments ; the society can afford better-paid managers, and the committee can leave more to them for

attention, and the better organisation which is possible in the larger society renders it unnecessary for the committee or the work of the committee to grow in direct proportion to the membership and trade of the society.

The number of meetings per week will depend to a great extent upon the committee themselves. If they confine themselves, as we suggest they should, to supervising the management and directing the general policy instead of undertaking the management, two nights a week will suffice in most cases. Special meetings may often be necessary in a large and growing society where new premises are being acquired and new departments, productive and distributive, are being organised; but, for these special meetings and longer ordinary meetings, the committee are compensated by the ultimate growth of trade which secures for them the higher rate of payment suggested for societies with bigger annual sales. Speaking generally, a committee should never exceed 12 members. This number should comprehend sufficient variety of opinion and experience to enable wise decisions to be made; and it is sufficient to permit of the setting up of the necessary number of sub-committees, whilst any larger number than 12 will hardly be consistent with prompt decisions and the rapid despatch of business.

As to the fees, we make no pretence of assuming that those suggested will fit every case; but they will serve as an indication of what is suitable in most societies. The meetings of the larger societies will be longer than those of the smaller societies and special meetings will be more frequently required, and committees of the larger societies will have more onerous responsibilities. On the other hand, the larger number of members suggested will permit of a distribution of sub-committee work, visits to branches, &c., and a wider sharing of the burden of responsibility, all of which go to reduce the demands made upon the individual members of the committee.

Delegation Expenses.

Connected with the question of payment of members of committees is the question of delegations and payment of expenses. Delegations are frequently necessary. The committee may decide to erect a new bakery, and, prior to erecting it, may wish to see one or more bakeries and collect opinions regarding the merits of various types of oven, the different methods of distributing and selling bread, &c., &c.; or it may happen that the committee desire to be represented at a conference or the annual Co-operative Congress. To carry out these duties on behalf of the society, the committee member has to incur travelling expenses and hotel expenses and, perhaps, absent himself from his daily work and suffer loss of wages in consequence. Some societies pay the amount of paid-out expenses and make no payment for lost time; others pay both; whilst others seek to meet the difficulty by adopting a fairly generous scale of expenses intended to cover loss of wages as well as out-of-pocket payments.

The difficulty of meeting the case is increased by the different rates of wages earned by different members of the committee. One man "A" may earn 20 shillings a day, another person "B" may be earning only 10 shillings a day, and another man "C" may have retired from work and suffer no loss of wage when going upon a business deputation. Imagine a group of three representatives consisting of one of each of these types, appointed as a deputation. They all do the same work for the society, and if the principle of the same wage for the same work applies they should each receive the same amount from the society; but if they are paid, say, 15 shillings a day for lost time, "A" is not fully compensated for his loss of wages, "B" is over-compensated, and so is "C."

The fixing of the payment for deputations is, therefore, not an easy matter. To pay the actual expenses and actual loss of wages may appear at first sight to be a simple method;

but experience has proved that the payment of a fixed amount per day is more workable, especially as all the members of a deputation do the same work for the society. In regard to the amount allowed per day, the payment made by societies varies from 10 shillings a day to 30 shillings a day. It seems better, on the whole, to adopt a scale of a given amount per day, or half-day, to cover both the hotel and similar expenses and the allowance for loss of wages. Railway fares would, of course, be payable in addition. In these days of high and varying hotel charges, a reasonable allowance for deputation expenses would seem to be 10 shillings per half-day, or 18 shillings per day, with 12 shillings extra for each night spent away from home. These rates would not be enough to compensate some members for loss of wages ; but they are a rough and ready standard, the adoption of which would inflict little hardship and would offer little inducement to multiply deputations.

It is doubtful whether payment of more than a nominal fee of, say, half-a-crown, besides fares, should be made for attending the conferences of the district associations of the Co-operative Union and similar meetings. Participation in these should be looked upon as part of the normal work of the committee covered by the annual fee, the half-crown paid being merely granted to cover incidental expenses. In this case, too, it is difficult to lay down a hard-and-fast rule that is universally satisfactory. In the densely-populated parts of Lancashire and Yorkshire it is usually possible for delegates to attend district conferences after finishing work at the normal time on Saturday at noon ; but in some other parts, *e.g.*, in East Anglia, in the South of England and the North of Scotland, the district associations operate over a wider area. The difficulty may be met, in part, by fixing the half-crown payment for conferences held within 20 miles of the society's headquarters, and allowing the general scale for deputations to operate for delegates attending conferences held at a greater distance than 20 miles. The Co-operative Union makes no

payment to members of its committees for broken time; but, in lieu of it, pays a mileage fee of one halfpenny per mile on the double journey travelled.

Whole-time Committees.

A discussion of the size of the committee and the remuneration of its members would not be complete without some reference to the question of whole-time committees. This question is becoming more and more important and urgent as societies become bigger, and the work of the committees of these societies becomes more extensive and more complex. Experience has shown that with the growth of societies their committees are called upon to attend an ever-increasing number of committee meetings; whilst the number of visits to be paid to other societies and the number of deputations to be received from other societies likewise increase. In addition, the number of conferences and joint meetings at which the attendance of members of the committee is imperative has continued to grow. The result has been that some members of committees of large societies have been engaged on co-operative business practically every night in the week and all day on Saturday, and other members have been giving one or two afternoons during the week as well. When the number of hours given by some members is totalled the society has been getting what is practically a whole-time committee under the name of a spare-time committee. It is little wonder, therefore, that overworked committee-men, having to earn their living during the day and give all their leisure time to the work of the society, and feeling even then that they were not giving enough time to the work, have pleaded for the appointment of a whole-time committee.

Let it be said at once that in many societies the overwork is the fault of the committee themselves. Their outlook has not developed at the same rate as the membership and trade of their society, and they are frequently following the same lines of control that they followed when their

society was one-tenth its present size. In too many cases, they are trying to manage the society instead of supervising the management. Having appointed officials they should allow these officials to manage whilst they content themselves with guiding the general policy of the society. Did they content themselves with this, their proper function, it would not be so necessary to hold the frequent meetings which they now deem necessary.

If committees are to adopt the policy here suggested, it is necessary, of course, that they should be in close touch with the operations of the society and its various departments. This involves the preparation of reports and statistics and the election of committee-members who can put a finger upon a weak spot at once; but it needs an effort to read statistics with understanding; and, admittedly, comparatively few members of committees have had the opportunity of learning how to read statistics or will take the trouble to understand them. It also involves a degree of mutual confidence between managers and committees which, unfortunately, is not yet universal. The managers must be prepared to tell "the truth, the whole truth, and nothing but the truth," in their reports, despite the temptation to hide some matter that it may not be pleasant to report. The committee, on the other hand, must be prepared to give to managers the full liberty which is necessary if the society is to be managed efficiently and if the personality and ability of the managers are to be allowed full play. They must also be wise enough to recognise that their managers are only human and that co-operative societies do not run like perfect machines. If a manager displays the frankness we have suggested he should, and if some item in his report should show him or his work in an unfavourable light, the committee should be big enough to see the incident in its true proportion and judge the manager not by this one incident but by the whole of his work. In other words, they should see the wood and not merely the individual trees.

We have digressed a little from discussing the question of

whole-time committee, because the tendency towards the appointment of a whole-time committee arises, in part, from the fact that the committees of large societies are over-worked; and we wished to suggest that it is to some extent their own fault, through doing work they ought to leave to permanent officials. Much larger businesses than co-operative societies have boards of directors which meet only once a week or even less frequently; but in these businesses the directors leave the management to the managers, give them full responsibility and judge them by the results. Even the whole-time committees which are being appointed and are likely to be appointed, become whole-time officials. They differ from other whole-time officials chiefly by the fact that they are elected for a period and not for all time, and by the further fact that they are not experts in any one department but have a general supervision over the whole of the society.

What we have written may appear to be a summing up against whole-time committees. It is not intended to be such; but it is a reminder that whole-time committees would not become necessary quite so early in a society's history if the organisation of the society were adapted to meet the changing conditions as the society grows larger. On the contrary, the appointment by one or two societies of whole-time committees is to be welcomed. The Co-operative Movement ought always to be ready to welcome experiments which contain the possibility of securing greater efficiency. But these experiments need to be watched. If they lead to better results, they should be copied and the appointment of whole-time committees extended; if they do not lead to better results, the common-sense of co-operators should be sufficient to prevent an extension of the practice. The possibilities of success will depend largely upon the calibre of the persons selected for the committee. In the main, the whole-time committee members will be of the same type as the members of the spare-time committees; but they will be able to concentrate

more effectively upon the society's business, and for this reason they should be able to give better service.

The type of member obtained will depend to some extent upon the salary paid. This salary must be sufficient to attract the best ability and the best co-operators among the members of the society; but the higher the salary the greater the danger of attracting the type of candidate who is willing to canvass and pull strings for the sake of the job and does not seek election merely for the sake of serving the society. The uncertainty of securing re-election at the end of each period of service may deter some members of great business ability holding good positions in the outside world from applying, and thus leave the field open to men of inferior calibre. Also, it should be remembered that, as pointed out earlier, short-time service prevents members of committees from gaining that experience which is essential to the efficient discharge of their duties. Hence, whole-time committees, for more than one reason, should be appointed to serve for a fairly long period—say five years—before they have to submit themselves for re-election. Ultimately, of course, the movement must depend in this matter upon the wisdom and sense of justice of the rank and file members when electing and re-electing members of the whole-time committee. The experience gained during the next few years by those societies now appointing whole-time committees will be of tremendous service in guiding other societies to a right course of action. It should indicate what safeguards are necessary to secure the election of the right kind of committee member and to give possible candidates of ability some assurance of obtaining an adequate payment and permanency of office.

We may well close this chapter by pointing out that it may not be necessary for the whole of the committee to give their whole time to the work, and in one society the position has been met by appointing a whole-time president at £600 a year, and two whole-time vice-presidents at £550 a year (free of tax), who work with a spare-time committee.

CHAPTER VIII.

THE COMMITTEE'S ADMINISTRATIVE WORK.

WE have already noted in previous chapters that certain duties are imposed and certain powers conferred upon the committee by Acts of Parliament; and other duties and powers are imposed and conferred by the rules of the society. We now propose to consider the work of the committee within the boundaries thus laid down. Obviously, each member of the committee should be familiar with these duties and powers. So far as the Acts of Parliament are concerned, they have already been described in previous chapters; and so far as they are derived from the rules of his own society we must leave the reader to ascertain them for himself by perusing those rules: the rules of societies vary too much to permit a general description here.

The Appointment of Sub-Committees.

Confronted with the duties imposed upon them, the committee will have to consider ways and means of fulfilling these duties. The frequency of meetings we have already discussed in Chapter VII; and the days of meeting will be decided by each committee for itself, if not already fixed by the rules. For the purpose of economising time and securing greater efficiency, most committees have found it desirable to appoint standing sub-committees to deal with special departments, *e.g.*, a grocery committee, a drapery committee, a finance committee; but in this matter there is a diversity of practice. Some committees which formerly worked through sub-committees have reverted to the practice of dealing with all matters in full committee;

but, in general, working through sub-committees is preferred, though the grouping of departments for sub-committee purposes varies in different societies.

The arguments in favour of sub-committees are these: The division of the committee into sub-committees distributes the work of the committee; it enables members to specialise in those activities for which they are best qualified; and it enables members of the sub-committees to spend more time upon the work of the departments allocated to them, so that they obtain greater knowledge of these departments and the committee work is done more efficiently, and the time of the full committee is economised. Charged with the responsibility for supervising specified departments they do the work better, it is claimed, than it would be done if the whole committee were responsible, on the general principle that what is everybody's business is nobody's special business. Against the practice of working through sub-committees, it is claimed that, in practice, time is wasted, since the minutes of the sub-committees have to be approved by the full committee, and much of the business has to be gone through a second time. It is further urged that sub-committees become over zealous for their own departments; and the general committee meetings become struggles between the various sub-committees, each of which strives to promote its own interests with insufficient regard to the welfare of the departments entrusted to other sub-committees, the difficulties and position of which it is not able to appreciate through lack of knowledge.

On the whole, time and experience have proved the advantages of working through sub-committees. This is especially true where the members of the sub-committees are sufficiently in touch with other departments to appreciate their difficulties and are sufficiently broad-minded to remember that the general interests of all departments must prevail over the special interests of individual departments. Having decided that sub-committees are desirable, we may ask: What should be the number of standing committees;

how should the departments be grouped for sub-committee purposes; what should be the number of members of these sub-committees; and what should be the functions and powers of the sub-committees? These are important questions to which we shall now address ourselves.

Let it be noted that we are now considering standing sub-committees, not special sub-committees that may be set up from time to time for special purposes and dissolved as soon as the work which they have been appointed to do is completed. Obviously, the number of sub-committees will be governed by the number of departments. In a small society with only a grocery department, or grocery and drapery, or grocery, drapery and butchering departments, it will hardly be necessary to have any sub-committees. Though smaller societies have followed the example of larger societies and appointed sub-committees, the need for sub-committees will hardly arise until a society has, say, two to three thousand members or at least four departments. To appoint sub-committees in smaller societies is usually to spend committee time unprofitably.

The grouping of Departments for Sub-committee purposes.

The grouping of departments for sub-committee purposes should follow the line of natural affinity, *e.g.*, the departments concerned with foodstuffs should form one group and those dealing with clothing another. Thus grocery, butchering, confectionery, restaurant, bakery, fish and similar departments may form one group entrusted to one sub-committee. Drapery, millinery, boot and shoe, tailoring, hat and cap, furnishing and similar departments may form another group entrusted to a second sub-committee. For the coal department, the farms, transport, laundry, works department, cottage property and care of property generally, a third sub-committee may be appointed. Each of these committees will have a chairman and vice-chairman, and these chairmen and vice-chairmen, with the president

of the society, sitting together may form the finance sub-committee, which will thus be in touch with the work of all the other sub-committees and co-ordinate their activities in relation to the capital resources and financial policy of the society. This committee may also take charge of staffing and labour matters where they are not of a special departmental character or reserved for the consideration of the full committee.

The distribution of departmental responsibility here outlined is, of course, only a suggested distribution. Few societies will have all the departments we have mentioned ; but the grouping in other societies may follow, in general, the lines we have indicated. Still, modifications of the plan of division here recommended will be required in some societies. It may be desirable in some smaller societies to abandon the third committee, as a smaller society may have few of the departments we have allocated to the third sub-committee ; but in practically all societies there will be property to be supervised. In societies where there are few of the departments which we have allocated to the third sub-committee, the duties of that sub-committee may be transferred to the Finance Sub-committee composed of representatives of the other two sub-committees.

The number of members need not be the same for all sub-committees. Indeed, it should vary with the work of the sub-committees. As the work of the foodstuffs committee is likely to be the heaviest, since there will be more shops to be visited and more work arising out of the greater number of branches, the greater volume of trade, the larger staff, &c., this sub-committee will probably consist of four, five, or six members according to the number of members of the full committee. The clothing, &c., sub-committee will probably consist of three, four, or five members, and the third sub-committee, if appointed, of a similar number, with a finance sub-committee of about five, six, or seven members. In very small societies the full committee may act as the finance committee.

The president of the society should be, ex-officio, a member of all sub-committees in order that he may be well informed regarding the work of all the committees ; but he need not necessarily be the chairman of any of them, though there are many reasons which make it desirable for him to be chairman of the finance sub-committee, to the work of which committee he will, usually, devote most attention. Speaking generally, it will not be necessary for a committee member, except the president, to be a member of more than one of the three sub-committees, as this will increase the number of meeting nights unnecessarily; but it is probable that in some societies the circumstances may be such that it may be desirable for some members of the committee to be members of more than one sub-committee. The finance committee will, of course, be composed of selected members of the other sub-committees as already suggested.

Work of the Sub-committees.

We may now proceed to discuss the work of the various sub-committees. In the first place, we must notice the fact that sub-committees *are* sub-committees, and for that reason are subject to the control of the full committee, which has the power to vary or reverse a decision arrived at by a sub-committee. Such power will, of course, be exercised with discretion, for the sub-committee will, *prima facie*, have fuller information and be better able to form an opinion than the full committee. In the nature of things, the full committee cannot be in the same close touch with the departments as the sub-committees, or spend as much time as the sub-committees in discussing departmental matters.

Each sub-committee will scrutinise the trading returns, the working expenses, the necessary developments, the staffing and other matters arising out of the administration of the departments entrusted to it for supervision. Where the system of departmental management prevails, the sub-committees will meet the departmental managers weekly, fortnightly, or monthly as may be found most desirable ; and

at every weekly or fortnightly meeting each sub-committee will consider a report from each of these managers even if it does not meet the managers weekly. This report should cover the period intervening since the last meeting of the sub-committee. Questions of salaries and wages in the departments under their supervision should be considered by each committee with a view to the making of recommendations thereon to the finance committee or full committee. Each sub-committee will also make periodical visits to the shops and other establishments under its charge. The general manager should be attached to all committees, particularly in those societies where he is a general manager without departmental responsibilities.

Having now outlined the principal duties of the sub-committee we may consider a typical agenda for one of the sub-committees and may take the agenda of the foodstuffs sub-committee as an example.

THE MODERN CO-OPERATIVE SOCIETY LIMITED.

MEETING OF THE FOODSTUFFS SUB-COMMITTEE.

November 19th, 1927, at 7 p.m.

AGENDA.

1. MINUTES OF LAST MEETING.

2. GROCERY DEPARTMENT.
   (*a*) Trade Returns and Manager's Report; and matters arising out of same.
   (*b*) Report of Visit to Grocery Branches.
   (*c*) Report on the engagement of additional staff.

3. BUTCHERING DEPARTMENT.
   (*a*) Trade Returns and Manager's Report; and matters arising out of same.
   (*b*) Report of Visit to Butchering Branches.

4. CONFECTIONERY AND RESTAURANT DEPARTMENT.
   Trade Returns and Manager's Report; and matters arising out of same.

5. BAKERY.
   (*a*) Trade Returns and Manager's Report; and matters arising out of same. (Note proposal *re* alteration of price of bread.)
   (*b*) Circular regarding Flour Supplies.
   (*c*) Complaints *re* Colour of Bread.
   (*d*) Application for Increase of Wages.

6. FISH DEPARTMENT.
   (*a*) Trade Returns and Manager's Report; and matters arising out of same.
   (*b*) Request for opening of new branch at Newtown.

7. MATTERS REFERRED FROM GENERAL COMMITTEE.
   (*a*) Desirability of arranging a Shopping Week.
   (*b*) Visit of Browntown Society's committee to inspect Bakery.
   (*c*) Leakage in Grocery branches.

8. ACCOUNTS TO BE APPROVED.

9. OTHER BUSINESS.

The same general outlines should be followed in arranging the agenda for the other two sub-committees. The form and scope of the reports which should be presented to the committee are illustrated by the specimens in Appendix VII.

The agenda for the finance sub-committee will, of course, be different from those of other sub-committees because the work of the committee is so different. This committee will be charged with the supervision of the office, with investments, and with other financial matters, as well as with supervision of insurances, leases, deeds, and legal matters generally. The following may be considered a suitable agenda for the finance sub-committee meetings :—

THE MODERN CO-OPERATIVE SOCIETY LIMITED.

MEETING OF THE FINANCE SUB-COMMITTEE.
November 20th, 1927, at 7 p.m.

AGENDA.

1. MINUTES OF LAST MEETING.
2. SECRETARY'S REPORT.*
3. ACCOUNTS TO BE PASSED FOR PAYMENT AND CHEQUES TO BE SIGNED.
4. RECONSIDERATION OF INSURANCES.
5. TAKING UP OF ADDITIONAL SHARES IN THE C.W.S.
6. LETTER FROM X.Y. CO-OPERATIVE SOCIETY INVITING APPLICATION FOR MEMBERSHIP AND INVESTMENT OF CAPITAL.
7. PURCHASE OF PROPERTY IN OWEN ROAD.
8. STOCKS IN GROCERY DEPARTMENTS—LETTER FROM SUB-COMMITTEE.
9. OTHER BUSINESS.

Before leaving the subject of sub-committees and their work, we must point out that a copy of the agenda and of the reports to be considered should reach the members of the sub-committee not later than the evening of the day before the meeting at which they are to be considered. This practice gives members an opportunity of acquainting themselves with the business to be transacted, and preparing themselves for the more expeditious dispatch of business in the committee room.

The General Committee and its work.

Having now reviewed the work of the sub-committees, we may turn our attention to the work of the full committee. The members at the meetings of the full committee will be largely occupied with the minutes of the sub-committees,

* The scope of this report is considered later. (*See* App. VII.) It should include such items as the admission and withdrawal of members, cash receipts and payments under various heads, purchases and sales, bank balances, &c.

which committees will have given preliminary consideration to most of the large issues. But there will be, in addition, matters which will not have received this preliminary consideration, because they do not fall within the province of the specialised duties of any one sub-committee. Some of these matters we shall refer to later.

As the full committee will have to spend so much time in considering the decisions of the sub-committees, and ought in any case to be in the fullest possible touch with the whole of the society's affairs, it is desirable that copies of all departmental (and secretary's) reports be supplied to each member of the committee. These reports (if not previously supplied), and the agenda, should reach the members of the committee not later than the evening of the day before the meeting of the full committee takes place. If the minutes of the sub-committees have not been previously supplied, typed copies of them should be forwarded at the same time. Otherwise, they should be placed on the table at the meeting. We may now submit a specimen agenda for a meeting of the full committee :—

THE MODERN CO-OPERATIVE SOCIETY LIMITED.

MEETING OF THE GENERAL COMMITTEE.

November 21st, 1927, at 7 p.m.

AGENDA.

1. MINUTES OF LAST MEETING AND MATTERS ARISING THEREFROM.

2. REPORTS AND MINUTES OF SUB-COMMITTEES.
   - (*a*) Finance Sub-committee.
   - (*b*) No. 1 Sub-committee (Foodstuffs).
   - (*c*) No. 2 Sub-committee (Clothing and Allied Departments).
   - (*d*) No. 3 Sub-committee (Coal, Works, and Farm Departments).

3. SPECIAL REPORT OF No. 1 SUB-COMMITTEE *re* ACQUISITION OF PREMISES AT SANDOWNE.
4. CORRESPONDENCE.
   (The subject of the more important letters may with advantage be given.)
5. REPORTS OF DELEGATIONS.
   (*a*) District Conference at Blanktown.
   (*b*) Sectional Conference at Blackborough.
   (*c*) C.W.S. Quarterly Meeting.
6. APPOINTMENT OF DELEGATES.
   (*a*) Co-operative Congress (two).
   (*b*) Co-operative Printing Society Half-yearly meeting (one).
7. OTHER BUSINESS.

Procedure at Committee Meetings.

At the meetings of the sub-committees the chairmen of the respective committees will preside, but at the full committee the president of the society will preside. The minutes of the previous meeting of the full committee having been circulated among the members, the chairman will ask for a motion that they be taken as read in order to save time that would be occupied in reading them seriatim. The members having agreed to this course, the chairman will ask for a motion that they be approved as a correct record, and will then allow questions upon their accuracy. Such questions on the minutes having been exhausted, the chairman will put to the meeting the proposal that they be approved as a correct record and that he sign them as such. The members having signified their agreement, he will sign the minutes as a correct record of the proceedings of the last meeting and pass on to the next item, which may be some matter arising out of the minutes or, failing any such item, the reports of the sub-committees.

Some matters will probably be mentioned in the minutes upon which action had to be taken, and in reply to questions

on these points the chairman will explain what action has been taken and what result has followed this action. If, however, some matter is of such importance as to demand a fairly long discussion, it should be included as a special item in the agenda.

The minutes and reports of each sub-committee will be introduced by the chairman of the sub-committee, who will move their adoption in a few words indicating the salient points in the report and answering in advance as far as he can any questions likely to be raised. His motion will be seconded by the vice-chairman or some other member of the sub-committee, and the minutes and report will then be open for discussion. The chairman, or other member of the sub-committee most familiar with the subject under review —for within a sub-committee some amount of specialisation of duties may be desirable—will answer any questions and reply to the discussion.

When there are no further questions or discussion, and even before questions and discussion are exhausted, if he thinks they are becoming irrelevant or mere repetition, the president will ask for amendments, and if none is forthcoming he will ask the committee to vote for or against the adoption of the minutes and report. Presuming they are approved, he will sign one copy of the minutes of each sub-committee as "Adopted by the full committee, November 21st, 1927. John Wiseacre, chairman," and the act of adoption will be recorded on the minutes of the meeting.

If an amendment is moved, it needs to be seconded before it can be discussed. When the voting is to take place the chairman should first put the amendment to the vote, for and against. A first amendment having been disposed of a second one may be moved; but it is out of order for two amendments to be before the meeting at the same time. It may be that the full committee, without desiring to reject absolutely some proposal of a sub-committee, may wish the sub-committee to reconsider the matter, and in such a case the committee will pass a resolution that "the

whole of the minutes of the No. 1 Sub-Committee be adopted with the exception of (say) No. 12 *re* opening of new branch, which minute be referred back for further consideration."

The minutes of the various sub-committees having been considered and dealt with on the lines indicated, the president will proceed with the remaining items on the agenda. When the item "Other Business" is reached, it will be within the competence of any member of the committee to introduce any item of business which he desires the committee to consider. If the matter is one of some importance, it is desirable he should give notice at one meeting of his intention to introduce it at the next meeting so that the members may give some preliminary thought to it. When he does introduce it, the committee may adjourn consideration, refer the matter to one of the sub-committees, or negative any motion which may be made in regard to it. It is wise to fix a limit of time for speeches introducing a new subject for discussion. This is desirable in order to prevent a waste of time upon a matter which the committee may think is not worth discussing at the moment; but, in committee, a member may speak as often as he chooses upon a motion, subject to the standing orders and the general ruling of the chairman, who must protect the remaining members of the committee and prevent waste of time. Discussion of a subject is not in order until a motion is made and seconded, so that if a motion is not seconded the matter drops, and the chairman passes to the next business. The chairman must, however, use his discretion in conducting the business. It is often wise to permit the discussion of a suggestion or subject upon which no person wishes to move a resolution. The advantage to the committee may come from the discussion of the suggestion, and not from any decision in regard to it.

It will be seen that the conduct of the meeting is, to a great extent, in the hands of the president as chairman. He may be exasperatingly slow in getting through the business,

or he may rush the business through without giving adequate opportunity for the members to consider the matters which they are asked to approve. Both extremes are bad. The chairman should be firm yet courteous. He should not permit dawdling or the introduction of irrelevant matter; but at the same time he should give every member who wishes to speak an opportunity of doing so in order that all may feel they have had a reasonable chance of stating their views. This is particularly desirable where these views are known to be different from those of the chairman. A chairman who gains the respect of his colleagues by his fairness will have much more influence in the committee room, and a much higher authority among his colleagues than one who creates the impression that he is more anxious to have his views adopted than to give all sections of the committee an equal opportunity of expressing theirs.

Visits by Committee.

Among the duties of the members of the committee will be the visiting of shops, the visiting of other societies in order to obtain information and to study the organisation of various departments, and the undertaking of delegations to conferences and congresses. These matters may now engage our attention. Shops, warehouses, bakeries, workrooms, &c., should be visited regularly and frequently by the sub-committee which is responsible for supervising them and, at least once a year, by the full committee. Only in this way can the committee obtain that intimacy with the society's affairs which is essential to intelligent discussion in the committee room and to efficiency of supervision; but the committee in carrying out their own duties should in no way interfere with the managers' duties or weaken their authority among the staff.

The making of these visits, especially where the society covers a wide area, may necessitate the utilisation of motors or other vehicles, and this may rouse in the minds of some of the members of the society the suspicion that these are

"joy rides" or picnics; but consideration of such criticism should not deter the committee from incurring any expense which is justified by the better results obtained. The committee should naturally choose the cheapest form of locomotion available which enables them to obtain the best results; and they should avoid making any visits or delegations or using any vehicles for purposes which do not fully justify the action of the committee. A report, however brief, should be prepared of all visits, deputations, and delegations, and a note thereof, and the expenses incurred, should be entered in the minutes. There is nothing like publicity for preventing abuses, quietening suspicion, and silencing unjustified criticism.

Members' Complaints.

One of the items of business frequently calling for the attention of the committee is members' complaints. In dealing with these complaints, the committee will be wise to adopt a definite policy. No member of the committee ought to allow himself to become the vehicle for complaints and tittle-tattle. Where complaints are to be made to the committee they should be made in writing, or if they are of such a nature that they cannot be reduced to writing they should be made in an interview with the full committee or with one of the sub-committees, or else through the chairman acting for the committee. Unless a committee makes definite arrangements for dealing with complaints, it will soon find itself wasting a good deal of time discussing what may prove to be idle gossip. Cliques, or groups of supporters, or critics, of some official will be formed in the committee, and a considerable amount of ill-feeling may be generated over some minor detail. In order to deal with complaints, one or two committees have approved a very sensible plan whereby arrangements are made for the manager to be in attendance at the office on some evening at a fixed hour for the purpose of meeting members who may desire to make complaints or suggestions, or who may wish to consult him on some point

connected with the society's affairs. This plan has worked satisfactorily and reduced the demands upon the time of the committee in dealing with complaints, as the manager deals with minor complaints and submits to the committee none but the serious ones.

Relation of Committee to Officials and other Employees.

The committee will, of course, be responsible to the members for the satisfactory staffing of the shops and other establishments, and for the adoption of satisfactory scales of wages and conditions of labour generally ; but it does not follow that they need engage every employee themselves. If they do so, they will load themselves with unnecessary duties which the managers are better able to discharge. The engagement and dismissal of employees will, however, be discussed more fully in a later chapter dealing with labour matters. It will be sufficient to indicate here that whatever be the policy adopted, the managers are responsible to the committee and not to the members. The committee are the persons responsible to the members for proper supervision of labour matters as for all other matters connected with the administration of the society. The committee will, of course, appoint all managers and the secretary, and in so doing will follow, we hope, the advice given on pages 54 and 55.

It is with the secretary and managers that the committee will come most frequently into contact; and if the committee possess the qualities which are required in good committee members, they will soon discover the good qualities and defects of the officials with whom they have to deal. It is desirable that the committee should give a good deal of liberty and freedom of action to their officials, or the latter will not be able to do justice to themselves or their society in the work they are doing. Committees which are always interfering with the officials not only transfer to themselves a responsibility which the managers ought to shoulder but reduce the confidence of these officials in themselves, cause them to hesitate when they ought to decide promptly,

and weaken their authority, with bad results upon the discipline among the staff of the society. A manager should be given scope and then judged by the results he produces. When the members of the committee have lost confidence in a manager or other official they should tell him so and make a change in favour of some person in whom they have confidence. If they would not continue to employ a man if the business were their own, they ought not to continue to employ him at the expense of the members of the society. We have already pointed out in Chapter VII that there should be faith and confidence on both sides, and that these should be maintained by the committee giving scope to the managers and by the managers giving full reports to the committee. Examples of suitable reports are given in Appendix VII, and the matter need not detain us, therefore, at this point.

In Chapter VII we have already suggested that the committee should decide matters of general policy and leave the managers to manage in accordance with that policy. What are matters of policy and what are matters of detail may be a subject upon which opinions differ, and it is necessary we should indicate some of the matters which we consider come within the two categories. The payment of trade-union rates of wages, or a percentage above trade-union rates, is a matter of policy ; the fixing of the wage of any individual in accord with this policy is a matter of detail. The employment of none but trade unionists is a matter of policy ; the engagement of one member of a union rather than another is a matter of detail. The selling of goods at retail cost price, *i.e.*, without dividend, or at the rates prevailing in the district, is a matter of policy ; the price at which a particular article is sold is a matter of detail, unless there is a deliberate intention to depart from general practice and sell some article at a very low price for a special reason, such as to combat illegitimate competition.

When all that can be said on this subject has been said, it will still remain true that much will depend upon the good

sense of both committees and managers in carrying out their respective duties. If the former interfere too much with the manager they may spoil him as a manager, discourage him, stifle his initiative, and perhaps cause him to resign. If the manager assumes an authority which belongs to the committee, he is likely, sooner or later, to come into conflict with the committee and ultimately with the members of the society. Tolerance, sympathy, confidence, and goodwill on both sides are essential to harmonious working; and if these exist there will be few occasions when differences will arise.

The committee will be responsible for the trading policy of the society, but in deciding lines of policy they will naturally depend to a great extent upon the advice tendered to them by the managers. This subject is, however, a big one and needs a full chapter to itself. We therefore devote the next chapter to it.

Before passing to the next chapter, however, there is one point which should be mentioned in regard to the relationship of the managers to the committee. In most societies, where departmental managers are employed, it is customary, but not always the practice, for the departmental managers to attend the meeting of the committee responsible for their respective departments in order to present their reports, answer any questions that may be asked upon them, and assist in the discussion of any matters that may be raised in regard to their department.

In societies of reasonable size, where a general manager, without departmental responsibilities, is appointed to co-ordinate the activities of the various departments and to act for the committee between the committee meetings, he should see that general interests are not subordinated to departmental interests. He should be entitled to attend all meetings of sub-committees and of the full committee in order to assist in the proper co-ordination of departmental activities. Only in this way can the committee's administrative work be productive of the best results.

CHAPTER IX.

TRADING POLICY.

IT is to be feared that many societies have developed merely as a result of the momentum given to them by the enthusiasm of their founders rather than as the result of any well-thought-out policy of the successors of these pioneers. In the language of Topsy, the societies have just "growed." As societies become bigger, their further advance is hindered by the difficulties which confront all growing trade organisations. The number of duties falling upon the committee and managerial staff increases rapidly; co-ordination among the staff and the various departments becomes more necessary but more difficult to attain; and the societies are watched more closely by their competitors. The rough-and-ready methods which sufficed in the day of smaller things are not adequate to meet the competition of the highly-organised multiple-shop and other firms; nor will the enthusiasm of a knot of interested members enable them to overcome difficulties that could be surmounted by sacrifices in the days of smaller things. In a small society, the members may be willing to forego their dividend and interest; and they may even be prepared to write down their share capital in order to wipe out a loss caused by a period of depression or by an incompetent manager or committee. There is much less willingness of this kind in a larger society, and similar difficulties or incompetence may mean nothing less than disaster.

Importance of a well-thought-out Policy.

It is always necessary, but becomes even more necessary as a society grows, for the society and its committee to have a policy which will guide them in the decisions they have to

make week by week. They need an objective and a carefully mapped-out route to reach it. The policy is the road by which they intend to travel. Individual decisions are steps on that road. Without a policy, the committee may wander from the road altogether; but it is better they should stumble and go slowly along the right road than straight and quickly along the wrong road or be lost in the bog of indefiniteness. They may make mistakes and stray from the track, but it is good for them to know that they have a track to which they may return. If they recognise that there is a right road, they are much more likely to keep to it. It is to be regretted that so few committees have realised the importance of this. All committees should look to the future as well as at the present, and should have a programme of development for a few years ahead. If they have such a programme they will be able to co-ordinate the activities of the society more effectively; the day-by-day decisions which they make will be more likely to be harmonious and will contribute more certainly to the permanent success of the society. They will also be able to acquire properties which may be needed a few years hence, and which are in the market to-day at a low price and may be unobtainable at the moment they are required if the purchase is deferred until that moment arrives.

Size and Situation of Shops.

One of the questions of policy upon which the committee should have an opinion is in regard to shops—their size and situation. Two views are held regarding shops. One view favours large shops and the grouping of several departments in one substantial block of premises; and another view favours a larger number of smaller shops. The arguments used in favour of the former plan are that the premises can be better equipped and are more impressive and a better advertisement than smaller shops; that they are for many reasons more economical as well as more efficient in service; that a larger variety of goods can be stocked in a smaller

number of semi-central premises than in a larger number of smaller shops ; that by having a number of departments in one block the convenience of the members is consulted and trade that might otherwise be lost is brought to all departments ; and that the cost of delivery from the warehouse and the work and cost of supervision and management are less for a small number of semi-central depôts than for a larger number of smaller shops. For the second plan—a larger number of smaller shops—it is urged that the nearer the shops are taken to the members' doors the greater is the volume of trade secured ; that it often happens that members have neither the time nor the inclination to walk a mile to the nearest central premises for the district and are tempted by the nearest corner shop or some other private trader's shop near at hand ; that the plan of having a larger number of smaller shops reduces the expense of delivery to members as more of the members fetch their goods when there is a shop near at hand ; and that members come more closely into touch with the society by visiting the shops more frequently.

There is much sound argument used in support of these different policies ; and as no society can at one and the same time try both policies in the same district where the circumstances are the same and a fair comparison can be made, it is not possible to say from actual experiment which is the better plan. Again, it does not follow that the plan which is best in, say, London is the best in, say, a small town in Lancashire or in a rural area. Committees must weigh the arguments we have quoted, and consider the suitability of each plan for their own district having regard to the prevailing circumstances. It is more than likely that a blending of the two ideas will prove to be best in most cases—a number of district central premises supplemented by a number of smaller shops in the less densely populated areas.

Centralisation is probably best for departments like drapery, where a large variety of stock to meet the members' demand is necessary. Because members require adequate

choice, and because drapery stocks quickly become unsaleable owing to change of fashion, caution should be observed in opening small drapery branches. Probably several centralised blocks of shops housing a variety of departments supplemented by a number of smaller grocery or bread shops best meet the needs of most societies.

In connection with this question of shops, it should be noted that modern tendencies are in the direction of increased specialisation—the opening of shops for dealing in one, or a few, commodities. Thus, there are in the larger towns, shops which deal in nothing but margarine and butter, others which deal only in tea, sugar, and butter. This tendency, which is really an old tendency accentuated, will proceed more rapidly in the future. The concentration of attention upon one or a few commodities enables the owners to work their shops more economically, and co-operative societies have already felt the competition of such specialised shops. This is especially the case where societies try to maintain a common dividend in all departments and at a high rate, as these firms sell with a small margin of profit per £ of sales, and make their profit (on capital) by increasing the rapidity and volume of their turnover.* It is, therefore, not unlikely that co-operative societies may have to adopt similar specialisation, and modify their application of the dividend system to gain and retain trade.

Sites and Premises.

In the selection of sites or buildings for shops, warehouses and workshops, sound judgment is required. The comparative poverty of their founders was responsible for the fact that many of the earlier societies commenced operations in shops in back streets and out-of-the-way places where rents were low. Such a situation does not meet present-day needs. If co-operative societies are to attain the maximum success they must be in the main streets where

* *See* pages 162-5, and footnotes for further explanation.

the shopping traffic passes, and they must have smart and up-to-date premises and internal equipment. Business people are judged to a great extent at their own valuation; and if the members and committees of co-operative societies are satisfied with second-rate shops in second-rate positions, they will be taken to be second-rate trading organisations. Moreover, smart shops encourage smartness of service and improved demeanour among the staff. The selection of suitable sites and shops is therefore a matter of importance; and we would again point out that the central premises of the society should be, if possible, in the main shopping street of the town. They ought to have a good frontage and be of an attractive design likely to attract potential new members as well as present members. For similar reasons, it is essential that all the society's premises and vehicles should be kept up-to-date, painted regularly, and generally maintained in an attractive and useful condition. Whilst extravagance in the building and equipping of shops should be avoided—it is to be feared that many committees judge the impressiveness of premises by what they spend upon them rather than by what they get for that expenditure—committees should not begrudge the expenditure necessary to place the society's shops in the front rank. Before building, committees will be wise to inspect the premises of other societies, and ascertain costs. They will then be in a better position to discuss with their architect and managers the design and plans of the premises they desire to have erected.

It sometimes happens that one side of a street is a better side for shops than the other ; the side which gets most sun is for many reasons a better side ; corner shops, by giving more window space and catching two streams of passers-by, are usually more advantageous than shops in the middle of a block ; and shops near a tram terminus or tram stop usually catch more custom than those which are passed by potential customers before they leave the car. Many a successful tradesman has spent a few weeks observing the

direction and magnitude of passing crowds in the various streets of a town before deciding where he should commence business. These, and other similar points, are worthy of consideration before a decision is made regarding the site of central premises or other shops; and in matters of this kind the advice of the manager is invaluable. It should be remembered that the Co-operative Wholesale Society has an architect's department as well as a building and shop-fittings department; and these departments may be consulted by committees about to build and equip new premises.

It is usual to provide offices, committee rooms, and halls in the central premises; and there is much to be said for this practice. It is convenient to the members; but this convenience may be paid for too dearly if costly sites that could be more profitably occupied with shops and showrooms are thus employed. It is not essential for offices and committee rooms to be in the main street; it *is* essential for shops to be where the trade is done.

Future needs should be considered.

When planning the central or other premises (including offices, warehouses, workrooms, bakery, &c.), some thought should be given to the future. There is scarcely a society of medium or large size which is not under-provided with shop space and office accommodation. Buildings are not provided with elastic sides so that they can be extended to meet the growing demands made upon them; and in many societies which to-day have ten or twenty thousand members, the departmental managers are struggling to do an adequate trade in premises that were designed when the membership was one-fourth its present figure, and when inadequate thought was given to the future. It is impossible for managers to provide the necessary variety of stock and to display it properly if they have not sufficient space for the purpose. It may be true that the members should come to a society's shop because

they are co-operators on principle and not because they are lured by the display in the windows ; but the shops exist for the convenience of the members, not the members for the convenience of the shops ; and the members have the right to expect their committee to provide facilities as good as those provided by other shopkeepers. Co-operators are human, like other members of the community, and they wish to have some idea of the variety and price of the goods which are on sale before entering the shops. Nor do they like to find that on account of lack of accommodation the manager is unable to stock the kind of goods they want. When building premises, it is therefore necessary to make provision for the increased variety and volume of trade resulting from the natural growth of membership and trade which co-operative experience has so long and so consistently demonstrated will result if a society is well managed. Particularly is it necessary for committees to have in mind the lines of town development and especially the opening up of new districts for residential purposes, with a view to securing sites for shops in these new districts.

Office Accommodation.

It is perhaps in regard to providing office accommodation that societies have been most niggardly and lacking in thought. By some strange reasoning, an office is considered to be an unproductive department, a section of the society that does not contribute to profit but is, instead, a burden upon trade and a consumer of profits. For this reason, the office frequently receives less consideration than the trading departments. The reasoning is wrong. Where an office is properly organised, its records are an indicator of the success of the various departments, a chart whereon are described the ups and downs, the leakages, the weaknesses and the progress of the various departments. It is safe to say that few societies have obtained the best results from their offices in the past and few do so to-day. Because of this, they fail

to get the best results from their business as a whole. This attitude towards the office is due to committees having under-estimated its importance as a mirror reflecting their society's activities. The office should be the nerve-centre of the society's operations. Its guidance and help should be felt by all departments; and in its records the day-by-day activities of the departments should be summarised, these records being employed by the committee and officials for the wiser direction of the society's business.

If the best results are to be secured, the office must be properly organised; its situation must be right; its lighting and heating must be satisfactory; its equipment must be up to date; its staff must be adequate, and that staff must be efficient. These necessary conditions of success cannot exist if the office is too small for the work that has to be done. Apart from the business gains resulting from the provision of adequate facilities, the human needs of the office staff claim consideration. Because the office is considered an unproductive department, the staff are often required to work in an overcrowded room which is provided with insufficient light and insufficient ventilation. Yet the office staff have as much right to good conditions as any other employees of the society, and that efficiency which can be fostered only where satisfactory working conditions exist is as necessary in the office as elsewhere. We stress this point about office accommodation, because it is so often overlooked and because we wish committees in planning their offices to think of the future as well as of the present, and provide for their office staff conditions which will enable the staff to work in comfort and with efficiency.

In advising committees to think of the future as well as of the present, we are not to be taken as recommending a policy that must be pursued thoughtlessly and regardless of expense. It is possible to over-build and over-anticipate, just as it is possible to under-anticipate and under-provide. We emphasise the necessity of foresight and anticipation because, in the past, the error has been of the other kind.

Societies have grown, only to find their shops hemmed in; and they have been compelled to purchase adjacent property at a high price with compensation to sitting tenants, or to open, singly, shops some distance from the main block. It will, of course, happen that where future needs are anticipated the expense of interest upon capital invested in buildings, as well as charges for depreciation, insurance, &c., may be higher than if only immediate needs had been provided for; but committees must take a long view as well as a short one; and in the long run the society will benefit from intelligent anticipation of its future needs.

Should Societies Build or Rent Premises?

One of the questions which committees will have to consider and decide in regard to shops is that of building or renting. Some of the most successful multiple-shop firms prefer to rent rather than buy shops because, in general, capital invested in trading operations yields a better return than capital invested in buildings. The case of co-operative societies, however, is rather different. For central premises they require, as a rule, a block of shops; and it is not so easy to rent a block of shops as to rent a single shop. Moreover, co-operative societies in trying to rent shops meet many difficulties because of the prejudice existing against the co-operative movement; and, to obtain security of tenure and freedom to equip the shops on their own lines, societies usually purchase or build their own premises and are wise in so doing. This statement may be qualified by saying that in some cases the renting of single shops may be justified, particularly where a society is short of capital or wishes to build up a nucleus of trade before embarking upon the building of a shop or shops. Some multiple firms have adopted a uniform pattern or design for all their shop-fronts and equipment so that customers recognise the firm's shops at sight wherever they may be. This practice has a considerable advertising value; but it has not been adopted by co-operative societies to any extent worthy of

notice. Yet there is a good deal in the idea, and committees might attempt to gain the benefits resulting from uniformity of design so far as the circumstances of the district permit. One of the advantages of buying or building rather than renting shops is that the society has greater freedom in dealing with the shop-front and interior arrangements. This freedom makes possible the adoption of a uniform design for shop fronts and fittings.

Where property is about to be purchased, a society should have the deeds carefully examined by its solicitor to see that there are no onerous covenants or obligations which they take over with the purchase, and they should see that the property is insured from the moment it comes into their possession. As co-operative societies are frequently considered "fair game" for exploitation by those who have property to sell it is often wiser to allow a third party to negotiate and purchase on behalf of the society. This applies to purchases of land as well as of buildings.

Leasehold and Freehold Land.

Land taken for shops may be either leasehold or freehold. In the case of leasehold, the land does not become the absolute property of the society even though the process of acquisition may be known as purchase; and when the lease expires—which may be a few years or some hundred years hence—the land will revert to the successors of those who granted the lease; and any property on the land will also go to the same party. Freehold land is therefore preferable where it can be obtained. The conditions of ownership, sale, and letting of land vary so much in different districts that little of any value can be said here except in a general way to advise committees to make sure of the conditions upon which the land and also the buildings are being acquired. In some cases, what are known as chief rents exist. These are created by one person who has purchased or rented a piece of land, sub-letting it, either in one piece or in lots, at an enhanced rent and pocketing the

difference himself. This is a favourite practice of building speculators who acquire a piece of land at, say, agricultural value and erect houses upon it, selling the houses perhaps at cost price but with a ground rent attached, and assuring themselves of a substantial annual income out of the chief rents they have thus created. It often happens that societies find it expedient to relieve themselves of such annual charges by paying down a substantial sum—the capital value of the annual income—which is known as purchasing the chief rent or ground rent.

Warehouses and Warehouse Accommodation.

So far in this chapter we have been dealing principally with shops; but warehouses and the housing of productive departments will equally require consideration. We may consider first the warehouse. In small societies, with few or no branches, a commodious room behind the central premises may meet the needs of the society. In larger societies, other provision is required and is generally made by the erection or acquisition of a special building for warehouse purposes. Local circumstances vary so much that only general suggestions can be made here; and committees must apply them with due regard to the circumstances of their own district. In the first place, the site of the warehouse should be carefully selected, and the most important consideration will be the cost of delivery to the warehouse and from the warehouse to the shops. A committee may save or waste hundreds of pounds a year according to their selection of a site. One firm, after acquiring a site, found that it had to pay a toll of one shilling for every load of goods that passed over a canal crossing which it had to use. This should have been foreseen. In many cases, a site with siding accommodation by the side of a railway, canal, or docks is the best that can be selected, so that the society may have the goods hoisted direct from the railway wagons or boat into the warehouse and save intermediate carriage and handling. The importance of such a site has been reduced by the

development of motor transport; but the importance is still great, and should be fully recognised.

Inside the warehouse, the arrangements should be such as will minimise the expense of handling goods. At least one inside hoist will be required, and two or more may be desirable to secure economy in dealing with stock. The warehouse must have sufficient floor space to avoid the necessity of piling one class of goods upon goods of other kinds, which involves lifting and carrying when the goods beneath are required. The warehouse should be dry but cool, and it should be well ventilated and well lit. In some warehouses, a smoothed track or railway is laid to ease the transport of goods from one part of the warehouse to another and to reduce noise. Suitable in-loading and out-loading facilities should be provided. In some warehouses, a cartway runs the length of the warehouse, so that carts or wagons may travel the full length of the warehouse. The floor of the lower room of the warehouse is level with the loading level of the carts and wagons, with facilities for the loading of these vehicles from upper floors by means of a hoist or through trap-doors. We may summarise by saying that the chief points to be watched in connection with the warehouse are economy of carriage to and from the warehouse, economy of handling inside the warehouse, and convenience of stocking inside the warehouse.

Some societies save expense by having some goods which are delivered in lots, *e.g.*, flour, delivered direct to the shops from the station or supplier. This is satisfactory from most points of view, but special care must be taken to keep track of goods received, to check the quantity and quality of the goods, and to fix responsibility for stock, if this method is adopted. It reduces the amount of accommodation required at the warehouse, but increases the amount of accommodation required at the shops. The society has to keep larger stocks at a variety of points, whereas one stock suffices if the goods are all kept at the warehouse and deliveries are sent out daily or as

required. What is gained by economy of carriage may be lost in interest charges on duplicate and excessive stocks kept at the shops.

Workrooms.

Productive establishments are of two kinds: those which require to be organised on, or near, the shop premises and those which do not. Among the former are dressmaking, millinery, and tailoring workrooms. These are linked with the shops by the necessity of having "fitting" rooms near to both shops and workrooms. Among the latter type of productive establishment are bakeries, slaughter-houses, and dairies. The position of the former departments being determined by their relationship to the distributive departments, it is essential when planning shops for tailoring, dressmaking, and drapery departments to make adequate provision for workrooms for these departments as well. Too frequently, it happens that because these workrooms are out of sight insufficient thought and attention is paid to them, and they are often unsatisfactory in character. They should be big enough to accommodate with comfort the maximum staff employed in the busy season, and the needs of the future as well as of the present should be considered. The rooms should be airy, suitably warmed, and well ventilated, and they should be well lit by both natural and artificial light. Only by providing good light and comfortable conditions can the best work be done in these departments, in all of which the work, which will be judged by standards of style, taste, and finish, involves close application upon the part of the workers engaged and imposes a great strain upon their eyes.

Whilst the workrooms of the departments we are now considering must have easy communication with the shops to which they are allied, it is very necessary that they should have an independent entrance. The staff employed in them should not be compelled to enter and leave through the shops. There is naturally good reason to place

these workrooms at the rear of the premises, where space is less valuable, or on the upper floors of the premises where the rooms are not required for saleroom or display purposes. It ought not to be necessary to say that sanitary and hygienic conditions should be perfect in co-operative workrooms and shops. Co-operators should not be satisfied with the bare provision of sanitary and other conveniences required by law. At present, the provisions made are not likely to develop sufficiently the sense of self-respect and pride in high standards in the staff. Wash bowls and a regular supply of clean towels are, alas ! too often lacking, and where wash bowls are provided it is not unusual to find them in a neglected condition. Before leaving the subject of workrooms (and shops may also be considered in this connection), another word should be added—on the subject of dining-rooms. It is not uncommon to find that meals are taken in the workrooms or in a storeroom at the rear of the shops where crumbs and paper are evidence, with cups and saucers, of the dual purpose served by the room. This is not good. A special room should be set aside where the staff can have their meals, and it should be properly fitted with tables and chairs. If, however, the society possesses a café in the same block of buildings or near, the need can be met by setting aside at the café a special room for employees.

Factories and Workshops.

In considering premises required for the second type of productive department mentioned on page 150, *e.g.*, a bakery, other considerations apply, for they need not be, and seldom are, in the same block of premises as the shops. Perhaps the most important consideration will be the convenience of situation from the point of view of reception of goods and delivery of goods to the branches or members. We have discussed some aspects of this question earlier in the chapter in connection with the warehouse, where we also referred to such matters as convenience for stocking

and handling goods—matters which have application also in regard to productive departments like the bakery.

Whilst the building erected and the machinery installed should be sufficient to provide for the needs of the moment and for a reasonable time ahead, the need for extension which may arise in a few years should also be kept in mind. For this reason, it is desirable when buying land for productive departments to acquire sufficient to provide for extensions that may become necessary. The building erected should be so arranged that the most economical and efficient methods of working can be adopted, and the fittings and machinery installed should be of the most modern and efficient character. In these matters, the committee should be guided by the best examples that can be found in the movement. The Trade Information Bureau of the Co-operative Union may advisedly be consulted before any steps are taken, as the Bureau is able to supply information regarding societies that may with advantage be visited.

Attention should be paid to the cleanliness of the premises, particularly in the case of food-preparation departments such as bakeries and abattoirs. Glazed-tiled walls for the interiors of these and similar buildings not only give an appearance of cleanliness, and facilitate it through the possibility of washing down the walls, but also provide a stimulus to cleanliness since dirt is more noticeable than it would be in a building of dull brick. In the bake-houses, it is very desirable to provide baths for the staff; and cloakrooms, with facilities for washing, should be provided in all productive departments.

Capital Expenditure.

In connection with sites and buildings, there is another aspect of the subject—the financial aspect. We do not propose to discuss it at all fully here, for financial matters is the subject to which a later chapter is devoted. It is, however, necessary to say a word or two here upon

capital expenses and the necessity for committees to consider the proper utilisation of the capital resources of the society. The principal purposes for which the society's capital is employed in its own undertakings are: the purchase of land and buildings, fixtures, fittings and machinery; stock; cash for till money; payment of wages, &c. The trade of the society bears the expense of the interest upon this capital; and any wasteful employment is reflected, therefore, in the higher working costs. Every £100 of capital expenditure involves an annual expense of about £15 to £20 for interest, depreciation, and other charges. (*See* page 175.) This is a big burden on trade, and care should, therefore, be taken to avoid unnecessary capital expenditure.

It is desirable that committees should see that too much capital is not devoted to any one of these purposes or to any one department or branch. What is a suitable proportion or absolute amount of capital to be spent upon any of these purposes it is impossible to say, especially in these days of fluctuating prices. The wise and shrewd committee member, by a careful examination and comparison of the figures of his own and other societies, will be able, after making suitable allowances for differences in local conditions, to form an opinion as to whether the amounts and proportion are reasonable. He will also be able to compare the trade of the society's shops and productive departments in relation to capital outlay with the relation between trade and capital expenditure in other societies.

Credit Policy.

A decision regarding the granting of credit must be considered a decision arising out of trading policy; but it bears relationship to the sale of goods discussed in the next chapter and to working expenses discussed in Chapter XI. It is considered in relation to Clubs and Hire Purchase in an appendix.

CHAPTER X.

THE PURCHASE AND SALE OF GOODS; THE FIXING OF PRICES; AND THE PAYMENT OF DIVIDENDS.

WHEN a society is established, and, indeed, at all times during its history, the committee will have to decide the policy to be adopted in the purchasing of the goods sold in the shops or used in the productive departments. The day has surely passed when any committee should take upon itself the duty of interviewing travellers or sharing with the manager the placing of the weekly orders for goods required. This statement may seem unnecessary; but buying by committees prevailed until recently in some of the older and smaller societies and may still prevail in a few societies to-day. Such a practice may have had a little justification in days when managers were inexperienced and committees felt that it was necessary to see that their hard-earned investments in the society were not dissipated by reckless buyers.

The Purchase of Goods.

That day has passed. A wider variety of goods is now required, and the placing of orders calls for a much greater technical knowledge and much more constant observation of market fluctuations than was formerly necessary. Committees do not possess this knowledge and cannot watch market fluctuations closely; and, as experienced managers are now available, wise committees will leave the making of purchases to the general or departmental manager. This statement may be qualified by saying that the committee should be supplied with a record of purchases made, and consulted when goods of an exceptional character, or in an

exceptional quantity, are being purchased. Even in these cases, a good deal should be left to the discretion of the manager. Innumerable instances might be quoted of opportunities of favourable buying that have been lost to a society because the manager has been required to get the sanction of the committee before accepting any offer or placing any order.

Modern business conditions do not permit of the application of the leisurely methods involved in the submission of every offer to a committee. Moreover, the committee will almost invariably be compelled to follow the advice of the manager unless they prefer to pit their lesser knowledge against his greater knowledge. Somewhat similar arguments may be employed in regard to the practice of appointing members of the committee to accompany departmental managers when making purchases. This practice causes societies unnecessary expense and has little to commend it. If the managers cannot be trusted to act wisely on a mission of this kind, they should be replaced. The members of the committee can know little of the buying and selling markets, and must be, to a great extent, in the hands of the manager whom they accompany. If this manager is given a general instruction as to the value of stock to which he is limited in the absence of special authority he should be able to buy satisfactorily, if he is worthy of his position.

What we have said above does not dispose of the general question of policy in regard to buying. Committees may desire their buyers to purchase the bulk, or the whole, of their requirements from the Co-operative Wholesale Society or other co-operative sources; whilst the buyers may desire a free hand and be disinclined to purchase freely from co-operative sources. Difference of opinion on this point has often brought managers and committees into conflict. It caused even a secession from the Rochdale Pioneers' Society and the establishment of a rival society. Co-operative societies ought to be as loyal to co-operative suppliers like the Co-operative Wholesale Society and the special

productive societies as they expect their own individual members to be to their own retail society. Committees should therefore insist upon their buyers obtaining as large a proportion as possible of the society's requirements from co-operative sources. In order that they may exercise their supervision over buying from this point of view, they should require the managers to show in their weekly reports the total purchases for the week; and these purchases should be analysed and tabulated to show the value and percentage of purchases from the Co-operative Wholesale Society, from other co-operative societies, and from non-co-operative firms. Where purchases from the last-named source are heavy or disproportionate, the committee should ask for and obtain an explanation.

It may happen that co-operative suppliers do not give the same value as other suppliers, or their service may be unsatisfactory for other reasons. If this condition of affairs continues for some time, the committee, as good co-operators, should approach the co-operative supplier in order that matters may be put right and the society placed in such a position that it can be loyal without being penalised for its loyalty. There may be circumstances which will lead a committee to decide in favour of co-operative suppliers even when more favourable prices and deliveries can be obtained elsewhere; but when they do so decide they should recognise that they are imposing an extra burden upon the manager, and they should not expect him to produce the same result at the end of the quarter as he might have done if he had been permitted to buy in the cheapest market. In this connection, it should be remembered that in supporting the Wholesale Society with trade, a retail society is helping to employ its own capital more remuneratively, and is helping to increase the trading surplus of the Wholesale Society; and it benefits accordingly.

Buying in the cheapest market is not everything. Co-operative committees must take a long view as well as a

short one. They will naturally desire to buy their immediate requirements at a favourable price; but to buy from non-co-operative sources is to assist the success of private capitalism and to strengthen it. Buying from firms which do not pay the trade-union rate of wages is harmful to labour because it favours the unfair employers rather than those observing fair conditions. To buy from the trusts and combines helps these organisations to extend their monopoly and increase their grip upon the sources of raw materials, and in the long run this must prove detrimental to the Co-operative Movement. Committees, where they approve buying from non-co-operative sources, should therefore exercise discrimination, and should not permit their buyers to buy from firms which do not recognise the trade-union conditions observed in the co-operative movement. Only by so doing will committees help to secure one of the objects of the co-operative movement, viz., the improvement of the conditions of the worker. The member of a society who wants trade-union conditions for himself as a worker, and buys goods made under worse conditions because they are cheaper, is a traitor to trade unionism and co-operation, and should not be pandered to by any committee.

All orders for goods on behalf of a society should be recorded in writing—even when given verbally they should afterwards be confirmed in writing; and a record of orders placed should be submitted to the committee, the order books being made available for the committee's inspection if desired. This method gives the manager practically complete freedom in buying, whilst keeping the committee in touch with the commitments of the society.

The Fixing of Selling Prices.

The selling prices of goods are naturally connected with purchase prices. Over the *general policy* of prices the committee should exercise control; but the fixing of prices for each article should be left to the departmental managers. The question of fixed prices has lately been engaging the

attention of the movement. Complaints have been made that the sale of co-operative productions has been hindered by societies adding too great a percentage to cost prices in order to cover working expenses, and further hindered by the great variation in retail prices in different districts for the same goods, a variation that prevents the national advertising of these goods. To overcome these difficulties, the Co-operative Wholesale Society has fixed the prices for certain goods; and the desirability of extending the application of this policy has been much discussed. Differences in the rate of working expenses in different districts create difficulties and prevent the unrestricted application of this policy. A fixed price that provides a sufficient margin for one society is inadequate for another society with higher expenses or a bigger customary dividend, and the result may be to deprive the Co-operative Wholesale Society of the trade of some societies if the fixed price does not allow an adequate gross profit to cover expenses. If the margin is increased to meet the need of these societies, the price becomes too high to enable other societies to compete successfully against the traders in their area. A fixed price is a minimum as well as a maximum price, and it does not permit a reduction of price to meet local competition. For these reasons, it seems unlikely that an indefinite extension of the fixed-price policy is possible.

Whilst dealing with the question of fixed prices, reference may be made to the Proprietary Articles Trade Association, which insists upon societies refraining from paying dividend upon the products of its members, if these products are sold at the fixed price. If dividends are to be paid, the amount must first be added to the fixed price. The iniquity of this requirement is obvious; and the matter is receiving the attention of the Co-operative Congress Parliamentary Committee and the Co-operative Union. Before a society enters into any agreement regarding the selling prices of these goods, the Co-operative Union should be consulted.

It is a truism that members can have any dividend for

which they care to pay. What the committee have to decide is the general policy of high or low dividends. They must then see that the selling price, allowing for the dividend, is reasonable in relation to the cost price. This they can check to some extent through a careful scrutiny of working expenses. It is not our purpose, and this is hardly the place, to enter into a full discussion of the merits of high and low dividends; but we may lay down the general rule that prices ought to be no higher than those prevailing in the district; indeed, they ought to be a little lower in order that the co-operative society may assist in keeping down local prices.*

Rate of Gross Surplus.

In order that committees may exercise their supervision in this matter effectively and wisely, it is desirable they should know, quarter by quarter, the average gross profit which has been added to cost price in each department in order to arrive at the retail prices charged.† This knowledge

* The various problems associated with the payment of dividend will be discussed in a book on "Co-operative Problems" shortly to be published.

† They can ascertain the percentage added to cost in the following manner. Add purchases to stock at commencement, and deduct stock at end (when at cost price). This gives cost value of goods sold. Deduct this cost value from the sales. The difference is the gross profit or surplus, which can then be reckoned as a percentage of either cost or selling value of goods sold. The following is an example :—

Stock to commence	£2,000
Purchases during quarter	3,000
	5,000
Less stock at end	1,000
Cost value of goods sold	4,000
Sales for quarter	5,000
Difference=gross profit, or surplus for quarter	1,000

Gross Profit £1,000=25 per cent of cost price of goods (£4,000) sold.
and 20 per cent of selling price of goods (£5,000) sold.

A similar calculation should be made for each department.

The rate of gross profit on seasonable or perishable goods sold is necessarily higher than the rate on other goods, because of the loss on those goods that are not sold or have to be sold at less than cost price.

should not be used as a pretext for constantly interfering with the managers in the performance of their duties, but in order to discuss general policy with them. It is also desirable for the committee, from time to time, to call for information regarding the percentage added to the cost of certain individual lines, *e.g.*, flour, men's boots, furniture, &c., in order that excessive additions to cost may be prevented and the members given the advantage of any favourable purchases that may have been made.

Local Competition.

It frequently happens that some trader in the district makes a "special line" of certain goods, as the practice is named; that is, he sells some article at a low price which may be less than cost price. His object is to attract customers. He is willing to sell this line at little or no profit in order to secure the advertising advantage which he thereby obtains. He hopes to gain new customers who will continue to trade with him when the special offer is withdrawn; and, in any case, he expects them to bring trade in other goods which he could not otherwise secure and upon which he can make a profit that will compensate him wholly or partly for any loss on the special line. It is not always possible for co-operative societies to ignore such competition. They often have to imitate the traders who are making special lines; but it is foolish to do so on every occasion. If ten traders each sell a different article as a special line it is not possible for the society to follow all of them; but the enterprising manager must be prepared to act whenever the interests of the society demand it. The average profit of a department may, of course, suffer when he has to do so—a result which committees and members must be prepared to accept. Societies have an advantage over the private trader in this form of competition: what is lost in profit or dividend is gained in lower prices; and a co-operative society can keep up this form of competition longer than the private trader. If the society

occupies the leading position in the town's trade, as it should do, it will be able to act independently of what other traders do—it will be able to lead, and not be compelled to follow.

Prices and Dividends.

We have made reference on page 159 to the connection between dividend and prices. Dividend is perhaps the most-used word in the co-operative vocabulary; but most co-operators have an inadequate knowledge of the economic features of dividend, and many stormy meetings have resulted from this lack of knowledge. In the first place, let it be remembered that the making of dividend is not the primary object of Co-operation, nor even of co-operative trading. The success of a co-operative society should be measured by the service it renders to its members, not solely by the rate of its dividend. If a society aims at low prices and its dividend is low in consequence, it may be rendering a greater service to its membership and to the community than a society which aims at high dividends and raises prices in order to obtain them. A society which raises prices in order to make a high dividend is sheltering private traders and helping them to get higher prices as well—a result which is bad for the consuming public in general.

Departmental Dividends.

It should be remembered, too, that the possibilities of earning dividend vary in different departments; and in comparing the dividends of two societies this fact must be borne in mind. Speaking generally, the drapery and furnishing departments yield a higher rate of surplus per £ of sales than the grocery department; and the grocery department usually yields a higher rate of surplus per £ of sales than the butchering department. In examining two societies for a comparison of efficiency, it is therefore desirable to compare them department by department, rather than as a whole. The fact that some departments yield only a low dividend is the reason why some societies do not establish

these departments, although the attainment of the objects of the Movement call for the extension of co-operative activities into all spheres of trade and production. It is also responsible for the fact that some societies pay separate departmental dividends. Fear of the consequences that might follow the lowering of the general dividend is responsible for the failure to open the low-dividend departments in the first case and for the payment of departmental dividends in the other.

Some Economics of the Dividend Question.

It may be desirable at this point, to explain the economic reasons for these differences. The explanation is quite simple. Co-operative societies distribute their profits in proportion to trade, whilst private traders distribute them in proportion to capital. It is a well-known fact that the profit per £ of sales varies in different trades. This does not matter very much to the private trader. If the profit per £ of sales is low, the private trader makes the normal profit on his capital by increasing his sales in relation to the capital employed; but the co-operative society is not in such a favourable position, for every time it increases its sales it increases, also, its liability for dividend on sales.*

* Suppose, for example, that an article costs 6d. and is sold for 9d. by both a co-operative society and a private trader, and that 1,000 articles a week are sold by each of them. This provides a gross profit of 3d. per article or £12. 10s. in all. Suppose, now, that the society and the private trader each pays £8. 6s. 8d. a week for wages, rent, and all other expenses except interest on capital. This leaves a profit of £4. 3s. 4d. for each of them or 1d. per article or 2s. 2½d. per £ of sales. If they both reduce their selling price to 8½d. and their gross profit to 2½d. per article, and then double their trade with double the expenses, the total profit would remain the same (£4. 3s. 4d.). The co-operative society's rate of dividend would fall to 1s. 1¼d. per £ of sales, because the same profit is spread over double the sales; but the rate of profit on the capital employed by the private trader would be the same as before, provided no extra capital were employed. This is why it is easier for a private trader than for a co-operative society to maintain his profit and dividend by increasing turnover at a lower price. The illustration given in the footnote on the next page will help to an understanding of the position:—

An illustration may help to make clear the question of different rates of profit (on sales) in different departments. Let us suppose a society and a private trader each engaging in the drapery, grocery, and butchering trades. Each sells at the same prices, rents premises and has the same expenses of distribution. The capital invested in each trade is, say, £1,000 — practically all utilised in stock. The annual trade with stock of £1,000 will be, say, £2,500 in the drapery, £10,000 in the grocery, and £50,000 in the butchering department, for stocks in the drapery department should be turned over at least twice or three times a year, in the grocery department at least eight to twelve times a year, and in the butchering department practically every week. Let us further suppose that the private trader is making 40 per cent. upon his capital — which is the rate most retail societies make upon the capital employed in their own undertakings—then the profit in each department will be £400. Out of this the co-operative society must first pay 5 per cent. interest on capital, taking £50 of the £400. The balance of £350 has then to be distributed over the varying amount of sales, and it will be seen that it represents a smaller dividend per £ of sales in the grocery than in the drapery department, and a still smaller rate of

First Case :				
1,000 articles sell for 9d. each	=	£37	10	0
1,000 „ cost 6d. each	=	25	0	0
Gross profit	=	12	10	0
Less expenses		8	6	8
Net profit		£4	3	4

£4. 3s. 4d. represents 2s. 2½d. per £ of sales.

Second Case (where selling price is reduced and sales doubled) :—				
2,000 articles sell for 8½d. each	=	£70	16	8
2,000 „ cost 6d.	=	50	0	0
Gross profit	=	20	16	8
Less expenses		16	13	4
Net profit		£4	3	4

This £4. 3s. 4d. represents only 1s. 1½d. per £ of sales—which is only one half of the previous rate—but the rate of profit per £100 of capital will be the same as in the first case if the private trader has doubled his sales without increasing his capital.

dividend in the butchering department. Let us now set this down in tabular form :—

Department.	Capital in form of Stock.	Annual Trade.	Profit.	Interest on Capital to Members.	Net Profit for Dividend on Sales.	Rate of Dividend on Sales.
	£	£	£	£	£	per £ s. d.
Drapery	1,000	2,500	400*	50	350	2 10
Grocery	1,000	10,000	400*	50	350	0 8½
Butchering ...	1,000	50,000	400*	50	350	0 1½

* Equal to 40 per cent. on capital for the private trader.

If a general dividend were paid on all the sales, the rate would be about 4d. per £. In actual practice, the general rate of dividend is, of course, higher. The butchering department's trade is only a small proportion of the whole, the society saves some interest charges because of its reserve funds, and in the grocery department its trade, in relation to capital employed, is bigger than that of the private trader, and better results are realised. For these reasons the general dividend is usually higher than the figure quoted. It nevertheless remains true that the principle we have explained above operates. In some societies, an exceptionally good butchering manager or special conditions produce exceptionally good results in the butchering department; perhaps a poor drapery manager is responsible for the drapery department failing to provide a higher dividend than the grocery department; and the bakery department often helps to swell the grocery dividend. More frequently than not, the drapery and furnishing departments subsidise the general dividend of the society.

An interesting example of the difference between co-operative societies and other traders was provided a year or two ago when a rather famous multiple-shop firm paid a dividend of 200 per cent. upon its share capital. It seems an enormous rate of profit; yet if the profits had been distributed upon sales in the manner in which co-operative societies distribute them, the dividend would have been only 6d. or 7d. per £ of sales. A further interesting example

of the difference in the rate of dividend earned in different departments is the difference between dividends earned in retail trade and wholesale trade. Retail societies before the war paid an average dividend of 2s. 8d. per £, the Co-operative Wholesale Society 4d. per £, and the Scottish Co-operative Wholesale Society 6d. per £. Despite the difference between the rates of dividend declared by the two Wholesale Societies, when measured in relation to trade, the surpluses of the two societies were the same when measured in relation to capital employed. Because of the differences between departments, it is necessary for committees to scrutinise carefully the gross surplus and the expenses of each department separately.

We have gone to some length in dealing with this aspect of dividends because of its bearing upon such questions as the payment of departmental dividends, the amalgamation of societies paying different rates of dividend, the payment of uniform district dividends, and the fixing of maximum dividends, as well as upon the question of competition with the private trader.

Our space is too limited to deal fully with these questions in this book ; but they are treated at length in one of the lessons (on Dividend Problems) in the Co-operative Union's correspondence course on Co-operative Problems, and will be treated in a forthcoming text-book for this course of study of Co-operative Problems. Here, a briefer indication of the connection between the dividend question and the matters mentioned above must suffice.

We have referred earlier in this chapter to the practice adopted by some societies of paying different rates of dividend for different departments — departmental dividends, they are called. Such a practice is largely due to a desire not to lower the general rate of dividend, and thus appear in the eyes of members and others to be paying a lower dividend than those societies which do not possess the departments which earn a low dividend. This would happen if the profits of the low-dividend earning depart-

ments were added to the general dividend fund and the total dividend were spread over the whole of the sales of the society.

Indeed, as mentioned on page 162, the fear of bringing down the general rate of dividend has caused some societies to hesitate before opening low-dividend departments and caused some to refrain altogether. Such action is not in accord with the co-operative ideal of providing for the members of the society all the goods and services they require, or with the co-operative control of raw materials and the extension of employment under co-operative auspices ; but it is far better to have these departments, even with a separate, and lower, departmental dividend, than not to have them. The enthusiastic co-operator will want these departments opening though they may not pay a dividend at all, after provision has been made for share interest. Departmental dividends, therefore, have justification ; and they may appear necessary where the members of a society are wedded to high dividends ; but the keeping of separate accounts for dividend purposes and the general inconvenience, trouble, and expense involved, where separate departmental dividends are paid, makes the general dividend preferable where the understanding of the members can be raised to an appreciation of its merits. This emphasizes the need for co-operative education. The payment of a general dividend also tends to increase the trade of the low-dividend departments, which is desirable, and is helpful to these departments ; but so far as it causes an increase in the trade of these departments it tends, on the whole, to reduce the general dividend still more unless it reduces considerably the working expenses per £ of sales.

Sufficient has now been said regarding the difference of dividend in different departments to show that when the amalgamation of societies is being discussed we must not be misled by differences in their dividends. One society may be paying only a low dividend because it has many depart-

ments, including those earning only a low dividend ; whilst another may pay a higher dividend by confining itself to the departments which earn a high dividend. The former may be more truly co-operative in spirit than the latter, yet its lower dividend is often advanced as a reason why another society with a higher dividend should not amalgamate with it.

Uniform District Dividends.

Somewhat similar factors have to be considered when uniform district dividends are being discussed. There can hardly be uniformity in dividends unless there is similarity in departments. Another difficulty in the way of securing uniformity in dividends is the difference of working conditions in different societies—one may deliver goods to its members, another may not ; one may have to face more competition than another ; one may have good reserves which are interest-free capital, and another may not have this advantage ; one may be well managed and another may not. In the well-managed society the dividend is naturally likely to be higher than in the one that is not well managed, if the departments are similar. If two societies which are managed with different degrees of efficiency are to pay the same rate of dividend, one of two things must happen : either the badly-managed society must raise its prices to reach the same dividend as its neighbour—in which case the competition by dividend is replaced by a competition waged through prices—or the efficiency of management in the more efficient society will tend to fall, just as the management of the inefficient society will tend to rise. Actually, the efficiency of the former is more likely to fall than that of the latter to rise, because the desire in the latter society to reach the rate of dividend of the former society will already have tended to stimulate the efficiency of management of the inferior society. Competition by dividend is bad, and all efforts to remove it are to be welcomed ; but the conditions in different districts vary so much that uniformity cannot be obtained so long as separate societies

exist. Where societies operate in different districts competition by dividend should not arise. Competition by dividend takes place where there are two societies in the same area, and there ought not to be two societies in the same town or district. Where there are two or more such societies in one town they should amalgamate under the most efficient management available.

Maximum Dividends.

The aspects of dividend which we have discussed in previous pages will also show, we think, the difficulty of fixing maximum dividends. What is reasonable for one society with certain departments is unreasonable for another which has different departments. What is reasonable for one district is unreasonable for another. Hence, the fixing of a universal maximum dividend that would serve any useful purpose is impracticable. To suit some societies, it would have to be so high that it would not affect others that might be guilty of price inflation for dividend purposes. The only sound practice is to sell at the current prices of the district or a little less (in order to exert a downward pressure on prices) and let the dividend represent the superiority of co-operative organisation and management over that of private traders. In those districts where a society's trade is so extensive that the society controls the prices of the district, then a society doing a general trade should aim at fixing prices at such a level that the dividend does not exceed 1s. 6d. or 2s. in the £ on purchases. This figure will not be suitable for all types of society or for all districts, but so far as a workable maximum can be fixed we think the above suggestion is the best, and it has the authority of the Co-operative Survey Committee to recommend it. The Report of that Committee (to the Lancaster Congress) on the subject of dividend should be read by all those who wish to make themselves fully acquainted with the pros and cons of the dividend question.

Non-Dividend Societies.

Suggestions have been made for the abolition of dividend altogether ; the Progress Society of Glasgow, recently amal-

gamated with Kinning Park Society, was a non-dividend society; but the proposal is scarcely a practicable one for general adoption at present, though the Movement may be forced by circumstances to travel in this direction. Dividend is still to many members an attraction which they would hesitate to abandon in favour of lower prices at the time of purchase of goods. Moreover, one-half of the annual increase of capital comes from dividends which members leave in the hands of their society, and this source of capital cannot be abandoned safely until such times as the members have acquired the habit of depositing capital more freely than they do at present.

Clubs, Hire Purchase, and Credit Trading.

An important factor in the sale of goods by co-operators is the granting of credit. This may be given as :—

(1) Open Credit.
(2) Hire-purchase Credit.
(3) Club Credit of the old type.
(4) Mutuality Club Credit.

To give credit at all is a departure from one of the important principles laid down by the Rochdale Pioneers; but the granting of credit has increased during recent years for a variety of reasons, and it has lately been systematically advocated by the supporters of the Mutuality Club system as a means of drawing trade to our societies from the travelling drapers and the clothing clubs organised by private speculators. A considerable increase of trade has been secured during the last three years in drapery, furniture, and allied departments by the introduction of mutuality clubs and the development of hire purchase. A full consideration of clubs and hire purchase is not possible here, for which reason an appendix is devoted to a discussion of the whole question, whilst the bearing of credit trading upon expenses is discussed in the next chapter. Clubs and hire purchase are noted here because they are now an important medium for securing increased trade.

CHAPTER XI.

WORKING EXPENSES.

I—Capital Charges in Relation to Trade.

Working Expenses a Test of Efficiency.

THE efficiency with which a society is managed is reflected in the record of working expenses; and these expenses should be carefully scrutinised and analysed by its committee. To help them to do this, we therefore propose to deal with the subject, both generally and particularly, by discussing the several items usually included in a society's working expenses. The difficulty of treating this subject, and especially in laying down reasonable rates of expenditure for various purposes, is increased by the fact that conditions vary so much between different societies and also by the further fact that uniformity in classifying expenditure is lacking in the Co-operative Movement.

Methods of Charging Expenses.

Difficulties of the first kind are exemplified in the case of carriage and cartage. The premises of some societies are near a station, whilst the premises of other societies are some distance from a station, so that the cost of cartage varies. Some societies deliver goods to members, others do not; and this variation in practice also causes variation in cartage expenses. Difficulties of the second kind are exemplified by the case of wages. Some societies may buy goods packed ready for sale; other societies may buy in bulk at a lower price and pack the goods themselves, and this

increases the wages charge but reduces the price paid for the goods purchased. Some societies may charge to the wages account the wages of an assistant who is engaged in, say, cleaning, whitewashing, or repairs during a slack time; whilst in another society the same expense would be charged to the painting and repairs account, whether the work was done by an outside firm or by an employee of the society. Some societies rent their premises, and a rent charge appears in their expenses account, whilst other societies own their premises and the corresponding (rent) charge against a branch is to be found in the interest and depreciation charges (where the interest on stocks also is included, which adds to the complications). Also, in some societies, items are included in the expenses account which in other societies are included in the Profit and Loss Account.

These differences of treatment do not affect any society as an isolated unit, but they do affect a comparison between societies. The Co-operative Union has prepared (and the Co-operative Congress has approved) a standard form of balance sheet and framed suggestions for securing uniformity in classifying expenditure. It is to be hoped that as a result of the efforts of the Union greater uniformity of practice may be obtained and the possibility of making useful comparisons secured. Committees should press for the achievement of this desirable improvement, as a great deal is to be gained by committees and officials learning from one another how they may keep down expenses. It is not possible to discover which society is most economically administered in respect of any service or item of expenditure without the compilation of standardised statistics based upon standardised balance sheets and uniform methods of classifying expenditure and income.

Committees will, however, be wise if they take advantage of present opportunities and instruct their officials to prepare for them (1) a statement showing the proportion of each item of working expenses to the total expenses, and (2) a statement showing the cost per £ of sales in each

branch and department for each item or group of expenses. They will then be able to discover and check any excessive increase under any head of expense. A suitable form of statement can be compiled from the account shown on pages 200 and 201.

Capital and Revenue Charges.

Before proceeding in this and the next chapter to discuss the various items which make up the working expenses of a society, it may be well for the benefit of the new committee member to explain the difference between what is termed capital expenditure and what is termed revenue expenditure, or working expenses. Some expenditure is incurred in purchasing land, buildings, and machinery which do not become used up in one operation or, indeed, in any one year or trading period. It is expenditure incurred in order to carry on the business, but it is not the kind of buying and selling which constitutes the business for which the society has been established. Expenditure on the former class of items is known as capital expenditure.

Some expenses, such as the wages of clerks, typists, shopmen, carters, and tailors, are incurred for services rendered in preparing goods for sale or in selling them. This expenditure is incurred in carrying on the business for which the society is established. Such an expenditure is a working expense ; the value of the expenditure is embodied in the goods sold, and nothing is left in the hands of the society when the goods are sold. Wages paid to a bricklayer in building a bakery or extending a shop would be capital expenditure, for the value of the labour is embodied in something which is not sold but is in continuous use for the trading purposes of the society and still remains in the hands of the society at the end of a trading period. The cost of paper and string is a working expense, for these articles are used up in preparing the goods for sale, and their cost is embodied in the price charged for the goods. The same description applies to gas or electric light charges,

printing and stationery, and to rents and rates paid for the trading period during which a shop is occupied. These items appear in the expenses account, and are transferred to the trade account.

Capital items include land, buildings, machinery, bakery ovens and utensils, shop and warehouse fixtures, horses and carts, motor-cars, vans, railway wagons and similar items. These items figure in the assets in the balance sheet. Working expenses include wages paid to employees in productive and distributive departments*; carriage and cartage ; packing material such as bags, paper and string ; stationery ; advertising ; rents, rates, and taxes ; interest upon capital invested in stocks, land, buildings, fixtures, and machinery, &c., and depreciation. These items are to be found in the expenses account and have to be charged against the goods sold before the profit† can be ascertained.

It may be convenient to consider first the items of interest and depreciation. We have already seen that land, buildings, fixtures, &c., are a capital expense because they are not completely used up during any one trading period. The business has the benefit of using them, however, in every trading period; and some charge should be made against each trading period for the benefits thus provided. There is no injustice to any department or branch in making this charge, for if the shop were rented by the society instead of being owned by it, a rent would have to be paid. A charge corresponding to a rent charge is therefore made against each department for

* Except the wages for capital purposes. Such wages will generally be paid in a works department, where the employees will often be engaged in making new carts or in building or equipping new shops, workshops, or factories, or adding to the value of existing assets, either by extensions or improvements. So far as the employees are engaged in such work in adding to the assets of the society, their wages will be capital expenditure to be counted a part of the cost of the building they are erecting, which will figure in the balance sheet as an asset. So far as they are merely maintaining property at its present value by repairs, &c., the expense is a working expense.

† But *see* page 174 *re* interest charges.

the use of land, buildings, and fixtures used by it. This charge is, in fact, two charges: interest and depreciation.

Interest Charges upon Land, Buildings, and Fixtures; and upon Stocks.

The first charge is interest on the capital invested in the land, buildings, and fixtures used by the departments. When this interest is charged against the departmental trading accounts, each department bears its due proportion of interest charges according to the amount of the society's capital which it employs; and equity between the departments is secured. The practice of charging interest on the capital thus employed has a further advantage. It enables the society to provide for its liability for interest on the members' share capital, so that the net trading surplus of each department is the amount available for dividend on purchases; and the rates of dividend per £ of sales earned by the departments of a society can be separately ascertained and compared. As the value of the buildings, &c., employed by a department is reduced by depreciation, the charge for interest should be correspondingly reduced. The rate of interest charged to departments should be either the average rate paid to members (see page 210) or a little higher, to allow for the expense of collecting and recording the capital.

For the reasons given above it is also customary to charge departments with interest upon the capital which they employ in the form of stocks, *i.e.*, goods for sale. The average amount of stock held during the trading period should be the basis of the charge, not the amount at the beginning or end of the period, the amount of stock being usually, though not always, lower at the date of stock-taking, for obvious reasons.

Depreciation.

The second charge made against departments for the use of buildings, fixtures, &c., is the charge for depreciation. As a result of use and decay, buildings and fixtures are

worth less at the end of a year than at the beginning, and allowance must be made for this depreciation. Even if the property is maintained in good condition by proper attention being paid to repairs, the building gets older and the fixtures and machinery worn out and out of date. In every well-organised and properly-conducted business a charge for depreciation is therefore made against the trading in each period for this falling off in value during the period. The rate of the charge varies, for some assets wear out more quickly than others, *e.g.*, motors do not last as long as a shop; but an appropriate charge should be made in each case. A depreciation charge is therefore the second element which, along with the interest on the capital invested in the land, buildings, fixtures, &c., is charged against each branch or department in lieu of rent where the society owns the premises. As the amount of interest charge and depreciation charge depends upon the capital outlay upon a building and its equipment as a shop, bakery, workshop, &c., care should be taken to avoid extravagance in initial costs, or the society may be burdened with heavy annual charges for interest and depreciation which will be reflected in higher prices or lower dividends. Every £100 spent upon capital items increases working expenses by about £15 to £20 a year, as mentioned on page 153: £5 for interest, £2 to £10 for depreciation, and about £5 for rates, taxes, and insurance.

Two Systems of Depreciation.

Depreciation should always be provided for liberally, and the charges made in the accounts of societies should be based upon original values, not reduced values, which are the values which become less and less, year by year, through charging depreciation. If, for example, a building has been purchased for £2,000 and it is to be depreciated at the rate of 2½ per cent. per annum, the charge per year will be £50 and the full value of £2,000 will be written off in 40 years. At the end of the first year, £50 for depreciation will be charged in the expenses, and this amount will be deducted

from, or written off, the £2,000, leaving the book value £1,950. In the next year 2½ per cent. on the original value of £2,000 (or £50) will be again written off, leaving the book value £1,900 and so on until the book value has been reduced to zero. If the depreciation had been based on reduced values, the 2½ per cent. in the second year would have been calculated on £1,950, and would have amounted to £48. 15s. leaving the value at the end of the second year £1,901. 5s. By depreciating on the reduced value the asset is never completely wiped off, however long depreciation may be continued. Even when it has been reduced to £1, there still remains 19s. 6d. after the next 2½ per cent. has been written off, and so on indefinitely.* It is much the wiser policy to depreciate on original values so that the values attributed to the assets of a society in its balance sheet may always be realised if the assets are sold. The various arguments for and against the two policies are set out in text books and pamphlets on the subject published by the Co-operative Union, and are reviewed in Appendix VIII.

Rates of Depreciation.

Different assets wear out at different rates. The Co-operative Union recommends that buildings and shops be depreciated at the rate of 2½ per cent. per annum, fixed stock and plant at the rate of 10 per cent. per annum, and rolling stock at the rate of 20 per cent. per annum, all on original values. Horses may be depreciated at the same rate as rolling stock, but many societies prefer to charge horses purchased against their expenses account as soon as purchased, and this is a wise, if generous, policy. Some societies also depreciate the land which they own, generally at ½ or 1 per cent. per annum. This is less necessary than the depreciation of the other assets we have mentioned. Indeed, in most cases, land appreciates in value; but the

* *See* Appendix VIII for table showing results of depreciating on (*a*) original values, and (*b*) reduced values.

practice of depreciation is a commendable one, since the society meets its loss gradually if the time ever comes when the land has to be sold for less than its cost price. Cottage property should be depreciated at 1 per cent. to 2½ per cent. per annum. In connection with depreciation, reference should be made to buildings erected on land leased for a short period, say 40 years. At the end of such a lease the buildings will no longer be the property of the society, but will go with the land when that reverts to the landlord. Care should therefore be taken to arrange the depreciation charges in such a manner that the value of the asset is completely written off before it passes into the hands of the landlord, otherwise a heavy charge will have to be borne in the last year of the duration of the lease.

Credit Trading.

Whilst discussing expenses related to capital, it may be appropriate to refer to credit, which affects the burden of interest charges. Societies which remain true to the ideals of the Rochdale Pioneers do not give credit; but there are societies which give credit, for various reasons. Sometimes it takes the form of casual credit. This arises, for example, in some societies when a member orders a load of coal. He pays a deposit when ordering the coal, and when it is delivered and the weight and charge are known he pays the balance of his account, but in the meantime has credit for the amount. A suit of clothes made to measure is often paid for after delivery; and this provides a further example of casual credit.

Sometimes, credit is fortnightly credit, due to the prevalence of fortnightly "pays" at the local mines or works; but these fortnightly "pays" have now, however, been almost universally supplanted by weekly "pays," and there is less need for fortnightly credit. Sometimes credit takes the form of weekly credit; orders are collected by a canvasser on, say, Monday, the goods are delivered on Wednesday, and the account is paid to the

canvasser the following Monday. Sometimes the credit takes the form of monthly or quarterly credit, members being allowed to have goods up to the value of their share capital, or some specified proportion of it, during the quarter, provided they pay for all the goods before the books are closed at the end of the quarter. In societies where this practice prevails there is usually a rush for goods in such departments as the drapery department at the commencement of the quarter, comparatively little trade during the middle of the quarter, and practically none at the end of the quarter. The staff is consequently overworked at the beginning of the quarter and under-employed during the rest of the quarter; and this is not good from the standpoint of efficient administration.

The giving of credit in any form is bad; but it is worse in some forms than in others. Casual credit cannot always be avoided; systematic credit can be and should be, despite the claim made for it that it means convenience for the members and increased trade in consequence. So far as we know, no society has ever suffered loss of trade through abolishing credit. It is not sufficiently realised that credit is costly. Capital that might be employed by the society in developing its activities or invested to bring in an income is lying idle in debts when credit is given; and trouble and expense are incurred in keeping a record of the debts. Bad debts are also incurred, involving a loss to the society; and this loss arising from some members not paying their debts has to be borne by those members who pay their debts in full. Since these losses most frequently arise out of credit given for foodstuffs, special care should be exercised in controlling the credit granted in foodstuff departments.

The Cost of Credit.

It is estimated that where regular weekly credit is given the reduction in dividend which results is equal to a half-penny or penny in the £ on sales. Some societies charge their members with interest upon overdue accounts. *This charge*

should always be made, not only in fairness to the members who do not take credit, but also as a means of checking the growth of credit. Whenever credit is given, it should be controlled. A proper record of credit given should be kept; the amount of credit allowed should never exceed three-fourths of the paid-up share capital of the member taking credit; and credit should never be given to new members. In all cases, it should be remembered that there is a loss of interest on the capital that is outstanding in debts, unless (a) interest is charged on debts, or (b) the share interest is reduced in accordance with the amount of credit taken.* In the case of the hire-purchase system, the charges made usually include interest on the instalment amounts outstanding. The organisation of mutuality and similar clubs, and the adoption of the hire-purchase system, reduce the need for other forms of credit.† Clubs and Hire Purchase are dealt with more fully in an appendix.

Sales per Member.

Expenses should be judged not merely by their amount but by their relation to trade. Expenses are heavy or light according to the amount of trade which they secure. For this reason we may consider, here, the question of trade and the factors affecting it. It should be the aim of every committee to secure the maximum amount of trade for the expenses paid. Very few societies, if any, are to-day securing the whole of the trade of their members; indeed, if trade be measured per member, which is the only sound method for this purpose, it will be found (when allowances are made for differences in prices) that most societies are selling less (per

* In one large society a special system of controlled credit is in operation. A certain proportion of the members' share capital is earmarked as trading capital on request for credit, and the members may have credit up to this amount (three-fourths of the member's total share capital), but no interest is paid on this portion of the share capital.

† Where debts exist they should appear in the balance sheet. If stated at the amount owing by members, *i.e.*, at selling value of the goods, an adequate reserve should be provided to bring the net value to, at the most, the cost price of the goods sold. The reserve, in addition, should include some provision for the risk of bad debts. Dividend should be credited to members only on cash received, not on sales effected.

member) than they formerly were. Because of the vital importance of this information, a statement of the sales per member should be included in all balance sheets and reports issued to members. So long as the total amount of trade was increasing committees in the past were satisfied ; but there must be both an intensive and extensive development of trade if societies are to expand in the future as they should. This means that the total trade must be increased by obtaining more trade from each member as well as by increasing the number of members. We may now turn our attention to the methods of securing these desirable ends; and may summarise them under the headings of canvassing, advertising, propaganda, and service.

Canvassing.

Very few societies have so far appointed canvassers ; but where canvassers have been appointed the results have been so satisfactory in increasing membership and trade that it is surprising more societies have not appointed one. When it is realised that it pays makers of soap and other goods to organise a house-to-house canvass to increase the sale of only one commodity, it must surely be apparent that it ought to pay a co-operative society which sells many kinds of goods to undertake a similar canvass.

The duties of a canvasser should include the visiting of persons who are not members with a view to persuading them to join the society for which the canvasser is acting ; and the canvasser should be supplied with suitable literature to help him in his work. He should also call upon members as well, and particularly those whose purchases as recorded in the books of the society are low and those who have given notice to withdraw from the society. It will often be found that members leave a society or cease purchasing because of some imaginary grievance that can be explained away by a canvasser, but which would go unexplained, because unknown to the committee, if there were no canvasser. The canvasser should also help to secure more capital for the

society, and mention in his calls the various departments of the society, some of which may be unknown to members. He should introduce co-operative literature, and mention any forthcoming concerts, lectures, or educational fixtures in order to interest members in the educational work of the society. Collective life assurance and other benefits provided by the society will also assist in securing trade if they are suitably employed by the canvasser in his advocacy on behalf of the society. A good canvasser will bring such additions to the membership, capital and trade of the society that his wage will be more than justified by the benefits derived. He serves another useful purpose by acting as a link between the members and their society. It is only too true that the majority of the members of co-operative societies know little or nothing of Co-operation; they are purchasers at the shop with little or no personal interest in, or contact with, the Movement. The canvasser is a link by means of which the member is brought into more intimate contact with the society.

In addition to the canvassers of the type mentioned above there are the canvassers whose duty it is to make regular weekly calls upon members for orders for goods. Societies have been driven to adopt this method of securing trade by local circumstances; but if members were sufficiently loyal to take all their trade to the society without solicitation, considerable expense would be saved.

Advertising and its Cost.

Co-operators have prided themselves so much and so long on the saving they effect in regard to advertising as compared with traders in the competitive world that they have neglected what, at present, is a necessary service to their business. It is probably because co-operators underrate the value of advertising that so much of the advertising in the Movement is dull and unattractive. As a consequence, societies obtain less value from expenditure upon

advertising than they should, and less value than they obtain from other forms of expenditure. It is certain that more advertising would pay, if it were good advertising. Advertising takes many forms—distribution of handbills ; advertisements in the newspaper press and on tram tickets ; posters on the hoardings ; panels or slides on the curtain or screen of some theatre or other place of entertainment—all of which reach non-members as well as members ; and advertising in the shops, on balance sheets, and concert programmes—methods which principally reach the members.

When advertising is being considered, the purpose should be first decided. If it is desired to reach the general public, advertisements in the balance sheets, the local "Record" or the local pages of the "WHEATSHEAF" are scarcely sufficient. Press advertisements or some of the other methods suggested above as reaching the general public should be employed. Speaking generally, press advertisements, if judiciously worded and arranged, are the most effective, and in the long run probably the cheapest ; but the good advertiser does not confine himself to any one method. He varies his appeal, and is conscious of the fact that the form of advertisement or words which appeals to one person does not appeal to another who may, however, be attracted by an appeal which the former may ignore. For the members of the society, advertisements in the pages of the "WHEATSHEAF" or in the balance sheets or concert programmes may serve a purpose ; but it is doubtful whether societies realise the waste of paper and ink which takes place when six consecutive pages of a large-size balance sheet are filled with advertisements, badly drawn and badly printed, without a single feature that is likely to attract a reader.

Committees would do well to pay attention to the question of advertising. They are not getting value for their expenditure to-day. Whilst a more liberal expenditure upon advertising is desirable as a means of increasing

membership and trade, the first thing necessary is to obtain value for the money which is already being spent. Some of the larger societies have probably reached the stage of development in which they could usefully employ an advertising expert of their own; and some societies have already appointed one; but for the majority of societies this is not an economical step. They may, however, secure advice in the preparing and placing of their advertisements, either from the Co-operative Union or the Co-operative Wholesale Societies. Whatever be the advertisements used they should be "live" and attractive.

Methods of advertising, other than the use of printer's ink, are exhibitions, shopping weeks, parades of the society's vehicles, and door-to-door canvassing and special window displays. All these should be judiciously employed as a means of keeping the society and its trading advantages before the members of the society and the general public; and efforts should be made to test the value of different forms of advertising adopted by the society.

Propaganda.

Propaganda differs from advertising. It deals with principles, whereas advertising is chiefly concerned with making known the trading resources of the society. Advertising tells people something; propaganda reasons with people. It is difficult, however, to draw a clear line of demarcation between them. Advertising is often employed in propaganda efforts, and advertisements often reason with people. Propaganda may take the form of lectures on the principles of Co-operation, or lectures upon some phase of co-operative activity, *e.g.*, the lantern and cinema lectures arranged by the Co-operative Wholesale Society; it often takes the form of a short speech during an interval in the musical programme of a concert meeting; it sometimes takes the form of literature distribution. In this connection the sale of co-operative papers, magazines, and

pamphlets needs to be mentioned. Every society should effectively organise the sale and distribution of such literature as a means of strengthening co-operative convictions and increasing co-operative loyalty. Advice on the organisation of a literature department can be obtained from the Co-operative Union. In some form or other, propaganda work ought to be undertaken continuously by a society. It not only assists in securing new members and increasing trade, but also does something to keep alive enthusiasm and the missionary spirit in the society. In propaganda work the general and educational committees can work together with advantage.

The Importance of Good Service.

As a means of increasing the trade of a society, nothing is more important than good service. The founders of a society may be willing for the sake of the success of their experiment to put up with inferior and badly-packed goods, irregular supplies, and many other inconveniences which members joining the society later will not tolerate and should not to be asked to tolerate. Co-operative societies ought to be able to give as satisfactory a service as a private trader; indeed, they should be able to give a better service, for their trade is more regular and their purpose a better one. If they cannot give as good a service as their competitors they will most certainly fail as trading organisations. In the shops there should be civility on both sides of the counter. It is strange that in democratic movements to-day there should be so widespread an idea that civility is servility. No person, whether he be purchaser or shop assistant, degrades or belittles himself by observing the little courtesies of daily life, and by saying "please" and "thank you." Yet the absence of these little courtesies does much to create the opinion that co-operative service is not as satisfactory as that given in private shops. Too frequently, also, members have to wait too long to be served because the shops are

understaffed or because the staff is listless or badly organised. This is a matter to which committees should pay attention.

Shops should be made clean and attractive; the assistants in food departments should be provided with clean overalls; the goods in stock should be suitably displayed; adequate stocks should be kept so that the members may satisfy their wants without delay; assistants should be smart and courteous, and they should offer to provide promptly any goods required by a member if such goods are not in stock at the time the member visits the shops. There is nothing more exasperating to a loyal member or more likely to cause a loss of trade than the "we-have-not-got-it-and-I-don't-care-whether-we-ever-get-it-or-not" attitude on the part of assistants. Wherever this attitude prevails, it is usually a reflection of the attitude of the committee and manager, whose personality and example influence the rank and file employees. Needless to say, the good assistant will be assiduous in pushing the sale of co-operative productions—not in a manner that will annoy the customer, but with the tact that characterises the good salesman.

In the matter of shop-window displays there is much to be said in favour of the appointment by large societies of expert window-dressers devoting their time exclusively to window-dressing. Smaller societies in each area might co-operate in making such an appointment for each of the more important departments.

Standing Charges.

Many of the trade charges which we mentioned earlier in this chapter are known as standing charges; and in some businesses, such as manufacturing businesses, are known as overhead charges. They are called standing charges because they have to be met whether the trade is large or small, and even if the shop is closed and there is no trade at all. They are expenses which do not vary in proportion to output and trade. Included in this class of

expenses are rents, rates, and taxes; interest on capital invested in buildings, fixtures, and stocks; depreciation; insurance; and salaries which are paid irrespective of hours worked or sales effected. Rent and rates have to be paid whether there is trade or no trade, and so have insurance and interest on capital. If we suppose that such standing expenses in a certain shop amount to £200 a year with a trade of £20,000 a year, the charge per £ of sales is about 2½d. If, however, the trade in that shop is increased to £30,000 a year the charge per £ of sales falls to about 1½d., a saving equivalent to an extra 1d. dividend on sales. It is therefore important to increase trade in order to economise in standing expenses per £ of sales, and equally important to keep down the amount of the expenses for the same reason.

There are other expenses, such as wages, carriage, wrapping paper, &c., which do vary with the amount of trade done, and to these expenses we shall turn our attention in the next chapter.

CHAPTER XII.

WORKING EXPENSES.

II—Revenue Charges.

Wages and Salaries.

THE most important item in the list of working expenses, in the sense that it is the heaviest single charge, is that of wages and salaries. Separate records should be kept of the wages paid in distributive departments, productive departments, and internal service departments, such as the office and the transport department. The wages paid in the last-named departments are charges which are ultimately allocated to other accounts, and they are the subject of comment later. For each of the trading departments, separate records should be kept for each branch or shop. If any services are rendered by the works department the cost of labour and materials should be classified as repairs, if the service is a repairs or maintenance service; or be added to the capital value of the property, if the services rendered and material supplied increase the value of the assets of the society.

Wages in Distributive Departments.

Wages paid in the distributive departments should be carefully scrutinised both in total and in relation to the trade of each of the departments. The statistics prepared for the committee should show the wages cost of distribution at each branch and in each department; and the adoption of the form of accounts suggested later in this chapter will make this possible. The keeping of

separate records of the wages cost of distribution for the different branches and departments is not only essential in order that economy may be secured everywhere, but in order that one branch may be compared with another, and in order that comparison can be made with corresponding departments in other societies and with the general figures of the wages cost of distribution for the whole movement.

The statistics issued by the Co-operative Union show that there have been considerable variations in the wages cost of distribution during the last 30 years, as the following table, compiled from the reports of the Survey Committee and the Co-operative Congress, testifies. In reading the table the changes in prices and wages since 1914 should be borne in mind. The reduction in working hours per week, the growth of the practice of canvassing for orders and of delivering goods to members, and the tendency for wages to rise, even before the war, should also be remembered when reading the following figures :—

SALES PER DISTRIBUTIVE EMPLOYEE AND WAGES COST OF DISTRIBUTION IN RETAIL DISTRIBUTIVE SOCIETIES. (ALL DEPARTMENTS.)

Year.	Average wage per distributive employee.	Sales per distributive employee.	Wages Cost of distribution per £ of retail sales.	
	£	£	Per cent.	d.
1897	51·64	1,250	4·13	9·91
1900	51·81	1,226	4·23	10·15
1910	56·43	1,116	5·05	12·12
1914	59·74	1,141	5·24	12·58
1915	60·92	1,268	4·81	11·53
1916	61·84	1,375	4·49	10·80
1917	68·56	1,532	4·48	10·74
1918	82·75	1,659	4·99	11·90
1919	107·15	2,011	5·33	12·79
1920	142·35	2,448	5·81	13·96
1921	157·59	2,196	7·18	17·23
1922	138·90	1,741	7·98	19·14
1923	130·06	1,690	7·70	18·47
1924	127·93	1,755	7·29	17·50
1925	125·45	1,875	6·69	16·06
1926	125·09	1,821	6·87	16·49
1927	124·56	1,819	6·85	16·44

The foregoing figures are derived from particulars supplied by societies in their annual return to the Co-operative Union. Unfortunately, all societies do not supply separate figures for each department; but the general figures quoted will serve as an index to the trend of wages cost of distribution. It will be seen that the general trend is upwards. The explanations offered for this have already been noted, viz., that the practice of canvassing for orders and delivering goods increased during the 20 years prior to 1914, whilst wages were increased and hours of labour reduced during the same period. During the war period both prices and wages rose; and since 1921 they have fallen.

Wages Costs in Different Departments.

An examination of the wages costs in various departments in a number of societies in 1926 reveals the following figures :—

Department.	Societies examined.	Range of		Average for the societies examined.	
		Sales per employee.	Wages cost of distribution.	Sales per employee.	Wages cost of distribution per £ of sales.
		£	d.	£	d.
Grocery	1,268	1,423–2,429	12·66 to 18·13	2,072	14·78
Confectionery	192	1,159–2,527	9·89 to 16·85	1,613	13·58
Greengrocery and Fruit	184	529–1,592	20·15 to 39·09	1,224	22·85
Dairy	199	425–1,770	15·51 to 33·26	1,077	24·27
Butchery	422	1,199–2,398	14·12 to 19·71	1,912	16·63
Drapery	512	750–1,667	17·03 to 23·69	1,469	18·14
Boot and Shoe	337	1,142–1,929	12·48 to 21·66	1,790	15·80
Tailoring and Outfitting	203	1,085–2,564	11·49 to 20·25	2,144	15·64
Coal	312	1,312–2,263	15·12 to 24·89	1,760	19·92
Chemist	55	588–1,657	21·42 to 57·57	1,036	32·40

Though costs vary according to local circumstances, these figures will serve as a guide to committees desiring to know the relative costs in various departments. They show a wide variation between societies, a fact which emphasizes the importance of bringing societies together for

the purpose of comparing working costs so that societies with the poorest results can learn from those with the best results. The Statistical Department of the Co-operative Union may also be usefully consulted for information on these points.

Wages in Productive Departments.

The wages in productive departments should be carefully recorded in order that changes in working costs may be shown and the prices charged to distributive departments and for goods supplied direct to members checked. In general, the basis of the statistics compiled will be wages cost per £ of productions or sales, but price fluctuations affect the value of comparisons between different periods; and where the *quantity* of output can be ascertained, as in the bakery, the cost per unit of output should be ascertained as well. Cost accounts should be kept for all productive departments; but this subject is too complex to be dealt with in detail in this chapter; and as it is treated at some length in literature issued by the Co-operative Union there is no need to go into it here.

Service departments in a co-operative society are of two kinds: the first of these is the department which renders services direct to the members, such as a window-cleaning department, a hairdressing department, or a laundry; and the second is the department which renders services to other departments as, for example, a carting or transport department or the office of a society.

In the case of a department rendering services direct to the members, its accounts will appear in the books and balance sheet of a society in the same manner as those of other departments. In cases where services are rendered to other departments, either a commercial charge for these services must be made or the expenses allocated to the departments for which the services are rendered. The basis of the allocation will depend upon the nature of the service department.

Cartage Charges.

In the case of a cartage or transport department, a charge of a rate per hour and ton should be charged to the department for which the cartage services are performed. Some little care may be required in allocating the expenses, for a van may carry a load made up of goods for six or seven shops or departments; but with properly-kept time sheets and records of goods carried, a secretary or accountant will be able to devise a proper basis. The rate charged should be approximately the same per hour or per ton as that which would be charged by an outside firm rendering the same service. The cartage department would thus be debited with all expenses such as stable and garage rents, horse expenses, interest, depreciation and repairs of cars, cost of fodder and petrol, wages and other expenses incurred by the department. It would be credited with the value of the services performed for, and charged to, other departments. The difference between the two sides of the account will show whether the department is responsible for a surplus or a deficiency, a so-called profit or loss, and what is the amount of this surplus or deficiency.* Even if the account shows a slight deficiency it does not follow that there is a real loss, for the society gains a great deal from the convenience of having its own transport department. Starting with the simple form of account suggested on pages 192-5, a society's officials, by persistent application to the problem, will soon be able to evolve a system of accounts showing the cost per mile, or per ton, for horse-drawn vehicles and for the various types of motors employed, and showing, also, the surplus or deficiency resulting from the department's activities.

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* *See* the form of account given on pages 192-5.

The following is the outline of a suitable account :—

TRANSPORT DEPART-

EXPENSES.

MOTOR SECTION.

DR.

	£ s. d.	£ s. d.
Stock on Hand		. . . . .
(a) Running Costs :—		
Wages (including insurance) :—		
(a) Motor drivers		
(b) Garage attendants		
(c) Other employees		
Petrol and other fuel		
Car repairs, tyres, and accessories		
Total	£	. . . . .
(b) Supplementary Running Costs :—		
Interest upon cars		
Insurance upon cars		
Depreciation upon cars		
Licenses and Duties		
Total	£	. . . . .
(c) Land, Building, and Fixtures Charges :—		
Rents		
Insurances and interest upon land, buildings, and fixtures		
Rates		
Taxes on land and buildings		
Depreciation charges for land, buildings, and fixtures		
Repairs to buildings and fixtures		
Painting, decorating, &c.		
Lighting		
Heating		
Total	£	. . . . .
(d) General Charges allocated :—		
Proportion of office expenses		
,, committee expenses		
,, audit expenses		
,, other general expenses		
Total	£	. . . . .
Total, Stock and Expenses		. . . . .
Balance, Surplus		. . . . .
Total		£

MENT ACCOUNT.

EARNINGS.

MOTOR SECTION.

	£ s. d.	Cr. £ s. d.
Charges made to :—		
Office		
Grocery Department		
Butchering ,, ...		
Drapery ,, ...		
..... ,, ...		
..... ,, ...		
..... ,, ...		
..... ,, ...		
..... ,, ...		
Members		
Outside bodies.....		
Total.....	£	. . . . .
Stock on hand.....		. . . . .
Total		£ . . . . .
Balance Deficit		. . . .
Total.....		£

TRANSPORT DEPART-

EXPENSES.

HORSE SECTION.

DR.	£ s. d.	£ s. d.
Stock on Hand		....
(a) Running Costs :—		
Wages (including insurance) :—		
Carters		
Stablemen		
Other employees		
Hay and other foodstuffs		
Straw and bedding.....		
Repairs to vehicles.....		
Harness and equipment renewals.....		
Veterinary expenses		
Other running costs.....		
Total	£	....
(b) Supplementary Running Costs :—		
Interest upon vehicles		
,, horses		
Insurance upon vehicles.....		
,, horses		
Depreciation upon horses		
,, vehicles		
Total	£	.....
(c) Land, Building, and Fixtures Charges :—		
Rents		
Rates.....		
Taxes upon land, buildings, and fixtures.....		
Interest and insurance upon land, buildings, and machinery		
Depreciation upon land, buildings, fixtures, and machinery		
Repairs to buildings (including painting, &c.).....		
Total	£	....
(d) General Charges allocated :—		
Proportion of office expenses		
,, committee expenses		
,, audit expenses.....		
,, other general expenses		
Total	£	.....
Total, Stock and Expenses		.....
Balance, Surplus.....		.....
Total		£

MENT ACCOUNT—*continued.*

EARNINGS.

HORSE SECTION.

	£ s. d.	Cr. £ s. d.
Charges made to :—		
Grocery Department		
Butchering „		
Drapery „		
..... „		
..... „		
Members		
Outside bodies.....		
	£	. . . .
Stock on Hand		. . . . .
Total		£ . . . . .
Balance Deficit		. . . . .
Total		

Works Department Charges.

In the case of works departments the cost of material and labour falls into two classes as already mentioned on page 187. Some expenses are incurred in building or extending property or in adding to the fixtures. Such costs should be added to the capital value of the property or fixtures. Other costs are incurred in repairs or in decorating shops, warehouses, fixtures, &c., and these costs should be charged to the department for which the work has been performed. A question now arises—what should be the basis of the charges ? If the work were done by an outside firm the labour charges would not be the wages actually paid to the men engaged ; a few pence per hour would be added to cover the standing charges and profits of the firm engaged. Material would not be charged at the net wholesale cost, but at something like the retail cost, the firm taking the trade discount. Should a works department follow these practices and prepare a balance sheet as if it were a separate trading unit ? A good deal can be said for this method, which is probably the simplest satisfactory method that can be adopted. Charging at the current rate of the district imposes no undue burden upon the departments for which the work is done ; and it enables the committee and the manager of the works department to know whether the department is remunerative or not. To carry out this plan, rents, wages, salaries, &c., are debited to the works department which is credited with the value of the work it does.

In some cases, societies when building or extending premises invite tenders from outside firms as well as from their own works department in order to have the work done in the most economical manner by those best fitted to do it. Although there is something to be said for this practice, it is in opposition to an important object of the co-operative movement, viz., to extend employment under co-operative auspices. Small societies may advisedly keep one or more " handy " men to undertake minor repairs.

Office Charges.

The services rendered by the office and office staff (and the committee) are general to all departments, which should bear the expenses proportionately, but in what proportion ? No scheme of allocation which we have yet seen is perfect ; but probably the basis of trade is simplest, each department being debited with the same proportion of office and general management expenses as its trade bears to the total trade of the society. Allowance should be made for special circumstances, such as those which arise when a general manager devotes much of his time as a grocery buyer or when a club system for the drapery department causes much additional work in the office. A criticism passed upon the method of allocating charges in proportion to trade is that it penalises the enterprising departmental or branch manager who increases his trade and relieves the less-capable manager whose trade is stationary or declining.

Other General Expenses.

There are many general expenses, such as insurance, and some of the advertising and printing, which cannot be directly charged to one or other of the departments. These expenses should be allocated on a basis that has been carefully thought out and decided after consultation with the heads of the departments concerned. These heads of departments ought, in all cases, to be informed of the charges made against their respective departments, and given an opportunity of checking them. This practice will promote economy.

Departmental Accounts.

In dealing with the subject of expenses in this chapter, we have gone a little beyond the accounts which it may be thought desirable to publish in detail in the balance sheets. Nevertheless, it is desirable that the recommendations we have made should be followed, not only for the purpose of providing reliable information for the committee but for the purpose of building up the departmental accounts in the balance sheet, thus providing the members with a true picture of the results of various departments.

If the accounts are built up in the manner suggested in this chapter, it will not be difficult for the secretarial staff to prepare for the committee those statistics of working expenses for different departments and different branches which we have recommended should be prepared. The committee should know for all departments and branches the cost per £ of sales for wages and other expenses. To make these figures satisfactory for purposes of comparison it is necessary that expenses, at any rate for internal purposes, should be classified according to function.

Classification of Expenses by Function.

We are aware that classification of expenses according to function is not common in the co-operative movement ; indeed, it is hardly attempted. At present,* expenses are recorded according to their nature and not according to the function performed. Interest, for example, whether it be on buildings or stock, figures as one item. Insurance is similarly treated. Yet classification by function is an essential part of scientific organisation. By classification according to function, we mean that expenses should be classified not according to what they are but according to the purpose they serve. Thus, in two societies (and the same is true of departments and branches in the same society) premises may be rented in one case and owned in the other. The one has an expense for rent ; the other has a corresponding charge, but it comes under two headings—interest and depreciation—and the interest charge for the building is probably included with the interest charge for stocks. How can a satisfactory comparison of the two societies be made under these conditions ? If, however, in both societies all rents, rates and taxes on land and buildings, interest on capital invested in land, buildings, machinery and fixtures, and depreciation charges for these assets, were grouped together under one heading as building and maintenance

*Written in 1923. The approval by Congress of the Standard Balance Sheet has been followed by the adoption by many Societies of this form of Balance Sheet and the classification of expenses according to function.

charges a just comparison between the two would become possible.

In the same way, interest and insurance charges on stocks can be treated on a uniform basis; operating expenses can be treated in the same way, the separate items making up operating costs being separately recorded for more minute examination if required. The main divisions for shops in the Standard Balance Sheet are (1) Goods and Stock charges, (2) Selling expenses, (3) Land and Building expenses, (4) General charges allocated.

Goods and Stocks Charges.

"Goods and stocks charges" in the Standard Balance Sheet* approved by Congress, and adopted by many societies, include interest and insurance upon stocks, interest upon credit accounts† (since this should influence the price charged, as in the case of hire-purchase accounts), and proportion of warehouse expenses.‡ Inward carriage, paper, string, and packing materials are included with goods purchased as a separate item "Goods Bought."

Selling Expenses.

Selling expenses include wages of shop staff; payments for health and unemployment insurance; advertising; printing and stationery; licenses; goods for shop use (not for sale); and bad debts.

Delivery Expenses.

These are given as a single item.

Land, Buildings, and Fixtures Charges.

Land, buildings, and fixtures charges include rents of land and buildings; interest and depreciation on land,

*Reference should be made to the text-book "Standard Co-operative Bookkeeping," by F. Hall, M.A., for a more detailed description.

†But this may be taken over as an office item and the shopman credited with the actual price of sale, the office taking charge of the debts account.

‡This must be added in order to give the actual cost of the goods delivered at the shop.

buildings, fixtures, machinery; repairs; painting and renovations; insurance and any other items relating to land, buildings, and fixtures. These may be separately enumerated but brought into one total of land, buildings, and fixtures maintenance charges.*

General Charges Allocated.

General charges allocated include proportion of office expenses allocated; proportion of check-office expenses allocated; proportion of committee expenses, stock-taking, and audit expenses allocated; and other general expenses that may arise from time to time.

The items may perhaps be better reviewed if set out in the following manner:—

	£ s. d.	£ s. d.
(1) Goods and Stock Charges.		
Insurance and interest upon stocks.....		
Interest on credit accounts		
Proportion of warehouse expenses.....		
Total	£	£
(2) Selling Expenses.		
Wages (shops)		
Health and Unemployment Insurance charges.....		
Workmen's Compensation Insurance		
Advertising		
Printing and stationery.....		
Check books and sheets (if not under No. 4).....		
Telephone charges		
Licenses		
Goods for shop use (not for sale).....		
Bad debts.....		
Total	£	£
(3) Delivery Expenses	£	£

* There is much to be said in favour of the recognition in the accounts of the fact that a co-operative society performs two functions: that of property-owner, and that of property-user. The accounts might show a property revenue account which would be debited with all the expenses incurred on behalf of the property, and with interest and depreciation. A commercial rent could be charged to each department and branch, and credited to the property revenue account, the balance of which would show whether the society's property was earning a sufficient revenue or not. If the accounts were so compiled, the property revenue account would be shown in the balance sheet, and only one item would appear in the trading account as rent.

(4) LAND, BUILDING, AND FIXTURES CHARGES.	£ s. d.	£ s. d.
Rents		
Interest upon land, buildings, and fixtures.....		
Insurance on buildings and fixtures.....		
Rates.....		
Taxes on land and buildings.....		
Depreciation—Land, buildings, and fixtures.....		
Repairs to buildings and fixtures.....		
Painting and decorating.....		
Cleaning, lighting, and heating.....		
Total	£	£

(5) GENERAL CHARGES ALLOCATED.		
Proportion of office expenses		
„ check office expenses.....		
„ committee expenses		
„ audit expenses.....		
„ other general expenses		
Total	£	£

It might be considered sufficient for balance sheet purposes to give only the total of each of the groups of expenses, the items which go to build up the totals being circulated only to the managers concerned and to the committee. With a classification such as is here suggested, intelligent criticism and comparison become much more easily possible than they have been, and committees are better able to supervise the management and administration of their societies. The expenses per £ of sales for each item and for each group of expenses can be easily ascertained and more easily controlled in consequence.*

* The functional classification of expenses and the arrangement of the accounts in harmony therewith is treated in the Co-operative Union pamphlet "A Standard Balance Sheet," by F. Hall, M.A., B.Com., and the reader is referred to this pamphlet for further details on the subject. The Balance Sheet is also fully discussed in a later chapter (Chapter XVI) of this book.

CHAPTER XIII.

CO-OPERATIVE FINANCE.

IN Chapter IV the subject of consideration was co-operative capital; and the present chapter should be read in conjunction with Chapter IV. We there described the provisions of Acts of Parliament and societies' rules regarding the forms and amounts of capital which societies may accept from their members and others. We also made suggestions for the strengthening of the capital resources of individual societies and thus of the Movement as a whole. There are, however, several other matters connected with the capital and finances of societies which need the consideration of committees who desire their society to be efficiently administered. Many committees work hard to save shillings in the management of the shops and productive departments, but lose pounds in the sphere of finance because they are not as well versed in financial matters as they should be, or because they pay less attention to them than they do to trade questions.

The Central Problem of Co-operative Finance.

The central problem of co-operative finance is to use capital in the manner which will most economically secure the objects for which the society is established. This means that the capital accepted by the society must be obtained on the most favourable terms possible; but the rate of interest paid must be sufficient to attract the quantity of capital required for the purposes of the society itself and of other organisations dependent upon it for capital. The capital when obtained must not be wasted in unnecessary stocks or bank balances, or in over-elaborate buildings, nor must it be too lavishly utilised in one department whilst another

is starved; and year by year the financial position of the society must be strengthened in order to increase the security of the members' investments in the society. To these questions we may now address ourselves.

Having in Chapter IV emphasized the need for an increase of capital and explained some of the methods by which an increase may be secured, we need only supplement the remarks there made and refer to the subject again as necessary when considering other aspects of the question of finance. The importance of capital as a factor in co-operative development was formerly inadequately realised by committees and by co-operators generally. Capital was often refused. Members were dissuaded from depositing capital* and encouraged to withdraw their interest and dividend quarter by quarter. It was not until 1913, when the first co-operative summer school was held, that the creation of opinion in favour of securing more capital began. Even more recently, a speaker who recommended at a conference of secretaries and committee members the removal of all restrictions on the accumulation of capital was treated with mild ridicule as one who might have good intentions but did not understand the position of societies, many of which had too much capital! As suggested in Chapter IV, it was always absurd to suppose that co-operators will ever have more capital than they will need to work out their industrial emancipation. Recent years have demonstrated this truth in unmistakable fashion. If societies during the past twenty years had accepted as much capital as their members were able and willing to deposit, the Movement would have had adequate capital during the period of the war; and there would then have been less need to raise the rate of interest in order to attract additional supplies.

Interest on Capital.

The supposed super-abundance of capital in pre-war days had its influence upon the rates of interest paid. When

* *See* Chapter IV.

societies had more capital than they desired why should they worry if capital was withdrawn because the rate of interest was low ? Indeed, many adopted low rates of interest in order to discourage the depositing of capital. The rate was seldom above 5 per cent. Usually, it was 4 or 4½ per cent in long-established societies ; and some of the older and larger societies did not pay more than 3⅓ per cent or 3½ per cent during the war period, at a time when the Government was paying 6 per cent. Nevertheless, these societies secured millions of pounds of share capital even at these low rates.

The discouragement of investors also took the form of payment of differential rates of interest. Thus, one society paid 5 per cent on the first £20 of a member's share capital, 2½ per cent upon the next £80, and no interest at all upon any amount beyond £100. Some societies refused to accept more than £50 at any rate of interest ; and some fixed the maximum they would accept as shares at £20. In other cases, the rate of interest paid varied with the member's purchases. If he did not buy goods to more than a certain value in a year he could secure the normal rate of interest upon only a limited amount of share capital. This measure was defended by the argument that if he did not purchase he was not finding employment for his capital and the interest he was receiving was found by other purchasers. This is an insufficient answer. The service is reciprocal. The member with little capital who purchases heavily from the society would find his purchasing opportunities restricted if other members did not provide more capital than he does for the purchase of shops, stocks, &c.

So long as a society can employ or invest capital and secure a return greater than the rate of interest it pays to members it should accept all the capital it can get, irrespective of the purchases of those who provide it. As has been pointed out frequently in co-operative literature, capital will continue to control labour until labour controls capital ; and co-operators should seek to increase the amount

of their capital, paying the market rate for it, as suggested below, rewarding capital and trade upon their own merits, not making the return upon capital dependent upon the amount of trade.

Restrictions Limiting the Investment of Capital.

Societies to-day are needing more capital than formerly. for reasons explained in Chapter IV, and in most societies in which the unwise restrictions noted above prevailed they have been or are being withdrawn ; but there are still some societies which do not secure all the capital they might. Thus, one society refuses to allow its members to deposit any share capital after their holding touches £5, although they may increase it beyond that amount by the addition of dividends and interest. Other societies are well provided with capital for their own purposes at 3½ per cent or 4 per cent although a higher percentage can be earned in municipal and Government investments. These societies, by raising their rate of interest, might accumulate much more capital which could be used to advantage by the wholesale societies, and they might gain for themselves a surplus on the amount if they re-invested it ; but because it would increase the cost of their present capital and their working expenses they prefer not to alter their present methods.*

Factors Affecting Rates of Interest on Capital.

In fixing the rate of interest to be paid upon share capital or judging the suitability of the rate of interest earned by any invested capital, it is necessary to consider (1) the capital needs of the individual society, (2) the capital needs of the wholesale and productive societies, (3) the influence of the rate of interest upon the accumulation of capital, (4) the prevailing market rate of interest for general investments, (5) the counter attraction of other local or national investments, (6) the earning power of the

* *See* page 209 for a further discussion of this point.

capital in (*a*) the society's own undertakings and in (*b*) investments in other co-operative organisations; (7) the convenience given to the lender to deposit or withdraw his capital; (8) the amount of the investment, which affects the cost of collecting, recording, and arranging the accounts; (9) the security offered; (10) the burden of interest as a working expense of the society.

The needs of the individual retail society and of the wholesale societies and productive societies which depend upon them for capital are paramount. Without capital they can do little or nothing. Whatever be the rate of interest they have to pay, societies must have capital or they cannot buy stock, pay wages, or become members of the Wholesale Society. Nevertheless, the other considerations mentioned in the previous paragraph must be remembered. Every increase in the rate of interest paid to members increases working expenses and adds to the prices that have to be charged to cover these expenses (an increase of 1 per cent in the rate of interest, increases working expenses by about ½d. to 1d. per £ of sales).

Security and convenience in depositing and withdrawing capital are attractions almost as great to working-class investors as is the rate of interest; and those who are co-operators on principle do not need the same attraction of interest as the ordinary investor. Nor is the raising of the rate of interest the only way of attracting capital. In some cases, it has been known to deter a member from increasing his investment, the member concluding that there must be something wrong with the society if it requires more capital and especially if it needs to raise the rate of interest in order to secure it. Care and discretion should therefore be used in all attempts to increase the society's capital. Wisely-conducted propaganda for capital and a reasoned appeal to members will frequently secure as big an increase of capital at the old rate as might be secured by raising the rate of interest, and the cost will be far less. Committees of

societies should induce in their members the habit of depositing their savings with the society and leaving their interest and dividend to accumulate as share capital.* The accepting of capital at branch shops or district cash offices are methods adopted by some societies to facilitate the depositing of capital. If, as recommended in Chapter IV, the members are also required to pay up their minimum shareholding, most societies would be able to obtain the capital they are immediately needing without raising the rate of interest.

Differential Rates of Interest.

How far those who are loyal in providing capital should be penalised by being allotted a low rate of interest in order that a higher rate of dividend may be paid to those who have provided little or none, is a question upon which co-operative opinion is no doubt divided. The dislike entertained for the domination of capital in industry is undoubtedly reflected in the Co-operative Movement by opposition to any attempt to raise the rate of interest and to any other measure which savours of increased recognition of capital. It is argued that more members will benefit from lower prices or higher dividends by the keeping down of the rate of interest and

* It is a common practice in some towns for private traders to make a special effort to attract the trade of co-operators at dividend-paying times. It has been suggested that something could be done to prevent the withdrawal of dividends by abolishing dividend days and transferring the amount to share capital account automatically. This is the practice in a few societies. There is a legal objection to this if it is done without the expressed or implied consent of the members concerned, as it creates an additional share capital liability for the member, *e.g.*, if he held share capital to the amount of £5, and £2. 1s. was added from dividend, the member would have been made responsible for an additional 19s. on the eighth share without his consent, for which reason the legality of the practice is in doubt. Where members are given the opportunity of withdrawing and are notified that if the dividend is not withdrawn it will be added to share capital account, the case is different. It has been suggested that instead of paying out all the dividend to members, a part should be compulsorily retained and added to share capital. This was one of the late Mr. Gray's suggestions in his paper on "A National Society." It has also been suggested that a part of the dividend should be paid in dividend vouchers exchangeable for goods at the society's shops. For various reasons, we do not feel able to endorse these suggestions.

working expenses than would benefit if the rate of interest were raised. The truth of this must be admitted; but this is because a large proportion of the members who are large purchasers do not contribute their quota of capital.* It must be conceded, however, that minorities have rights, even in co-operative societies where majority rule prevails; and co-operators who are loyal in providing capital should not be penalised for the benefit of those who are not equally loyal in this respect or who, for other reasons, have not invested as much capital in the society. It can be demonstrated that if it were not for the minority shareholders whose holdings are of £10 or over, societies could not maintain their present number of shops or their present scale of operations. If the operations of societies had to be restricted in proportion to the capital provided by the small shareholders, no one would suffer more from such a restriction than those small shareholders who are at present large purchasers and drawing large amounts in dividends on purchases.

The services of those who provide capital and those who provide trade are reciprocal. Without capital there can be no trade or dividend on purchases; without trade there can be no interest for capital. Fair dealing with all parties concerned can be effected by paying the market rate of interest upon capital (or a little less because of the greater security and convenience of co-operative investments), charging the prevailing local prices for goods (or a little less in order to exercise a downward pressure upon local prices) and distributing the realised surplus in proportion to sales. This method is the one usually followed by retail societies. It prevents the penalising of the member who brings capital and trade whilst a less loyal one takes his capital elsewhere for a higher rate of interest but wishes to benefit by a higher

* An interesting table is contained in the pamphlet, "The Policy of Societies in regard to Trade, Dividends, Reserves, and Depreciation," by A. Pickup and W. E. Banister (page 22). It shows that in one large society the biggest purchasers are the largest shareholders, whilst the smallest shareholders are the smallest purchasers.

rate of dividend on purchases earned through loyal members accepting less than the market rate of interest.

Share Interest Charges.

To increase the rate of share interest in order to attract more capital, means for many societies a big increase of expense upon their present capital. It is the fear of the effects of such an increased expense that deters many societies from raising their rate of interest even when they could cover themselves by investing any surplus capital at a still higher rate. If, for example, a society has a present capital of £200,000 and pays 4 per cent interest its annual charge for interest is £8,000. If the rate of interest be raised to 4½ per cent and a further £50,000 of capital is thereby secured the total annual charge for interest is raised to £11,250. The extra charge incurred in order to attract this £50,000 is therefore £3,250, which is equivalent to 6½ per cent upon the extra capital secured.

The effect of the raising of the rate of interest as described in the previous paragraph, has led to an interesting suggestion for raising more capital whilst minimising the effect upon working expenses. It involves a reversal of the old policy of paying low rates of interest upon large amounts; and is worthy of consideration. It is suggested that, for example, 4 per cent or 4¼ per cent should be paid on the first £20 of a member's capital; 4¼ per cent or 4½ per cent on the next £80; and 5 per cent on the second £100. This, it is claimed, would secure three results: (1) It would keep down interest charges; (2) it would stimulate members to accumulate capital to secure the higher rates of interest on the large amounts; (3) it would be a suitable counter-attraction to the public loans which are usually for amounts of £100 or more. In considering the equity of such a scheme, it should be remembered that the proportionate cost of keeping the records of a share capital account of less than £20 is much greater than for one of upwards of £20. This is one reason why the rate

of interest paid in banks for small savings is lower than the rate of interest paid on municipal and similar loans. No doubt in an ideal community each member would provide all the capital he could without regard to the rate of interest; but we are dealing with facts as they are and considering how best to take advantage of them in the interests of the Movement.

The average rate of interest paid by a society is, of course, usually less than that stated in its rules, though this fact is not always realised. The difference is due to the general practice of not paying interest upon odd shillings and pence or for part periods of a month. Where the nominal rate is 5 per cent, the actual rate paid will usually be about 4½ per cent. This has an important bearing upon the re-investment of capital, as it permits what is at first sight an impossibility, viz., the profitable re-investment of capital at the same rate of interest as that paid to members. The margin is, of course, very small; but it exists, and it is sufficient to enable retail societies to take capital from their members and hand it on to the Wholesale Society without loss to themselves and with gain to the whole Movement.

Re-investment of Surplus Capital.

Before the war, many societies were re-investing a part of their surplus capital at a loss, and this was one reason why they were reluctant to take unlimited amounts of capital from their members. Some of these societies were undoubtedly paying at that time more than the market rate of interest just as some are to-day paying less than the market rate. It is doubtful whether societies need have had much loss, if any, even in pre-war days. Too large an amount was usually kept in the form of bank balances, and a portion of these balances might safely have been invested. The same condition of affairs obtains to-day. A fairly large amount of cash is naturally required at dividend times; but this does not justify the keeping of an unduly large amount during the whole of the year. The big

demand for cash is only temporary ; and temporary accommodation can easily be obtained when it is required.

An important point in connection with the rate of interest and the re-investment of capital is one frequently overlooked by committees. This is the yield given by the employment of capital in societies' own undertakings. Prior to the war, most retail societies were securing a return equivalent to 50 per cent upon that part of their capital which they employed in their own undertakings. This fact was not fully realised, for two reasons : the lower rate received upon that part of their capital which was invested outside their own undertakings brought down the average return upon their capital as a whole ; and the surpluses or profits were distributed in proportion to trade and the percentage did not seem high.

In order that the gain or loss resulting from the employment of capital, including the re-investment of capital, may be known, an interest account should be compiled on the lines recommended in the Co-operative Union text-book, "Standard Co-operative Bookkeeping," by the present writer. In such an account, all charges paid out by the society for interest are debited, and all charges made to departments for interest, and all interest and dividends received on investments, are credited. The difference between the two sides represents the gain or loss on capital from the investment point of view.

CHAPTER XIV.

CO-OPERATIVE FINANCE.

(Continued.)

*Capital and its Employment.**

WE may now turn our attention to the employment of capital. We have already suggested (page 202) that the capital should be employed judiciously, and in the most economical and fruitful manner. It has been said that the central problem of co-operative finance is the economical employment of capital. This does not mean the parsimonious employment of capital, but the employment of capital in such a manner that the maximum benefits are derived with the minimum of expenditure in relation to results gained. An expenditure of £20 is often more economical than an expenditure of £10.

Capital Invested in Buildings.

The first point to which committee members should direct their attention is the amount of capital employed in buildings, fixtures, and stocks in relation to turnover. This survey should then be extended to a review of the amount of capital employed in each department in order to see that no department is being starved whilst another is absorbing too large an amount of capital, and in order to see that the capital in each department is being remuneratively employed. They will, at once, be faced with difficulties. There are no completely satisfactory standards by which they can judge their own society's position, and their business acumen will be thoroughly tested. Many societies have not yet learned how beneficial to them a system of statistics would be if it recorded for their own society and other societies the relevant data regarding the employment of capital, so that each society could test itself against the standards established in its own district and for the movement as a

*A useful pamphlet bearing upon this subject is "Business Systems and Control," written by Mr. W. E. Banister for the Trades and Business Conferences of 1926, and published by the Co-operative Union.

whole. Something could be done at once with our present method of keeping accounts; but much might be done to help societies if the standard balance sheet and uniform classification of expenditure recommended in Chapter XII were universally adopted.

Capital Invested in Stocks.

Because of this lack of data, it is difficult to lay down general or precise standards that will be of value to committees. The difficulty is increased by the difference in conditions in different districts and societies, some of which own their own premises whilst others use rented premises. The table below may, however, guide committees in their allocation of capital between different departments for stock purposes, which is, perhaps, the most important item in which capital is invested :—

Grocery Department	...annual sales should equal			12-16	times the stock in hand.	
Drapery Department ...	„	„	„	2-4	„	„
Boot and Shoe Department	„	„	„	2-4	„	„
Furnishing Department.	„	„	„	2-4	„	„
Tailoring and Ready-mades Department ...	„	„	„	4-6	„	„

The foregoing are comparisons between sales at retail prices and stocks at wholesale prices. This is the customary method; but it would be wiser if sales were reduced to cost prices when estimating frequency of turnover. If a leakage account is kept the selling value of stocks is available, and can be compared with the value of sales.

Committees, in making comparisons for their own societies, should remember that stocks are usually reduced at stock-taking periods, and that the sales are recorded at retail prices, whilst stocks are recorded at wholesale prices. It is further necessary to remember that some goods are sold more rapidly than others, even in the same department (compare butter and dried fruits in a grocery department), and that the quantity of stock required to maintain a given volume of trade varies with the location of the society. Some societies are established near a C.W.S.

warehouse and can replenish their stocks within an hour, whilst other societies cannot depend upon getting consignments from the nearest depôt in less than three or four days and must keep larger stocks in consequence. Excessive stocks impose a heavy burden upon trade in the form of interest and insurance charges. Deterioration of quality causes further expense, and fluctuations of value often cause big losses where stocks are excessive. In order to avoid excessive outlay of capital in stocks, committees should adopt the suggestion made on page 329,* and fix a maximum value of stock for each department. Managers should not be allowed to exceed this maximum without the special permission of the committee.

Buildings and Fixtures.

It is frequently stated that societies spend too large a proportion of their capital upon buildings and fixtures, and that they spend rather foolishly or extravagantly on over-elaborate buildings or fixtures. The available information lends little support to the first of these statements, but there appears to be some grounds for the second statement. It is not asserted that co-operative buildings and fixtures are over-artistic—rather the reverse ; but that mere massiveness and costliness are accepted as the standards by which the buildings and equipment are judged. Capital must be spent upon these items, and societies must not be afraid of laying out an adequate amount of capital in order to obtain what is required. The buildings and fixtures must be both serviceable and artistic—indeed, more attention than hitherto should be paid to the artistic features of both buildings and furnishings—but the test of these is not the amount of the cost incurred. Capital has been wasted in the past by building over-massive buildings, furnishing board-rooms with too elaborate furniture, and equipping shops and other establishments with costly fixtures that have not been either artistic or serviceable. The two qualities required in dealing with these matters are taste and

*See also the paper on "Stock Control," by J. Crossley, read at the Trades and Business Conferences in 1928.

judgment. Since committees have usually no great experience in building and equipping shops, warehouses, &c., they will be well advised to consult reliable architects and others who are versed in these matters ; but they must also exercise their own faculties of judgment and taste.

Unwise expenditure in building has hampered societies in at least three respects. By over-spending on buildings, societies have frequently inconvenienced themselves by reducing the amount of capital available for trading purposes, and have increased their working expenses. Where a building is unnecessarily costly, the amount that has to be paid as rates and taxes every year is increased, the insurance charges are greater than they need be, the interest charges are higher than is necessary, and a greater amount has to be charged against trade for depreciation charges.* Massive buildings are frequently difficult to alter, and several societies with massive stone premises built fifty years ago find it very difficult to alter the frontage and introduce the modern shop fronts with big windows which are now necessary if shops are to be up to date and capture trade.

When building, it should therefore be remembered that the utility of buildings and fixtures is not to be measured by what is spent upon them, but by the service they render in relation to the amount spent upon them. They should be of good appearance, and some thought should be given to future as well as present requirements. Whether a society is doing a sufficient amount of trade in relation to the capital expended on buildings and fixtures, can be best ascertained by making comparisons with other societies. The charges per £ of sales for buildings and fixtures (for interest, depreciation, and insurance) should be carefully scrutinised for each department.

Liquid Capital.

If the society's committee is careful to see that there is no undue locking-up of capital in buildings or stocks they

* *See* pages 153, 174 and 175 *re* extra cost.

will be more likely to have at their disposal a sufficient sum of liquid capital to enable them to buy their trading requirements in the best market. By paying cash down, if required, they will be able to obtain their supplies at the lowest price. This is important, since "an article well bought is half sold." Most societies pay for their goods soon after receipt,* but they do not always secure an equivalent discount for such payment. Enquiries *re* rates of discount ought to be made in all cases when placing contracts or orders and the most favourable terms obtained. If the rate of discount is the same whether the account is paid after an interval of seven days or an interval of one month, there is no reason why the society should pay in seven days and give the seller of the goods the benefit of its money for three weeks. On the other hand, it may be possible for the society to obtain an extra ½ per cent or 1 per cent discount by paying at once, instead of after an interval of a month; and in such a case the society should take advantage of the extra discount obtainable. To ensure the securing of the full discounts on all purchases there must be efficient collaboration between the buyers and the accounts department of a society.

In order that the committee may supervise the distribution of the society's capital in its various employments, a statement should be prepared annually showing the proportion employed in buildings, fixtures, stocks (different departments and branches being shown separately), investments, &c. The committee would then have the matter under notice at regular intervals and be able to take any action necessary to improve the employment of the capital.

Cottage and other House Property.

Nearly every society has a certain amount of surplus capital after meeting its own internal needs and its obligations in regard to share capital in the Wholesale Society.

* The C.W.S. allows seven days for payment of accounts and charges interest on any debts above seven days old. The S.C.W.S. allows fourteen days for payment of accounts, allows interest on payments made earlier, and charges interest on overdue accounts.

How should this surplus be invested? Obviously, co-operative organisations should be recognised to have first claim. Surplus capital can be invested on loan account with the Wholesale Societies, and as share or loan capital with the various productive societies. Many societies have in the past invested large sums in cottages and other house property; but a very large proportion of these societies do not receive, and for many years have not received, a return from these investments equivalent to the rate of interest they have paid to members upon the capital so invested. The tenants of the cottages have been subsidised to this extent at the expense of the rest of the members. There seems little justification for this state of affairs, and the members of the society have a right to expect the tenants to pay a rent that will cover the expenses of maintenance of the property (including depreciation charges) and the interest upon the capital invested.

It is doubtful whether, on the whole, retail distributive societies are the best form of co-operative organisation to administer house property. The committee are primarily engaged in dealing with retail trading and the allied productive departments. The management of house property is a different class of work, and it calls for closer supervision than committees of retail societies are usually able to give. Probably special co-operative housing societies specialising in the building, owning, and letting of houses will be found the most suitable form of co-operative organisation for undertaking any housing activities that are not undertaken by public authorities. In the meantime, retail societies should watch their investments in house property, and not burden themselves unduly with losses from these investments.

Other Forms of Investment.

Beside the investments already mentioned, societies find still others. A number of Lancashire societies, for example, have invested capital in cotton mills, partly with

the object of assisting the development of local industries. The same motive has led a number of other societies to invest in local companies—not usually with very successful results. Other societies have invested fairly large sums in railway shares, loans, and debenture stocks ; whilst a larger number of societies have invested considerable sums in municipal and Government stocks ; and here and there a society can be found which has invested capital in some concern that is in direct competition with the Co-operative Movement.

It is doubtful whether there is any justification for investing much capital outside the Co-operative Movement ; but there are cases where members have invested fairly heavily in their society, and, to use their own phrase, " they don't wish to have all their eggs in one basket." For this reason they wish their society to distribute the investment of its surplus capital. There are other co-operative investments beside the Wholesale Societies open to retail societies that wish alternative investments ; but if outside investments are wanted they should be confined to municipal, national, and similar loans. These may not yield as high a rate of interest as the shares in industrial concerns ; but there is always an element of risk in the latter undertakings which co-operative societies would be well advised to avoid. Several societies have lost very large sums in such investments in the past. Apart from the risk, these investments should be avoided because they are un-co-operative. Every penny invested in non-co-operative undertakings strengthens anti-co-operative forces and weakens co-operative forces.

Easily Realisable Investments.

In employing capital the committee must ever have in mind the need that may arise at any moment for a considerable amount of ready money to meet an unexpectedly large number of withdrawal notices from members. This does not mean that the society needs to keep a very large

balance at the bank ; but it does require the society to keep a part of its capital invested in a form that will permit of easy realisation. Probably loan capital in the Wholesale Societies best meets this need ; and if this is invested subject to notice of, say, three or six months, it is usually possible in case of emergency either to get the notice waived or secure an overdraft until the notice for the withdrawal of the loan expires and the overdraft can be repaid. The importance of being prepared to meet such a demand of the members for withdrawals emphasizes the point we have already made in this chapter regarding the undesirability of locking up too much capital in land, buildings, and fixtures. Societies may the more safely invest in loans or leave money in the bank on deposit account if they so arrange the investments that they fall due for repayment in regular sequence at fairly short intervals, so that cash becomes available for meeting any unexpected needs that may arise.

Return upon Investments.

In all investments, the committee of a society should remember that the society is already committed to the payment of interest upon the capital invested by members. Efforts should therefore be made to invest this capital in such a manner that a return at least equal to the rate paid to members is obtained from the investment. We have already referred to the fact that upon the capital which they employ in their own undertakings societies obtain a return of from 20 to 50 per cent. The development of their own businesses—distributive or productive—is therefore the most remunerative manner in which societies can employ their capital. Investments in other co-operative societies should have next claim for consideration. Such investments ensure a larger flow of supplies from co-operative sources, and these supplies are obtained at non-profiteering prices, whilst the return upon the capital is sufficient to cover the interest paid to members, unless for some unusual reason the latter has been raised above the normal.

Co-operative Societies and Income Tax.

Before leaving the subject of investments, it is desirable to say a word upon the subject of taxation of revenue from investments. It is the rule of the Inland Revenue authorities to collect income tax upon interest and dividends at their source. This is the easier and cheaper method for the revenue authorities; and it ensures the collection of larger amounts than would be collected if the authorities were to wait until the interest and profits were distributed to their recipients. For this reason, companies, municipalities, and other corporate bodies are assessed for income tax (at the highest rate) upon all the profits they make or interest they pay. Each corporate body must pay the amount of this tax to the authorities. It recoups itself by deducting a proportionate amount from each investor's share of the profits or interest when these are paid out. If any person, or organisation, receives such profits or interest with the tax deducted and is not liable for the tax, that person or organisation can make a claim for the payment to him, or it, of the amount of the tax deducted from his, or its, share of the profit or interest.

Co-operative societies are exempt from taxation under Schedules C and D of the income tax, which are the schedules under which profits and interest are assessed. If, therefore, a society has received any interest on a municipal or other loan (or a dividend on any share investment) from which tax has been deducted, it can make a claim upon the revenue authorities for repayment to it of the tax that has been deducted. This point is stressed because cases are constantly coming to light of societies which, through ignorance of their rights, are failing to make a claim for repayment of these amounts of tax that have been deducted. This provision for exemption of societies from assessment under Schedules C and D does not exempt individual co-operators from liability to income tax on the amount of share interest which they receive from their society if their income is above the exemption limit. The individual is responsible for this

tax in direct assessment, and the society is not expected to deduct the amount from the member's share interest as it would be deducted if it were interest on a municipal loan or dividend on a company's shares.

The case is different in regard to Schedules A and B of the Income Tax. Under these schedules the income derived from the ownership (Schedule A) and occupation (Schedule B) of land and buildings is assessed. Co-operative societies are liable for taxation under these schedules and are at a disadvantage as compared with individual traders. Income tax under these schedules is levied upon the owner of the premises, but the owner of the premises may not be the owner of the land, and if a society is paying a ground rent to a private individual it can deduct from this rent payment, tax at the rate which the society has been charged under Schedule A. Under Schedule A, the society, if an owner, pays tax at the highest rate upon the annual value. This annual value is the equivalent of the rent that is, or would be, charged to a tenant, less a deduction (usually one-sixth) to cover repairs and other expenses (*see* page 222). The resultant amount is the net income from the investment and is the amount taxable. Under Schedule B, the society is taxed upon the annual value as occupier of farm and buildings. This is in lieu of taxing farmers upon profits under Schedule D, which would be difficult, as farmers do not usually keep books of account like ordinary traders, and an ascertainment of their annual profits would be difficult. Farmers may choose to be assessed under Schedule D; but co-operative societies cannot escape the tax by claiming this alternative.*

* An individual whose income is below the taxable limit can claim exemption from payment under these schedules or claim repayment if the amount of tax has been deducted from his rent before receiving it. A co-operative society cannot claim exemption or claim repayment. *See* the Co-operative Union pamphlets on this subject. In regard to farm losses, however, since a society is a taxable unit under Schedules A and B, societies with such losses have been permitted to set them off against presumed income assessed under Schedule A. (*See* Co-operative Union pamphlet "Income Tax: Notes and Extracts for the use of co-operators, with special reference to the Assessment of Co-operative Societies engaged in Farming," by Newman H. Cooper.)

Local Rates and Assessments.

A few words should be said upon the subject of rates at this point. Rates are levied under two heads—poor rate (which includes other items besides the rate for relief of the poor) and district rate. In some districts, these two rates are separately demanded ; but in others they form part of one general rate, the total of which is demanded as one payment. The amount required for each purpose of the expenditure of the local authority and the rate per £ of assessment for each purpose is stated on the demand note.

The basis of the rate levied is the rateable value of the assessable property in the area, and the amount of the rate per £ of rateable value is the ratio between the rateable value and the total amount to be raised by the rating authority. If £10,000 has to be raised from a rateable value of £20,000, the rate would be 10s. in the £. Thus the higher the rateable value for the district the less is the rate per £. In general, the rateable value is the gross rent from the property (or, in cases where the owner is also tenant, what would be the gross rent if the property were to be let), less the probable annual cost of repairs, insurance, and other expenses. These expenses being deducted, the balance represents the net income to the owner, and is the rateable value. The deduction allowed from the gross value varies according to the nature of the property, of which there are now numerous classifications.

Right of Inspection and Appeal.

The rateable value is given in the new valuation lists prepared by the rating authority established under the Rating and Valuation Act of 1925, which, it is estimated, will bring down the number of rating areas from 16,000 to 1,800. Valuations will be revised every five years. The Act does not apply to Scotland, Ireland, or the County of London. New machinery for the valuation and assessment of property is created, and the overseers are no longer responsible for the duties they formerly performed in relation to rating.

The changes are numerous and far-reaching, and cannot be adequately described here, for which reason the reader is referred to the booklet published by the Co-operative Union, "Some Aspects of the New Rating and Valuation Act (1925), as it Affects Co-operative Societies," by R. A. Palmer.

The ratepayer, for his own protection, has the right to inspect the minutes of the assessment committee and take extracts from them; and he can also inspect and take extracts from any valuation list in the possession of the Rating Authority. This enables him to compare his own assessment with that of other properties of a similar character in the neighbourhood and to appeal against his own assessment if he thinks it is too high. A co-operative society has, of course, the same right of appeal as individuals who are ratepayers, and the committee should make it their business to see that the society's properties are not over-valued for rating purposes.

The appeal to the assessment committee may be based on grounds of error, omission, or injustice, and the appeal should be made within twenty-one days. The ratepayer may appear personally or through a solicitor or other agent, *e.g.*, a co-operative society may appear through its secretary, and the assessment committee has power to revise the assessment. The ratepayer can carry the matter a stage further if he is still dissatisfied, and appeal to Quarter Sessions, which may amend the decisions of the assessment committee, and in certain circumstances he may appeal to the High Court.

The new Act came into force as from April 1st, 1927, but the end of 1929 was given as the last date for the completion of the new valuation lists.

CHAPTER XV.

CO-OPERATIVE FINANCE.

(Continued.)

SOME attention must now be given to the question of the safety and security of the members' capital. This is a matter of primary importance for many reasons. The sounder a society's finances, the more justifiably can its committee appeal for members to deposit additional capital and the greater will be the confidence of the members in the society. This confidence will be of material assistance in promoting the general prosperity of the society; and it will add to the credit and reputation of the movement as a whole. If this safety and security are to be ensured, certain things must be done. The members' capital must not be wasted when it is being changed into buildings and other fixed assets or into stock; full value must be obtained for every penny spent. Investments of capital must be safe; the maximum amount of security should be obtained in all investments. In this connection, it should be remembered that mortgages, mortgage debentures, ordinary loans and shares provide security in different degrees ranging downward from mortgages and mortgage debentures to shares.

Insurance of Property.

Buildings, fixtures, and stock should be adequately insured, otherwise there is not ample security for the members. More than one society and its members have suffered severe loss through failing to insure, omitting to pay the annual insurance premium, or through neglecting to raise the amount of insurance when the value of buildings or stock has been increased. There is a mistaken idea abroad that societies do not need to insure for the full value of their buildings

and stock because it is not likely there will be a total loss from fire. It is erroneously thought that a claim can be lodged up to the insured amount irrespective of the total value of the property which has been only partially insured. This is wrong. If, for example, the buildings and stock are worth £50,000 the committee of a society may insure for only £25,000, thinking that it is not likely the whole building, fixtures, and stock will be destroyed and that the society can claim up to £25,000 for any loss by fire, even if there is not a total loss. This is not the case. If the society insures for only half the total value of its premises, &c., it will only be able to claim one-half the amount of any loss resulting from fire, whether large or small. The society will be considered to be its own insurer for the other half of the risk. Total loss is a quite possible occurrence that should be guarded against by full insurance. Immediately any property is bought, the committee should see that it is insured; and buildings in course of erection should also be insured.

The annual premium does not cover all fires that may occur in a year ; and if premises or stock are destroyed and the insurance claim is paid, the liability of the insurer is ended, so that a fresh policy should be taken out for any buildings or stocks bought to replace those for which insurance compensation has been paid. Committees should annually inspect their insurance policies to see that they are in order and that the amounts of insurance effected are adequate. Goods stored with the railway companies or public warehousing companies or in transit from foreign countries should also be insured. Some societies choose to be their own insurers for some or all of the risks they run; and this aspect of the subject is treated in a later section of this chapter under the heading of reserves.

Depreciation of Property and Stocks.

Perhaps the most important provisions required to be made for ensuring the safety and security of the members' capital are the provisions for depreciation and reserve. The

subject of depreciation has already been considered in Chapter XI, and little more need be said here about it. The amount charged annually for depreciation should be adequate, and, indeed, should err on the side of generosity so that the assets may realise the value at which they stand in the balance sheet if realisation should become necessary. Only in this way will the society make its position so secure that it can repay the members 20s. for every £1 deposited if the assets are realised. Committees and members should resist any attempt that may be made, even in a time of stress, to suspend depreciation or to appreciate—that is, " write up " the value of property. Such practices weaken the financial stability of the society and increase its working expenses.*

Besides the depreciation of buildings, fixtures, and other similar fixed assets, stocks also should be depreciated, particularly where goods have been in stock for some time. For this reason stocktakers should be careful to mark on stock sheets any stock which appears old ; and officials and committee members charged with the duty of estimating or fixing values should see that old or damaged stock is adequately depreciated.

Market Value of Investments.

Investments in shares and loans often require to be depreciated because their market value falls. They should never appear in the balance sheet at a figure higher than the sum they will realise if sold. If they do appear at a higher figure, the balance sheet is to this extent a false and misleading one. Speaking generally, investments in co-operative undertakings never require to be depreciated ; but the need does arise occasionally, and there was a time when the value of societies' investments in war loans and other Government

* This increase results for these reasons : The interest on the value of the buildings has to be charged to the trading departments, and if the value of the buildings is written up, the charge for interest is increased and the amount of the depreciation charge, if based on the new values, is also increased, and in any case must continue for a longer period than would otherwise have been necessary.

securities was less than at the time of purchase. In such a case, the amount of the fall should have been written off as a loss and the balance-sheet value reduced ; and if there should again be a fall in the market value of any investments the balance-sheet amount should be further reduced. Committees should therefore scrutinise their balance sheets carefully to make sure that all share and loan investments are of the value stated in the balance sheet. On the other hand, if the market value of such investments rises, a committee is justified in taking account of the increase as a gain ; but what is justifiable is not always wise ; and in the interests of sound finance, investments should never be written up. If any investments are sold and realise more than the balance-sheet value the surplus should be added to the society's reserve fund.

Reserve Funds and their Purpose.

Reserves serve two principal purposes : they provide a fund of collectively-owned capital and they are a surplus of assets over liabilities available to meet any losses that may be incurred in trade or in realising the assets of the society if the society is wound up and the members paid out. The General Reserve Fund should not be utilised for dividend purposes. The value of the reserve funds as collective capital has already been noticed in Chapter IV, and we may now notice the value of reserves as reserves.

General and Special Reserve Funds.

There are various kinds of reserve funds—the general one and special ones. We may first devote our attention to the general reserve. Reserve funds have been described as parts of the profit set aside beyond reach of distribution in order to meet special needs that may arise. The only source from which they can be derived is therefore the profits. No society can put anything to reserve unless it has made a profit. If it is not in a position to pay its

debts it is obviously not entitled, or able, to set aside anything as a saving to meet the needs of a time of stress. A certain amount—preferably a percentage of profits fixed by rule—should certainly be set aside every quarter or half year and added to the reserve fund when, as is usual, there is a surplus. In very prosperous periods additional amounts should be set aside.

Additions to Reserves.

In some continental countries, societies are compelled by law to add a percentage of their profits to the reserve fund and may not draw from this fund for dividend purposes. This is a sound provision, and British societies would be wise to do voluntarily what continental societies are compelled to do by law. The Survey Committee recommended that every society should have a general reserve fund equal to at least 20 per cent of the share and loan capital. At present, the total reserve funds are equal to about 5 per cent of the share and loan capital. This means that if the assets of societies were realised at their present book values every shareholder would receive at least 21s. for every £1 share he holds. The General Reserve Fund ought not to be drawn upon for any purpose except to meet a loss.

Special Reserves.

Among the special reserves are (1) insurance funds such as accident insurance and fire assurance funds, and (2) dividend equalisation funds. The insurance funds are created by a society which, instead of paying an annual premium to an insurance society, pays an amount each year into a fund and draws upon this fund to meet any losses that may be incurred as a result of accidents or fire. A society always takes a great risk when it undertakes its own insurance in this way ; and only large societies which have properties that are widely distributed and not likely to be involved in one general conflagration, can justifiably attempt to become their own insurers against loss from fire. Even

in the case of large societies a great risk of serious loss is run during the earlier years when the fund is being built up, and such societies miss the special advice regarding methods of protection against fire which insurance companies usually give to those who are insured with them. The societies are for this reason likely to be less well guarded against fire. In the case of accident and employer's liability insurance funds, the risk is not so great as in the case of fire insurance ; but in this case, too, even large societies run considerable risk of disastrous losses. So far, societies which have undertaken their own insurance, in part, seem to have avoided any serious loss ; but when co-operative societies have such a friendly organisation as the Co-operative Insurance Society available for advisory and insurance purposes they would do well to draw upon it for advice and assistance.

Certain other reserve funds are not so frequently found in societies' balance sheets. Some of them may be enumerated : Plate Glass Insurance Fund, Stock Insurance Fund, Dividend Equalisation Fund, Bad Debts Reserve, Repairs Fund, Investments Reserve, Contingency Fund. These funds we shall now discuss.

Plate-glass Insurance Funds.

Plate-glass insurance funds are created to meet any loss from damage to plate glass. Societies are often their own insurers against risk of this damage. The carrying of such a risk is a much less dangerous practice than the carrying of the fire risk because the amount involved is smaller ; but small societies, in particular, will find it wiser to insure with the Co-operative Insurance Society rather than carry the risk themselves.

Stock Insurance Funds.

Stock insurance funds may be of two kinds. One is the insurance against fire risks, a subject that has already been covered in the general treatment of insurance of buildings, fixtures, and stocks. The second is the fund created

to meet possible reductions in the value of stocks, reductions which would seriously affect the trading results if they had to be borne in any one quarter or half year. The experience of the years 1920 to 1922 is still fresh in the minds of committees ; and those societies which had stock reserves were better able to weather the storm of the slump period than were those without them. Such an experience is not likely to recur ; but stocks have to be written down from time to time for various reasons, including price variations, and a stock reserve may then prove useful.

Collective Life Assurance Funds.

Some societies also undertake the provision of their own death benefits fund commonly known as collective life assurance. Only large societies can undertake this with any approach to satisfactory results and they run some risk, *e.g.*, when an epidemic takes place. The essence of insurance is a spreading of risks ; and in a small society the risks cannot be adequately distributed. A fund created for purposes of collective life insurance is really a reserve fund, for there is no outstanding or contingent liability. A society could at any moment cover future liabilities by commencing to pay a premium to an insurance society and would then have the amount of its own fund in hand for disposal in any way it might choose.

Dividend Equalisation Funds.

Dividend equalisation funds are created for the purpose of stabilising the rate of dividend paid by the society. Variations in the rate of dividend earned are unavoidable ; but the payment of different rates in different trading periods frequently causes misunderstanding and friction. It is to avoid this difficulty, that dividend equalisation funds are created, augmented in times of good trade and drawn upon in times of bad trade. The creation and use of such funds for the purpose of maintaining the normal dividend is quite justified ; but the general reserve fund of the society should not be drawn upon for dividend purposes.

Bad Debts Reserves.

Bad debts reserves are not required by those societies whose trade is a purely cash one ; but there are some societies which allow credit to a greater or lesser extent, and at the end of every trading period their balance sheet reveals debts owing by members and others. Cases have been discovered where these debts have been taken into account at their full value without any reserve being created. This is wrong for several reasons, of which we may notice two. In the first place, the debts are over-stated in amount, as a dividend will be allowed the member when payment is made. Hence the balance-sheet figures in such cases are too high. In the second place, there is no guarantee that all the debts will be paid ; and for this reason the gross amount is an overstatement of the amount likely to be realised. To bring the gross amount of the book debts to a figure likely to be received in cash, a reserve should be created to cover both the abatement that will be allowed for the dividend and the amount that is likely to be lost through non-payment. It is not a reserve corresponding to a general reserve (which is a surplus of assets over liabilities), but is merely an estimate of what will be required to make good the difference between the book value of the debts and the amount received from them. It should not be considered a reserve in the ordinary sense.

Contingency Funds.

Reserves known as Contingency Funds, Investments Reserve, and Reserve for Repairs or Repairs Fund, are somewhat similar in nature to the Bad Debts Reserve. They are attempts made to set aside an amount that will cover a liability that is certain in its occurrence but unascertainable in amount. Thus, a contingency fund is created to meet some expense or loss which is known or expected, but the precise amount of which is not known when the balance sheet is prepared. The Investments Reserve is usually created because a fall in the value of certain investments is known or expected, although the precise amount of the depreciation

in value is not known. It happens occasionally that such a reserve is created although no depreciation in value has occurred ; it is merely a wise precaution to meet a possibility. In such a case—where the investments can be realised at their book value—the reserve is a real one, for it represents a surplus of assets over liabilities. A repairs fund may be one of two kinds—either (1) to meet a charge incurred but the amount of which is unascertainable at the moment of making up the balance sheet, or (2) to provide that there shall be something in hand when the expense has to be incurred, thus relieving the burden of charge upon trade in the period during which the repairs are executed. In the first case there is no real reserve (a surplus of assets over liabilities), in the second there is a reserve until the repairs are executed. Reserve funds besides being funds available for meeting special losses are also surpluses available for employment as capital in the society ; and interest upon them should be charged to trading departments and credited to the reserve funds.

Hidden Reserves.

A chapter dealing with reserves would be incomplete without some reference to that mystery which puzzles many committee-men and members of co-operative societies—Hidden Reserves. We have already seen that a real reserve is a surplus of assets over liabilities created by setting aside a portion of the trading surplus instead of distributing it. Such a reserve is shown in the balance sheet—on the liabilities side—because the reserves, as we have said, represent the surplus of assets over liabilities and the amount of this surplus must be added to the liabilities to make them agree with the actual assets. Suppose, however, that the stock is worth £1,200 but has been put in the balance sheet as worth only £1,000—there is a surplus of assets over liabilities of a further £200 not shown in the balance sheet. This £200 would be correctly described as a hidden reserve. If the land, buildings, fixtures, machinery, &c., have been reduced

by depreciation charges to an amount less than the actual value the difference between the stated value and the actual value would be a hidden reserve. Similarly, if investments are worth more than the balance-sheet figures, the difference between the stated and actual values is a hidden reserve. A hidden reserve is therefore created when the value of some asset is under-stated or when the amount of some liability is over-stated.

There is some difference of opinion regarding the wisdom of creating secret, or hidden, reserves. Some co-operators contend that openness in all financial matters is essential in the interests of the movement: that approval of the policy of hidden reserves facilitates juggling with figures and prevents members knowing the true financial position of their societies and the clear results of each trading period, thus hindering effective control. On the other hand, it is argued that it is wise to create hidden reserves in times of prosperity, or the members would demand all the surpluses for dividend purposes and leave inadequate reserves for the lean years. We incline to the view that even with the latter risk in mind it is better to avoid any steps that may facilitate juggling with the finances. Hence, the policy should be to estimate liabilities generously and assets conservatively, but not to carry big sums as hidden reserves. The policy of frankness and honesty in all financial matters is of supreme importance in all organisations; and co-operators have a high reputation in this matter and should endeavour to retain it. The fear of members demanding extra dividends in times of prosperity has justification; but members can never act wisely if they are not given the responsibility of deciding for themselves, even if they make mistakes on the way to perfection.

Banking and Bank Accounts.

Before leaving the subject of finance, one or two other matters must be mentioned. The first is banking. Most co-operative societies in England and Wales have a banking

account with the Co-operative Wholesale Society through which most, if not all, of their banking business is conducted. Since the Co-operative Wholesale Society has not established branches of the bank in all the towns where it has customers, private banks act as agents for it. Cheques and cash are paid into these agent banks, which transfer the amounts to the Co-operative Wholesale Society. Similarly, withdrawals from a society's account are effected through the agent banks. In Scotland, co-operative banking has not yet been developed, but societies make a practice of depositing large sums with the Scottish Co-operative Wholesale Society and trading against the amounts thus deposited.

Accounts with banks may be of two kinds: current accounts and deposit accounts. Current accounts are those which are being constantly operated, deposits added and withdrawals made. Because the bank must hold a considerable amount of ready money to meet withdrawals from current accounts at a moment's notice, it cannot invest all the amounts left by customers in the current accounts. The rate of interest allowed on current account balances is therefore small. Deposit accounts are different. In the case of deposit accounts, the customers agree not to withdraw from the account for a definite period or without giving a specified and fairly long notice. This enables the bank to make use of the money by investing it, and the bank, being able to earn more with deposit-account balances than with current-account balances, offers a higher rate of interest on deposit accounts than on current accounts. Obviously, it is wise for a committee to watch the relative balances in the two accounts and to transfer to the deposit account any money not likely to be required at short notice. Interest on deposit accounts is, however, usually lower than on investments, and this point should also be remembered. The Co-operative Wholesale Society besides allowing interest on the credit balances of societies' accounts also allocates a bonus or dividend according to the turnover.

Signing of Cheques.

Banking accounts are drawn from by means of cheques, and the signing of cheques is a matter calling for more care than is usually exercised. The bank when opening an account will require the society to notify it of the names of the persons who are authorised to sign cheques on behalf of the society. This authority is given by a resolution of the committee, and a copy of the minute embodying the authority is forwarded to the bank over the signature of the chairman (of the meeting at which it was passed) and the secretary of the society. Copies of the signatures of the authorised persons must also be forwarded, and when signing cheques the signatures must agree with the signatures forwarded. If, for example, a committee-man named John James Smith is authorised to sign cheques and his specimen signature has been rendered as John James Smith, he must sign cheques exactly in this way—J. J. Smith or John J. Smith will not suffice.

Although three or four members of the committee may be authorised to sign cheques (to provide for the absence or illness of any one or two) on behalf of the society, it is usual to provide that any two of them along with the secretary may sign all cheques. When signing cheques, the committee members should see the accounts for which the cheques are a payment. The signing of blank cheques or of cheques which are not complete, or for accounts which are not produced at the time of signing, is a dangerous practice.

Stocktaking and Stocktakers.

The subject of stocks has been referred to in several chapters ; but there is one aspect of it which has not been mentioned and is appropriate for notice in a chapter devoted to finance. This is the taking and valuing of stock. It is usual to take stock quarterly or half-yearly according to the period covered by each balance sheet ; but it is not uncommon now for societies issuing half-yearly balance sheets to take stock—interim stocktaking it is termed—at the end

of each quarter, as this enables the staff to form a better estimate of the trading results of the society.

Stocktaking is an important matter, and is treated far too lightly in most societies. Cases come to light from time to time of general, branch, or departmental managers overstating their stock in order to present a more favourable trading result than was justified by the actual facts. It is customary for the person in charge of a branch or department to list the goods and for a member of the committee or other appointed person to check the stock, the prices often being inserted afterwards by the general manager or office staff. This method is open to abuse. The checker of the stock may be an amateur; probably he does not count or measure the quantity of every article in stock, and he cannot form an expert's opinion regarding the saleability of the stock. Hence, imposition may be practised by a manager who desires to practise it. The stock-checker can hardly be expected to count every box of matches, weigh every piece of bacon, or measure every piece of cloth; but he should pick and choose as he goes through the stock, saying "I will count these" or "I will weigh this" or "I want this measuring." By so doing, without previous notice, he will have a chance of detecting fraud in the statement of the stock, and when the stock lists are priced the committee should select items at random, preferably some of the more important ones, and check them for prices with the invoices or market quotations.

The list of stocks should be compiled in a book—special stock-books can be purchased from co-operative printers—and entered in ink. Loose sheets can be lost or added to. Pencil entries can be easily altered. Entries in ink in a book cannot be as easily altered; and when the stock is checked, the committee-man or other person checking the stock should certify the accuracy of the stock by signing the book, which he should then deliver personally to the secretary. No loophole should be left for the insertion of additional items after the stock-books have been signed.

Care should be taken that all items included in stock have been entered as purchases in the books of the society. If £50 worth of goods are entered as being in stock without an invoice for them having been entered in the society's books, a false position is created. This danger is greatest in regard to goods in transit. If the society makes up its accounts on June 30th and certain goods were despatched to it on June 27th but were not delivered when stock was taken, the goods should be added to the stock sheet as "goods in transit," or the invoice should be dated for July 1st. The latter method is not always convenient when it is desired to make payments to coincide with merchant's statements, and the former method is usually adopted ; but when goods in transit are added to the stock, care should be taken that the invoice for them is paid or included in the society's liabilities.

Stock checking by amateurs—whether members of the committee or members of the society specially elected for the purpose—is always open to abuse ; and it is a desirable practice to call in expert stocktakers periodically—say every second or third year. These stocktakers may justifiably be expected to check the quantities and values more effectively than amateurs can ; and they should be asked to present a report upon quality, value and saleability. This will check the accumulation of large quantities of unsaleable stock and render falsification of stocks more difficult.

Valuation of Stocks.

What should be the basis of stock valuation ? It was the custom at one time in some societies to take goods in stock at retail prices and deduct a percentage to reduce the value to something like wholesale values. This method is wrong. It is not sufficiently accurate. Goods should be valued for stocktaking purposes at cost price or present replacement price, whichever is lower. The reason for this is that if the goods are valued at current retail prices, less a

discount, and prices have risen since their purchase, the society will be taking credit for a profit before the goods are sold. If wholesale prices have fallen since the purchase of the goods, then the retail prices will tend to fall; and if the goods are not taken into stock at the new wholesale prices (replacement prices), then the sale of the goods will not show a profit, and perhaps will not provide a surplus sufficient to pay expenses. In addition to this, it should be noted that the value of the stock appears in the assets in the balance sheet, and these assets must be stated at no more than their present market value, even if values have gone down since they were bought, otherwise the balance sheet is not a correct statement. It is an advantage for stocktaking purposes if the prices of goods in the drapery and similar departments are affixed to the goods at the time of purchase.*

*The Leakage System.**

Connected with the subject of stocks and the subject of finance there is what is known as the leakage system. The object of the system is to disclose waste; and, if properly operated, it helps to attain this object. In the leakage system (which is fully explained in the Co-operative Union text-book on Co-operative Bookkeeping), goods are charged to each branch or departmental manager at the retail selling price. If he sells all his goods the amount of cash to be returned by him is the amount debited to him. Of course, this seldom occurs, and allowance has to be made for the stocks on hand at the beginning and end of the trading period. If, for example, 40lbs. of tea to be sold at 3s. a pound were sent to a branch which had 10lbs. in stock at the beginning of the quarter and 12lbs. at the end of it the branch manager would be expected to have received cash for 38lbs. at 3s. = £5. 14s. The same method would be applied to all other commodities, so that at the end of the quarter the

*On the question of Stock Control and Leakage, see the papers on these subjects prepared by J. Crossley and W. J. Whitney for the Trades and Business Conferences in 1928.

total cash received should equal the total shown by the leakage accounts for each article. It will not do so, because in selling the tea, for example, there will be a small loss in weighing—the draw weight. There will be a slight loss in weighing out other goods, too, and this loss is known as leakage. An allowance, usually 3d., 4d., or 6d. in the £, is made to the branch manager ; and, if the leakage is more than this allowance, it is usually assumed that undue waste or pilfering has been taking place, and an explanation should be required.

Some goods require special allowance, *e.g.*, ham. The whole ham contains bone that is not sold at ham price, and this difficulty is met by charging out at an average price for the whole ham. Alterations in selling price have to be adjusted in the leakage account, the general manager ascertaining, before altering the price, what quantity of the affected article remains in stock and then sending to the branch manager a credit or debit note for the difference.

It must not be supposed that the matters treated in this chapter exhaust the subject of Co-operative Finance, which is one of the most important subjects calling for the consideration of co-operative committees ; but if the reader has thoroughly mastered what we have written on the subject he will be better prepared for other problems that may arise. The preparedness will be all the greater if he understands his society's balance sheet, and the next chapter will be devoted to an explanation and discussion of the co-operative balance sheet.

CHAPTER XVI.

THE BALANCE SHEET.

EVERY committee member recognises the importance of the balance sheet; but many members of committees find it difficult to understand or read it. This chapter is intended to help them; but they will do well to make a further study of co-operative bookkeeping and go more deeply into the subject after they have read this chapter. Committees are responsible for the finances of their society, and should therefore regard it as their duty to understand something of the principles of bookkeeping and accounts.

The Balance Sheet and its Purpose.

A balance sheet is really a sheet of balances: a collection of the balances of all a society's accounts extracted from its books and grouped under certain headings; and, in non-co-operative accounts, the term is restricted to the statement of assets and liabilities. These are "balances" of (*a*) the accounts showing what is owing by the business and (*b*) of the accounts which show the possessions of the business, *e.g.*, balance at the bank, value of property, &c. In co-operative societies the term "balance sheet" is usually employed to describe in their collective presentation *all* the accounts published by the societies. The co-operative balance sheet therefore includes the statement of assets and liabilities, and also a number of other accounts, some of which, *e.g.*, the cash account, are not published at all by non-co-operative businesses.

Before examining the various accounts which make up a co-operative balance sheet, we should first understand the

purposes they are to fulfil. There are two principal objects. It is desired to know :

(*a*) Whether the business is being conducted at a profit or loss ; and

(*b*) The value of the assets (possessions) and liabilities (debts and obligations).

This information is disclosed so far as (*a*) is concerned by the accounts relating to trading (Trading Account and Profit and Loss Account) and so far as (*b*) is concerned by the Statement of Assets and Liabilities. These are the main accounts ; but societies keep and publish many subsidiary or explanatory accounts which are really parts or sections of these main accounts. In addition, it is usual for co-operative societies to publish a Cash Account showing, on the one side, the amount of cash received and the sources from which, or purposes for which, it was received, and, on the other side, the amount of cash paid away and the purposes for which it was paid. A Bank Account is also frequently published showing payments into the bank and withdrawals from, or payments by, the bank. Neither Cash Account nor Bank Account is published by limited companies.

Meaning of Double Entry.

We have seen above that two objects are sought by the keeping of accounts—to know the results of trading (revealed by the trading account) and to know the amount of the assets and liabilities of the society (revealed by the statement of assets and liabilities). These two purposes are accomplished with great simplicity by the method of bookkeeping known as " double entry." This term " double entry " signifies that each transaction is recorded twice—it has a double entry. Every transaction affects two parties. One parts with goods or money, or provides services, and is known as a creditor for what he supplies to the second person ; the one who receives goods, money, or services is a debtor for what he receives. The double entry shows

both sides of the transaction. One entry shows how the transaction affects the society (ourselves), and the other how it affects the other party ; but this second entry, by showing how the other party stands in relation to us, shows also how we stand in relation to him.

Let us trace two or three simple transactions in order to illustrate this fact. A society commencing business receives from members £100 for share capital. Two entries are made. In the cash account an entry is made showing that £100 has been received. (This is known as a debit entry, because it shows the society as a debtor, and the entry is made on the left-hand side of the cash book, known as the debit, debtor, or Dr. side of the account.) A second entry for £100 is made in the shareholders' accounts, showing that they have paid £100. (This is known as a credit entry, because it shows the shareholders as creditors, and the entry is made on the credit, creditor, or Cr. side of the account, which is the right-hand side of the book or page.)

Debits and Credits.

These two entries complete the double entry ; and the making of the entries fulfils the golden rule of double-entry bookkeeping which runs " for every debit there must be a corresponding credit and for every credit a corresponding debit." This is obvious, for, as we have pointed out in a preceding paragraph, every transaction involves two parties—one who parts with goods, money, or services, and one who receives goods, money, or services. The former is a creditor for the value of what he supplies ; and the latter is a debtor for what he receives. Because every transaction is recorded in the twofold manner here described, the total of the debit entries must agree with the total of the credit entries—unless an error in entering is made ; and it is one of the virtues of the double-entry system of bookkeeping that most errors in posting are revealed by the failure of the totals of debits and credits to agree.

Let us now return to our transaction. The society is a debtor for £100, and the shareholders or members are creditors for £100. We may notice here that the society and the members are separate and distinct parties in the records of the society. The society owes (is a debtor) to members what they pay into the society, and the members are creditors of the society for what they pay to the society. We have seen that the members are shown as creditors for the £100 of share capital they paid into the society. This record is made in the share ledger, where each member is allocated a special page that shows all payments he makes to his share capital account and all withdrawals he makes from it. His own share book is a copy of this account. The society is a debtor for what it has received ; but there is no one special page bearing the heading of the society and showing the society as debtor. Whenever the society is made a debtor or creditor the entry is made in some appropriate account. Thus for the £100 cash received, the entry is made in the cash account ; if the society were a debtor for goods bought, the entry would be made in the Goods Account ; for buildings bought, in the Buildings Account ; for services rendered by employees, in the Wages Account ; and so on. We have thus arrived at this point : that one of the two entries for a transaction is made in a person's account to show how that person stands in relation to the society, and the second in a special account (cash, goods, buildings, wages, &c., according to the nature of the transaction) to show the position of the society. We may therefore say that the second entry shows how each section or department (cash department, goods department, &c.) of the society is affected by the transaction. We shall see the value of this later.

Specimen Accounts.

The cash department having received £100 as per the Cash Account, the committee decide to order goods to this value from the C.W.S. The goods are received and an

invoice for them is also received. After the invoice is examined and passed as correct, the amount, after passing through the purchases book, is entered—twice. One entry shows the goods department as a debtor and the second entry shows the C.W.S. as a creditor. The accounts will now appear as under :—

Dr.	SHAREHOLDERS' ACCOUNT.		Cr.
		By Cash for share capital	£100

Dr.	CASH ACCOUNT.		Cr.
To Sundry shareholders for share capital	£100		

Dr.	GOODS ACCOUNT.		Cr.
To C.W.S. for goods	£100		

Dr.	CO-OPERATIVE WHOLESALE SOCIETY.		Cr.
		By Goods	£100

When the goods are paid for, the society will be shown as a creditor by an entry on the credit side of the Cash Account and the Wholesale Society as a debtor,* by the making of an entry on the debit side of the C.W.S. account in the ledger. This entry in the cash account along with the one previously made will show that the payments of cash are equal to the receipts, leaving no cash in hand, and the entries in the C.W.S. account will show that the Wholesale Society has been paid, leaving no part of the debt owing.

We may now suppose that the goods are sold for £120—in cash, and that £5 has been paid for wages and £1 for rent, whilst a bill for carriage has been received but not paid. When all the entries of these items have been made the accounts will read as follows :—

Dr.	SHAREHOLDERS' ACCOUNT.		Cr.
		By Cash for share capital.....	£100

* Note that in bookkeeping a person is considered a debtor for what he receives, even though he is only receiving what is owing to him.

Dr.	CASH ACCOUNT.		Cr.	
To Sundry shareholders for share capital	£100	By Cash paid to C.W.S. for goods bought	£100	
,, Cash for goods sold	120	,, Wages paid	5	
		,, Rent paid	1	

Dr.	GOODS ACCOUNT.		Cr.
To C.W.S. for goods purchased	£100	By Goods sold	£120

Dr.	WAGES ACCOUNT.		Cr.
To Cash paid for wages	£5		

Dr.	RENT ACCOUNT.		Cr.
To Landlord for rent	£1		

Dr.	CARRIAGE ACCOUNT.		Cr
To L.M. & S. Railway Co. for carriage	£1		

Dr.	CO-OPERATIVE WHOLESALE SOCIETY.		Cr.
To Cash paid for goods	£100	By Goods purchased	£100

Dr.	LANDLORD.		Cr.
To Cash paid for rent	£1	By Account for rent	£1

Dr.	L.M. & S. RAILWAY COMPANY.		Cr.
		By Account for carriage	£1

If the reader will examine the foregoing accounts carefully he will see that every transaction is recorded twice. If he will total the items on both sides in each account he will see that several of the accounts give the same total on both sides—they are said to balance. Six accounts—Cash, Goods, Wages, Rent, Carriage, and the L.M. & S. Railway Co.'s account—do not balance. The difference between the two sides of the Cash Account shows the surplus of receipts over payments, which should agree with the cash actually in hand; the difference between the two sides of the Goods Account represents the excess of sales over purchases; the difference between the two sides in the Wages, Rent, and Carriage accounts shows the net charges for these expenses; whilst the difference between the two sides of

the L.M. & S. Railway Co.'s account and of the Shareholders' account shows what is owing to these parties.

Compiling the Balance Sheet.

This chapter is not intended to be a treatise on book-keeping ; but the balance sheet will be more clearly understood by those who master what has already been written, for we are now able to arrange the foregoing accounts in the balance sheet fashion. We have already pointed out early in this chapter that in co-operative balance sheets there are three essential accounts—the Cash Statement, the Trading Account and the Statement of Assets and Liabilities ; and we may now proceed to the arrangement of the various accounts in these three groups.

FIRST SECTION OF THE BALANCE SHEET.

THE CASH ACCOUNT.

The Cash Account is merely copied and balanced. It appears as follows :—

CASH STATEMENT FOR QUARTER ENDING JUNE 30TH, 1928.

RECEIPTS.		PAYMENTS.	
To Share capital	£100	By Cash paid for goods sold ...	£100
,, Cash for goods sold	120	,, ,, ,, wages	5
		,, ,, ,, rent	1
		,, Balance of cash in hand...	114
	£220		£220

SECOND SECTION OF THE BALANCE SHEET.

THE TRADING (OR TRADE) ACCOUNT.

We now proceed to the Trading Account, which needs a little comment. This is the account in which are gathered all the items—purchases, expenses, or sales—which affect our trading. It does not matter whether the purchases or expenses are paid for or not ; all expenses incurred are inserted in the Trading Account as are all sales whether paid for or not. This is rather confusing to the beginner, but he must be clear on this point. The object of the trading

account is to discover whether trade is being carried on at a profit or loss ; and for this purpose all expenses must be reckoned, whether paid or not. Thus, in the example we have taken, the carriage charge has not been paid but it must be included in the expenses, or the profit will appear to be £1 more than it really is. We can now make up the Trading Account. The difference between the two sides of the account is the profit or loss ; and the amount of the difference is inserted on the lesser side.

TRADING ACCOUNT FOR QUARTER ENDING JUNE 30TH, 1928.

Goods purchased.....	£100	Goods sold	£120
Wages	5		
Rent	1		
Carriage	1		
Balance, surplus, gain.....	13		
	£120		£120

If the reader will look back to the separate accounts he will find that the items in the Trading Account appear on the same side as in the ledger. At the end of the trading period the difference between the two sides, *i.e.*, the balance, of these accounts in the ledger is inserted on the lesser side and is then transferred to the Trading Account (again giving a debit for every credit and vice versa). The following is an example :—

WAGES ACCOUNT.

To Cash for wages paid.....	£5	By Transfer to trading account	£5

It will be noticed that we have not inserted in the Trading Account the item of shareholders' capital or the debt owing for carriage. They are omitted because the transfer of money does not affect trade. Only the buying and selling of goods and the incurring (not payment) of expenses in selling affect trade. Whether the shareholders have paid in, or withdrawn, capital does not affect the process of trading ; and the result of the trading is not affected by the payment or non-payment of our debts, such as the charge for carriage. We thus arrive at this point:

A society may be working at a loss although its cash in hand or at the bank is increasing (this could not go on indefinitely), and a society may be working at a profit although its cash balance is diminishing or its overdraft at the bank increasing.

THIRD SECTION OF THE BALANCE SHEET.

THE STATEMENT OF ASSETS AND LIABILITIES.

The third section of the balance sheet is the Statement of Assets and Liabilities ; and in this account are gathered all the debts owing by the society and all the property and other assets possessed by the society. Using the accounts we have already described we can compile a simple statement.

STATEMENT OF ASSETS AND LIABILITIES AT JUNE 30TH, 1928.

LIABILITIES.		ASSETS.	
To Members for share capital...	£100	By Cash in hand as per cash account	£114
,, L.M. & S. Railway Co. for carriage	1		
,, Balance surplus from trading account available for distribution	13		
	£114		£114

It will be seen that in order to balance the statement we have to insert the amount of surplus as shown by the Trading Account. This may need explanation. It may be observed in the first place that it is the second entry of an item, the first entry of which appears in the Trading Account. This treatment satisfies the rule of double-entry bookkeeping. Also, it may be pointed out that the surplus is, in a sense, a liability of the society to the members of the society. But the vital explanation is that this balance represents a surplus of assets over liabilities—we are so much to the good—and it must be inserted on the liabilities side, the lesser side, to make the statement balance. The fact that the statement does balance when this amount is inserted is some proof that the accounts have been accurately kept.

Let us reason out the position. When the society began business it owed £100 to members and had £100 cash in hand. Its assets and liabilities were equal. But when it used that £100 in trade and received £120 for the goods bought for £100, its assets obviously increased. By how much ? By the £20, less the further liabilities incurred in selling the goods, viz., £7 (wages £5, rent £1, carriage £1), so that the net increase of its assets is £13—which is the amount of the surplus—and this amount added to the liabilities gives a total equal to the increased value of the assets.

THE DIVISIONS OF THE ESSENTIAL ACCOUNTS.

Having now seen that the three essential accounts are the Cash Account, the Trading Account, and the Statement of Assets and Liabilities, we may proceed to consider other accounts found in societies' balance sheets, accounts which we have already suggested are really subsidiary to, or sections of, the three essential accounts.

The Bank Account is really a section of the Cash Statement. It shows what has been paid into the bank and what has been withdrawn from it, either by withdrawals in the ordinary way in cash, or by payments made by cheques to various people. Interest payable to, or by, the bank will also appear in this account. The difference between the two sides of this account will represent the balance at the bank or the amount owing (overdraft) to the bank.

The Trading Account is, in the old form of accounts, divided into three sections—Trading Account, Expenses Account, and Profit and Loss Account. The name Trading Account is reserved for the account containing the items referring specifically to trade, whilst the Profit and Loss Account—in some societies called a Surplus and Deficiency Account—is employed to collect such items as income from investments, collective life assurance premiums and payments, and subscriptions of various kinds, these being items chargeable against profits but not directly relating to trade.

In addition, there is the Expenses Account, which collects the items of expense and the amounts to be set off against them, so that the net amount of expenses can be entered as one item in the Trading Account.

An example of a Trading Account before being sectionalised and after sectionalisation will help to explain this matter :—

TRADING ACCOUNT.

(Including all items before division into Expenses, Trade, and Profit and Loss Accounts.)

Dr.		Cr.	
To Stock on hand, March 31st, 1928	£1,000	By Sales	£4,000
,, Purchases	3,000	,, Sale of pass books and rules	5
,, Wages	250	,, Commissions earned	10
,, Advertising	50	,, Stock on hand June 30th, 1928	1,100
,, Lighting, Heating, &c.	50		
,, Licences	5		
,, Rents	20		
,, Rates and taxes	30		
,, Repairs	20		
,, Interest :			
Shares	50		
Loans	10		
,, Depreciation	100		
,, Donations	50		
,, Collective Life Assurance Premium	50		
Balance surplus	430		
	£5,115		£5,115

We may begin the division into the different accounts by compiling first the Expenses Account :

EXPENSES ACCOUNT.

Dr.		Cr.	
To Wages	£250	By Sale of pass books and rules	£5
,, Advertising	50	,, Commissions earned	10
,, Lighting, &c.	50	,, Balance carried to trade account	570
,, Licences	5		
,, Rents	20		
,, Rates and Taxes	30		
,, Repairs	20		
,, Interest :			
Shares	50		
Loans	10		
,, Depreciation	100		
	£585		£585

The items relating to expenses having been abstracted from the general trading account show that the balance of expenses chargeable to trade is £570. We may now compile the Trading Account, remembering to confine it to entries referring specifically to trade :

TRADING ACCOUNT.

Dr.		Cr.	
To Stock on hand, 31/3/28 ...	£1,000	By Sales	£4,000
,, Purchases	3,000	,, Stock on hand, 30/6/28 ...	1,100
,, Expenses as per Expenses Account	570		
,, Balance gain carried to P. and L. Account.....	530		
	£5,100		£5,100

It will be noticed that two items—Donations and Collective Life Assurance Premiums—have been omitted from the Trade Account. This is because they are not really a trade expense. We include these in the Profit and Loss Account, which will read as follows :—

PROFIT AND LOSS ACCOUNT.

(Or Surplus and Deficiency Account.)

To Donations	£50	By Balance from Trade Account	£530
,, Collective Life Assurance Premium.....	50		
,, Balance, net surplus, carried to Statement of Assets and Liabilities ...	430		
	£530		£530

It will be seen that the amount of the net surplus (£430) is the same as the amount arrived at before the account was sectionalised. As mentioned on page 249, the accounts of co-operative societies are usually presented in the sectionalised form.

Sometimes the method of disposing of the profit is also indicated in the Profit and Loss Account, and where this is the case it is usual to publish two sections of the account—one showing how the profit of the last trading period was disposed of, and one showing how the amount of profit disposable at the end of the current period is arrived at. Such

a profit and loss account might read as shown below. In some societies' balance sheets the account is described as "Surplus and Deficiency Account," and in others as a "Disposal of Profits Account."

PROFIT AND LOSS ACCOUNT.
(OR SURPLUS AND DEFICIENCY ACCOUNT.)

To Dividend on £3,000 members' purchases at 2/- in £	£300	By Balance disposable as per last balance sheet.....	£390
„ Allocation to Reserve Fund	50		
„ Balance carried forward ...	40		
	£390		£390
To Donations	£50	By Balance brought forward...	£40
„ Collective Life Assurance Premium.....	50	„ Balance from Trade Account	530
„ Balance disposable	470		
	£570		£570

It is customary, and desirable, to show, either in the committee's report to members or in a special account described as "Profit (or Surplus) Disposable Account," how it is proposed to allocate the balance disposable shown in the Profit and Loss Account.

Interest on Share Capital.

There are two other matters to which reference should be made here. The first is interest on share capital. Interest on share capital is a part of the trading surplus. Legally and morally there can be no payment of share interest unless there is a surplus. It is a payment by the members of the society to themselves as shareholders; and they cannot justifiably make such a payment unless they have discharged all their obligations to other people (outsiders) or are in a position to do so. Whilst it is customary in co-operative societies, because of the dividend-on-purchases system, and in order to allocate expenses properly to various departments, to charge share and loan interest as an expense, the *share* interest must be considered as a part distribution

of surplus. For this reason, many societies rightly include the payment of interest as an allocation of profit. This is achieved by debiting the share interest, as before, to the Expenses Account, but crediting the amount to the Profit and Loss Account which is also debited with the amount. Two additional entries have been made and as a result the two accounts still agree. The principle that "share interest comes out of profits" is maintained, and the amount available for dividend on purchases is shown to be the same as it was before the new debit and credit entries in the Profit and Loss Account were made. This method of treatment does not apply to the *Loan* Interest, which is not payable to any person as a *member* of the society but as a *lender* to the society. It is a charge that has to be met whether there is a trading surplus or not.

Payment of Share Interest and Dividends.

The second matter to be noticed is that the payment of share interest, and particularly the payment of dividends and other allocations of surpluses, cannot be made unless and until they have been approved by the members. For this reason, the actual disposal of any surplus cannot be shown until the publication of the balance sheet subsequent to the one disclosing the available surplus. When the first balance sheet is issued we can speak only of the "proposed disposal of the balance," and this proposed disposal, as mentioned on page 252, is set forth in the accounts or in the committee's report to members which accompanies the balance sheet.

The Investments Revenue Account.

The number of accounts dealing with the revenue* of

* Revenue income and expenditure refers to income and expenditure affecting the trade and surplus of the society, and is distinguished from capital income and expenditure which refers to items affecting the investments or property of the society that is not for sale. Thus, £100 spent upon goods, wages, or carriage, is revenue expenditure, whilst £500 spent on a new shop or motor car is capital expenditure.

societies is almost unlimited. Many societies wisely sectionalise their accounts to show the allocation of charges to various departments; many publish their trading account in tabular form to show the trading results of each department, and publish a "Farms Account" and other separate accounts, all of which are really sub-divisions or sections of the trade account. The principle we have explained is the same in all these accounts. Perhaps the most important of these extra accounts is the one known as the Investments Revenue Account.

The purpose of an Investments Revenue Account is to show how the employment of a society's surplus capital is affecting the revenue of the society. The following example of an Investments Revenue Account may serve for purposes of illustration and explanation :—

INVESTMENTS REVENUE ACCOUNT.

	£ s. d.	£ s. d.		£ s. d.
To Cottages :—			By Cottage Rents ...	1020 0 0
Rates, Taxes, and Insurance	200 0 0			
Repairs	200 0 0			
Interest on Capital Invested	400 0 0			
Insurance	10 0 0			
Depreciation	200 0 0			
		1010 0 0		
,, Interest credited to Expenses A/c.			,, Interest .—	
Share investments	1000 0 0		Share investments	1100 0 0
Loan investments	2000 0 0		Loan investments	2010 0 0
		3000 0 0		
,, Surplus to P. & L. Account		120 0 0		
		£4130 0 0		£4130 0 0

The capital of the society is employed in two principal ways—one is in the business of the society itself (in buildings, stock, &c., for the distributive and productive departments), and the other is in investments outside the trading departments of the society. The latter class of investment may be divided into several sub-classes, of

which cottage property and share and loan investments are the most important.

In the Expenses Account, it is usual to charge on the debit side *all* the interest payable by the society to members and others on shares and loans ; but since some of the capital has been employed *outside* the trading activities, it would be an overcharge if *all* the interest were considered a trade expense.

The matter is adjusted by reducing the interest charge in the Expenses Account by a set-off on the credit side of the account of an amount representing the interest on that portion of the total capital which is employed outside the trading departments. If, for example, the total capital of the society were £10,000 at 5 per cent, and one half were employed in the trading departments and the other half were invested in cottages, the Wholesale Society and other undertakings, the position would be as follows : The whole of the interest payable to members (say £500) would be charged to the Expenses Account ; but the interest on half of the amount (£250) would be credited to the Expenses Account and debited to the Investments Revenue Account. This would reduce the net charge to Trade to £250 ; the other £250 would be debited to the Investments Revenue Account, whilst the earnings in cottage property and other external investments would be credited (as shown in the example given on page 254) to this account. In this way, the correct interest charged for capital used in trade is arrived at ; and the surplus or deficiency resulting from the investment of surplus capital is shown.

These principles are followed out in the Investments Revenue Account given on page 254 as an illustration. The interest on the capital invested in cottages and in shares and loans is debited to the Investments Revenue Account, and other expenses of the cottages are likewise debited, whilst the income from the cottages (rents) and from the shares and loans are credited to the account. The difference between the two sides of the Investments Revenue Account

represents the profit or loss from the utilisation of the surplus capital and is transferred to the Profit and Loss Account.

To obtain a correct picture of the results of the employment of the society's capital, it is necessary to debit the Investments Revenue Account with interest on the Reserve Funds at an agreed rate. This is necessary because the creation of a reserve fund increases the amount of capital that can be invested. If the revenue from this invested capital is placed to the credit of the Investments Revenue Account, it is necessary to debit that account with interest on the amount of the reserve fund if we wish to discover whether the employment of capital is really remunerative. The credit corresponding to the debit in the Investments Revenue Account is found in the Reserve Fund Account and increases the amount of the Reserve Fund.

It must be noted that, for the sake of accuracy, the interest on the credit side of the Investments Revenue Account should be the amount earned up to the date on which the balance sheet is made up, although the date on which it is received by the society may be a later one. For example, a society may receive share and loan interest from the Wholesale Society or a productive society every half-year, June 30th and December 31st, but may make up its own accounts at the end of May and November. In such a case, in making up the society's accounts at the end of November, the interest to be taken to account in the Investments Revenue Account would be one month, June 1st to 30th (received June 30th) and five months, July 1st to November 30th (received December 31st)—*i.e.*, six months' interest in all.

Interest and Dividends Received.

In the case of some investments, *e.g.*, railway shares and municipal loans, the payers of the interest deduct income tax when paying the interest because they are required to collect it and pay it to the Government.

As already mentioned in Chapter XIV (page 220) Industrial and Provident societies are not liable for the tax on such interest, and can reclaim it. It is believed that some committees are unaware of this and fail to reclaim it. Where the tax has been deducted, the society credits the gross amount of interest to the Investments Revenue Account, and the difference between this gross amount and the net amount received, *i.e.*, the amount of the tax, is debited to the Inland Revenue Commissioners' Account, the net amount received being debited to the Cash Account in the same way as all other cash received. When the amount of the tax is repaid by the Inland Revenue, it is likewise debited to the Cash Account, and the Commissioners' account is credited, so that the cash received ultimately agrees with the amount credited to the Investments Revenue Account.

In the case of *dividends* on investments (*e.g.*, dividends on shares in a cotton mill) as distinct from *interest* on shares or loans, it is not safe to provide in anticipation for these, as dividends are an uncertain return and there may be no dividend at the end of the half year. Hence, in the case of dividends, only the amounts actually received during the period covered by the balance sheet should be included in the Investments Revenue Account. Dividends on purchases from the Wholesale Society, or a productive society, are really a reduction in the price of goods and should be so treated in the Trade Account; but no credit should be taken for any such dividend until it has been actually declared.

A Society's Two Functions.

There are many advantages in sectionalising the accounts by preparing an Investments Revenue Account, the account being really built up of selected items from the Trading and Profit and Loss Accounts; but it is not a perfectly satisfactory account. An exposition of its shortcomings cannot be well achieved in a few words or in simple language;

but it may be said that the net charge to trade is probably too small, because the charges made as interest upon premises are based upon book values and not upon actual rental values. This gives a big advantage to those premises which are old and have been well depreciated.

The difficulty arises from the fact that the society is fulfilling two functions : that of property owner and that of property user ; and the difficulty cannot be properly met until societies keep separate accounts showing their position in both respects. A property account should be kept just as if ownership were the concern of a separate business. This account should be charged with interest upon the capital invested in the property, and with insurance charges, repairs, and depreciation, and it should be credited with a rental charge made against each branch or department. The balance of the account would show the results of the operations of the society as a property owner, and the profit or loss would be transferred to the Profit and Loss Account in the same way as profit or loss on trading. A fuller discussion of this subject is not possible here, but the reader is referred to the Co-operative Union pamphlet "A Standard Balance Sheet," in which the relationship of such an account to the general accounts of a society is explained.

The Investments Account.

Passing from the special accounts arising out of the trading or revenue accounts to the capital accounts, we may note that another special account often prepared is the Investments Account. This must be distinguished from the Investments Revenue Account. In a very simple balance sheet of a small society the number of investments will be small and their total value will be inserted in one amount on the assets side of the Statement of Assets and Liabilities. In a large society, however, it is often desired to show how the total is made up, and for this reason an Investments Account is prepared and published in the Balance Sheet. The specimen account, printed on page 259, shows the

SPECIMEN OF AN INVESTMENTS ACCOUNT, SHOWING THE VALUE OF INVESTMENTS AT THE BEGINNING AND END OF A TRADING PERIOD AND THE ADDITIONS AND WITHDRAWALS DURING THE PERIOD.

INVESTMENTS ACCOUNT, JUNE 30th, 1927.

NAME.	Rate per cent.	Balance Jan. 1st, 1927.	Additions.	Interest or Dividend.	Total.	Transferred.	Withdrawn.	Balance June 30th, 1927.
Shares:		£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Co-operative Wholesale Society	5	480 0 0	10 0 0	12 0 0	502 0 0	...	...	502 0 0
Black Boot Society	5	40 0 0	5 0 0	1 0 0	46 0 0	...	1 0 0	45 0 0
Red Cloth Society	5	50 0 0	...	1 5 0	51 5 0	...	1 5 0	50 0 0
		570 0 0	15 0 0	14 5 0	599 5 0	...	2 5 0	597 0 0
Loans:								
Co-operative Wholesale Society	5	200 0 0	...	5 0 0	205 0 0	...	5 0 0	200 0 0
Bury Corporation	4	100 0 0	...	2 0 0	102 0 0	...	2 0 0	100 0 0
		£870 0 0	15 0 0	21 5 0	906 5 0	...	9 5 0	897 0 0

amount of each investment at the beginning of the Trading period, the additions during the period, the interest or/and dividend, the transfers or withdrawals, and the balance at the end of the period. Sometimes an additional column is included to show the amount received as dividend on purchases, if the dividends are added to the amount of the investment. It should be pointed out that in the case of an Investments Account, as in others, the account is merely a section or amplification of the simple account which was first explained in this chapter.

Land, Buildings, and Fixtures Account.

Still another special account which is frequently printed is the Land, Buildings, Fixtures, Rolling Stock, and Horses and Machinery Account, as it is compendiously described in one society's balance sheet. It is prepared and published with other accounts to show how the final total value of these assets in the Statement of Assets and Liabilities is arrived at. All societies do not follow in detail the lines of the illustration on page 261, but the general lines are the same in nearly all cases. Beginning with the amounts at the commencement of the period, one column shows the additions during the period and another the total of these two columns ; succeeding columns show sales, depreciation charges (the total prior to the period and the amount during the period), and the present nominal or reduced value.

Other Special Accounts.

Other special accounts sometimes compiled include (1) Accounts to show how the various reserves are made up, *e.g.*, General Reserve Fund, Plate Glass Reserve Fund, (2) Penny Bank Account, (3) Political Fund Account, and (4) Educational Fund. Of these the most important is the Educational Fund, which will be considered at some length in a later chapter devoted to the work of an Educational Committee.

Specimen of a Land, Buildings, and Fixtures, &c., Account, showing Balances at beginning and end of a Trading Period and Additions and Reductions during the period.

LAND, BUILDINGS, FIXTURES, &c., ACCOUNT, JUNE 30th, 1927.

Description.	Amount at Jan. 1st, 1927.†			Additions during the half year.			Total.			Depreciation.									Sales.			Present Nominal Value, June 30th, 1927.		
										Previously allowed.			This half year.			Total to date.								
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Shops and Works :																								
Main Street	200	0	0	10	0	0	210	0	0	40	0	0	5	0	0	45	0	0	...			165	0	0
Back Street	150	0	0	...			150	0	0	20	0	0	3	0	0	23	0	0	15	0	0	112	0	0
Side Street	180	0	0	...			180	0	0	10	0	0	4	0	0	14	0	0	3	0	0	163	0	0
Bakery	120	0	0	20	0	0	140	0	0	5	0	0	3	0	0	8	0	0	...			132	0	0
	650	0	0	30	0	0	680	0	0	75	0	0	15	0	0	90	0	0	18	0	0	572	0	0
Land :																								
Red Street	300	0	0	...			300	0	0	50	0	0	3	0	0	53	0	0	...			247	0	0
Blue Street	500	0	0	...			500	0	0	40	0	0	5	0	0	45	0	0	...			455	0	0
Farm :																								
Croptown	800	0	0	...			800	0	0	80	0	0	10	0	0	90	0	0	...			710	0	0
Cottages :																								
One Street	600	0	0	30	0	0	630	0	0	100	0	0	4	0	0	104	0	0	200	0	0	326	0	0
Two Street	400	0	0	...			400	0	0	80	0	0	2	10	0	82	10	0	. .			317	10	0
Fixtures, Rolling Stock, Horses, &c.	800	0	0	300	9	0	1100	0	0	400	0	0	50	0	0	450	0	0	100	0	0	550	0	0
	4050	0	0	360	0	0	4410	0	0	825	0	0	89	10	0	914	10	0	318	0	0	3177	10	0

The amounts quoted in this illustration are kept low to permit the display of all the columns on one page.

† Other columns in the books of the society should show the amount originally spent, additions prior to the date of the statement, and reductions by sales and demolitions, the balances being as shown above. If space permits, the balance sheet might also show the same information.

Need for Uniformity in Accounts.

So far, we have been describing the accounts of societies as they were compiled up to recently and the form in which they are presented by some societies at the present time. It is, however, necessary to say something now about the new form of accounts embodied in the Standard Balance Sheet which many societies have adopted and others will be adopting in future.

The origin of the new form of accounts is to be traced to the demand for greater uniformity in the presentation of societies' accounts. This demand did not spring from any desire that societies' accounts should look alike ; but from the desire to compare the operations and costs of different societies, so that improvements might be made in those societies whose costs were too high.

To make this comparison possible and serviceable, something more than the preparation of the same accounts and the similar arrangement of the items in these accounts was necessary. The items had to have the same meaning and significance. In the older form of accounts this is not the case. In the accounts taken as an illustration in the earlier part of this chapter, for example, the items of expense are named according to the nature of the outlay—interest, rent or what not, and not according to the purpose served, which is the underlying principle of the Standard Balance Sheet. It thus happens that two different societies obtain the same service but enter the expense of, or charge for, this service under different headings in the balance sheet. One society rents its shops, and the charge for the use of the shops appears as rent in the balance sheet ; but another society owns its premises, and the charge corresponding to the rent paid by the first society appears under the headings of interest, depreciation, and insurance. Comparisons between these two societies that will be of any value are therefore impossible.

The Standard Balance Sheet.

The Standard Balance Sheet overcomes this difficulty and makes useful comparisons possible. The expenditure is classified according to function or the purpose served. Thus, all charges which are in the nature of a rent charge are included under the same heading in the Trade Account; and all expenses which may be considered selling expenses are included under that heading. After this general introduction, we may proceed to an explanation of the accounts.

In the Standard Balance Sheet the main accounts are :—

I—Cash Account.
II—Trade Account.
III—Investments Revenue Account.
IV—Final Revenue Account.
V—Disposable Balance Account.
VI—Statement of Liabilities and Assets.

Cash Account.

There is no difference in principle between the form of Cash Account in the Standard Balance Sheet and the form now employed by societies and already described in this chapter. The difference is one of arrangement of items. These are grouped according to their relationship to the other accounts, and the new arrangement is recommended by the Co-operative Union as providing the best basis for uniformity in societies' accounts. The inclusion of a Bank Account in the Balance Sheet is unnecessary.

Trading or Trade Account.

We have already referred several times to the fact that the basic principle of the Standard Balance Sheet is the classification of expenditure according to function. This principle is applied in the Trading Account, the expenses being grouped under five main headings, viz., Goods and Stock Charges; Selling Expenses; Delivery Expenses, Land, Buildings, and Fixtures Charges; and General Charges Allocated. The items included under these head-

ings have been already described on page 199, and they are fully discussed in the Co-operative Union pamphlet on the Standard Balance Sheet already referred to, and in the Co-operative Union text-book, "Standard Co-operative Bookkeeping." The subject, therefore, need not detain us further at this point.

The difference between the two sides of the Trading Account—the surplus or deficiency—gives the result of a society's trading activities; but there are other sources of income and there are other items of expenditure, such as income from house property and investments, rates and taxes paid upon house property, and many other items that do not relate to trade. These must be dealt with before a society can arrive at the amount of net surplus available for dividend. Those relating to investments are entered in the next account, known as the Investments Revenue Account.

Investments Revenue Account.

In this account, all revenue items relating to investments are entered. The account shows all the interest charges for which the society is liable and all the interest revenue which it is entitled to receive; income and expenditure on account of house property are shown; and other similar items which are clearly set forth in the Union's text-book on "Bookkeeping."

Final Revenue Account.

This account records revenue items not arising from trade or investment. The most important are Collective Life Assurance Premiums and the Education Grant when based on membership. In this account the balances of the Trading and Investments Revenue Accounts are also entered, and the balance of the account is the net surplus for the period covered by the balance sheet.

Disposable Balance Account.

This account is in two parts: the first part shows how the balance available at the end of the last trading period

was treated ; and the second part shows how the balance available at the end of the current period has been arrived at.

Statement of Liabilities and Assets.

The form of account adopted in the Standard Balance Sheet differs in arrangement of items rather than in principle from the form at present employed. The new arrangement, when adopted by all societies, will give a desirable uniformity.

Education Department Account.

In the past there has been great diversity of form in the presentation of the accounts of education departments. The new form not only provides a basis for securing uniformity as an aid to the making of comparisons, but gives the information required by members in a clearer manner. The new form is explained in a later chapter dealing with the work of an Education Department.

General.

Subsidiary accounts for large societies can still be employed, and will be desired, but the preparation of such accounts will not interfere with the basic principles of classification and the uniformity of presentation of the vital information contained in the balance sheet. The reader of these pages should consult the pamphlet on the Standard Balance Sheet and the Union's text-book for information about these accounts and for more detailed information than it is possible to give here, as well as for illustrations of the various accounts.

The older balance sheets leave much to be desired. The variety of method adopted in presenting accounts is confusing to the unskilled reader, and often to the skilled accountant as well. But this variety is not only confusing ; it is a hindrance to the making of comparisons between societies, comparisons which, if they could be made, would reveal to each comparing society those expenses of its own

departments which were above the level of other societies for the same service. The functional classification of expenses is a requisite to a satisfactory system of accounts intended to make comparisons easy and valuable. Greater uniformity and simplicity are also desirable; and the Standard Balance Sheet attempts to meet these various needs, and its universal adoption at an early date is to be desired.

This chapter is already a long one, and may be brought to a close at this point. The subject of the Balance Sheet has not been exhausted; but the pointers we have tried to provide in the chapter may help the enquiring committee-member to a clearer understanding of the Balance Sheet. The balance sheet of nearly every society has its own peculiarities, and after having grasped the essential principles as outlined in this chapter the committee-member should, as far as he can, make a special study of the balance sheets of his own society and of other societies.

CHAPTER XVII.

LABOUR MATTERS.

The Aim of Self-Employment.

THE starting point of any consideration of labour matters in the Co-operative Movement should be the programme of the Rochdale Pioneers. The Pioneers were seeking the redemption of Labour, and two items in their objects and plan bear specifically upon this object. They read as follows :—

> "To commence the manufacture of such articles as the Society may determine upon *for the employment of such members as may be without employment or who may be suffering from repeated reductions in their wages.*"
>
> "As a further benefit and security to the members of this Society, the Society shall purchase an estate or estates of land, *which shall be cultivated by the members who may be out of employment, or whose labour may be badly remunerated.*"

These two clauses, apart from the one in which they declared their intention to establish "a self-supporting home-colony of united interests," provide sufficient indication of their desire to improve the economic and social status of the workers through the extension of employment under co-operative auspices.

The total number of employees in the movement has seldom exceeded five per cent of the membership and much ground has still to be covered before the Pioneers' ideal of self-employment can be reached. On the other hand, it can be said that, speaking generally, the Co-operative Movement has been ahead of other employers in the conditions of labour it has provided for its employees. The half-holiday for shop assistants was almost, if not quite, universal in the

movement before it was general in private trade, and long before it was imposed by Act of Parliament; the Shop Hours Act compelled very few societies to reduce the working hours in their establishments, for the conditions were already being observed; and a larger proportion of co-operative shops than private traders' shops observe the 48-hour and 44-hour week to-day. Wages, in general, are higher in the co-operative movement than in outside trade; the Co-operative Congress approved the principle of a minimum wage many years ago; the C.W.S. adopted and applied the principle of a minimum wage in 1907; and in the Wholesale Societies and the majority of large societies membership of a trade union is a condition of employment. Even where trade boards have fixed minimum rates of wages, which have become maxima for most private employers, some co-operative societies are paying higher scales.

Co-operative Employees and Trade Unionism.

Despite these facts, there are some societies which have not always been ready to rise to the ideal; and labour unrest in the movement has grown. During recent years, indeed, management committees of societies have had to devote an abnormally large amount of time to labour matters. This has been partly the result of the vigorous action of a trade union which, until recently, catered specially for co-operative employees as the Amalgamated Union of Co-operative Employees. By amalgamation with other unions it has now become the National Union of Distributive and Allied Workers, and embraces members not in co-operative service. Despite its extended membership, this union does not include in its ranks all co-operative employees; and especially in the productive trades as distinguished from the distributive trades, craft unions claim many members who are in co-operative service. Among the employees of large societies a dozen or twenty unions may be represented, and it has been stated that at least

thirty unions have members employed by co-operative societies.

All trade unions have been more militant during recent years than they were formerly; and the impact of their activities has been felt by co-operative societies as well as by private employers. Often, indeed, the pressure has been more keenly felt by co-operative societies owing to the belief among many trade unionists and some co-operators that co-operative societies ought to pay substantially better wages and give considerably better conditions than are provided by private employers. On the other side, the competition of private traders against co-operative societies has become keener as the societies have grown and have menaced the existence of bigger interests than were threatened when the movement was smaller. This competition has affected the power of societies to pay higher wages even when they have desired to grant all the concessions demanded by the trade unions acting on behalf of their employees.

*Joint Committee of Trade Unionists and Co-operators.**

The possibility of friction arising was foreseen long ago; and, as far back as 1883, long before the pressure of unions became so insistent, a joint committee of trade unionists and co-operators was established,† with a view to preventing disputes and settling any that might arise between societies and their employees, "and to bring about that perfect understanding which ought to exist between those influential working-class organisations (viz., the co-operative and trade union movements), and to effect a more rapid development of co-operative production."

This joint committee (reconstructed in 1893) met for several years but had practically no work to do, societies

*This Joint Committee has now been dissolved, and new machinery, described in the following paragraph, has been established.

†See the Report of the Co-operative Survey Committee for the history of this joint committee. The same Report may also be consulted with advantage for other information on labour matters.

and trade unions affected preferring to settle any disputes by negotiation without referring them for arbitration to the joint committee. In the years prior to the war and the early years of the war, the committee met but four or five times a year; but after the war it met very frequently during the remainder of its existence, scarcely a month passing without one or two meetings being held, these additional meetings being largely necessitated by the adjustments required to meet after-war conditions.

National Conciliation Board.

The National Conciliation Board, which has taken the place of the old joint committee of Trade Unionists and Co-operators, was established in 1927 to deal with matters at issue between a co-operative society or any combination of co-operative societies and a trade union or any combination of trade unions.

The Board is composed of twelve representative members—six on the workers' side and six on the employers' side—and an independent chairman.

Each trade union appoints four of its representatives to constitute a workers' panel, and the Co-operative Union appoints four representatives in respect of each of its sections to form an employers' panel; also national co-operative societies or federations also appoint four additional representatives to the employers' panel.

The trade union directly party to a matter in dispute has the right to select from the workers' panel the six members required to constitute the workers' side of the Conciliation Board, and to include in that number any or all of its own four members of the workers' panel, but two of the six representatives must be drawn from unions not directly implicated in the matter in dispute. Similar procedure is provided for in the representation of the employers' organisations. The chairman is drawn in rotation from an approved panel of independent persons.

In dealing with any case referred to it the Conciliation Board hears both sides, and endeavours to secure a settlement by

(*a*) Unanimous vote of the twelve representatives.

(*b*) A majority vote if the parties accept the decision.

(*c*) Allowing the independent chairman to act as arbitrator.

The expenses of the meetings of the Board are met by the several parties appointing the representatives.

Hours and Wages Boards.

The difficulty experienced by co-operative societies in dealing with labour disputes and the necessity of meeting organisation by organisation led to the formation a few years ago of Hours and Wages Boards and to the establishment by the Co-operative Union in 1918 of a Labour Department under the direction of a Labour Adviser. Hours and Wages Boards were formed principally because individual societies found themselves handicapped in dealing with the claims of their employees when they did not know the conditions obtaining in neighbouring societies. To secure uniformity of action and uniformity of conditions, Hours and Wages Boards on a district basis were therefore established. These district boards have established sectional councils, which provide a means of securing uniformity of action in the larger area where this is desired. The Hours and Wages Boards are representative solely of societies and the Co-operative Union, and are negotiating bodies for these societies, not conciliation boards.* If a society which is a member of one of these boards receives an application from a union it is referred to the board, which acts as an employer's federation for the societies which are members of it. The Hours and Wages Board meets the representatives

*The machinery in the Northern section is rather different from that in other sections.

of the trade union affected and seeks a settlement. If no agreement is reached, the matter in dispute must be referred to the National Conciliation Board for final adjustment and decision. There is therefore no possibility of a strike or lock-out unless one takes place in defiance of the provisions existing for preventing such a calamity.

The Hours and Wages Boards do not, unfortunately, cover the whole country. Some societies are still outside the boards, only about one-half of the societies being linked up with them. The constitution, rules, and regulations of the Hours and Wages Boards are set forth in the Bristol Congress Report, and amendments approved by the Brighton Congress are included in the Report of that Congress ; and these reports should be consulted by those who desire a more intimate knowledge of the machinery for dealing with labour matters. The rules and regulations in operation are also separately printed and may be obtained from the Co-operative Union.

Work of the Labour Adviser.

The Labour Adviser commenced his duties after the Liverpool Congress in 1918, and the Labour Department was thereby constituted. It is the duty of the Labour Adviser to advise co-operative societies on labour matters ; assist them to avoid or settle disputes and act on their behalf, or with them, in cases submitted for arbitration or conciliation ; to advise societies in regard to shop and working conditions ; to advise the movement in regard to methods of solving labour problems : and to stimulate opinion in the movement in regard to the maintenance of good conditions of employment. His services have been of incalculable value to societies since his appointment ; but it is doubtful whether societies are taking full advantage of his expert knowledge and experience. He has so far been called upon very little for advice in regard to working conditions in shop or factory ; nor have societies so far formulated a definite labour policy.

Trade Boards.

Negotiations regarding wages have been affected during recent years by the development of Trade Boards. These were primarily established to fix minimum rates of wages in sweated industries ; but the number has been continuously increased, and they now exist and fix wages for trades which do not come under the old description of " sweated." The boards consist of representatives of employers and employees with a certain number of independent members nominated by the Government. They fix time rate wages or piece rates which, after approval by the Ministry of Labour, become compulsory as minimum rates upon all engaged in the trade. Many of the departments of co-operative societies are affected by the decisions of the Trade Boards ; and the Co-operative Union has been insistent in its claim for co operative representation upon the various boards which affect the operations of societies. At the present time the movement is represented upon the following Trade Boards* : Laundry, Milk Distribution, and Boot and Shoe Repairing. It is also represented on the Joint Industrial Council* for the Flour Milling Industry.

Employee-Representation on Management Committees.

Turning from the subject of wages to that of control, the demand, which first became insistent during the war period, for the recognition of the right of the employees to participate in the management of their societies claims attention first. This demand is partly the outcome of the propaganda in favour of guild socialism, which claims that the best form of industrial organisation is that which enables those employed in any industry to control and direct it. Such a large demand has naturally received much criticism and opposition. But it has, nevertheless, done much to reveal the loss to industry which results when those actually en-

*A Grocery and Provisions Trade Board and a Joint Industrial Council for the Bread Baking and Confectionery Industry ceased to act in 1925, and were dissolved about 12 months later.

gaged in its various processes are debarred from contributing their quota to the stock of ideas which forms the basis of the policy followed in the direction and administration of the industry. Still more has it brought into prominence the lack of interest and the slave-like feeling of the workers who are told " to do " without knowing " why " and without having a voice in deciding what is to be done, or sharing in the responsibility or benefits of what is done. During the period of the war when restrictions upon the freedom of the workers reached their zenith, and when all kinds of schemes, impracticable as well as practicable, had a generous reception, the idea of workers' control flourished. In principle, the idea was not new. The self-governing workshops initiated by the Christian Socialists were based upon it ; the present-day productive or co-partnership societies also embody it in their constitution ; and some application of the principle of workers' participation in control has been implicit in the theory of co-operation from the inception of the movement.

It was, however, a new idea so far as application to retail distribution is concerned ; but this branch of commerce did not escape the attention of the advocates of workers' control. One or two societies have, for a long time, had rules which accorded, or allotted, seats on their management committee to employees, but these employees had to be elected by the members—not appointed by the employees themselves—and usually the manager or secretary or both were the persons appointed. Under the influence of the new propaganda other societies opened the door of the committee-room to employees, either permitting the nominees of employees to be co-opted or, more usually, deciding that not more than a certain number of seats should be reserved for employees to be nominated and voted upon by the members in the usual way. There are now about thirty retail distributive societies which in some form or other include employee-representatives on the committee of management.

Such a policy is quite a reversal of attitude on the part

of many co-operators. The fear of what might happen to discipline and the welfare of members if he who was a servant of the society by day in the shop became a master by night in the committee-room was probably the reason why a large number of societies prohibited by rule all employees from becoming members of the committee. Happily, the unfairness of this last-named restriction has been seen, and there is a growing volume of opinion favouring its removal. In some cases, the employees secure representation by the election of one of their own trade union officials who is a member of the society, and is elected as a members' representative like other members of the committee.

The experiment of employee-representation on committees has not been made on a sufficiently large scale or for a sufficiently long period to enable a mature judgment to be passed upon it; but cases are not wanting to show that it does not necessarily ensure smooth working. A manager who has to correct an employee for neglect of duty during the day does not find that task any easier when he knows that the same employee will sit in judgment upon him in the committee-room at night! The possibility of this friction is probably not the chief criticism that can be passed upon the plan of providing for employee-representation on management committees. It is obvious, that the number of employee-representatives that can be permitted to have seats on the committee is limited, and for this reason these employees can never be fully representative of all departments, especially in a large society. Moreover, when they are appointed as employee-representatives there must tend to be developed the idea that they are on the committee to protect and, it may be, to promote, the interests of the employees in respect to wages and other matters. This may extend to the reporting of what takes place inside the committee-room, even when the committee and employees have differences and are negotiating for a settlement, a practice which must weaken the position of the committee in its negotiations.

Joint Committees and their work.

Having regard to all the advantages, disadvantages, needs, and dangers it would appear that the welfare of the society and of the employees would be advanced best by the appointment of joint committees consisting of representatives of the management committee and the employees. Such a committee would make possible a larger representation of employees, probably to the extent of departmental representation. To such a committee might be delegated the consideration of labour matters, the education of employees, the organisation of welfare work in the society, and other matters in which the employees, as such, would appear to have an interest and regarding which they may have a useful contribution to make. There are many matters with which a management committee has to deal that do not concern or interest the employees as employees ; and it does not follow that an employee is necessarily the best man to deal with them. At the same time, employees who are members should be given the same rights of voting and eligibility for election to the committee as other members ; but they should be elected as members' representatives responsible to the members and not as employees' delegates responsible to the employees. If they are given the same rights as other members in elections for committee, and if joint committees are established on the lines suggested, we believe the best results will be secured. Furthermore, the results of such experiments will show whether the larger claims in regard to control can be admitted without endangering the rights of the members generally. A suggested constitution for joint committees is given in Appendix IX.

Welfare Work.

We have said that to such committees might be remitted the supervision of that group of activities usually described as welfare work. Welfare work has acquired a bad name, principally because it has in many cases been forced upon the workers and carried out in a patronising

manner. Essentially, it is good. The establishment of welfare work in any organisation is a recognition of the human factor in industry and a declaration that the wage payment should not be the only consideration in the contract between employer and employee. Much of what is disagreeable, inconvenient, and found irksome by the worker in carrying out his duties might be remedied with gain to all parties if thought were given to it and its causes. A properly-organised welfare department would deal with these matters; but such a department is bound to be suspect unless the workers themselves control it or have an equal voice in controlling it. A joint committee such as we have recommended would meet the needs and disarm suspicion.

A Basis for Agreement.

Good conditions of labour should, of course, be provided by every co-operative society; but societies are nevertheless limited in their possibilities of improving conditions by the competition of other traders. It seems desirable, therefore, that there should be a good understanding with employees on this point; and we have seen no better suggestion for meeting the needs of the situation than the recommendation made by the Survey Committee in their Fourth and Final report. This recommendation was to the effect that societies should enter into agreements with their employees whereby the society would pay for each occupation the local trade-union rate and a percentage beyond it; and, in addition, observe a shorter working week than other employers. Such action would be an earnest of their desire to improve labour conditions. In return, the employees should agree not to strike against co-operative societies on questions of hours and wages, letting any disputes on these points be fought out in competitive trade, any advantages secured by trade unions outside the movement being automatically conceded inside the movement. This plan seems to us to carry with it undoubted advantages both to societies and their employees, at the same

time giving the unions a lever to raise wages outside the movement. What is there to prevent the general adoption of such a scheme ?

Good Service a Necessity.

The question of wages cannot be adequately discussed without some reference to the amount of work rendered in return for the wages ; in other words, without reference to the quality of the service of the employees. This is a big subject. It touches upon many points, and bristles with difficulties. Nevertheless, it has to be faced. In the long run co-operative societies will succeed or fail according to the degree in which they satisfy the consumer ; and without efficient service in their shops they cannot supplant their competitors. The whole superstructure of the co-operative movement is based upon the trade in its retail shops ; and the width and strength of this base depends in turn upon the satisfactoriness of the service given in the shops. Efficient service means more trade ; additional trade reduces the expense of distribution ; and the personality of the man behind the counter is a big factor in securing this service. Civility is often lacking on both sides of the counter. A gruff and disagreeable member helps to make a disagreeable staff, and a disagreeable staff drives away trade. It is probably through a confusion of servility and civility that working-class organisations fail to produce the highest measure of courtesy. A person can be civil and courteous without being servile. The " tone " of the shops can be set by the manager and committee to a greater extent than they sometimes realise ; indeed, it may be said that the manners of the shop staff are a reflection of those of the manager and committee. If the manager and committee are insistent upon a high standard of courtesy in the shops, and if they themselves exhibit it in their dealings with the staff, great improvements will follow.

Branch managers and others should be instructed to be obliging to member-customers and to spare no effort to meet

their wants. If a society can create for itself a reputation that it goes out of its way to oblige its customers it will create among them a confidence and respect that will always be lacking so long as the attitude of "that is what we have got and you can take it or leave it" is adopted. Once more it may be remarked that the example of the manager and committee is a potent factor in determining the attitude of the staff. The service given by the members of the staff will be much more satisfactory if they are interested in their work. This interest, the committee should endeavour to foster. It is fatal to the highest welfare of the society if the employees see in it nothing different from a joint-stock company or other firm. Given a real interest in the society and their job, the employees will be more obliging and more efficient all round; they will do more work and not feel it to be a burden.

Selection of Employees.

If committees are to secure an interested and efficient staff, they must tackle the problem at the source of staff supply. They must not engage youths because they have an uncle on the committee or because their father happens to be a friend of the chairman or secretary. The only ground should be fitness for the post to be filled. In general, all appointments below departmental managers should be made by the secretary in the case of the office staff and by the manager in other cases, acting, of course, along with the manager of the department concerned. All appointments should naturally be reported to, and confirmed by, the committee.

In order to secure the best-qualified staff an examination should be held annually. This examination, in the carrying out of which the Educational Department of the Co-operative Union will be prepared to help, should test the general educational qualifications of those who desire to enter the service of the society. It will weed out the obviously incompetent; but it will not be a sufficient test by

itself. When a vacancy is to be filled the first few on the list of the best candidates at the annual examination should be called for interview. Their personal appearance should be observed; their common-sense and resourcefulness tested; and their general fitness for the particular occupation they are proposing to follow should be estimated when an appointment is made. Some attempt should also be made to ascertain whether the applicants are punctual, painstaking, persevering, and reliable. In deciding promotions, reports upon those seeking them should be called for from their branch and departmental managers, and considered along with the educational record and length of service of the applicants. Efficiency should have more consideration than seniority in deciding promotions.

Training of Employees.

When young people have been engaged, the members of the committee should not think that their duties are ended. Arrangements should be made to ensure the continuation of the general, technical, and co-operative education of the young people, simultaneously with adequate training in the department in which they are engaged. This is very necessary if the interest and efficiency of the young people are to be developed. Committees of societies should lay it down as a condition of employment that junior employees of their society must attend classes for general and co-operative instruction during one half-day each week in the time of the employing society and without loss of wages. If these classes can be arranged in conjunction with the local education authority, the needs of the society may perhaps be most conveniently met; but it may be desirable for the society itself to organise the classes. In the case of small societies where no other provision can be made it may be necessary to arrange for the young people to take the correspondence courses organised by the Co-operative Union. No young person should be placed upon the permanent staff until he has proved himself sufficiently capable.

After he has attained the age of 18, the co-operative employee enters upon a new sphere. His education should be continued ; but compulsion should no longer be required, though acknowledgment of studies in the shape of better wages and recognition of certificates in making promotions should be accorded those who make an effort, through study, to increase their fitness for their co-operative duties. The employee at 18 will begin to specialise. If he is in the shops and has not passed the Apprentices' Training Course of the Co-operative Union, he will now proceed to the examinations in this course, afterwards taking, in succession, the salesmen's and general manager's (ordinary and honours) courses. These courses include Book-keeping, Co-operation, and other subjects, as well as salesmanship. If he is in the office he will take Book-keeping and Co-operation in all their stages leading up to the course in Co-operative Secretaryship, which covers Commercial Law, Co-operative Law, Accounts, Statistics, and Office Organisation. Where local classes cannot be arranged, the correspondence classes of the Co-operative Union are available; and, beyond the courses we have outlined, there are others of a more advanced character which employees should be encouraged to follow. An employee who has passed through these various courses is bound to be more efficient and find more interest in his job if only because he is to a greater extent the master of it. Committees would, therefore, be well advised to see that all the members of the staffs of their societies pass through some of these courses.

Staff Meetings and their value.

Committees should seek still other means of developing the interest of the employees in their society and the wider movement. Meetings of departmental heads with the committee should be held at least quarterly or half-yearly to consider matters of general interest to the society. Such meetings tend to bring home to those engrossed in departmental administration the fact that there are general as well

as departmental interests to be considered; and they give the departmental chiefs a higher sense of dignity and status by enabling them to discuss proposals that will contribute to the general welfare of the society. Meetings of the whole of the staff—in sections and according to age—should also be held from time to time, and an address given, with opportunities for discussion, upon some subject of co-operative or business importance. More might be done, too, to develop the interest of employees in the wider movement by arranging visits to the C.W.S. works and depôts, appointing employees to attend Conferences, Week-end Schools, and Congress. Special Week-end Schools for employees have also been held with encouraging success. The employees may be the best missionaries the movement has, if their interest is developed; and the policy of the committees of societies towards them will determine whether they become such or not.

Several of the matters touched upon in this chapter are also discussed in the Co-operative Union pamphlet, "The Organisation of Retail Distributive Societies in the face of Present-day Competition," to which reference may advisedly be made. Other matters relating to employees and labour matters will be discussed in the next chapter.

CHAPTER XVIII

LABOUR MATTERS—*continued.*

General Conditions of Labour.

IN the last chapter we considered some of the more important matters which affect the relationships of societies and their employees and have a bearing upon the welfare of both. There still remain other matters of a more minor character which it is necessary to consider, or at least mention, in a book intended for the information and guidance of members of committees. These matters will form the subject of the present chapter.

Employees and Membership of their Society.

Should employees be members of the society by which they are employed? There would seem to be only one answer to this question so far as retail societies and producers' societies are concerned. The answer in the case of the Wholesale Societies and other federal societies must obviously be different, since individuals are not usually admitted to membership of federal societies.

These employees of the federal societies should, however, be members of the society operating in the district in which they live. Since the federal societies appeal to retail societies for loyalty in order that their factory and warehouse staffs may be kept fully employed, the retail societies have a reciprocal right to expect that these employees of the federal societies should be loyal members of a retail society.

Every employee of a retail distributive society who has reached the minimum age for membership fixed by the rules of the society should be a member of the society, and committees of societies are neglecting a duty if they do not make

every legitimate effort to bring the employees of their societies into the ranks of co-operative membership. There are some co-operators who would make membership of a co-operative society a condition of employment in the Co-operative Movement, just as membership of a trade union is already a condition of employment in many societies. Such compulsion we do not think desirable. Where young persons under membership age are being engaged preference ought always to be given to members' children where other qualifications are satisfactory ; and when positions for adults are being filled, preference should always be given to applicants who are co-operators, everything else being equal. The reasons for this preference are obvious. The employee, whose membership of a society is at least some evidence of sympathy with the movement, is much more likely to give the right kind of service than a person who has no knowledge of the Movement from inside and has not felt impelled to become a co-operator.

The argument against compelling present employees to join their society is a two-fold one. First, compulsory membership is not likely to be good membership—a horse may be led to the water, but it is not certain that it will drink. Second, if committees were to compel co-operative employees to join their society, employers in private trades would be equally justified in compelling their employees to withdraw from co-operative membership. Such interference by the private employer with his employees who happened to be co-operators would not be tolerated by the Co-operative Movement, and co-operators ought not to be guilty of an act of compulsion which they would condemn if others were guilty of it. These arguments notwithstanding, we should consider there was something wrong if any employee were not a member of his employing society ; but persuasion, not coercion, must be the method employed if any action has to be taken. We have already recommended in Chapter XVII. (page 276) that employees who are members should be given the same members' rights as other members of

their society, and we need not discuss again this phase of the employee's position in the society.

Employees and their Purchases.

Membership of a society is not, of itself, sufficient to enable an employee to discharge his responsibilities to his society and the Movement. It should be a loyal membership, expressing itself in trade and a general interest in the affairs of the society. Some committees cause returns to be prepared showing the amount of each employee's purchases, and the debts owing by members of the staff. This information is useful—information regarding the purchases and debts of members of committees is also frequently compiled —but it is obvious that it is a practice that may be abused and lead to a great deal of injustice. There is something to be said for the practice—the committee have a right to know, for example, that the butchering manager buys his meat from his own society, for a manager who goes outside for his own supplies can hardly enthuse members to loyalty ; but we find great difficulty in recommending its universal adoption. Certainly no action should be taken upon any such return of purchases until the individual concerned has had an opportunity of explaining his position.

No employee should be permitted to engage in any trade or business in his spare time if that business is one in which the society is engaged or one which is likely to bring his interests into conflict with those of the society. He cannot serve two masters, and he must choose which one he will serve. Many societies have a rule dealing with this matter of employees engaging in businesses competing with the society.

The purchase of goods from the society by employees raises other problems. Every employee is expected to be loyal ; but it is hardly to be expected that an employee who is engaged in a shop all day can make purchases in other departments closing at the same hour as his own shop, unless facilities for buying are provided. A reasonable time

should be allowed to employees desiring to visit other branches for the purpose of making purchases.

The employee's purchasing from his own shop raises another problem. If he is, say, a grocer living on or near the branch premises, is it sufficient if he takes the goods he wants, puts the equivalent cash in the till and issues a check to himself? Theoretically, it is sufficient; but the carrying away of parcels rouses suspicion, and some dishonest employees have carried away more than they have paid for, despite the leakage system. Where an employee must purchase from the shop in which he is engaged it is advisable to prepare and file a written statement of goods purchased, and have the goods checked and the parcel made up by another employee. Collusion is then a condition of wrong-doing, and the likelihood of pilfering is reduced, even if it is not eliminated. In one-man branches there appears to be no absolute check beyond a careful scrutiny of the leakage account and the weekly order sheets recommended above. Honest employees, paid a reasonable wage to reduce the inducement to petty pilfering, are the best guarantees against misappropriation of goods and wrong-doing. Where convenient, it is always wise for an employee to make his purchases through a member of his family and from a branch other than the one at which he is employed.

In some towns it is the custom of the trade in certain businesses, such as the drapery business, to permit employees to purchase goods at cost price, or at retail price less a special discount, in the department in which they are employed. Some co-operative societies extend this privilege to their employees in those departments where it is customary; but the system operates unfairly between employees in different departments. Why, for example, should not the grocer buy his groceries at cost price if the draper buys his requirements in the drapery department at cost price? The practice is one that should be discouraged. Employees who are members receive the same rebate in dividend as other members, and so far as they secure any advantage beyond this

limit they gain it at the expense of the general membership. Being on the spot, they frequently secure advantages in having first choice from new stock or bargains ; but this can hardly be avoided. To give, in addition, the advantage of special trading terms is to increase the disadvantage of the general member.

There are times when special sales to employees may be justified. Perishable or seasonable goods that cannot be cleared before closing time may, after that hour, be sold at reduced prices to employees at the discretion of the branch manager or departmental manager ; but this kind of trade, though sometimes justified, should be kept under strict control.

Apprenticeship.

With the growth of specialisation in industry and the extension of the employment of machinery—both of which have narrowed the range of duties which the worker has to perform—apprenticeship has declined during the last fifty years ; but it has so many good features that attempts are now being made to foster it. It has never entirely died out in the distributive trades, and some co-operative societies have always apprenticed their junior employees and still do so. There is much to be said for the practice. It gives a youth greater certainty of continuous employment ; it fixes a career for him ; and it should ensure his receiving an adequate training for that career. Obviously, care should be observed in selecting boys and girls for employment in the society, and before committing them to a life career there should be some assurance that they are fitted for it. For this reason it is desirable to insist upon employment for a probationary period before apprenticeship indentures are prepared. When a society has accepted a boy or girl as apprentice, the committee and manager should see that the apprentice receives a proper training.

Continuity of Employment.

Once a young person has been taken into the service of a society he will look forward to permanent employment unless he has been warned against the expectation. In at least two occupations it is not the general rule of societies to guarantee or even promise this permanency. These occupations are those of girls in the check office and boys who deliver milk. Secretaries are not agreed in regard to the position of girls in the check office. The majority assert that the job is one for young girls only, and they stipulate that any girls engaged for this work shall leave at the end of two or three years if their services are no longer required. The way is then clear for the engagement of juniors fresh from school at a lower wage. Other secretaries attempt to find continuity of employment for the girls by transferring them to the general office or the trading departments; whilst other secretaries assert that the labour of young girls is not really cheap labour when output and errors are considered, and they prefer to keep the girls as long as they are willing to stay. Comparative costs of the different methods are lacking and it is, therefore, not possible to express a definite opinion on the matter.

It cannot be said that this particular "blind-alley" labour problem has yet been dealt with satisfactorily, and an exchange of ideas and experience between secretaries is desirable so that societies can deal with it in a manner that will benefit the employee and rebound to the credit of the employing societies and the Movement as a whole. A similar exchange of ideas and information regarding the employment of milk boys is also desirable. It is not very creditable to the Movement to turn boys adrift at 16 years of age without training for a trade, and very little prospect other than that provided by the market for casual labour. Questions of the type discussed in this section of the chapter might very well be considered by the joint committee in charge of welfare work, to which reference was made in the last chapter.

Allocation of Staff.

A most important factor in efficient management and administration is the proper allocation of staff. Too often it happens that individuals are put to work for which they have little or no aptitude. It is for the purpose of avoiding "misfits" as far as possible that we recommend the adoption of a probationary period for apprentices before the completion of their indentures. Committee members and managers should keep their eyes open for "misfits," "round pegs in square holes," and make any necessary transfers or other changes that may be desirable in the interests of general efficiency and the welfare of the staff.

It often happens, as a survey of the staffs of societies will show, that men are doing work which might be done as well, if not better, by a woman or a boy. The situation has developed naturally. Boys have grown into men; no senior employee has retired; and the one-time boy keeps on with the same job, unless he tires of it and seeks new pastures. The society is reluctant to discharge him if he does not leave, and he continues to do the same old job in the same old way. It is a bad thing for a man to be constantly doing a boy's job. He never develops more than a boy's mentality as long as he continues in it. There is nothing to cause him to strive and expand; and he is bound to become less interested in his work, and therefore less efficient as the years go by. The society suffers because it pays a man's wage for a boy's job, which would probably be done better by a boy. To suggest the discharge of men who are in this position is to suggest a drastic measure; but one society has recently adopted it. We prefer to recommend the retiring of senior servants by means of pensions or superannuation at 65 years of age, in order to make possible speedier promotion.

The subject of superannuation of senior employees is discussed more fully in a later paragraph, and may now be left. We are at present only concerned with the efficient employment of the staff and the proper allocation of duties. Costs of production and distribution will give some idea of the

merits of the allocation in operation; but an even more detailed examination, including comparison with other societies, is necessary if the best results are to be obtained.

Overtime.

Overtime in these days is usually expensive. Whilst it was cheap it was resorted to extensively, and probably unnecessarily. Occasional overtime can hardly be avoided in some occupations, but overtime as a normal feature in a department indicates something lacking in the provision of staff or the organisation of the staff. The working of extra hours in the shops at sale times, in the office at stock-taking and dividend-paying times, or in the transport department in busy seasons or bad weather, may be unavoidable; but under modern trade-union conditions, it has usually, and rightly, to be paid for at a higher wage rate, and it should be kept under control where it cannot be avoided. Staffs should be fully adequate to meet normal requirements. This would reduce overtime to a minimum.

Holidays and Payments during Sickness.

It is the custom in many societies to give the employees a week's holiday with pay and the officials a fortnight's holiday with pay. This is, of course, in addition to Christmas Day and similar general or local holidays. The length of holiday granted varies, some societies allowing shorter periods and others allowing longer periods than those stated. Co-operative societies, as a rule, are not more generous, some of them are less generous, in this matter than the best private firms. This is not altogether surprising. Members of co-operative committees who are employed in outside trade and lose their wages when absent from work on holiday, or through sickness or slackness of trade, are not always sympathetic to the claim of co-operative employees for holidays with pay. Nevertheless, co-operators should remember their obligations as co-operative employers, and

they should be prepared to grant not merely the best conditions which obtain in the same trades outside the Co-operative Movement, but something a little better. If the workers as employers—which is their rôle in the Co-operative Movement—are not ready to set an example to the outside world in providing better conditions, they can hardly be surprised if those private employers for whom they work resist the demands which they themselves as wage-earners make for improved conditions.

Societies should also set a good example when their employees are sick, or for other reasons of incapacity, such as an accident, are unable to work. Whilst the Health Insurance Act and other legislation makes provision for those who are ill or suffering from an accident, there are minor restrictions on the payments; and there is good reason why co-operative societies should act more generously towards their employees by supplementing the insurance benefits during the " waiting " time and in other ways.

Dismissal of Employees.

The dismissal of employees is an unpleasant task, and probably for this reason societies' committees shrink from the task. It thus happens that individuals are retained in the service of their society when the members of the committee are agreed that the best interests of the society would be served by dismissing them. In the case of old, but incompetent, servants there is a real difficulty in reconciling the present interests of the society with the praiseworthy desire to recognise the past services of these employees. The adoption of a scheme of pensions or superannuation would ease the way to a solution of this problem in the case of old servants; but there are other cases where the same considerations of past service do not arise. Committees should not lack courage in dealing with these cases. If they would not continue the service of an employee if the business were their own private business, they ought not to continue it

when they are acting as trustees for the members of a co-operative society. Nor should they shrink from following what they consider to be the right course of action merely because they may have to face a noisy and clamorous section of the membership at the next half-yearly meeting in defending it. The section of the membership which demands the reinstatement of a discharged employee is probably the one that most fiercely criticises the committee for poor trading results and inefficient service in the society. Committees have usually the sole power, by rule, to engage or dismiss members of the staff; and whilst they should act considerately and justly, they should also act firmly in carrying out their duties by exercising the powers conferred upon them by rule. Those who administer the affairs of others should do what they think right regardless of personal consequences.

One or two other points for consideration still remain. Who should decide the dismissal of employees? In some societies the manager has power to suspend but not to dismiss; but, in some cases, he has not even this limited power. It is not likely the manager can have that prestige which is essential so long as his powers are thus restricted. He should be given full power to dismiss, subject to subsequent approval by the committee, who, by rule, have usually the ultimate power. Unless there is some extraordinary cause for immediate dismissal, *e.g.*, conduct injurious to the society, every employee has a right to receive notice or wages in lieu thereof. The length of notice will depend upon the conditions of service and the custom in the occupation followed by the person under notice. Where an employee is paid weekly, a week's notice is usually the rule, the notice to be given at the end of the working week (not necessarily pay day), *e.g.*, if the working week ends on Wednesday and the employee is paid on Friday the notice must be given on Wednesday. In the case of managers and secretaries, it is desirable to have an agreement or a clause in the conditions of appointment providing for a month's

notice from either side, because of the difficulty of filling such a vacancy at short notice. In the absence of such an agreement, the surrounding conditions and customs of the trade will rule. In general, if the salary is paid monthly a month's notice will be required. Those who handle a society's money are usually required to give some kind of security. This may take the form of a money deposit with the society or a fidelity bond issued by an insurance society in return for an annual premium. In cases of dismissal for peculation, the society is then reimbursed from the deposit or by the insurance society.

Workmen's Compensation, &c.

Conditions of engagement and dismissal do not provide the only legal problem with which societies will be faced from time to time. The Workmen's Compensation Act imposes serious liabilities upon societies as upon other employers; and against these liabilities they should insure. Since committee members are neither legal experts nor insurance experts they should ask for, and follow, the advice of the Co-operative Insurance Society in deciding their insurance. Societies are also in danger of innocently transgressing such Acts of Parliament as the Insurance Act, the Food and Drugs Act, and the Acts of Parliament relating to Weights and Measures and Shop Hours; and they should have a general idea of the manner in which these Acts affect them. The Acts are outlined in the text-books for Salesmen, published by the Co-operative Union.

Superannuation Schemes for Employees.

This chapter may well conclude with a reference to employees who have served their society for many years. It has often happened that a society has made a grant of a lump sum or paid a small pension to a manager or other employee who has rendered long and faithful service, and in old age has found it necessary to give up work. It is regrettable that in a movement with such lofty aspirations as

those of the Co-operative Movement there should not be more superannuation schemes to provide for old employees. The absence of such a scheme injures societies and causes suffering to some employees who are still working when they ought to be enjoying a well-earned rest. Many of them, if they had served other employers, would probably have been dismissed long ago ; but sentiment plays a larger part in the Co-operative Movement than in private trade, and they are retained though they are obviously beyond the age when they should be at work. The society pays for its generosity in several ways. The work they are doing is not as well done as it would be by a younger man ; those below them are growing old, and because they do not get promotion are doing work which still younger men could do, so that it is possible to find men doing boys' work but receiving men's wages. As suggested earlier in the chapter it is not good for their mental and general development that they should be doing boys' work. After a number of years, they lose the power to do anything else; but to discharge these men to make room for boys is a drastic step which most committees hesitate to take.

The obvious remedy is to accelerate the rate of promotion. This involves the retirement of the older men ; but compulsory retirement without making provision for those who are retired would be cruel and not in keeping with the ideals of co-operation. If, however, suitable provision were made by a superannuation or pension scheme it would be possible to retire, annually, the employees who have reached 65 years of age. This would accelerate promotion and enable more youths to be brought in. Though the pensions might appear at first sight a burdensome expense, it would be found that the saving of wages made possible by engaging more youths to do the work for which men are now being paid would be a material contribution to the expense incurred, whilst the efficiency of societies would be increased and the men with long service would be able to enjoy in leisure the last few years of their life. About eighty retail

Thrift Funds.

societies have adopted pension or superannuation schemes, and the number is increasing every year. The Co-operative Wholesale Society has now adopted a scheme, and the Scottish Co-operative Wholesale Society is at present (November, 1928) considering a scheme. Very shortly the majority of co-operative employees will have pension rights, usually through a contributory scheme.

These funds are usually built up by a percentage deduction from wages, supplemented by a contribution from the society (usually one-half the amount contributed by the employees) with interest on both contributions. Some provision is generally made for the widow, if an employee dies before reaching the retiring age fixed by the scheme. It is desirable that the practice of making some such provision should be extended ; and committees which have the best interests of their society and its employees at heart should hasten to adopt a suitable scheme if they have not already done so. In preparing such a scheme—whether it be a pension scheme or a thrift fund—they will be able to obtain much useful information and actuarial advice from the Co-operative Insurance Society. Approval of the scheme by the Income Tax authorities is necessary if the contributories to a pension scheme are to secure the allowances which are obtainable. The Co-operative Union has issued literature on pensions, and the subject need not be pursued farther in these pages.

CHAPTER XIX.

RELATIONSHIPS OF SOCIETIES WITH THE CO-OPERATIVE UNION AND OTHER NON-TRADING FEDERATIONS AND ASSOCIATIONS.

A MEMBER of the committee of a co-operative society has more duties than those connected with the supervision of the various departments of his own society. A new member of the committee finds that his society is a member of the Co-operative Union, of a Wholesale Society, and probably of a number of other co-operative organisations and associations, including, if his society is a productive society, the Co-operative Productive Federation; and it becomes one of his duties to participate in the control of these organisations on behalf of his society. He may be called upon to attend meetings, conferences, or congresses as a representative of his society and exercise his society's vote thereat; or some business connected with these federations or associations may arise in the committee-room of his own society for consideration or decision; or, again, he may have to participate in nominating or voting for a candidate seeking election to the committee of one of the societies or associations of which his society is a member. It is therefore desirable he should know something of the purpose and constitution of these organisations and of the relation of his society to each of them. It is accordingly proposed to explain in this and the next chapter those features of the principal federations and associations with which a committee member should be familiar if he is to discharge his duties satisfactorily. Other details of the constitution, organisation, and work of these bodies are given in Appendix V.

(I) The Co-operative Union.

Membership.

The Co-operative Union, though not the oldest federation, is the most comprehensive, and the only one that can speak with anything like authority on behalf of the whole of the British co-operative movement. It is a registered society,* and its membership includes retail, wholesale, and productive societies, as well as local and national federations of societies and special societies. At the end of 1927 the Union embraced 1,284 society members, all of whom must hold a five-shilling share in the Union. This share carries no interest rights. Retail societies are the most numerous and influential section of the Union's membership, and they provide the greater part of the Union's income. They subscribe annually 2d. for each of their own members (raised from 1¼d. at the Carlisle Congress in 1919); whilst wholesale, productive, and other societies pay a special subscription, the amount of which is arranged between the Union and the society concerned. Retail society members of the Union are entitled to one vote for every 1,000 members or part thereof upon which subscriptions to the Union have been paid. Some societies have therefore 60, 80, or 100 votes; but in order to restrict the attendance at the annual Congress no society may appoint more than six delegates, and the appointed delegates may exercise the whole voting power of the society.

The Sections.

For purposes of organisation, the membership of the Union is grouped in nine geographical areas known as sections—Irish, Midland, Northern, North Eastern, North Western, Scottish, Southern, South Western, and Western. The annual meeting of the members of the Union is the Congress held in the various sections in rotation on the first three days of Whit-Week. Between the annual Congresses,

* It was first registered in 1889; but it is the successor of organisations dating back to the first congress of the present series in 1869. (*See* "Industrial Co-operation," published by the Co-operative Union.)

the governing body of the Union is the Central Board, consisting of 73 members. The societies in each section elect annually a committee or board for the section—known as the Sectional Board. The number of members of the Board is not the same in all the sections, but varies according to the size and other conditions of the area for which they act. The members of all the Sectional Boards sitting together constitute the Central Board.* The following table may be useful in illustrating the relative importance of the various sections, the contribution to the general funds of the Union and the number of members of each Sectional Board :—

THE SECTIONS OF THE CO-OPERATIVE UNION IN 1927.

SECTION.	Number of Society members in Section paying subscriptions to Union in 1927.	Number of Members of Retail Societies in foregoing sections (including non-members of the Union), Dec., 1927.	Subscriptions of all Societies in section to the Union in 1927.	Number of Members of Sectional Board.†
			£	
Irish	25	48,770	342	7
Midland	174	791,184	6,162	11
Northern	133	556,747	4,231	7
§North Eastern	175	806,348	6,272	8
§North Western	231	1,212,442	10,345	12
Scottish	225	696,935	5,634	10
Southern	150	1,027,005	7,285	11¶
South Western	86	252,832	1,830	6
Western	85	186,775	1,417	6
	1,284‡	5,579,038	43,518	78

* With one exception—the Irish Sectional Board is only entitled to send two of its members to the Central Board meetings.

† Excluding honorary members who may attend meetings of the Sectional and Central Board, where they may speak but not vote.

‡ The total membership of the Union at the end of 1927, including various types of special societies, was 1,284. The Union statistics include particulars of 141 societies, mostly small ones, which are not members of the Union.

§ The North-eastern Section was set up by resolution of the Congress at Edinburgh in 1923, when some of the districts of the North-western Section, along with a few societies from other sections, were constituted the North-eastern Section.

¶ The Hartlepools Congress (1928) approved an alteration of rules which divides the Southern Section into four electoral districts which will appoint 11 members in all to the Sectional Board in 1929 and subsequent years. Formerly there were nine members.

The Sectional Boards meet monthly and undertake propaganda work in their section, try to arrange the settlement of any disputes that may arise between societies, help societies that are in any difficulty, and seek to stimulate and strengthen the movement in their area by all the means within their power. Sectional conferences of all societies in the section are held, usually about three or four times a year.

The Districts.

Within the sections, the societies are grouped in districts, each district being governed by a district association with an executive appointed by the societies in the district. Most districts are financed by the sections, which, in turn, are financed from the central funds of the Union ; but some of the sections and districts have independent, or supplementary, funds raised by the societies in the area ; and these funds and their expenditure do not come under the control of the Union at all. Though some districts attempt more work than others—one or two of them have whole-time secretaries and undertake many activities—the majority of them confine their activities to the holding of quarterly conferences and maintaining a helpful connection with the societies in their area. These district conferences and the sectional conferences have great educational value and should be attended whenever possible.

The United Board.

The Central Board is too big a body to act as an executive, and, by the rules of the Union, executive functions are conferred upon the United Board, which consists of 15 members appointed by the various sectional boards at their first meeting after Congress each year. The number of members appointed by each sectional board is as follows : Irish, South Western, and Western, one each ; Midland, Northern, North Eastern, North Western, Scottish, and

Southern, two each. The United Board has power to appoint and dismiss the servants of the Union ; and it controls the finances of the Union and the activities of the various departments and committees appointed to carry on the Union's work. It must meet within one month of Congress and thereafter during the months of September, November, January, March, and May ; but other meetings may be, and are, held as required. The Board acts and speaks in the name of the Union between the meetings of Congress, but always subject to any resolutions of the Central Board or Congress. It is not required, however, to submit its minutes for approval to the next meeting of the Central Board ; but these minutes are circulated with the minutes of all other committees and sections to all members of the Central Board. Any member of the Central Board may then raise for the consideration of his sectional Board anything in the minutes of the United Board which he thinks calls for comment, and his sectional Board may, if it wishes, make representations to the United Board, either through its own representatives or by letter, on any matter mentioned in the minutes. The Central Board holds only three or four meetings per year—one during or immediately after Congress to make certain appointments, and one a few weeks before Congress to approve the Report to Congress, with other meetings as required.

The Office Committee and Sub-Office Committee.

The Office Committee is a smaller committee of nine members of the United Board—one member from each of the nine sections. It can deal with certain matters more conveniently than the larger committee from which it is drawn, but its decisions are subject to the approval of the United Board. It meets as required, usually not more than three or four times a year. The Sub-Office and Finance Committee is a small sub-committee consisting of four members of the Office Committee. Its function is to deal with urgent matters that may arise for consideration between the meetings of the United Board or Office Committee, to

give detailed examination to matters of finance, and to undertake such other duties as may be remitted to it by the United Board or Office Committee.

The Central Education Committee.

Perhaps the most important other committee controlled solely by the Union is the Central Education Committee. It is composed of representatives of the sectional boards,* the sectional educational associations,† the English Women's Guild, and the Scottish Women's Guild. The committee is charged with the responsibility of organising the Union's educational work, which is more fully considered later in the chapter, where the work of the Educational Department is described. It also has charge of the Statistical Department.

Other Committees of the Union.

The Publications Committee consists of four representatives of the United Board, two representatives of the Central Education Committee, and one representative of the Co-operative Party. This committee, subject to the decisions of the United Board, has control of the Publications Department. The Labour Department Committee, consisting of nine members of the Central Board (one from each section), has charge of the Labour Department.

The Agricultural Committee, consisting of five members elected from and by the members of the Central Board, has charge of the Agricultural Department. Like the other committees referred to above, it is subject to the control of the United Board.

Other committees of the Union include the Co-operative Defence Committee, intended to fight any boycott movement of private traders or other attacks upon the movement ; the Joint Propaganda and Trade Committee, consist-

* One from each section.

† One from each section, except the Irish Section, where there is no educational association.

ing of representatives of the Union and the Co-operative Wholesale Society, which undertakes general propaganda, principally by aiding local societies with the assistance of three national whole-time propagandists; the Joint Exhibitions Committee, consisting of representatives of the Union, the Co-operative Wholesale Society, and the Co-operative Productive Federation, which arranges for joint exhibitions; a United Advisory Committee of Trade Unionists and Co-operators whose function is to foster good relations between the two movements (this committee has not met recently); and the National Conciliation Board, which deals with labour disputes, as mentioned in Chapter XVII. Further information about the constitution and work of these committees need not be given here, as a summary is to be found in Appendix V, whilst reports of their work are given annually in the Congress Report.

Besides the foregoing committees and other temporary ones set up from time to time for special purposes, there are other standing committees which are joint committees. These include the Joint Parliamentary Committee and the National Committee of the Co-operative Party, both of which will be considered later; and the Trades and Business Conference Committee which arranges the Annual Trades and Business Conferences.

The Departments of the Union.

The work of the Union at its head office (Holyoake House, Manchester) is organised in departments.* These departments include the Educational, Statistical, Publications, Legal, Labour, and Agricultural Departments. In addition, there is, of course, much financial and general work which cannot be as clearly departmentalised. At the head of the central office is the general secretary, who is assisted by an assistant secretary and the heads of the various departments.

* There are whole-time sectional secretaries and Union offices in Belfast (Irish Section), Glasgow (Scottish Section), Worcester (Midland Section), Newcastle (Northern Section), Leeds (North-eastern Section), Manchester (North-western Section), and London (Southern Section). The secretaries in the South-western and Western Sections are appointed annually from the members of the sectional board and are not whole-time officials.

The Educational Department.

The Educational Department, besides serving the Central Education Committee in the direction of the educational activities of the Movement, undertakes a variety of work, including the organising of Summer Schools and Week-end Schools, the preparation of syllabuses of instruction for the guidance of local societies organising classes; it organises salesmen's, managers', secretaries' and auditors' training classes and classes for women; it conducts correspondence classes in a large variety of subjects; it arranges examinations, issues certificates, and grants prizes and scholarships; it controls the work of the Co-operative College; and it gives advice to local societies on educational matters, besides undertaking other duties too varied to be included here, but described in greater detail in Appendix V and in the appendix to the report of the Central Educational Committee to the Brighton Congress.

The Statistical, Publications, Legal, Labour, and Finance Departments.

The Statistical Department of the Union also serves societies as a Trade Information Bureau. It prepares the annual Congress statistics, and undertakes special investigations likely to be of service to the Movement. The Publications Department publishes for the Union and its various committees pamphlets, books, and other literature; and it also organises the sale of books, and assists in the general publicity work of the Union. The Legal Department gives legal advice to societies, and is aided by legal advisers who attend at the Union's offices in Manchester, Newcastle, and Glasgow to meet representatives of societies desiring to consult them. The Labour Department has already been referred to in Chapter XVII, and further description of its activities is not necessary here. The recently established Agricultural Department gives advice to societies, and undertakes other work described in Appendix V. The Finance Department keeps the accounts of the Union and special funds created from time to time, and gives advice on taxation and financial matters to societies.

Joint Parliamentary Committee.

The Joint Parliamentary Committee consists of six representatives appointed by the Central Board, two representatives appointed by the Co-operative Wholesale Society, two by the Scottish Co-operative Wholesale Society, one by the Co-operative Productive Federation, and one by the National Co-operative Managers' and Secretaries' Associations jointly. Each organisation represented pays the expenses of its own representatives attending meetings of the committee, whilst other expenses are met by the Co-operative Union, the two Wholesale Societies, and the Productive Federation in proportion to their representation. The work of the Joint Parliamentary Committee is to watch legislation passing through Parliament and any orders issued by Government departments, so that co-operative interests may be protected. It is the medium of approach for the movement and individual societies desiring to make representations to the Government or Government departments. Like other committees referred to in this chapter, it is responsible to the Central Board. Its offices are in London.

The Co-operative Party.

The Co-operative Party is the outcome of the decisions of the Swansea Congress (1917) and a subsequent special national emergency conference held in London in 1917. The party is financed so far as salaries and office expenses are concerned by the Union; but society-members of the party also subscribe to its funds—retail societies subscribe one halfpenny per member per year, whilst other societies make a voluntary grant. In 1927, society members subscribed over £6,200 to the funds of the Party. These funds are available for election expenses and other expenses not of an administrative nature. The National Committee of the Co-operative Party, consisting of 24 members, has a composite constitution. The sectional boards (with the exception of the Irish Board) each appoint a member to it; the subscribing societies in each section also appoint a representative,

and the following bodies also appoint representatives—the Central Educational Committee, the Co-operative Wholesale Society (2), the Scottish Co-operative Wholesale Society, the Joint Parliamentary Committee (2), the English Women's Guild, the Scottish Women's Guild, the National Men's Guild, and the Co-operative Productive Federation. The National Committee of the Co-operative Party usually meets four or five times a year, but appoints an executive which meets monthly. Local Co-operative Parties are organised in various parts of the country at the will of local co-operators. These local parties organise the vote for local and parliamentary elections. The National Committee prepares a panel of persons willing to become Parliamentary candidates; and from this panel local organisations can select a candidate. It also issues a statement defining the objects and political programme of the party; educational and propaganda work is undertaken with the assistance of four whole-time organisers; financial assistance is given to local organisations fighting parliamentary elections; and literature for election purposes and general propaganda is issued. Like the Joint Parliamentary Committee, the Co-operative Party has its offices in London.

The Co-operative Union's Annual Congress.

As mentioned earlier in this chapter, the annual meeting of the Union is the Congress held in the early part of Whit-Week each year. At this Congress the principal business is the consideration of the report of the Central Board, including the reports of its various committees. Resolutions on the matters covered by these reports are usually submitted for the consideration of the delegates attending the Congress and are voted upon. In this manner the opinion of the Movement is expressed upon a variety of topics, and the policy of the Movement is moulded. Society members can submit amendments to these resolutions or they may submit resolutions on subjects not covered by the reports; but in these cases, as in the case of amendments to the

resolutions submitted by the Central Board, the notice prescribed by the rules of the Union must be given.

The Central Board's Report to Congress is forwarded to members of the Union three weeks before the opening of Congress, the number of copies of the report forwarded being equal to the number of Congress delegates notified to the Union. This gives societies an opportunity of considering the report and deciding their attitude to it and to any resolutions contained in it. It is the custom in some societies to call together the delegates selected to attend the Congress, in order that they may go through the report and discuss it for the purpose of gaining some preliminary knowledge of the Congress business and deciding what their attitude shall be at the Congress towards the report and the various resolutions. In a few cases, a general meeting of the society is called to give the members of the society who may be interested an opportunity of considering the Congress business and guiding the society's delegates or instructing them how they must act at the Congress. Usually, the consideration of the report is left to the committee ; but frequently it receives no prior consideration at all by the members, the committee, or the delegates, so that when Congress meets, many of the delegates attending Congress for the first time are out of touch with the business that is being discussed. For this reason the Congress discussions and the Congress itself are not as serviceable as they might be. The committee and the Congress delegates of every society should jointly consider the report, and without tying the delegates too closely—for wise decisions can be reached only after a subject has been discussed, and not before—a general policy or attitude to the various resolutions should be decided and the delegate carrying the voting card instructed accordingly. To permit of consultation during Congress the delegates from each society should sit together.

Besides the ordinary business sessions of Congress there are usually other meetings, such as the one arranged by the Central Education Committee, and to these meetings dele-

gates are invited. As a rule, there is also an exhibition of co-operative productions in the Congress town during the Congress week, and an excursion when Congress is over. The few days spent at Congress are thus busy days usefully spent and of great value to the delegates who take their work seriously. But the Congress serves another useful purpose in bringing together delegates from all parts of the wide area in which the Co-operative Union operates. The delegates form and renew friendships, exchange ideas in private conversations, and discuss matters in which they have a common co-operative interest. The service thus served by the Congress in fostering the feeling of unity of purpose among co-operators the country over,—indeed, with foreign delegates present, the world over,—is not the least of the useful services which a Congress performs. All societies that can possibly afford the expense should be represented at the Congresses, and members of committees should do what they can to see that their society is represented, as they should also see that it takes its full share in the general work of the Co-operative Union. The Union has on many occasions had to protect the interests of societies in a manner and with an effectiveness impossible to isolated societies; indeed, it is continuously doing so; and every co-operative society in the land benefits from what it has done and is doing, for which reason every society should become a loyal member of the Union.

(II) The International Co-operative Alliance.

Just as individual societies in most countries are banded together in a national federation of the type of the British Co-operative Union, so the various national movements are federated in an international organisation—the International Co-operative Alliance. The membership of the Alliance is not the same in all countries. In some countries the member is the national union, and it acts on behalf of all its own members; but in Britain, whilst the Co-operative Union is a member of the Alliance, its own members, or such

of them that choose to be, are also members of the Alliance and are directly affiliated. In 1927, between 400 and 500 societies of the British Union paid subscriptions to the Alliance, their subscriptions in all amounting to over £1,600. The subscription which a society has to pay to the Alliance on becoming a member is small in relation to the importance and value of the work which the Alliance is doing, and every member of the committee of a co-operative society should see that his society becomes a member of the Alliance and takes an interest in its work.

The Alliance has a number of objects which may be summarised as being the promotion of Co-operation, the spreading of information about Co-operation, the promotion of trading relations between the co-operative organisations of various countries, and the maintenance of friendly relations between the members of the Alliance. It seeks to attain its objects by undertaking enquiries, organising the collection and dissemination of information, issuing a journal and other publications, collaborating with other international organisations pursuing aims of importance to Co-operation, and by the convening of periodical international congresses.

The congresses of the Alliance have hitherto been held at intervals of about three years. Between the congresses, the business of the Alliance is conducted by a Central Committee and an executive, the latter consisting of a President of the Alliance, two Vice-Presidents, and seven other members—ten in all, elected by the Central Committee from its own members immediately after each Congress. The Central Committee consists of representatives of all the countries represented in the Alliance, each country being allowed one member in virtue of membership of the Alliance and further members in proportion to subscriptions paid, but not more than fourteen in all. The seven* British representatives are nominated by the Co-operative Union. They include representatives of the English and Scottish Whole-

*Advantage has not been taken so far of the right to appoint the maximum number (fourteen) to which Great Britain is entitled.

sale Societies (one each), the Co-operative Productive Federation (one), and the Central Board of the Union (four). Three of these seven (including a Vice-President) are at present members of the Executive of the Alliance.

Among the many questions which the Alliance has recently discussed, or taken action upon, are International Co-operative Trading, Banking and Insurance, the organisation of an International Co-operators' Day, and the arranging of an International Co-operative Exhibition.

(III) The Co-operative Productive Federation.

Whilst the societies formed specially to undertake production on a copartnership basis are eligible for membership of the Co-operative Union side by side with consumers' societies, and are members of the Union, they have found it desirable to establish a special association to protect and advance their interests and give expression and publicity to the idea of co-operative copartnership. This association is the Co-operative Productive Federation, which, in 1927, had about forty members. It undertakes many duties on behalf of its members. It is in the first place an organisation through which the members can speak and act collectively. Through the Federation the copartnership societies are represented on the International Co-operative Alliance, the Joint Parliamentary Committee, the Joint Exhibitions Committee, and other committees set up by Congress and the Co-operative Union. The Federation undertakes educational and propaganda work of various kinds on behalf of co-operative copartnership; it gives advice and assistance to groups of co-operators anxious to establish copartnership societies; it helps its members to secure capital and trade; its representatives visit co-operative societies' committees to protect the interests, or advocate the claims, of copartnership societies; it takes a share in the organisation of exhibitions; it has an audit department; it gives advice on financial and general matters to its members; and it organises a joint invoicing scheme which makes it possible for retail distributive societies which buy from several

copartnership societies to settle the accounts with all these societies by means of one cheque paid to the Federation.

The Federation is governed by a President and a committee of 10 or more persons elected annually. At present, including the President and Treasurer, there are 12 members. Members of the Federation must be genuine co-operative copartnership undertakings. They must take up one or more £1 shares in the Federation, and they pay an annual subscription of 1 per cent of profits and a propaganda subscription to the Federation. The office of the Federation is at Leicester, which is in the centre of the area in which the largest number of copartnership societies is established.

(IV) Various Non-Trading Committees and Associations.

In addition to membership of the Co-operative Union and of the Hours and Wages Boards established under the auspices of the Union and referred to in Chapter XVII, many societies have joined local or national associations of various kinds. A simple and general description of these associations is not possible. They exist outside the Co-operative Union, and their reports though presented to their members are never collected. There are, for example, associations of management committees in the Manchester and London areas; some of the societies engaged in the milk trade have an association; and there is an association of societies engaged in the butchering business. This is not a complete list of the associations: these examples are quoted to indicate the kind of association which is springing up and about which members of committees will require to know something, since their society may be a member, or be invited to become a member, of some such association. Each association frames its own constitution to suit its own needs, determines the financial contribution to be made by its members, and decides their voting powers. Several of the associations are doing very good work, and their number is likely to grow.

CHAPTER XX.

RELATIONSHIPS OF SOCIETIES WITH TRADING FEDERATIONS.

(I) The Co-operative Wholesale Society.*

Membership.

THE Co-operative Wholesale Society is a federation of societies. No individuals are admitted as members. It consisted in January, 1928, of 1,141 societies with 4,020,332 members. New members of the Society (since January, 1921) have to subscribe one £5 share for every two of their own members. Older members are required to hold the number of shares prescribed at the time of their joining the society; but they may take up shares on the new basis if they wish. The voting was formerly in proportion to membership and capital; but the rules now provide for one vote in virtue of membership, one additional vote for the first £10,000 of annual trade, and one other additional vote for each £20,000 of trade above the first £10,000. The previous year's figures of trade are taken as the basis in deciding the number of votes to which a society is entitled.

Organisation—the Committee.

The Society's area (England, Wales, and Ireland) is divided into three districts—Manchester, Newcastle, and London.† These names are not to be interpreted too strictly, for the Newcastle area extends to the Cumberland coast; the Manchester district stretches from the Yorkshire coast to the west and south coasts of Ireland, and includes

* See also Appendix V for further information.

†There are also a few members in the Dominions overseas and in foreign countries.

a large part of the Midlands ; whilst the London district extends from Norfolk to Cornwall. For each of these districts a number of committee members, usually designated directors, is appointed—16 for Manchester, eight for Newcastle, and eight for London, making 32 in all. They are whole-time servants appointed for two years and are eligible for re-election ; but no retiring committee member or other person may be nominated for the committee after reaching the age of 70. The members of the committee are paid £722. 10s. per annum, and they are required to become members of a contributory pension fund. They must be nominated by a society of which they have been a member for at least 12 months ; but if they are retiring members of the committee they are considered to be automatically re-nominated if they give three months' notice that they have for 12 months been a member of some shareholding society in the district for which they have been elected. The voting for the committee and auditors is national, not district, though the nominations for committee are by district. Thus, societies in the London district may vote for candidates nominated for the London, Manchester, or Newcastle districts, but may nominate only for their own district.

The committee is divided into sub-committees for the detailed supervision of the society's activities, these committees at present being Grocery (12 members), Drapery (12 members), and Finance (8 members). The three main sub-committees meet weekly prior to the ordinary weekly meeting of the full committee. The ordinary meetings of the full committee are held in rotation at Manchester, Newcastle, Manchester, and London, the committee thus meeting twice each month at Manchester and once each month at London and Newcastle.

Canvassing for candidates for the committee constitutes a disqualification ; but every candidate may issue to the members of the Society one circular for each election. Members of the Committee are not allowed to hold any

other paid office except as committee members of their local society or positions to which they are appointed by the committee of the Wholesale Society ; but they may serve on public bodies, such as city and town councils, boards of guardians, and the magisterial bench, provided the duties of these offices do not interfere with the proper fulfilment of their obligations to the Wholesale Society.

Members' Meetings and Voting.

The members of the Society meet quarterly, on the third and fourth Saturdays in January, April, July, and October. A balance sheet and report is presented half-yearly only, a report being presented at the interim quarterly meetings. It would be impossible, for financial reasons, for the members of the Society to be adequately represented at the general meetings if they were held only in Manchester. Special provision is therefore made for meetings in different districts in order that the attendance of delegates of all society members may be facilitated. Eight meetings, known as divisional meetings, are held at Newcastle, London, and six other centres in the Lancashire (usually Manchester), South Wales (usually Cardiff), Bristol (usually Bristol), Cumberland, Midland, and Yorkshire areas, the towns for these meetings being decided quarterly. At these divisional meetings, which are all held on the same Saturday afternoon, the same agenda is submitted and the votes recorded at the various meetings are totalled. A final meeting is held at Manchester the following Saturday, when the same agenda is again submitted and the votes cast at this final, or general, meeting are added to those recorded at the divisional meetings to obtain the final result. Representatives of the committee along with, where possible, an auditor (there are only four auditors, so that all the eight divisional meetings cannot be attended by them on the same day) attend the divisional meetings to present the report, etc., and answer questions. Members of the committee and auditors also attend the final general meeting at Manchester.

Every society receives a number of admission tickets for

the meetings, the number being equal to the number of votes to which it is entitled. These tickets can be used at any divisional meeting or the final meeting, but they are collected and cannot be used a second time. There is no proxy voting,* and only those with admission tickets can vote. By a recent alteration of rule a new method of voting has been adopted similar to that in use at the Co-operative Union's Annual Congress. The number of votes a society can exercise is printed on a card issued to that society, and these votes may then be cast by any delegate to whom the card is entrusted.‡ The rules of the Wholesale Society provide for the taking of a referendum by post in certain circumstances, and a society member by resolution of its committee can then exercise its full voting strength in one vote by post. The voting for members of the committee and auditors is also a postal vote.

Auditors.

The auditors are four in number. They are required to give their whole time to the work and are paid, like the members of the committee, £722. 10s. per year. They, too, like the members of the committee, are required to become members of a contributory pension fund. They are elected for two years, and one auditor retires each half year. The counting of votes in all elections is entrusted to two scrutineers, who are elected annually.†

(II) The Scottish Co-operative Wholesale Society.†

Membership.

The Scottish Co-operative Wholesale Society is mainly a federation of societies like the English Wholesale Society, but it differs from the English Wholesale Society in admitting employees to membership and excluding all societies or companies not registered under the Industrial and

* Except in the case of a society outside England, Scotland, Ireland, Channel Islands, or the Isle of Man.

‡ The voting is only carried out on a Card System when due notice has been given by 20 members or when the General Committee so decide.

† See also Appendix V for further information.

Provident Societies Acts. At the end of 1927, 258 societies and 609 employees were members of the Society. Society members of the Wholesale Society are required (since 1920) to take up one £2 share for each of their own members; but with the consent of the committee of the Wholesale Society they may take up shares in excess of the number of their own members. Each employee member must take up not less than five £2 shares, and (since 1920) may take up 100 shares (£200) in all. The shares are transferable shares, and need not be fully paid in cash. Not less than one shilling per share must be paid on admission to membership; but the balance may be paid either by contributions or by transfers from dividends or interest.

The President, Secretary, and Committee.

The Society is governed by a whole-time Committee, consisting of President, Secretary, and 10 other members—12 in all. The committee differs from the Committee of the English Wholesale Society in three respects. It includes a president elected by the members and not appointed by the committee as in England; its Secretary is elected and has a vote, whilst the Secretary of the English Wholesale Society is appointed by the committee and is not a member of the committee; and the 12 members are not appointed on a district basis as are the members of the committee of the English Wholesale Society.

The President, Secretary, and other members of the Committee are elected for periods of two years and are eligible for re-election without limit of age. A candidate must for at least five years have been a bona-fide purchasing member of one or more societies enrolled as members of the Wholesale Society, and he may be nominated by any Society member. The President and two members of the Committee are nominated at the quarterly meeting in June and elected at the September meeting next following. Three members of the Committee are nominated three months later (December) and elected at the meeting in the following

March. The Secretary and two members of the Committee are nominated three months later (June) and elected in the following September ; and in the December following three members of the Committee are nominated, and they are elected at the quarterly meeting three months later.

Canvassing formerly disqualified a candidate ; but the Society nominating a candidate is now allowed " to state briefly the qualifications of their nominee and circularise same to the members " of the Wholesale Society at a cost not to exceed £20 ; whilst nominations are " to be accompanied by a brief statement of the candidate's age, calling, duration of membership, and positions held in the Co-operative and Trade Union movements, also public boards or committees, same to be printed and circulated " by the Wholesale Society with the first voting paper.

Members' Meetings.

General meetings of members are held on the second Saturday in March, June, September, and December, those of March and June being held in Glasgow, and those of September and December in Edinburgh. At the March and September meetings a report and balance sheet are presented, and at the September and December meetings a report only. Special meetings may be convened by the committee, or by any ten society members.

Voting.

Voting, so far as societies are concerned, is, principally, based on trade. Each society has one vote in virtue of membership, and since 1920 the society with the largest amount of net purchases during the quarter preceding the voting has a maximum of 50 votes. The number of votes exercisable by other societies bears the same proportion to 50 that their net purchases bear to the net purchases of the society with 50 votes. Share-holding employees must form themselves into an elective body which must meet at least once every three months. At these meetings, their

delegates to the quarterly meeting are appointed. One delegate for the first complete 150 employee members or part thereof and one for each further 150 employee members or part thereof are permitted by the rules. The number of delegates which societies are entitled to appoint to attend the meetings of the Society is the same as the number of votes to which they are entitled. These delegates must be bona-fide members of the society they purport to represent, and proxy voting is not permitted.

Auditors.

The Society has three auditors. They must be public auditors, and are elected for a year. They retire successively in March, June, and September, but are eligible for re-election. Further information about the Society is given in Appendix V.

(III) Joint Undertakings of the two Wholesale Societies

(a) The Co-operative Insurance Society.

The Co-operative Insurance Society, formerly an independent society founded in 1867, was, in 1913, taken over by the two Wholesale Societies, and is conducted by them as a joint undertaking but is registered as a separate society. The capital is raised in £1 transferable shares, of which the English Wholesale Society holds eighty per cent and the Scottish Wholesale Society twenty per cent. The Society is governed by a committee of ten members—eight of whom are appointed by (and may be removed by) the committee of the Co-operative Wholesale Society from its own number and two of whom are similarly appointed by the Scottish Co-operative Wholesale Society. There is no quarterly meeting of the Insurance Society corresponding to the quarterly meetings of the two Wholesale Societies and attended by delegates of local societies. The two Wholesale Societies are the sole members of the Insurance Society and are the only societies entitled to be represented at the general meetings of the Insurance Society. Hence, the accounts and business of the Insurance Society do not

secure the same publicity and discussion as the accounts and business of the two Wholesale Societies. The Insurance Society undertakes all types of insurance business.

(b) The English and Scottish Joint Co-operative Wholesale Society.

The English and Scottish Wholesale Societies established in December, 1923, the English and Scottish Joint Co-operative Wholesale Society, Ltd., " to carry on the business of planters, growers, producers, merchants, and manufacturers, commission agents, and brokers of tea, coffee, cocoa, and foreign and colonial produce in all their branches, and any other trade or business which may seem calculated to conduce to the more efficient and/or profitable working of the said business." It also has taken powers to purchase and acquire property and do all the many things which are ancillary to those mentioned above or are likely to facilitate its development; but each of the constituent societies has power to veto the undertaking of any business other than those included in the inverted commas above.

The Society is really the successor of the joint tea committee of the two wholesale societies whose work and business it has taken over. The tea estates abroad and the Luton Cocoa Works at home, as well as the tea warehouses in London and Manchester, are among the properties owned and/or occupied by the joint Society.

The shares are of the value of £5 each and are unlimited in number; they are payable in such manner and by such instalments as the committee of management may determine; and the committee can repay any sums credited to share capital account. Ordinary general meetings must be held half-yearly, whilst special meetings may be convened by the committee, and must be convened at the request of either Wholesale Society. A copy of the committee's half-yearly report and balance sheet must be submitted to the half-yearly meetings. At the general meetings the 32 members of the committee of the English Wholesale Society and the 12 members of the committee of the Scottish Wholesale

Society have one vote each ; but provision is made to meet the circumstances if these numbers are changed or if another society becomes a member of the Federation. The committee consists of eight persons—six of their own number appointed by the committee of the Co-operative Wholesale Society and two of their own number appointed by the committee of the Scottish Co-operative Wholesale Society. The secretary and auditors (two) are appointed at the general meeting ; but the accountants of the two Wholesale Societies " shall . . . ex-officio supervise the accounts of the Society and the preparation of the half-yearly balance sheet," which is made up to the fourth Saturday in June and December. The committee has power to accept loans and deposits up to 10 times the amount of subscribed capital at not more than 5 per cent per annum, or such higher rate as may be authorised by a general meeting.

Any profits are allocated (1) to depreciating land, buildings, fixed stock, live stock, and rolling stock ; (2) to interest on share capital ; (3) to a reserve fund (not less than 5 per cent of net profits) to be applied for the benefit of the Society in manner determined by the general meeting ; (4) to a special fund for purpose of making grants ($1\frac{1}{4}$ per cent of net profits) ; (5) to dividends on purchases of members ; and the balance is carried forward. All these allocations may be varied by the half-yearly meeting, to which proposed allocations must be submitted. The registered office of the Society is 100, Leman Street, London.

(IV) The Irish Agricultural Wholesale Society.

Just as societies in England and Wales have their Wholesale Society, and the societies in Scotland have their corresponding institution, so the societies in Ireland have formed a wholesale society. The membership of this federation is largely composed of agricultural societies of various types, but a few retail distributive societies, of which there are not very many in Ireland, are also members, though many of the agricultural societies also engage in the

business of retail distribution of household necessities. Although the society is not as old or as big as either the English or Scottish Wholesale Society, it has its special work to do, and serves a very useful purpose for its society members. It differs from the other two wholesale societies in admitting individuals to membership and in the nature of much of its trade, a difference that might be expected from the character of the businesses in which its society members are engaged. For these members it is both a selling and a buying agency. The headquarters of the society and its chief business centre are situated in Dublin.

(V) The National Co-operative Publishing Society.

Origin and Work.

This society was formed in 1919 by the amalgamation of the Co-operative Newspaper Society (founded 1871) and the Scottish Co-operator Newspaper Society (founded 1893–5). It publishes the *Co-operative News*, *Scottish Co-operator* and *The People's Weekly* (all weekly), the *Woman's Outlook* (fortnightly); and the *Millgate Monthly*, *Our Circle*, and *Sunshine Stories*, these three being monthly publications. The society publishes pamphlets, special works, and booklets as well, and carries on the business of general printers and booksellers.

Membership and Meetings.

Membership of the Society is confined to "registered co-operative societies, companies or corporations, and such trustees of co-operative educational and propaganda bodies and trade unions as the directors shall admit, subject to the approval of a half-yearly general meeting of the Society." Capital is raised in transferable shares of £1 each; and each member must hold at least five shares that are to be paid up on making application for membership or on admission. General and sectional meetings of members are held in the months of June and December, when reports and balance sheets are presented. Every member may nominate one representative for every £50, or part thereof, of share capital,

and one for every £50, or part thereof, of purchases made from the Society for the previous half year. No representative may attend more than one meeting or have more than one vote unless a card vote be taken, when the votes are counted on the above basis. Special meetings must be called by the secretary on an order by the directors or on receipt of a requisition signed by 20 members.

Directors.

The business of the society is conducted by a Board of Management, designated directors, and consisting of 18 members, six of whom are elected by the members in Scotland and the remaining 12 by the other members of the Society. The directors are elected for three years, so that two Scottish directors and four others retire each year but are eligible for re-election. Nominees must be members of a society which is a shareholder of the Publishing Society; but a nominee need not be a member of the Society by which he is nominated. The directors must meet at least once a quarter. The management of the Society's affairs in Scotland is entrusted to a sub-committee consisting of the Scottish directors (with a whole-time secretary) and in the rest of the United Kingdom to a sub-committee consisting of the remaining directors, who meet at Manchester, where the registered office of the Society is situated. In all matters affecting the *Scottish Co-operator*, the directors elected by the Scottish members have complete autonomy until the Scottish shareholding societies decide otherwise. The directors elect a chairman from their own number.

Application of Profits.

The rules provide that any profits left after paying expenses of management, depreciation (2½ per cent on land and buildings; 10 per cent on machinery and fixed stock—nominal values), and interest on paid-up share capital (at a rate not exceeding 5 per cent), and after making allocations to reserves, shall be applied to any purpose directed by the general meetings of the Society. Subject to any such

direction they may be applied by the directors to any purpose whatsoever.

(VI) Other Trading Federations.

In addition to the national trading federations—the Wholesale Societies—local societies are often members of district federations and of the copartnership societies referred to in Chapter XIX.

Local Federations.

The principal businesses for the undertaking of which district federations have been established are laundries and bakeries; but there are federations of societies engaged in farming, jam manufacturing, corn milling, and other businesses. The number of district federations is likely to grow in the future. They make it possible for two or more societies to undertake jointly a business which none of them could satisfactorily undertake by itself; or they avoid the duplication of energy and capital outlay that would occur if every society in a district were to organise, say, a bakery, when the same service could be more effectively rendered by a joint undertaking. Since the 1913 Act was passed it has been possible for even two societies to form a federal society, and this opens great possibilities. With the growth in number of such federations which we have suggested is likely, it will become additionally necessary for members of committees of co-operative societies to acquire a knowledge of their possibilities and take an interest in their management.

(VII) Copartnership Societies.

The copartnership societies differ widely in the details of their constitution, but they are not genuinely copartnership unless the workers have a threefold opportunity: to take up shares in the Society, to share in the management, and to share in the profits apart from any capital holding. It is the almost invariable rule of these societies to admit retail distributive societies to membership and to allocate a share of the profits to customers in proportion to trade, to members in proportion to shareholding, and to workers in

proportion to wages. By reason of their membership, retail societies are eligible to share in the election of the committees of these societies and to elect a defined or undefined number of members of the committee. Here, again, the member of the committee of a retail society has a responsibility outside the immediate trading activities of his own society, and just as it is his duty to see that a district federation of which his society is a member is well managed, so, also, it is his duty to see that any copartnership society of which his society is a member is well managed.

General Responsibilities of a Committee Member.

The member of a committee of a distributive society may be elected a member of the committee of one of the district federations or copartnership societies. In this position he has a two-fold responsibility. He owes a duty to his retail society which has nominated him and qualified him for his position ; but on the committee of the federal or copartnership society he is the servant of all its members, and must not push the interests of his own society to the detriment of other members.

In concluding this chapter, a word or two may be said upon the importance of recognising that the committee member of a retail society is, in effect, a trustee for his society. When acting in its name, therefore, he should be scrupulously honest and diligent in protecting its welfare. In nominating or voting for candidates for any of the organisations mentioned in this or the last chapter, for example, he should make fitness for the post the sole reason for his action. He should be no party to bargaining with other societies for votes, nor a participant in illicit canvassing. He should take an interest in those organisations of which his society is a member, exercising his right to criticise, but exercising it in a helpful manner. He should render all possible assistance to the organisations and act as he believes those whom he represents would have him act. Only by discharging his obligations in these ways can he possess any moral justification for retaining his post.

CHAPTER XXI.

GENERAL MATTERS OF IMPORTANCE TO COMMITTEE MEMBERS.

IT cannot be said, and it is not claimed, that in the preceding chapters we have dealt fully with all the matters upon which a member of a society's management committee will require to be informed. Some of the problems associated with the administration of societies and the movement as a whole will be considered in a book on Co-operative Problems which the Co-operative Union hopes to publish in the near future. Some matters there are which could be adequately considered only in a fairly big book on business organisation; other matters can hardly be dealt with except as they arise; but there are still other matters which call for notice here, because it has not been convenient to consider them in previous sections of the book. To these topics we now propose to refer.

Legal Obligations of Committee-members and Officials.

Among these subjects are legal matters affecting a society. Reference has already been made to the necessity for registration of a society and to the relationship of societies to the Registrar of Friendly Societies. The Industrial and Provident Societies Acts exact many requirements from committees and fix penalties for their non-observance. Some important provisions on this point are contained in Clauses 62 to 70 of the Act of 1893, with the amendments introduced by the 1913 Act. These provisions are referred to on pages 28-30, and should be studied by every member of a co-operative society's committee. The liability for some of the offences is fixed upon the officer bound by the rules to fulfil the duty whereof the offence is a breach; but, continues Clause 62 of the 1893 Act, if there be no such officer every offence by a

society under the Act is considered to have been committed by every member of the committee, unless such member be proved to have been ignorant of, or to have attempted to prevent the commission of, such offence. There is good reason, therefore, why every committee member should consult Chapter II (pages 13 to 37) dealing with the Acts of 1893 and 1913, and should also make reference to the Acts themselves. These Acts are printed with other useful matter in the Handbook to the Industrial and Provident Societies Acts 1893 and 1913, published by the Co-operative Union. A copy of this book should be available for reference in every committee-room.

*Legislation Affecting Societies.**

Outside the legal requirements which a co-operative society must observe because it is a co-operative society, there are others which it must observe because it is a trading organisation. It is not to be expected that a member of committee will know as much of these matters as a lawyer or the principal officials of the society; but the more he knows of them the better. He should know, for example, that apprentices in certain departments must be registered under the regulations of Trade Boards; and he should know which departments are affected as to hours, wages, and conditions generally by Government regulations. Health and Unemployment Insurance legislation will affect some of the employees and impose obligations upon the society. Factory Acts may apply to some sections of the society's premises and activities. Licences are required before certain trades can be entered upon. There is legislation affecting weights and measures. The Food and Drugs Acts have bearing upon some of the activities in which societies engage. Indeed, since societies come within the general law affecting those engaged in trade and industry, the number of Acts of Parliament and legal decisions affecting them is almost unlimited.

* The Co-operative Union hopes to publish, at an early date, a text book dealing with the legislation affecting co-operative societies.

We are merely concerned, in this chapter, with drawing the attention of the committee-man to his responsibilities as a representative appointed to watch over the management and administration of his society. The permanent officials of the society will, rightly, be expected to see that no infringement of the law occurs, but penalties may, and in most cases will, fall upon the society; and, in any case, the committee are appointed to supervise the work of the permanent officials. Hence, the necessity for the member of committee knowing in general terms something of the legislation affecting the society as a trading organisation. He will find many of the Acts of Parliament affecting a society's trading operations explained in the Co-operative Manager's Text Book; and the Legal Department of the Co-operative Union may always be consulted by societies on legal points of difficulty, and full advantage should be taken of its experience and resources.

Officials and Their Duties.

We have said little so far about the duties of the principal officials of a society—the secretary and manager or managers. The exact nature and range of the daily duties of these officials will vary from society to society according to its size, the nature of its activities, and its form of organisation. Whatever they be, the members of the committee should be familiar with their range. This is not to say that every secretary or manager should be limited by a rigid code of duties. Circumstances are always occurring which require officials to rise to the needs of the moment and undertake duties which may not have been contemplated when they were appointed; but there is need for a better understanding of what are properly the respective duties of the officials.

The Secretary and His Responsibilities.

We may take the position of the secretary first, because he is the official mouthpiece of the society. He it is by whom official communications for the society are received; he it

is who must sign the official communications and notices on behalf of the committee and society; he is the executive officer of the committee and society. These obligations fall upon the secretary whether he is a full-time officer or merely a spare-time secretary, as still appointed in some societies. More usually now he is a whole-time official with wider duties. As such, he is responsible for the keeping of the society's accounts, and the preparation of the society's balance sheet, the conducting of the general correspondence of the society, and the organisation of the office and the work of the office staff. This brings under his charge not merely the books of record such as the purchases and sales ledgers, the cash books and share ledgers, but the check department. He is the official custodian of cash (except in the dwindling number of societies which appoint a treasurer) and the books of the society. He is the financial and, within limits, the legal adviser of the committee and members in general meeting assembled. He must know the rules of the society, and also the provisions of the Industrial and Provident Societies Acts, so that he may advise committees and members what is and what is not within their power. Though it is customary in a small number of societies to dispense with the attendance of the secretary at sub-committee meetings* (other than those of the Finance Sub-Committee) except where special need arises, the secretary should be in attendance at all meetings of the full committee.† He is responsible for the preparation of the agenda for these meetings, the accurate recording of the minutes of the meetings, and the communication of such decisions as require to be communicated. The secretary has therefore an onerous, if honourable, post. It is customary, as mentioned in an earlier chapter, to require him and other officials in control

* Some societies, notably Scottish societies, appoint a "convener" of each sub-committee, and he acts as chairman and secretary for his sub-committee, recording the minutes of its meetings and reporting them to the full committee.

† Since the secretary, manager, and other officials are frequently engaged at many evening meetings during the week, it is only right that they should have reasonable leisure at other periods of the day.

of cash to give some security. This may take the form of a cash deposit with the society, upon which the society pays interest, or, as is more usual now, the provision of a fidelity bond issued by the Co-operative Insurance Society, or some other insurance society, which in return for an annual premium undertakes to make good any sums that may be misappropriated by the insured official.

The Office Staff.

In almost all societies in England and a growing number of societies in Scotland, the secretary is a whole-time official appointed by, and responsible to, the committee ; but there are a few of the older societies which still retain the part-time secretary (who is often called a minute secretary) appointed by the members in quarterly or half-yearly meeting. In one or two societies even the whole-time secretary is appointed by the members ; but it can safely be said that the best appointment is that of a whole-time secretary appointed by the committee. Nevertheless, the secretary has duties to the members, and is often a friend and adviser to them in more than a purely official relationship. In the committee and general meetings, his rôle is that of guide and adviser. He must prepare for the committee the statistical and other records required by them for the proper performance of their duties ; and provide them with reports as called for, besides submitting to them important correspondence. His relationship to his staff should be that of chief and organiser. He must have authority in his sphere of activities, and ought to have the support of the committee in maintaining it. So far as the office is concerned, he should be entrusted with the making of junior appointments within the general limits set by the committee ; and in the making of senior appointments his recommendations ought not to be over-ridden save in very exceptional cases. The disposition of the office staff and the allocation of duties should be left to him. Adequate assistance must be provided him ; and every encouragement given him to keep

abreast of the times and to assist his staff to do so. Every secretary should be required to hold the Secretary's Certificate granted by the Co-operative Union to those who pass its examinations on the special course in secretarial subjects.

The General Manager and His Duties.

A manager of a society—whether general or departmental—has duties which differ from those of a secretary; but they are not less onerous. He is responsible, under the committee, for the organisation of the staff of his department or of the whole of the departments, according to his position. He must see that this staff is adequate in number and competent to meet the demands made upon it; but he must be careful to avoid over-staffing; and comparisons with other societies will help him to come to a decision on this point. He must watch wage and general conditions of employment; and, whilst accepting responsibility for the fulfilment of the obligations of the society to its employees, must insist upon the proper discharge by his staff of their obligations to the society. Needless to say, these duties will be a heavy tax upon the manager in all but small societies; and he will at times require to exercise a great deal of tact as well as firmness to discharge them with success. Authority he must have; and it is the duty of committees to help their manager to maintain this authority so long as they have confidence in him. When they have lost confidence in him, they should ask him to leave their service.

Buying of Goods.

The manager will be responsible for the buying, though his committee will require to be kept in touch with his buying activities and may wisely fix general limits to the amount of stock he may hold. This amount should be fixed in relation to sales; and a satisfactory system of stock control is required. The manager should secure special authority from the committee when some unusually big purchase is contemplated and when some unusual risk is being taken.

The committee, whilst having regard to the loyalty of the society to the Wholesale Society and other co-operative suppliers, will, if wise, remember at the same time that the society has to sell as well as to buy ; and they will appreciate the position of the manager in any difficulties which may arise in buying. If the manager reports that it is not possible to buy from co-operative sources the proportion of the society's purchases which the committee think reasonable, they should act with the manager in approaching the wholesale and other providing societies in order to have the causes investigated.

Fixing of Selling Prices.

The manager will also be responsible for fixing selling prices, though it is reasonable for the committee to call for returns from time to time in order to know what percentage is being added to the cost price of certain lines. The departmental trading account will reveal the average percentage added to cost.* In special cases such as, say, the selling of bread at cost it is desirable to secure the concurrence of the committee. The manager in every well-organised society presents a weekly report of a general character to the committee for the purpose of information.† They require to know the purchases and sales, as well as the costs of production and distribution week by week ; and the wise manager will present to them such reports as will maintain their interest in what he is doing and enable them to exercise their committee functions intelligently. In the preparation of many of the statistical reports the co-operation of the secretary is required, and it is necessary for these two officials—manager and secretary—to work harmoniously together.

Committees, as we have suggested in earlier chapters, must give adequate freedom to the general and departmental managers in the performance of their duties. Without this

* See footnote and example, page 159.
† See Appendix VII for specimen report

freedom they cannot exercise to the full any special ability they may possess ; and whilst it is the duty of the committee to criticise, its criticism should not be of a petty nature but criticism of the friendly, suggestive, and helpful type that will enable the manager to give of his best in the service of the society. Managers should be allowed and encouraged to keep abreast of the times. Both they and their staffs ought to be given opportunities for taking advantage of the educational facilities provided by the Co-operative Union ; and their success in passing the Union's examinations in salesmanship and management will, if the committee is wise, be suitably recognised.

The Managing Secretary.

The duties of secretaries and managers cannot be touched upon without some reference being made to the combination of duties. The tendency of late years has been in the direction of increased departmentalising in societies, the departmental managers meeting their respective sub-committees weekly, fortnightly, or monthly. Between the meetings of the committee the secretary, in such cases, is almost inevitably called upon to undertake some duties which are managerial rather than secretarial. The practice has many advantages, but some disadvantages, one of the latter being that co-ordination is not always as perfect as it might be. In other cases, where a grocery manager has had the duties of general manager added to his departmental duties, his powers as general manager have been ill-defined, and he has not been able to perform the duties of both positions with perfect success. In some cases, too, there has been friction between general manager and secretary. The case seems strong for the appointment in large or medium-sized societies of a general manager without departmental responsibilities to act as co-ordinator and executive officer. He would act also as secretary, the office duties being delegated to an assistant secretary. In some cases, such an official would pass to this post from the

managerial side, and in some cases from the secretarial side —it will depend upon the men available. Given the right man, such an appointment is likely to produce the best results.

The Auditor and His Work.

The auditor of a society is the servant of the members, not of the committee. He must, of course, be a public auditor. One or two societies appoint lay auditors to take part in the audit work; but, by the Act of 1913, there must be at least one public auditor who is responsible for the certification of the balance sheet and the signing of the annual return. It is not the duty of the auditor to prepare the accounts, though he often does so. It is the secretary's duty to prepare the accounts and balance sheet; and the auditor's duty is to certify them as correct in accordance with the society's books. He should see all the invoices and receipts; check the share, loan, and savings bank ledgers with the members' pass books; see that the rules in regard to depreciation have been carried out; and examine the investment scrip. Although it is not his duty to take stock, he should satisfy himself that the committee or managers have certified the stock values as included in the published accounts. He must be able to assure the members that the accounts as presented are a true and accurate statement of the society's position as recorded in the books of the society at the date of making up the society's accounts.

The Essentials of Success in Committee Work.

With these references to the work of the secretary, managers, and auditors, this chapter and this section of the book dealing with the work of a management committee may well close. A list of pamphlets bearing upon the work of a member of a management committee is given in Appendix X, and the earnest committee-member will peruse as many of these as his time permits, and will see to their being

available in the committee-room for reference. The member of a society who undertakes the duties of a committee member will realise from a perusal of this book that his office is no sinecure if he undertakes its duties seriously ; and no one should accept office unless he or she is willing to take the work as a serious responsibility. The opportunity is one for service ; and, if the work is undertaken in the spirit of service, the committee-member will derive no little satisfaction from the consciousness that he is contributing his quota in promoting the welfare of the society and its members. Knowledge is required for the efficient discharge of his duties ; and this book, it is hoped, will help him on the road to the acquisition of this knowledge. More than this is required. Faith in co-operation, and enthusiasm for the application of co-operative principles, combined with loyalty in service, are also required. These possessions are quite as necessary as knowledge, if co-operators are to be led through business success and social conquest to the Co-operative Commonwealth which pioneers and idealists have visualised and for which the present generation of co-operators calls and strives.

CHAPTER XXII.

THE EDUCATION COMMITTEE.

THIS book is primarily intended for members of management committees; but it would be incomplete without some reference to the work of education committees. This, for two reasons. The management committee is in some societies the only committee; and any educational work undertaken by the society has to be undertaken by the management committee. In other societies, where there is a special committee for educational work, it must work in harmony with the management committee; and its work and that of the management committee must be brought into satisfactory relationship. Too frequently the two committees do not work in harmony; and the best results are not secured from the society's educational expenditure. A primary necessity is a recognition by both committees that neither committee is superior to the other. Both are servants of the members; and if they are operating in different spheres they are, nevertheless, working for the same object and for the same people. At the same time, however, it must be remembered that the management committee is the legal executive of a society; and that the powers of the education committee are those defined by the society's rules.

Constitution of Education Committee.

A separate, or special, committee for educational work is essential in all but very small societies if the best results are to be achieved; but to secure co-ordination of effort it is desirable that the committee, in addition to directly-elected members, should include representatives of the management committee, the guilds, and the employees. This was the type of constitution recommended by the Survey Com-

mittee to the Swansea Congress; and it is working well in a number of societies. Regular meetings with the management committee, at least quarterly, should also be arranged as a further means of promoting an exchange of ideas and uniformity of policy. Meetings with the guilds and employees to discuss matters of common interest are also to be commended.

What should be the size of the education committee? Much must depend upon the size of the society and the nature of the area covered by it, for efforts should be made to bring each district in the society's area into contact with the education committee and its work. Allowing for variations to meet the special needs of particular societies, and on the assumption that the whole of the members are intending to be workers, a committee of six to nine, including the representative, or representatives, of the management committee, the guilds and employees, should suffice in a society with fewer than seven to ten thousand members. A larger society will require a larger committee, because of the greater amount and variety of its work. It is desirable that the directly-elected members of the committee should be a majority and not a minority of the membership of the committee.

For what length of time should members of the education committee be appointed? Various periods are now operative; but we incline to the view that two years is a reasonable period, one half of the directly-elected members and one half of the representatives of the management committee, guilds, and employees retiring annually and being eligible for re-election. The purchasing and other qualifications operative for members of a management committee should also operate in the case of members of the education committee.

The Education Committee Secretary.

It is a common practice, though not a universal one, for the members of the society to elect the secretary; but it is

wiser to entrust the education committee with the power to appoint its own secretary. It is important to have continuity in the work of the committee, and this is impossible if, owing to the elective system, the secretary is constantly being changed. Where changes are frequent, the secretary is always in the apprenticeship stage, and the work suffers in consequence. The committee should have power to appoint, dismiss, and pay its own secretary, retaining him in the position as long as his services are satisfactory. The appointment is probably the most important one which the committee has to make. A great deal of time is demanded of the secretary if his work is to be done properly ; and in very few societies where the work done is commensurate with the need will it be possible to find a member of committee with adequate spare time. Because a fee or extra salary is payable to the secretary there will be the danger of the committee appointing one of its own number to the post, although he may not be suitable for it or have time sufficient to do the work effectively. This danger should be avoided. In a society with 20,000 members a whole-time secretary for educational purposes is an imperative necessity ; and in smaller societies one is desirable, especially when the duties can be linked with other duties, such as those of librarian. At its first meeting each year the committee should elect its chairman and vice-chairman (and, where necessary, other officers) for the year, as well as any delegates or representatives that have to be elected annually.

Education Committee Meetings.

The number of committee meetings will depend upon the size of the society and the amount of work undertaken. In small societies, fortnightly meetings will suffice if the work is properly organised ; but in societies with more than 10,000 members weekly meetings will be almost essential. An attendance of about half of the members should be the quorum required for the transaction of business. In some societies, sub-committees are appointed, *e.g.*, a classes

sub-committee and a concerts sub-committee ; but the cases where these are required are few. In most societies, the appointment of standing sub-committees merely multiplies meetings without avoiding the necessity of discussing the same business again in the full committee. From time to time, however, the committee will probably find it desirable to delegate some duties to a specially appointed and temporary sub-committee, *e.g.*, the arrangements for a special lecture, concert, or week-end school, the sub-committee reporting back as necessary to the full committee.

The committee may also desire to appoint some of its members to act on joint committees, *e.g.*, a joint committee with the management committee for propaganda meetings and concerts, a joint committee with the guilds for members' socials, or a joint committee with the members of the choir to form a choir committee. The minutes of these joint committees should be regularly reported to the education committee.

A Specimen Agenda.

It is essential that a properly-drafted agenda be placed before the education committee at each of its meetings. The items on the agenda will naturally vary according to the business to be transacted ; but the following specimen agenda may be suggested as a basis :—

SUNNYSIDE CO-OPERATIVE SOCIETY LIMITED.

EDUCATIONAL DEPARTMENT.

COMMITTEE MEETING, JUNE 6TH, 1928, AT 7-30 P.M.

AGENDA.

1. Minutes of last meeting.
2. Matters arising out of minutes and not included as special items in the agenda.
3. Financial statement.

4. Reports—
   (*a*) Classes.
   (*b*) Library.
   (*c*) Concerts or meetings.
5. Correspondence and matters arising out of same, including appointment of delegates to conferences, &c.
6. Reports of delegates to conferences, &c.
7. Any special items such as arrangements for concerts, week-end schools, &c.
8. Other business.
9. (If necessary.) Date of next meeting.

At the quarterly or half-yearly meeting of members, the chairman of the education committee should move the adoption of the education committee's report and balance sheet, commenting upon the work which the education committee is doing and calling attention to any forthcoming meetings arranged by the committee. The balance sheet should be on the lines recommended in a later part of this chapter, and the report should be in tersely-written paragraphs each dealing with some one item of the committee's work.

What should be the work of the education committee ? The answer to this question is that the work is without limits ; and every committee must make its plans in relation to the needs and opportunities of its own district. It will almost inevitably be led to consider social and propaganda work as well as educational activities. To begin with, we may consider the last-named, and for convenience we may classify these activities for detailed consideration.

Classes.

Classes may be given first place because they are perhaps the most definite form of educational activity. Every committee should organise classes for the study of Co-operation and allied subjects, for both junior and adult students.

JUNIOR AND INTERMEDIATE CLASSES.—Perhaps the first classes to be considered are the classes for young co-operators. These are grouped by the Co-operative Union into two grades—junior and intermediate—and there are three stages or courses in each grade. For the junior-grade classes, the little book "Our Story" is the text-book. According to the Co-operative Union Educational Programme, which is the guide-book for co-operative education committees, the first-stage lessons are based on the first half of the text-book. Though there is no rigid rule, this stage is suggested as suitable for juniors of 10 to 12 years of age. For the second stage, the suggested ages are 12 to 14, and the second half of the text-book is the basis of the lessons. For the third stage, intended for juniors 14 to 16 years of age, the whole text-book is taken. Examinations can be arranged for these classes, and certificates are granted by the Co-operative Union. The best papers from each local examination in Stage III are re-examined by the Co-operative Union, and special certificates and scholarships are granted on the results. Full information on these points is contained in the Union's Educational Programme, which should be consulted for further details.

In the intermediate grade, there are three courses of lessons for the classes. They are not graded in stages, but are of the same standard, and are based on different text-books. Course A is based on the book "Lives of Great Men and Women"; Course B upon "The Story Retold"; and Course C upon the text-book "Sunnyside." Examinations are arranged by the Co-operative Union on the three courses, and certificates are granted on the results. The best papers from each centre are also re-examined by the Co-operative Union, and special certificates, prizes, and scholarships are granted in accordance with the conditions outlined in the Union's Educational Programme.

Classes for young co-operators, particularly those in the junior grade, should not be organised on orthodox lines. Songs, recitations and other contributions from the members

of the classes as well as collective singing and games should form a part of the programme on the class night; and the lesson proper should be a simple talk by the teacher, the text-book being read by the young people at home. The lantern should also be freely employed in classes for young people; and the Union's Educational Department has a stock of special slides which can be borrowed for use in classes. The form of programme adopted for junior classes must depend very largely upon the teacher; but detailed suggestions can be obtained from the Educational Department of the Co-operative Union.

A difficulty sometimes experienced by committees is the recruiting of students to commence junior classes. Some societies employ lantern lectures for juveniles as a means of getting young people together in order to secure a nucleus of students, and others have employed concerts for juniors with the same end in view. There is a variety of ways, any one of which committees can adopt. The commencement and organisation of junior classes is a big subject—too big, indeed, to be treated fully here; but complete information can be obtained from the Co-operative Union. One word may be added here, however, about the importance of securing the right teachers. They should be sympathetic towards young people and their subject. A suggested rate of payment is 5s. per hour for class meetings of 1½ hours' duration. This period is quite long enough for young people.

Adult Classes.—The Co-operative Union's Educational Programme offers syllabuses in quite a large number of co-operative and allied subjects such as Industrial History, Economics, and Citizenship; and the Union conducts examinations in all these subjects. Certificates and Summer School scholarships are granted on the results of these examinations, which are held in March each year. To the best two students in the annual examination in Stage III Co-operation, Blandford Research Scholarships, value £20 each, and tenable at the Co-operative College, are granted. Committees should consult the Educational Programme

for fuller information about subjects, examinations and scholarships, and write to the Co-operative Union if they are desiring advice.

CLASSES FOR EMPLOYEES.—In arranging its Educational Programme, the Central Education Committee has considered the needs of employees as well as those of junior and adult co-operators. Courses for apprentices, salesmen, and managers are included, as well as courses in Book-keeping, Auditing, and Secretarial Work, the last-named including Commercial Law, Co-operative Law, Accounts, Statistics, and Office Organisation. Education committees may wisely direct their energies in organising classes in these various subjects, particularly classes for apprentices and salesmen and classes in Co-operative Book-keeping. Classes in the more advanced subjects are also arranged by the Co-operative Union, and correspondence classes in the same subjects are also conducted under the auspices of the Union. In the organisation of classes for employees, joint action with the management committee is very desirable, and that committee might recognise the best and most successful students when deciding promotions. In societies where a staff committee exists, its assistance should be sought by the education committee wherever attempts are made to form special classes for employees.

CORRESPONDENCE CLASSES.—An important feature of the work of the Educational Department of the Co-operative Union is the correspondence tuition provided in nearly all the subjects included in the Educational Programme. Education committees of societies may wisely direct the attention of their members to these classes, which are described in the Educational Programme and in a special pamphlet issued by the Union. A recent addition to the correspondence courses is one for educational secretaries. Correspondence classes often meet the need of students where the number of enrolments for a local class does not justify the local education committee in organising an oral class; and some education committees pay the fees of employees

and other students joining the correspondence classes. Members of education and management committees and teachers of local classes should themselves take advantage of the facilities provided through these correspondence courses for becoming more efficient in discharging their duties.

One-day Schools and Week-end Schools.

This form of educational activity is one which has grown rapidly during recent years; and it is one which should be taken up by every education committee. At least one school per quarter should be arranged. The one-day and week-end schools appeal to a larger number of members than classes do, being less formal and binding. A one-day school consists of two lectures—afternoon and evening, usually on Saturday or Sunday—with tea between the lectures and a social after the evening lecture. A week-end school consists of three or four consecutive lectures arranged on Saturday and Sunday (two each day), or on Friday night (one lecture) and Saturday (two lectures). Tea is usually provided between the afternoon and evening lectures on Saturday; and the Friday and Saturday evening lectures are, as a rule, followed by a social gathering. One-day and week-end schools bring the members together for the serious consideration of important subjects, and develop the spirit of fellowship among the students. A moderate charge covers the bulk of the expenses, and the benefits gained fully justify any expense incurred. As the Co-operative Union publishes a pamphlet entitled "The Organisation of Week-end Schools," which contains full information upon the organisation of such schools, the reader may be referred to that pamphlet for a further exposition of the purpose and methods of organising and conducting the schools.

Lectures.

Many societies organise lectures and more should do so, both for the purpose of reaching the members and getting in touch with the general public. Some of these lectures are given for purely educational purposes, others are propa-

gandist in intention. Educational Associations publish a list of approved lecturers whose services may be sought by societies; and the Co-operative Wholesale Society provides lantern and cinema lectures bearing upon its own activities; whilst the Co-operative Productive Federation also issues a lecture list. The organisation of lecture-meetings calls for the exercise of care and skill, and the Co-operative Union pamphlet on the subject of organising meetings will be found useful and suggestive. It is difficult to lay down general rules suitable for all societies on this question of organising meetings, because conditions vary in different districts; but judicious advertising and the issue of tickets, even if the lecture is "free," combined with the selection of a suitable speaker, room, and date are measures that are most likely to ensure success. A short programme of musical items often adds to the attractiveness and success of lecture-meetings.

Concerts.

The general remarks about the organising of lectures apply also to concerts. The committee should get the concerts, like the meetings, "talked about." They should aim at securing a reputation for providing a good concert; and if they gain this reputation they will be able, backed by suitable advertising, to secure the audiences they desire. The services of the society's own choirs—adult and junior—should not be overlooked in preparing the winter programme.

Propaganda Meetings.

A good deal can be said in favour of organising these meetings jointly with the management committee, because their object is to stimulate an increase of membership and trade. The sharing of the expenses of such meetings ought also to be considered. A musical programme should be provided; but the purpose of the meeting ought not to be overlooked. A member of the education or management committee should preside, and make reference in a short speech to the work of the society. The main speech will,

however, usually be given by a special speaker. Advantage may be taken of the meetings to enrol members; and the literature of the movement can be brought to the notice of those attending, a literature stall being arranged where this is feasible. Not less than one propaganda meeting should be held each year in each part of the society's area.

Choirs and Orchestras.

There should be at least one junior and one senior choir in connection with every large society; and it is the duty of the education committee to bring these choirs into existence. The appointment of the choirmaster is a matter for the education committee in the case of the junior choir, and for the choir committee, upon which the education committee should have majority representation, in the case of the adult choir; but every such appointment should be subject to the approval of the education committee.

The choirs, as far as possible, should be self-supporting; and this can be achieved by the arrangement of special concerts, the programmes for which are provided by the choirs. In the case of junior choirs, the education committee will have to make good any deficit. In the case of adult choirs, the contribution of the education committee will be the finding of a room for choir rehearsals and the guaranteeing of the salary of the conductor, if there is a deficit in the choir funds. The question of music copies is an important one. If the individual members of the choir provide their own copies, the expense falling upon the choir funds is lessened, and there is less trouble in dealing with the music; but the expense is a heavy one for individual members of the choir to bear. If the cost is defrayed from the choir funds, a librarian must be appointed, and trouble frequently arises in keeping record of the copies taken home for practice purposes. Probably the best method is to pay part of the cost from the choir funds, the remaining part being paid by the individual members, who are then allowed to retain the

copies for which they have paid. The choir should be affiliated to the sectional choral association, where one exists.

Orchestras are not numerous in the Movement, but they can fulfil many useful purposes; and their establishment should be encouraged by the education committee.

Guilds and Circles for Young Co-operators.

These organisations also come within the purview of the education committee, who should seek to secure the establishment of as many as possible for the young people associated with their society. The junior classes and choir form an excellent recruiting ground. The Junior Co-operators' Guilds cater for young people up to 15 or 16 years of age and will come directly under the control of the education committee. The Comrades' Circles cater for adolescents from 15 to 20 or 21 years of age. The latter should be self-supporting and self-governing as far as possible. There are now federations of adolescent organisations in most of the Union's Sections with local federations within the sections in some cases; and every Comrades' Guild ought to be linked with its appropriate federation. Nationally, the Circles are federated in the British Federation of Co-operative Youth, which is assisted by the Central Education Committee under whose auspices it works. Education committees desirous of establishing circles or guilds can apply to the Union for pamphlets on the work of these organisations and for advice.

Libraries.

In some societies there is still to be found a lending library, and where such a library exists it is under the control of the education committee. Where a whole-time secretary is employed he is usually librarian as well, but provided with assistants; in other cases the librarian is a person specially appointed. Where the library is well organised, a report of the books issued and the new books asked for is supplied at each meeting of the education committee. With

wages and cost of new books at a higher level than in pre-war days, libraries are a heavier drain than formerly upon the funds of education committees ; and it is not unreasonable to exact a small annual fee or charge for changing books from those who use the library. With the development of municipal libraries, with which the co-operative lending libraries cannot usually compete because of inferior resources, the number of co-operative libraries continues steadily to decline. This is not an evil change if the local municipal library is efficient ; but there is need for the establishment in every society of a small select library of literature upon co-operation and allied subjects for the use of students in the society's classes and other members of the society. Co-operative lending libraries should always contain a complete set of books on Co-operation. Not all committees are aware of the resources of the Fabian Society and the Central Reference Library for Students (London), from which books may be borrowed under certain conditions.

"Wheatsheafs," "Records," &c.

In nearly all societies in England and Wales, it is now the practice either to issue a special monthly magazine—generally designated a *Record*—or to utilise local pages in the *Wheatsheaf*, issued monthly by the Co-operative Wholesale Society. The editing of the *Record* or the local pages of the *Wheatsheaf* is usually, but by no means universally, left to the education committee where one exists. Insufficient care and thought are often devoted to this work. A competent person is required to undertake the duties of editor. He need not necessarily be a member of the committee ; but he should be able to write in a clear and interesting manner ; and, whilst faithfully recording the activities of the various committees, organisations, and departments of the society, he must be able to do original work as well. Many societies spend a great deal of money on the *Wheatsheaf* and fail to get full value from it because they do not engage and adequately pay a competent person as

editor. In some societies, the absurd practice prevails of submitting to the committee all matter intended for publication. This is unnecessary, although certainly nothing should be published that is likely to injure the society, or conflict unnecessarily with the policy of its management committee. The committee must trust their editor and give him freedom of action. If they feel they cannot trust him, they should appoint in his place some other person in whom they have confidence. The *Wheatsheaf* is partly an educational and partly a trade and advertising medium. For these reasons, it is proper that at least one-half of its cost should be met by the management committee. In some societies there is a joint committee, representing the educational and general committees, in charge of the *Wheatsheaf*, and there is much to be said in favour of the appointment of such a committee, though its meetings need not be frequent.

Sale of Literature.

The sale of the *Co-operative News*, the *Scottish Co-operator*, *Millgate Monthly*, *Our Circle*, *Woman's Outlook*, *Co-operative Educator*, and the *Producer*, as well as the sale of pamphlets and books, is usually assigned to the education committee. The sale of this literature is no light duty; and since the shops are the most convenient medium of distribution for the *News* and other periodical literature, some arrangement with the management committee is necessary regarding its prompt collection from the station and distribution to the shops. Many subscribers are lost through the delay in supplying the journals. If regular orders for periodicals are obtained, the distribution can be arranged from the shops by special messenger or by post as may be best in each society. The literature of the Movement ought constantly to be mentioned at members' meetings and on other suitable occasions as a means of securing subscribers ; and pamphlets and books should be offered for sale at members' meetings and propaganda meetings, concerts, and week-end schools.

Though the sales may often be small there is a direct gain from bringing to people's notice the existence of such literature.

Social Work.

In many societies the education committee also undertakes social work such as arranging tea parties, galas, whist drives, and dances; and in some cases education committees have organised clubs or institutes. All this work is beneficial; anything is good which brings members together; but it must not be mistaken for educational work and displace the real work for which an education committee is established. Education committees of large societies can organise, in conjunction with the management committee, holiday homes or guest houses; and the education committees of all societies can organise travel guilds on the lines suggested in the Co-operative Union pamphlet on this subject.

Finance.

Something requires to be said about the finances of education committees. The income of the committees is in most cases derived from a grant, which is a fixed percentage of profits—usually 2½ per cent. This basis, however, is open to some objection. It carries with it the suggestion that education is a luxury to be provided for only in times of prosperity, though the need may be greatest in times of adversity. It also provides a fluctuating income and leads to an almost complete cessation of educational activity in times of depression. Because of this uncertainty, the planning of the work in advance is rendered difficult. It was for this reason that the Survey Committee in 1917 recommended, and the Swansea Congress approved, the basing of educational grants upon membership. One shilling per member per annum was recommended as a minimum;

but this is not enough if an education committee is to do all the work which it ought to undertake, and some societies fix the grant at two shillings per member per year. At least one society, which maintains a library and pays grants to the guilds out of the educational funds, makes an allocation of three shillings per member per year.

The wise education committee will frame its plans early in the summer for the following winter, and will prepare its budget in order to provide against overspending and to secure the proper distribution of its expenditure over the various types of work it proposes to undertake. Classes will probably be the most expensive item if the committee organises an adequate number. Lectures and propaganda meetings will probably be the items next in order of cost; week-end schools next, and literature next. Choirs, concerts and some other activities should, as far as possible, be made self-supporting. Delegations may easily become a big drain upon the funds if care is not exercised. Railway fares and a fee not exceeding 2s. 6d. is a sufficiently high maximum for a conference; and these payments ought not to be made to a delegate until he has submitted a written report to the committee. Committee fees should be moderate; the amount that can be regarded as appropriate will depend upon the size of society and the volume of work undertaken. Much of the best work is done by unpaid committees. In small societies, probably no payment at all can, or need, be made; and in societies of medium size a fixed fee of £5 to £6 a year will be adequate; whilst in large societies, where weekly or more frequent meetings are held, the fee ought not to exceed £12 to £15 a year. No fees should be paid for committee members' attendance at the committee's own fixtures such as concerts, whist drives, and week-end schools. There is a great danger of attracting fee-hunters rather than educationists if the fees are made too large or paid for every function attended.

The Education Committee's Balance Sheet.

SUNNYSIDE CO-OPERATIVE AND

EDUCATIONAL INCOME AND

DR. FOR HALF YEAR ENDING

INCOME.	£	s.	d.	£	s.	d.
To Grant for Half Year	146	9	0			
„ Hire of Opera Glasses	0	2	2			
				146	11	2
„ Balance—						
Excess of Expenditure over Income				9	7	5
				£155	18	7

BALANCE

LIABILITIES.	£	s.	d.	£	s.	d.
Balance owing to Management Committee (£49. 12s. 9d. *less* £37. 12s. 11d.)				11	19	10
Surplus of Credit of Department, July 13th, 1927	14	7	4			
Less Excess of Expenditure over Income, as above	9	7	5			
				4	19	11
Balance to Credit of Department				£16	19	9

INDUSTRIAL SOCIETY LIMITED.

EXPENDITURE ACCOUNT.

JANUARY 11TH, 1928.

EXPENDITURE.	£ s. d.	£ s. d.	CR. £ s. d.
By Children's Lectures (5)—Expenses	5 16 9		
Receipts	1 2 7		
		4 14 2	
,, Children's Classes (8)—Expenses	33 5 10		
Receipts	0 8 6		
		32 17 4	
,, Week-end School—Expenses	9 11 3		
Receipts	5 5 0		
		4 6 3	
,, Course of Joint Lectures (6) with Women's Guild—			
Expenses	3 6 9		
Receipts	0 2 0		
		3 4 9	
,, Joint Socials (2) with Women's Guild—			
Expenses	3 9 10		
Receipts	3 1 5		
		0 8 5	
,, Joint Concerts (2) with Management Committee—			
Expenses	21 17 11		
Receipts	3 2 2		
Half net Cost of	18 15 9		
		9 7 10	
,, *Wheatsheaf* (6 months)—Expenses	44 5 9		
Advertising Receipts	6 10 0		
Half net Cost of	37 15 9		
		18 17 11	
,, *Co-operative News* and Other Periodicals	15 5 9		
Less Sales	2 16 0		
		12 9 9	
,, Library—Expenses	28 1 3		
Receipts	0 0 5		
		28 0 10	
,, Blackboards and Easels		3 16 7	
,, Junior Summer School Scholarships (4)		5 0 0	
,, Women's Guild Grant (half year)		7 10 0	
,, Delegations		2 7 10	
,, Committee's Fees		6 17 6	
,, Postages and Secretarial Expenses		0 19 5	
,, Stationery		2 10 0	
,, Rent of Rooms		12 10 0	
		£155 18 7	

SHEET.

ASSETS.	£ s. d.
Cash in Hand, January 11th, 1928	3 9 7
,, Bank ,, ,, ,,	13 10 2
	£16 10 0

Payment of Secretary and Editor.

The secretary, who may also act as treasurer, must, of course, be treated differently. In a small society £5 a year, rising to £30 a year in a larger society, is not an excessive payment for a spare-time secretary if he is kept as busy as he ought to be and if he does his work thoroughly. Some acknowledgment should also be made to the editor of the local pages of the *Wheatsheaf*, whether he be the secretary of the committee or some person specially appointed.

A proper system of accounts must be kept by the secretary; and a financial report showing income and expenditure since the last meeting and since the beginning of the quarter or half year as well as the balance in hand and at the bank ought to be presented at each committee meeting. It is best for the committee to have its own banking account, which, naturally, will be kept at the C.W.S. Bank. The accounts for the quarter or half year will be included on the society's balance sheet and should be made up in such a manner that the cost of each type of work can be seen at a glance. The example shown on pages 350 and 351, taken from the balance sheet of one education committee, will illustrate the method suggested.

Relation of Education Committee to Other Bodies.

The education committee will naturally cultivate good relationships with the management committee. Meetings with the management committee at regular intervals should be held as recommended in an earlier paragraph; and meetings with the guilds and employees should also be held as there recommended. Where no guilds exist, the education committee should take upon itself the responsibility for establishing, or attempting to establish, these educational agencies. Information regarding the methods to be adopted in establishing a guild branch can be obtained from the national secretaries of the guilds, from whom suitable propaganda literature can also be obtained.

The organisation with which the education committee of every society needs have the closest possible connection is the Education Department of the Co-operative Union. This department is directed by the Central Education Committee, assisted by a secretary in charge of the administrative work and an Adviser of Studies in charge of the teaching and academic work. In addition to the administrative staff, six whole-time teachers and several part-time teachers are engaged in carrying on the work of the department, which includes college work and correspondence tuition. The educational programme issued annually by the department contains syllabuses of instruction in a large variety of subjects, particulars of examinations, scholarships and prizes, and information upon a hundred and one other matters bearing upon the work of education committees. A copy of this programme ought to be in the possession of every member of the committee; and a copy should be on the table at every committee meeting for reference purposes. Summer schools for adults and juniors, and an international summer school are organised annually by the Central Education Committee, which also arranges a week-end gathering of teachers, students, and other educationists every Easter, different parts of the country being visited in turn. Every education committee anxious to draw strength from the wider movement will maintain connection with these schools and gatherings. The Central Education Committee also directs the work of the Co-operative College, which is the subject of notice in a later part of this chapter. A special magazine for co-operative educationists—*The Co-operative Educator*—is published quarterly by the committee, and is read by every member of an education committee who wishes to be fully equipped for his work. The Education Department of the Union is always available for advisory purposes, and its services in this respect should be freely drawn upon. The Central Education Committee, which controls the work of the Education Department, subject to the decisions of the

United Board of the Union, consists of representatives of the sectional boards and sectional educational associations with the addition of representatives of the English and Scottish Women's Guilds.

The Sectional Co-operative Education Associations, which exist in all the sections except the Irish, consist of education committees, guild branches and other organisations undertaking educational work in the section. Every society's education committee should affiliate with the education association of its section. The associations help and advise education committees in their area, organise conferences designed to bring together representatives of education committees for the purpose of discussing ways and means of promoting the success of co-operative education, arrange week-end schools and generally aim at strengthening and stimulating educational work in their area. In one or two sections, the members of the sectional education association are also organised in district groups for conference and other purposes.

The Workers' Educational Association is an organisation of co-operative societies, trade union branches, and similar associations along with individual members, linked together for the purpose of stimulating and voicing the demand of the workers for higher education and engaging in kindred work. It is an equal partner with the Universities in arranging tutorial classes, and has an excellent record of useful work to its credit. Branches of the association exist in all large towns and many small ones; and a large number of co-operative societies are affiliated to the branch in their area. The Central Education Committee of the Co-operative Union is directly represented on the executive and council of the association, and every society will be acting wisely if it affiliates with the branch in its own district.

The Co-operative College.

This chapter would be incomplete without some reference to the Co-operative College. This institution had its origin at the National Easter Week-end gathering held at Leicester in 1912, when a paper was read on the subject. Propaganda in favour of the establishment of such a college was immediately commenced; but, owing to the war, it was not until the Carlisle Congress, in 1919, that the Central Board were definitely instructed to raise a fund (£50,000) for the purpose of establishing a college. A good portion of this amount has been raised or promised, and work on college lines is being conducted, and for some years now has been conducted, at Holyoake House, the headquarters of the Co-operative Union at Manchester. At this centre, students of both sexes from home and abroad are being received in increasing numbers every year. A hostel for residential students is provided in the suburbs of Manchester, but within easy reach of Holyoake House. The College, as its prospectus shows, provides instruction in a wide range of subjects, and offers much-needed facilities for the continuation of the studies commenced in local classes. Committees would strengthen their own societies, and materially assist the development of the College, by granting scholarships to the deserving students among their members and their members' children. The minimum age at which students are admitted is 17. Valuable work has already been done by the College and more can be done as fast as societies utilise its facilities.

Conclusion.

This chapter has been a long one; but many matters have scarcely been touched and others have not been mentioned. It is, therefore, suggested that the pamphlets and books —recommended in Appendix X—be obtained from the Publications Department of the Co-operative Union (with which department every education department should keep in touch, and from which it can obtain pamphlets, text books, and other books), and read as a supplement to this chapter.

A perusal of these pamphlets and books, or the principal ones in the list, will provide fuller information upon many of the subjects discussed in this chapter, and will give a member of an education committee a larger equipment for the work he has undertaken. But in his case, as in the case of a member of a management committee, something more than knowledge is required. Knowledge will enable him to do his work more effectively ; but he must have the " will " to do it, or the knowledge will serve little purpose. If he possesses the necessary knowledge and the desire to serve, a member of an education committee can find unlimited opportunities of contributing to the success of the Co-operative Movement. His example will attract others to the work, and his contribution to the Movement will not be confined to the work which he himself does.

APPENDICES

I.—APPENDIX I. Brief Chronological Table of the Legislation Relating to Industrial and Provident Societies.

II.—APPENDIX II. Co-operative Societies (Industrial and Provident Societies) and Joint Stock Companies Compared and Contrasted.

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IV.—APPENDIX IV. Form of Bond referred to in Section 47 of the Industrial and Provident Societies Act of 1893 and given in Schedule III of the Act as the Form of Bond suitable in cases where Societies require a Bond from an Officer having Receipt or Charge of Money.

V.—APPENDIX V. Notes on the Constitution and Work of the Co-operative Union and the English and Scottish Wholesale Societies.

VI.—APPENDIX VI. Suggested Code of Standing Orders for the Regulation of Business at the Meetings of a Co-operative Society.

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IX.—APPENDIX IX. Suggested Objects, Methods, and Constitution for a Joint Committee (in some Societies termed an Advisory Council) of Management Committee and Employees.

X.—APPENDIX X. Clubs and Hire Purchase.

XI.—APPENDIX XI. Books and Pamphlets Useful to Committee Members.

APPENDIX I.

(See page 6.)

Brief Chronological Table of the Legislation Relating to Industrial and Provident Societies.

(A fuller sketch of the history of this legislation is published in booklet form by the Co-operative Union Limited.)

1793. First Act relating to Friendly Societies passed. Registration voluntary, but essential to secure legal status. Rules to be submitted to justices in quarter session for confirmation as being in conformity with true intent and meaning of the Act.

1819. Second Act relating to Friendly Societies passed. Justices required not to confirm any tables of payments unless tables and rules had been approved by at least two persons known to be professional actuaries or persons skilled in calculation.

1825. Select Committee of House of Commons appointed to consider whole question of Friendly Societies.

1827. Re-appointment of Select Committee. Reported in favour of (1) no compulsion *re* registration, (2) limitation of membership to 200, (3) making of returns to Government.

1829. New Act relating to Friendly Societies passed. Societies desiring to register had to submit their rules to a government official for inspection and revision before placing them before quarter sessions. Returns to be prepared and laid before Parliament. Minors allowed to become members. Effects of a member dying intestate, if under a specified sum, might be distributed to certain persons without letters of administration.

1834. Further Act passed. It added "any other purpose which is not illegal" to the purposes which societies might include in their objects.

1835. Loan Societies' Act passed.

1836. Building Societies' Act passed.

1840. Loan Societies' Act passed.

1844. Rochdale Pioneers "enrolled" under the Acts of 1829 and 1834.

1846. New Friendly Societies Act passed. Local registration by justices of peace abolished. The barrister, to whom societies desiring

registration had been required to submit their rules, was replaced by a salaried Registrar of Friendly Societies. (Mr. John Tidd Pratt, the barrister who had been acting, was appointed first Registrar for England and Wales. Other provision was made for Scotland and Ireland.) A higher standard of actuarial approval of tables was demanded before a society was registered. The Frugal Investment Clause was added to the objects for which societies might be formed. Societies might be formed under the Act " for the frugal investment of the savings of their members, for the better enabling them to purchase food, firing, clothes, and other necessaries, or the tools or other implements of their trade or calling, or to provide for the education of their children or kindred with or without the assistance of charitable donations . . ." (this clause was more in keeping with the objects of co-operative societies than the purposes previously authorised ; and many societies took advantage of the Act and were registered in accordance with it). Transferable shares were prohibited by the Act; but payment of dividends and undertaking of educational work were not a contravention of the Act. Exemption was granted from the operation of old Acts of Parliament which rendered societies with branches illegal and prohibited certain meetings of more than 50 persons if held without notice. The Act did not authorise sales to non-members and some co-operative societies were hampered by this limitation.

1850. (*A*) Consolidating Act for Friendly Societies passed ; and

(*B*) Appointment by House of Commons of a committee to consider and suggest means of removing obstacles and giving facilities to safe investments for the savings of the middle and working classes.

(*A*) This Act, *inter alia*, repealed the Acts of 1829 and 1834 under which the Rochdale Pioneers had enrolled; but continued the frugal investment clause of the 1846 Act and added to the lawful objects of societies (1) insurance of members, (2) relief, maintenance, or endowment of members, (3) insurance against loss or damage of live or dead stock, (4) assisting of emigration, (5) any purpose certified to be legal by specified legal officers of the government as a purpose to which the powers and facilities of the Act ought to be extended. Societies had to forward annual returns to the Registrar under penalty of being deprived of rights of suing.

(*B*) The friends of the Co-operative Movement, alarmed by a proposal (in Mr. Sotheron Estcourt's Bill on Friendly Societies) to replace the frugal investment clause by another (" for any purpose of a provident or benevolent nature ") which was suitable for friendly societies but not for co-operative societies, organised themselves to lay evidence before the committee then sitting to inquire into the investments of the middle and working classes. They urged the retention of the frugal investment clause (and were successful in securing its retention) and the desirability of introducing special legislation for co-operative societies and for the granting of limited liability.

1852. The first Industrial and Provident Societies Act passed. It permitted the establishment of societies for the purpose of raising by the voluntary subscriptions of the members a fund for attaining any purpose or object for the time being authorised by the laws in force with respect to friendly societies or that Act, by carrying on or exercising in common any labour, trade, or handicraft or several labours, trades or handicrafts, except the working of mines, minerals, or quarries beyond the limits of the United Kingdom, and also except the business of banking, whether in the United Kingdom or not. The Bill originally provided for societies " for the purpose of maintaining, relieving, educating, endowing, or otherwise benefiting themselves, wives or children," but these words were eliminated after the Bill had passed through committee. The rate of interest which societies might pay was limited to 5 per cent; dividends on purchases were specially authorised; and the balancing and auditing of accounts twice a year and the inspection of the accounts by members were to be provided for by societies' rules. Shares could not be transferable; the law relating to friendly societies was, in general, to apply unless varied by the Act; shareholding was limited to £100 for each member; the liability of members for the debts of the society was to be unlimited and to continue for two years after ceasing membership; and the regulation regarding preparation of returns was continued; whilst the exemptions from stamp duties were modified. Societies were still prevented from holding more than one acre of land.

1854. Amending Act to the Industrial and Provident Societies Act of 1852 passed. It varied the application to Industrial and Provident Societies of the legislation referring to friendly societies. The former societies were now required to appoint two persons who might sue, or be sued, on their behalf and this provision relieved trustees of much responsibility. (This provision continued until the 1862 Act gave societies a legal corporate existence with power to sue and be sued in their own name.)

1855. A Friendly Societies Act passed in this year contained a clause providing that all its provisions should apply to all societies registered under the 1852 Act in the same manner as did the laws relating to Friendly Societies passed before that Act. This was intended to secure for societies certain rights of which they might otherwise have been deprived by certain repeals contained in the Act. (This clause was repealed by the Industrial and Provident Societies Act of 1862, other provisions then being made.) The Act raised to £200 the maximum holding of a member of a friendly society; but this provision was not to apply to Industrial and Provident Societies. Whilst the profits of the latter societies might be applied only for the purposes allowed by the Friendly Societies Acts, the Friendly Societies Acts of 1855 omitted the purpose of education.

1856. Second Amending Act to the 1852 Act passed. It dealt with legal proceedings by societies registered under the 1852 Act.

1862. New Industrial and Provident Societies Act passed. It repealed the Acts of 1852, 1854, and 1856. It provided that a society should have a minimum of seven members, and might carry on "any labour, trade, or handicraft, whether wholesale or retail, except the working of mines and quarries, and except the business of banking." It might apply its profits for any purposes allowed by the Friendly Societies Acts or otherwise permitted by law. Societies gained the status of corporate bodies with a seal. They could invest and could sue and be sued in their own name without invoking the aid of trustees or persons specially appointed. They gained the advantage of limited liability; and the restriction to one acre of their holding of land was withdrawn.* The shareholding limit of members was raised to £200. (It had been raised to this amount in the case of Friendly Societies and their members in 1855.) Copies of rules had to be supplied to all persons on demand and the payment of one shilling. A registered office had to be fixed, and a penalty was imposed upon societies carrying on business without such an office. The general application of the law relating to friendly societies was modified, and the provisions that were to apply were specified. Included in these were exemption from stamp duties and income tax, settlement of disputes by arbitration or justices, and nomination of member's interest; but some provisions of the Companies Act passed in the same year were also to apply. A member's liability on leaving the society was restricted to unpaid share capital, and, for a year after leaving, to the debts existing at the time of leaving, and only then in case the contributions due from existing members were insufficient to meet the liabilities. Every person with an interest in the funds of a society was given the right to inspect the books and names of the members of the society at all reasonable hours. A statement, in form prescribed by the Registrar, was to be transmitted annually to the Registrar exhibiting the funds and effects, assets and liabilities of the society; and every member or depositor in such society was to be entitled to receive a copy of the statement free of cost.

1867. An Amending Act to the Industrial and Provident Societies Act of 1862 passed. It repealed the section of the Friendly Societies Act of 1855, which applied the provisions of that Act to Industrial and Provident Societies in the same manner as the 1852 Industrial and Provident Societies Act applied the then existing legislation referring to friendly societies. It also repealed the whole of certain sections of the 1862 Act and part of another. The principal effects of the 1867 Act were (1) to remove the restriction on the working of mines and quarries, (2) to give societies registered under the Act power to hold an unlimited number of shares in another society (whilst this did not extend unlimited holding to companies and individuals it made possible the successful financing of the whole-

* Co-operators pressed for these reforms, which were desirable as means of facilitating the establishment of federal societies. The formation of the C.W.S. (1863) itself was facilitated by the passing of this 1862 Act. (*See* P. Redfern's "Story of the C.W.S.," pp. 21-26).

sale societies by retail societies), (3) to withdraw the exemption from stamp duties and income tax under the Friendly Societies Acts, but certain exemptions from stamp duty were given and a special clause gave exemption from charge to income tax under Schedules C and D, every society being required, however, to transmit to the commissioners for special purposes of the Income Tax Acts lists of persons to whom profits made by the society had been paid, (4) to permit nomination of a member's interest if not over £50 and to order the keeping of a nominations book, (5) to provide for registering of alterations and additions to rules, and (6) to fix a date (March 1st) for sending annual returns to the Registrar, with penalties for non-compliance. Greater power to hold and deal in land was also given by the Act. A schedule to the Act comprised a list of matters to be provided for in the rules of a society registered under the Act; whilst suggested model rules were also given and these might be adopted with or without alteration.

1871. An Amending Act to the existing Acts passed to make clearer, and extend, the powers of societies in regard to the holding of, and dealing in, land, buildings, &c.

1873–4. Inquiry by a committee of the House of Commons into the law relating to Friendly Societies.

1874. Bill introduced into the House of Commons to consolidate into one Act the law relating to (1) Friendly Societies, (2) Cattle Insurance Societies, (3) Industrial and Provident Societies, (4) Scientific and Literary Societies, (5) Trade Unions, (6) Loan Societies, and (7) Specially-authorised Societies. This Bill received much opposition and was withdrawn, but a new Bill was introduced a year later for a limited number of types of society.

1875. Friendly Societies Act passed governing (1) Friendly Societies, (2) Cattle Insurance Societies, (3) Benevolent Societies, (4) Working Men's Clubs, and (5) Specially-authorised Societies.

1876. New Industrial and Provident Societies Act passed. It repealed the Acts of 1862, 1867, and 1871. By this Act, in addition to powers given by previous Acts, banking was permitted to societies all of whose capital was transferable, under certain conditions; but the taking of deposits not exceeding 5s. in one deposit, or more than £20 in all, withdrawable on not less than 10 clear days' notice, was not to constitute banking, and this facilitated the establishment of penny banks; the provision regarding exemption from income tax under Schedules C and D was slightly amended, and the duty imposed upon societies of forwarding, to the Income Tax Commissioners, lists of members receiving a share of the profits was withdrawn; and wider powers regarding contracts and investments were given. It specified that interest in the funds of the society was interest in shares, removing the doubt as to whether the holding of loan capital constituted an interest in a society.

1880. The Customs and Inland Revenue Act (Section 8) provided that Industrial and Provident Societies should not be chargeable to the Income Tax Acts under Schedule C or Schedule D unless they sold to persons not members thereof and the number of their shares was limited either by their rules or their practice; but no member or other person employed by the same to whom any profits were paid was to be exempted from assessment to the said duties to which he would otherwise be liable (this Section 8 was repealed by the Industrial and Provident Societies Act of 1893).

1883. The Provident Nominations and Small Intestacies Act was passed. This Act, says Mr. Neale, made an important addition to the privileges of both friendly societies and industrial and provident societies. It extended the power of nomination given to the members of these societies from £50 to £100, altered the point at which probate duty became payable, with inclusion in the case of industrial and provident societies of deposits and loans, subject only, where the sum exceeded £80, to the production of proof that legacy duty had been paid, or a certificate from the Commissioners of Inland Revenue that none was payable. It cleared away some former doubts attached to the process of nomination and allowed payment to be made to the natural relatives of an illegitimate member who would have been entitled if he had been legitimate.

1893. An Act " to Consolidate and Amend the Laws relating to Industrial and Provident Societies " was passed. The objects clause of the Act differed from that of the 1876 Act in specifying " any industries, businesses or trades " instead of " any labour, trade or handicraft " and in requiring the Annual Return to be forwarded to the Registrar before the end of March instead of before the first of June. Other changes included (1) the raising from five shillings to ten shillings of the amount which a depositor in a small savings bank might invest at one time; (2) the exemption from Income Tax charge under Schedules C and D, continued from the 1876 Act, but the provision of the Customs and Inland Revenue Act of 1880 regarding societies selling to non-members and limiting their shares was incorporated; (3) members' power of nominating was extended to loans and deposits (instead of shares only), and to members with total holdings of not more than £100 (previously £50 in shares), but before transferring or paying any sums held by a deceased member who held total property in the society exceeding £80 the committee were to see that any succession or legacy duty which was payable had been paid; and (4) the committee of the society could distribute the holding of a person dying intestate, and in the absence of nomination, without requiring letters of administration if the total holding (shares, loans and deposits) did not exceed £100 (£50 previously), subject to the condition about payment of succession and legacy duty mentioned above, under (3). The Act repealed the whole of the 1876 Act, Section 8 of the Customs and Inland

Revenue Act of 1880, and so much of the Provident Nominations and Small Intestacies Act, 1883, as related to Industrial and Provident Societies.

1894. (*A*) Amending Act passed introducing minor alterations affecting societies in Jersey.

(*B*) The Treasury issued regulations relating to Industrial and Provident Societies. These regulations gave guidance to societies concerning registration and other matters, and prescribed forms to be employed in the carrying out by societies of certain statutory duties, and they also prescribed fees to be paid for certain purposes.

1895. Amending Act passed relating to winding up of societies in Scotland and to appeals in cases where Registrar refuses to register a society or any rules or amendments of rules.

1906. Amending regulation (S.R. & O. 1906, No. 948) relating to fees payable to the Registrar issued.

1912. House of Lords decision in the Eccles Nomination Case. Section 25 (sub-section 1) of the Industrial and Provident Societies Act, 1893, deals with nominations, and ends with the words "does not then exceed £100." The Co-operative Union's legal advisers had always held that "then" referred to the time of the decease of the nominator. At the Manchester Assizes Mr. Justice Avory held that "then" referred to the date of nomination. The Union's appeal was dismissed in the Appeal Court, April 4th, 1911, and in 1912 the House of Lords, by a majority, upheld the decisions of the lower courts.

1913. Industrial and Provident Societies (Amendment) Act, 1913. This Act provided (1) that societies with only two members might be formed, if these members were registered societies; (2) that an annual audit by public auditors should be compulsory and that an auditor should not hold any other office in a society for which he acted as auditor; (3) that the annual return should be made up at a date between September 1st and January 31st, and that societies when forwarding the return should send copies of all balance sheets issued during the period covered by the return; (4) that every society should forward once in every three years with its annual return for the year a special return containing a list of members (distinguished by name or number) and their holdings in shares and loans; (5) that a member might nominate the whole or any specified amount of his property in a society, but if the property comprised in the nomination exceeded £100 the nomination was to be valid for £100 only; marriage was to revoke a nomination made before marriage; and variations were made in the provisions of the 1893 Act relating to the payment without letters of administration of a deceased

member's holdings where there might be liability for estate, succession or legacy duty; and (6) that certain modifications of the provisions regarding offences under the Act should be made.

1918. The Income Tax Act contained a sub-section repealing Section 24 of the Industrial and Provident Societies Act of 1893, and substituting for it the following which contains but one or two verbal alterations of Section 24:—

"A society registered under the Industrial and Provident Societies Act, 1893, shall be entitled to exemption from tax under Schedules C and D, unless it sells to persons not members thereof, and the number of its shares is limited by its rules or practice, but no member of or person employed by the society shall be exempt from charge to the tax to which he would otherwise be liable."

1923. Treasury issues amended regulation (S.R. & O., 1923, No. 920) altering the fees prescribed in the amended regulation No. 948 of 1906 as payable to the Registrar.

1928. March 28th. A short Act of two clauses, to amend Section 22 of the Industrial and Provident Societies Act, 1893. By this Act a member of a society registered under the Act of 1893 shall not, without his consent in writing having been first obtained, be bound by any amendment of rules registered after he became a member and after the passing of this Act, if and so far as such amendment requires him to take or subscribe for more shares than the number held by him at the date of registration of the amendment, or to pay upon the shares so held any sum exceeding the amount unpaid upon them at that date, or in any other way increases the liability of the member to contribute to the share or loan capital of the society.

APPENDIX II.

(See pages 7, 8, and 9.)

Co-operative Societies (Industrial and Provident Societies) and Joint Stock Companies Compared and Contrasted.

When co-operative societies were first registered they were registered in accordance with the Acts relating to Friendly Societies. There was not at that time special legislation relating to joint-stock companies with limited liability, and as the purpose of mutual aid rather than trade was the more prominent feature of the early societies, it is not surprising that they took advantage of the legislation relating to friendly societies. Indeed, when the first Industrial and Provident Societies Act was passed in 1852 one section provided that all the provisions of the laws relating to friendly societies should have general application unless excepted, but went on to say that no society should be considered to be within the provisions of an Act passed in 1844 relating to the Registration, Incorporation, and Regulation of Joint Stock Companies.

Between 1852 and 1862 co-operative societies for trading purposes developed faster than societies engaging in industry, and their legislative needs corresponded more nearly to those of companies than to those of friendly societies. In 1862 an important Act relating to joint-stock companies was passed. Limited liability under certain conditions had been accorded by an earlier Act to shareholders in joint-stock companies, and this Act and others were brought together in the Consolidating Act passed in 1862. In this same year (1862) another Industrial and Provident Societies Act was passed, and clauses in that Act brought industrial and provident societies into closer correspondence with companies in several respects. Since that time, owing to the development of special legislation for the two types of organisation, differences have in some respects become more clearly marked, but the similarities have also increased. Some of the more important differences and similarities are set forth in tabular form, the differences being printed in ordinary type and similarities in italicised type.

Registration.

An Industrial and Provident Society.	*A Joint Stock Company.*
Is registered with the Registrar of Friendly Societies.	Is registered with the Registrar of Joint Stock Companies.
Is registered with rules.	Is registered with a Memorandum of Association and Articles of Association.

REGISTRATION—(*continued*).

An Industrial and Provident Society.	*A Joint Stock Company.*
Becomes a corporate body with a right to sue and be sued in its own name.	*Becomes a corporate body with a right to sue and be sued in its own name.*
Pays a fee upon registration of £10, irrespective of capital, and this fee may be reduced.	Pays for deed stamp and a registration fee, the amount of the fee depending upon the amount of nominal share capital.
Must use Limited as the last word in its name.	*Must use Limited as the last word in its name.*
Rules are binding upon the society and members thereof.	*Articles of Association are binding upon the company and members thereof.*
Must have a registered office and notify any change in the situation thereof to the Registrar of Friendly Societies.	*Must have a registered office and notify any change in the situation thereof to the Registrar of Joint Stock Companies.*

MEMBERSHIP.

Register of shares admissible in evidence.	*Register of shares admissible in evidence.*
Requires a minimum of seven individuals or two registered societies.	Requires a minimum of two members for a private company and seven for other companies.
Is unlimited in regard to number of members it may accept.	Is limited in regard to number of members in a private company but not in a public company.
Usually accords one member one vote.	Usually accords votes according to share capital holding.

CAPITAL.

Total share capital limited only by number of members, the individual holding, except in the case of a registered society, being limited to £200.	Total share capital limited to amount set forth in the original Memorandum of Association or as subsequently amended, the individual holding being unlimited.
May have either transferable or withdrawable shares and can repay transferable shares.	May have transferable shares but not withdrawable shares, any repayment of share capital requiring the sanction of the court.
Does not usually issue certificates for either withdrawable or transferable shares.	Issues share certificates.
May not accept loan capital unless provided for in rules, which must prescribe amount and security.	May accept loan capital without limit or security.

CAPITAL—*continued.*

An Industrial and Provident Society.	*A Joint Stock Company.*
May not undertake banking if any capital is withdrawable.	May undertake banking, subject to the general law relating to banking businesses.
May accept deposits of not more than 10s. in one deposit or £20 in all from depositors without being considered to have undertaken the business of banking.	Is not provided with this special provision.
Has little or no uncalled capital.	May mortgage uncalled capital.
Has power to accept nomination of a member's interest in the society and distribute the interest of a member who dies intestate without letters of administration.	Has no power to accept nomination or pay out the shares of a deceased member.

PROFITS.

Usually distributes profits (after paying share interest at a fixed rate) in proportion to purchases (distributive societies) or in proportion to capital, wages, and trade (co-partnership societies).	Usually distributes profits in proportion to capital.

TAXATION.

Is exempt from tax under Schedules C and D unless it sells to persons not members of the society, and the number of its shares is limited by its rules or practice. It is liable under Schedules A and B; and individuals receiving a part of the profits (*i.e.*, interest) are not exempt if their income is above the exemption limit. Principle of taxation at source not applied.	Is liable to assessment under all schedules; and individual shareholders who are not liable must claim the return of any amount deducted from their share of the profits. Principle of taxation at source applied.

RETURNS.

Has to file an Annual Return with the Registrar of Friendly Societies.	Has to file with the Registrar of Joint Stock Companies once a year a list of shareholders (with shareholding) and directors, a Return and a copy of its balance sheet.

RETURNS—*continued.*

An Industrial and Provident Society.	*A Joint Stock Company.*
Has to file a triennial return showing holdings of all share and loan holders.	Has not to file a triennial return, but the return forwarded annually contains much information similar to that contained in the Triennial Return of Industrial and Provident Societies.

GENERAL.

Must have its accounts audited by a public auditor.	May appoint any person as auditor.
May be formed only for the purpose specified in the Act and authorised in its rules.	May be formed for any purpose that is not illegal.

APPENDIX III.

(See pages 11 and 15; also pages 47, 48, and 49.)

Matters to be Provided for in the Rules of an Industrial and Provident Society.

Schedule II to the Industrial and Provident Societies Act, 1893, contained a statement of matters to be provided for in the rules of a society registered under the Act. The form upon which application for registration of a society must be made extends the list to some extent, and the following list of matters to be provided for in the rules is compiled from Form "A," upon which application to register a society is made:—

1. The object, name, and registered office of the society.
2. The terms of admission of members, including any society or company investing funds in the society under the provisions of the Act.
3. Mode of holding meetings, scale and right of voting, and the manner of making, altering, or rescinding rules.
4. Appointment and removal of a Committee of Management, of managers and other officers, and their respective powers and remuneration.
5. Determination of the amount of interest, not exceeding £200 sterling, in the shares of the society which any member other than a registered society may hold.
6. Determination whether the society may contract loans or receive money on deposit, subject to the provisions of the Act, from members or others; and, if so, under what conditions, on what security, and to what limits of amount.
7. Determination whether the shares or any of them shall be transferable, and provision for the form of transfer and registration of the shares and for the consent of the Committee thereto; and determination whether the shares or any of them shall be withdrawable, and the mode of withdrawal, and the payment of the balance due thereon on withdrawing from the society.
8. Determination whether and how members may withdraw from the Society, and provision for the claims of the representatives of deceased members or the trustees of the property of insane and bankrupt members, and the payment of nominees.
9. Mode of application of profits.

10. Custody and use of the seal of the society.

11. Determination whether and by what authority and in what manner any part of the capital may be invested, and whether any part of the capital is forbidden to be invested in or upon any security or in any shares provided by Section 38 of the Act.

12. Inspection of the books of the society by order of the Registrar.

13. Appointment of an inspector to examine and report on the affairs of the society, and the calling of a special meeting by order of the Registrar.

14. Voluntary dissolution of the society.

15. The following statutory duties of the society :—
    (*a*) Delivery on demand of copies of the rules and the sum to be paid for the same.
    (*b*) Publication and use of the name of the society.
    (*c*) Annual audit of accounts, the appointment of a Public Auditor for the purpose, and the keeping of a copy of the last balance sheet and the auditor's report always hung up at the registered office.
    (*d*) The sending to the Registrar of an annual return of the receipts and expenditure, funds and effects of the society, with copies of the auditor's report and balance sheets, and the supplying on application of a copy of the last annual return.
    (*e*) The inspection of a member's account and the books containing the names of the members.
    (*f*) The sending to the Registrar of a triennial return of the holding of each person in the society whether in shares or loans.
    (If a society carries on the business of Banking it must provide for the following statutory duty in its rules.)
    (*g*) The making and keeping hung up of the half-yearly statement required by the Act in the registered office and other places of business. (This clause (*g*) applies only to societies carrying on the business of banking.)

16. (If the society desires to provide in its rules for any of the following matters the number of each rule in which provision is made for them must be stated in the form of application for registration) :—
    (*a*) Additional rights of inspection of the Society's books. (Sec. 17(3).)
    (*b*) Charging a sum not exceeding 3d. for registering nominations or revocations or variations thereof.
    (*c*) Exclusion of persons between 16 and 21 years of age from membership.
    (*d*) Exclusion of power to hold and deal with land.
    (*e*) Power to advance money to members.
    (*f*) Special form of receipt endorsed for discharge of mortgages.
    (*g*) Giving of security by officers.
    (*h*) Decision of disputes.

APPENDIX IV.

(See page 23.)

Form of bond referred to in Section 47 of the Industrial and Provident Societies Act of 1893 and given in Schedule III of the Act as the form of bond suitable in cases where societies require a bond from an officer having receipt or charge of money:—

Forms of Bond.

(1) *In England or Ireland.*

(*a*) Know all men by these presents, that we, *A. B.*, of one of the officers of the Limited, hereinafter referred to as "the society" whose registered office is at in the county of , and *C. D.*, of (as surety on behalf of the said *A. B.*), are jointly and severally held and firmly bound to the said society in the sum of to be paid to the said society, or their certain attorney, for which payment well and truly to be made we jointly and severally bind ourselves, and each of us by himself, our and each of our heirs, executors, and administrators, firmly by these presents. Sealed with our seals. Dated the day of

Whereas the above-bounden *A.B.* has been duly appointed to the office of of the Society, and he, together with the above-bounden *C. D.* as his surety, have entered into the above-written bond, subject to the condition hereinafter contained; Now therefore the condition of the above-written bond is such, that if the said *A. B.* do render a just and true account of all moneys received and paid by him on account of the society, at such times as the rules thereof appoint, and do pay over all the moneys remaining in his hands, and assign and transfer or deliver all property (including books and papers) belonging to the society in his hands or custody to such person or persons as the society or the committee thereof appoint, according to the rules of the society, together with the proper and legal receipts or vouchers for such payments, then the above-written bond shall be void, but otherwise shall remain in full force.

Sealed and delivered in the presence of

(*b*) *Know all men* by these presents that I of , in the county of , am firmly bound to Limited, hereinafter referred to as "the society," whose registered office is at , in the county of , in the sum of pounds sterling to be paid to the said society or their assigns, for which payment to be truly made to the said society or their certain attorney or assigns I bind myself, my heirs, executors, and administrators, by these presents sealed with my seal.

[*And know further* that I [we] as surety [sureties] for the above-named principal obligor and such obligor are jointly and severally bound to the society in the sum aforesaid to be paid to the society or their assigns, for which payment to be truly made to the society or their certain attorney or assigns we firmly bind ourselves and each of us our and each of our heirs, executors, and administrators by these presents sealed with our seals.]

Dated the day of 19

The condition of the above-contained bond is that if the said faithfully execute the office of to the society during such time as he continues to hold the same in virtue either of his present appointment, or of any renewal thereof if such office is of a renewable character [without wasting, embezzling, losing, misspending, misapplying, or unlawfully making away with any of the moneys, goods, chattels, wares, merchandise or effects whatsoever of the said society at any time committed to his charge, custody, or keeping by reason or means of his said office], and render a true and full account of all moneys received or paid by him on its behalf as and when he is required by the committee of management of the society for the time being, and pay over all the moneys remaining in his hands from time to time, and assign, transfer, and deliver up all securities, books, papers, property, and effects whatsoever of or belonging to the society in his charge, custody, or keeping, to such person or persons as the said committee may appoint, according to the rules or regulations of the society for the time being, together with the proper or legal receipts or vouchers for such payments; and in all other respects well and faithfully perform and fulfil the said office of to the society according to the rules thereof, then the above-contained bond shall be void and of no effect; but otherwise shall remain in full force.

Sealed and delivered by the above-named

[The words between brackets against which we have set our initials being first struck out*] in the presence of us

and

* If no words are struck out in the bond or condition, strike out these words and let the witnesses set their initials in the margin.

(2) *In Scotland.*

I, *A. B.*, of , hereby bind and oblige myself to the extent of £ at most, as cautioner and surety for *C. D.*, a person employed by the Society, that he, the said *C. D.*, shall on demand faithfully and truly account for all moneys received and paid to him for behoof of the said society, and also assign and transfer or deliver all property (including books and papers) belonging to the said society in his hands or custody, and that to such person or persons as the said society or the committee thereof appoint, according to the rules of the said society.

Dated at this day of

Signature of cautioner.

E. F. of witness.

G. H. of witness.

The above bond shall not require a testing clause or subscription clause.

APPENDIX V.

(See Chapters XIX. and XX.)

NOTES ON THE CONSTITUTION AND WORK OF THE CO-OPERATIVE UNION AND THE ENGLISH AND SCOTTISH WHOLESALE SOCIETIES.

I.—THE CO-OPERATIVE UNION LTD.

(See also for further information the Rules of the Union and the Pamphlets on the Union and its Work.)

Membership.

Industrial and Provident Societies, Joint Stock Companies, and other bodies corporate, are eligible for membership of the Union; but no individual is eligible. The members to-day include retail and wholesale societies, productive societies, and special societies such as holiday-home and convalescent-home societies.

Subscriptions.

Every society joining the Union must take up one five-shilling share, upon which no interest is payable. Annual subscriptions are payable in addition. Retail societies pay an annual subscription of 2d. for each of their own members, the basis of payment being the number of members returned by each society in its last annual return to the Registrar. Special subscriptions are payable by other societies, the amount or basis being fixed by the United Board. Subscriptions may be paid in full during the first quarter of the year, or by quarterly instalments.

Voting Rights.

Retail distributive societies are entitled to one vote for each complete thousand, or part of a thousand, members, for whom subscriptions have been paid for the previous year. The United Board, or Central Board, decides the number of votes to which societies other than retail distributive societies shall be entitled. At Congress, one delegate carries the voting card by means of which the full voting strength of a society is exercised. On a postal vote for any purpose, a resolution of the committee or the society, decides how the society's votes shall be cast. On other occasions, the votes of a society may be exercised in other ways, *e.g.*, by several delegates each carrying one vote. Conference associations, with the consent of their sectional board, may appoint a delegate to Congress with power to vote; but the conference associations do not exercise a vote at other times as do the members of the Union. Members (other than honorary members) of the Central Board attending Congress are not now entitled to vote thereat. Delegation at Congress was altered at the 1928 Congress and is now one for the first 1,000 members, and an additional delegate for each additional 5,000 members or fraction thereof, with a maximum of six delegates.

Annual Meeting or Congress.

The Annual Congress is held on Monday, Tuesday, and Wednesday of Whit Week; but both time and place can be decided, and usually are decided, by the preceding Congress. The Congress is now held in the different sections in rotation. Those entitled to attend Congress are: (1) All members of the Central Board, including honorary members (attending at their own expense and without right to vote); and (2) all duly-appointed delegates who have been members of their society for a year, but this time condition does not apply in the case of representatives of conference associations and special societies.

*Committees of the Union.**

Sectional Boards.

Great Britain and Ireland are divided for purposes of co-operative administration into nine geographical areas known as sections. These sections are named: Irish, Midland, Northern, North-Eastern, North-Western, Scottish, Southern, South-Western, and Western. A map given in the Report of the Edinburgh Congress of 1923 shows the area of each section. The Irish Section is governed by an executive of seven members, and in most matters this executive is treated as a sectional board. For each of the other sections a sectional board is elected by the societies in the section (Midland, 11 members; Northern, 7 (but entitled by the rules to 8); North-Eastern, 8; North-Western, 12; Scottish, 10; Southern, 11; South-Western, 6; and Western, 6 members). Nomination papers are issued during the thirteenth week preceding Congress, and are returnable to Holyoake House within a calendar month. Voting papers are issued forthwith, and are returnable not later than seven days before the opening of Congress. Candidates must for 12 months have been in membership of a society, member of the Union, in the section for which they are nominated, and be resident in the section. Vacancies are filled according to the rules of the Union. Sectional Boards have control of all the work of the Union carried on within the limits of their respective sections, subject to any limitations fixed from time to time by the Central Board or United Board. Sectional Boards usually meet monthly.

Central Board.

The Central Board consists of all the members of all the eight sectional boards, with two representatives appointed by the Irish Executive. It meets twice a year, by rule, and may, and does, meet on other occasions by its own decision or that of the United Board. One statutory meeting is for the approval of the Central Board's Report to Congress; another, held immediately after Congress, and usually before Congress has dispersed, is for the purpose of considering the appointment and constitution of the various committees required for carrying on the work of the Union, and to transact any business referred to the Board by Congress. At this meeting the Central Board usually appoints its representatives to the United

* The Annual Report to Congress should be consulted for a record of the work of the various committees and departments of the Union.

Advisory Council of Trade Unionists and Co-operators, receives nominations for the chairmanship of the Central Board, authorises the constitution of the Central Education Committee, and gives the sectional boards and other committees and organisations authority to appoint their representatives to, or nominate candidates for, the Joint Propaganda and Trade Committee (four seats to be filled by Central Board representatives), the Co-operative Party (one from each section), Agricultural Committee (one from each section), and Joint Parliamentary Committee (six seats). The appointment of Co-operative Union representatives to the Trades' Union Congress and the Annual Conference of the National Union of Teachers is also considered at this meeting and usually delegated to the sectional boards of the areas in which the Congress and Conference are being held.

United Board.

The United Board consists of 15 members. The Midland, North-Eastern, North-Western, Scottish, and Southern Sectional Boards at their first meeting after Congress appoint two members each ; and the South-Western and Western Boards, and the Irish Executive, each appoint one member. The United Board must meet within one month of Congress, and thereafter in September, November, January, March, and May, with such other meetings as the Board may deem necessary. It controls the disposal of the funds of the Union in accordance with the rules of the Union ; appoints and, if needful, removes all officers of the Union, and fixes their duties and salaries ; publishes, or authorises the publication, in the name of the Union, of any works of which it may approve ; and transacts any business or does, or authorises, any matters or things which it may consider to be conducive to the welfare of the Union and the proper conduct of its operations. All resolutions of the United Board within the limits of its powers are binding on all members of the Union to the same extent as if they had been resolutions of Congress. The minutes of all other committees of the Union are submitted to the United Board for approval. It appoints representatives to the General Publications Committee and to other committees and organisations.

Office Committee.

The Office Committee is really a sub-committee of the United Board consisting of one member of each Sectional Board and the Irish Executive—nine in all. It is appointed from, and by, the United Board ; but it is customary for each sectional board to indicate which of its representatives on the United Board it desires to have a seat on the Office Committee. The Office Committee meets between the meetings of the United Board as may be necessary ; but its actions and minutes have to be approved by the United Board. It usually meets about six or eight times a year.

Sub-Office Committee.

This sub-committee consists of four persons appointed from, and by, the Office Committee. It is often designated the "Sub-Office and Finance Committee," as its chief function is to deal with the details of the finances of the Union and to carry out any duties remitted to it by the Office Committee or the United Board. The Committee meets when required—usually about six or eight times a year.

Central Education Committee.

This committee was first formed as a special committee of the Central Board in Congress Year 1883-4. It was reconstituted in the Congress Year 1898-9. It consists of one representative of each sectional board (nine in all), one representative from each of the Educational Associations (eight in number—Midland, Northern, North-Western, North-Eastern, Scottish, Southern, South-Western, and Western), a representative from the English Women's Guild, and one representative from the Scottish Women's Guild. It meets six times a year at regular intervals of two months. The Central Education Committee now has charge of the Statistical Department, which was formerly under the control of the Publications Committee. The committee appoints representatives to the Publications Committee and the National Committee of the Co-operative Party, as well as to special committees that may be set up from time to time. The committee is represented on the Executive of Ruskin College and the Workers' Educational Association, as well as upon most of the joint university committees for tutorial classes. The secretary of the committee is one of the joint secretaries of the National Co-operative Men's Guild and of the National Guild of Co-operators.

The general work undertaken under the direction of the Central Education Committee, is outlined in the work of the Education Department described on a later page. On the statistical side, the committee orders various statistical enquiries that may be necessary from time to time; it supervises the preparation of the statistics for the Annual Congress; and it is the Union Committee which has charge of the arrangements for the Annual Trades and Business Conferences.

Publications Committee.

This committee is a joint committee consisting of four representatives of the United Board, two representatives of the Central Education Committee and one representative of the Co-operative Party. It has charge of the publications department, subject to the general control of the United Board. The committee meets at intervals of two months. It authorises the publication, on behalf of the United Board, of text books, pamphlets, leaflets, and other literature for the departments or committees of the Union and also publishes on its own initiative. The general work of the Publications Department, which includes the sale of books, is described on a later page.

Labour Committee.

This committee consists of one representative from each section—nine in all—appointed by the Sectional Board of the section. It has general charge of the Labour Department, whose work is described later. The committee meets from time to time as required, usually about four times a year, and it maintains a close relationship with the sectional hours and wages boards, and the National Conciliation Board. It keeps in touch with the general labour conditions prevailing in the movement and outside, and with the various Trade Boards, Joint Industrial Councils, &c.

National Conciliation Board for Co-operative Service.

This board was set up in 1927, taking the place of the old Joint Committee of Trade Unionists and Co-operators, which was dissolved in 1925. The scheme provides that a National Conciliation Board, composed of twelve members—six on the workers' side and six on the employers' side—together with an independent chairman, shall be set up to deal with matters in dispute between co-operative societies and a trade union or any combination of trade unions failing to come to agreement on any question in dispute. The constitution of the Board is fully explained in Chapter XVII.

United Advisory Committee of Trade Unionists and Co-operators.

This committee was formed in 1917 as a result of resolutions passed by the Co-operative Congress and the Trades Union Congress. Its object is to promote a better understanding and a closer working between the trade union and co-operative movements, and, without interfering in any way with the separate and distinct functions of either constituent body, to carry out a joint programme of work for educational and practical purposes on behalf of both trade unionists and co-operators. The resolution passed at the 1916 Trades Union Congress, and approved at the Co-operative Congress of 1917, reads as follows :—

> The Trades Union Congress is of opinion that the development of the co-operative movement is essential to an active trade-union movement, and invites the Co-operative Union to appoint a committee of six to meet a similar number appointed by the Trades Union Congress to prepare plans for mutual assistance in developing the productive, distributive, and banking activities of the co-operative movement; always providing that the co-operative movement, as represented by the Co-operative Union Limited, is prepared to recognise the trade-union rates of wages and conditions of employment as laid down by the trade unions affiliated to the Trades Union Congress.

Several conferences have been held under the auspices of the joint committee, and a general statement of objects was issued shortly after the formation of the committee. The committee met on five occasions during the Congress Year 1919-20 (see Bristol Congress Report), but has met less frequently since and although no appointments have been made to the committee for a number of years it does not appear to have been formally dissolved.

Joint Propaganda Committee.

This committee functions in England and Wales only. There is a special committee in Scotland working under the Scottish Sectional Board. The National Joint Propaganda and Trade Committee of the Union consists of eight members—four appointed by vote of the Central Board after nominations have been made by the Sectional Boards, and four appointed by the committee of the Co-operative Wholesale Society, the expenses of the committee being met in equal shares by the Union and

the Wholesale Society. The committee employs three whole-time organisers or propaganda agents, who assist new societies in establishing themselves, help societies in propaganda efforts, and visit committees for the purpose of advising them, preparing reports for the guidance of the committee and helping in its work. The secretaries of the Union and Wholesale Society act as joint secretaries to the committee.

Agricultural Committee.

This committee now consists of one representative of, and appointed by, each sectional board. The work of the committee is to afford assistance and advice to societies engaged in agriculture, to organise agriculturists in co-operative societies and to encourage inter-trading between agricultural and consumers' societies. A full-time organiser is employed by the committee and he is at the head of an agricultural department of the Union.

Joint Exhibitions Committee.

This committee consists of four representatives appointed by the United Board, three appointed by the Co-operative Wholesale Society, and three appointed by the Co-operative Productive Federation. It operates only in England, Wales, and Ireland. It controls all joint exhibitions (which must be distinguished from the exhibitions arranged solely by the C.W.S.) except the Congress Exhibition, which is controlled by the Union through the Congress Reception Committee. The number of exhibitions held varies from year to year, according to the number of applications received, but is usually about three per year. The secretarial and organising work connected with the exhibitions is carried out by the central office staff of the Co-operative Union, a member of the Union staff being secretary of the committee. The committee meets as required, usually not more than once or twice a year. Each body represented on the committee pays the expenses of its own members; and the exhibitions are self-supporting with the aid of contributions from the societies in the section or those requesting the holding of the exhibitions.

Trades and Business Conferences Committee.

This special committee has developed out of the work of the Trade Information Bureau, which is organised by the Statistics and General Publications Department of the Union. The Conferences Committee was first formed in Congress Year 1920-21 for the purpose of organising a Trades and Business Congress, or Conferences of a Business Congress nature. The convening committee is representative of the Co-operative Union (United Board and Statistical Committee, about six members in all), Co-operative Wholesale Society (2), Scottish Co-operative Wholesale Society (1), Co-operative Productive Federation (2), National Managers' Association (2), Co-operative Secretaries' Association (2 members). The secretarial and organising work for the conferences is carried out by the staff of the Statistical Department. Conferences have been held in the autumn annually since the first in 1921.

Joint Parliamentary Committee.

The Joint Parliamentary Committee is composed of 12 members. Six are elected by a postal vote of the members of the Central Board after nominations have been received from the sectional boards; two are appointed by the Co-operative Wholesale Society; two by the Scottish Co-operative Wholesale Society, one by the Co-operative Productive Federation, and one by the Secretaries' and Managers' Associations, these two associations appointing a member alternately for one year. The committee has a full-time secretary, with the general secretary of the Union in attendance at all its meetings. Each organisation pays the expenses of its representatives attending the meetings of the committee; and the other expenses are met as to £100 per year by the Co-operative Productive Federation, and as to three-fifths of the balance by the Co-operative Union, and two-fifths of the balance by the English and Scottish Wholesale Societies, in the proportion of two-thirds of this two-fifths by the English, and one-third by the Scottish Wholesale Society. The committee is the "watch dog" of the movement in Parliamentary matters. It "keeps an eye" upon proposed legislation likely to affect co-operators, and brings the views of the committee to the notice of members of Parliament. It makes representations on behalf of the movement to the Government and Government departments, and it arranges deputations to ministers on behalf of the movement when this is required. It also prepares any bills which it may be necessary to introduce in Parliament to protect or advance the interests of the movement; and it issues circulars to societies respecting any new legislation or orders affecting co-operative societies.

Co-operative Party.

This organisation was formed as the "Central Parliamentary Representation Committee," as the outcome of decisions of the Swansea Congress in 1917, and a Special Emergency Conference held in October, 1917. It was, at first, a sub-committee of the Joint Parliamentary Committee. At the Liverpool Congress a new constitution establishing the committee as an independent committee (with its own whole-time secretary) under the name of the National Co-operative Representation Committee was adopted. At the 1919 Congress the name was changed to the Co-operative Party. The National Committee of the Party is constituted as follows: Eight members of the Central Board (one appointed by each section except the Irish); eight representatives elected from, and by, subscribing societies (one for each section except Ireland); two representatives appointed by the Joint Parliamentary Committee, two by the Co-operative Wholesale Society, one by the Scottish Co-operative Wholesale Society, and one representative from each of the following bodies: Central Education Committee, Co-operative Productive Federation, English Women's Guild, Scottish Women's Guild, and National Co-operative Men's Guild. The National Committee meets about four times a year; but an Executive Committee of eight members meets monthly, or as may be required. The work of the committee is outlined in a statement of objects given in the Liverpool Congress Report, pages 164-5, where the financial basis of the Party is also given. Briefly, the object of the Party is to secure independent co-operative representation in Parliament and on local governing

and administrative bodies, and to educate the electorate in co-operative principles in a manner that will mature in co-operative political action. It works in conjunction with local committees and, in some sections, with sectional councils. It prepares a list of suitable candidates and contributes to the election expenses of any parliamentary candidate whose co-operative candidature it has approved. Retail societies joining the Party contribute to the funds of the Party at the rate of ½d. per member per year, and other societies pay such amounts as may be agreed upon by them and the National Committee of the Party. The Co-operative Union pays the salaries and administrative expenses of the Party—which is the political department of the Union—whilst other expenses—such as election grants—fall upon the funds of the Party, contributed by the societies in membership.

Hours and Wages Boards.

District and Sectional Hours and Wages Boards are organised under the auspices of the Union. In the various districts and sections there are such differences in respect to membership, establishment and constitution of these Hours and Wages Boards that a simple general description cannot be given. Where they exist, the societies in membership appoint the boards; but the sectional boards are also represented. The function of the Hours and Wages Boards is to act on behalf of their members in negotiating with the employees' organisations regarding wages and other conditions of employment. The district boards are financed by the societies in membership; but the sectional councils are financed by the Co-operative Union. There have been frequent changes in the constitution of these boards and in the machinery by which they operate, and even now changes are taking place. These boards work in close co-operation with the Labour Department of the Union.

Representation of the Union on Various Bodies.

The Union is represented on the International Co-operative Alliance, the League of Nations Union (Labour Department), Ruskin College, Working Men's College, and Standing Joint Committee of Women's Industrial Organisations; and it appoints representatives to the annual conferences of the National Union of Teachers and the Annual Trades Union Congress. Through the Central Education Committee and other Committees (q.v.) it is also represented on other bodies. The Union makes grants to the Women's Guilds of England, Scotland, and Ireland, and also helps to finance the National Co-operative Men's Guild, and the National Guild of Co-operators.

Organisation and Departments of the Union.

Registered Office and Headquarters:—

Holyoake House, Hanover Street, Manchester. (General secretary, Mr. A. Whitehead; assistant secretary, Mr. T. Horrocks).

Sectional Headquarters and Sectional Offices:—

Irish: 18, Frederick Street, Belfast. (Secretary, Mr. A. R. Parkill.)
Midland: The Firs, 67, Rainbow Hill, Worcester. (Secretary, Mr. C. A. W. Saxton.)

Northern: 84, Westmorland Road, Newcastle-on-Tyne. (Secretary, Mr. A. Stoddart.)

North-Western: Holyoake House, Hanover Street, Manchester. (Secretary, Mr. F. Jones.)

North-Eastern: 7, King Street Chambers, Wellington Street, Leeds. (Secretary, Mr. G. Goodenough.)

Scottish: Co-operative Memorial Buildings, 71, King Street, Tradeston, Glasgow. (Secretary, Mr. W. T. Laing.)

Southern: 66, Great Prescott Street, London, E.1. (Secretary, Mr. R. Hibberd.)

Other secretarial addresses:—

South-Western Section (secretary, a member of the Sectional Board, elected annually): Mr. F. Greenwood, "Torhaven," Cricketfield Road, Torquay.

Western Section (secretary, a member of the Sectional Board, appointed annually): Mr. R. R. Chappell, 51, St. Paul's Road, Gloucester.

*Departments at Headquarters.**

Legal Department.

This department may be consulted by societies on legal points arising in connection with the interpretation of rules or matters arising in connection with their business administration. The solicitor attends at Holyoake House every Tuesday, and may then be consulted by societies' representatives, or on other days for urgent matters by appointment. Correspondence from societies unable to attend at Manchester is also dealt with daily. The solicitor also visits the Sectional Office at Newcastle once a month; and there is a special legal adviser for Scottish societies. The General Secretary and Assistant Secretary attend to the drafting and registration of societies' rules.

Education Department.†

This department is controlled by the Central Education Committee on behalf of the United Board. It issues annually an educational programme which includes syllabuses of instruction in a large number of co-operative and other subjects; and local societies organise classes on these syllabuses, whilst the Education Department itself organises special classes for women, and classes in salesmanship, management, secretarial work, auditing, and some other subjects included in the programme. It also conducts correspondence classes in most of these subjects. The department arranges examinations in the various subjects (about 40 in all), and grants certificates, scholarships, and prizes, upon the results of these examina-

* See the Annual Congress Reports for details of the work carried out by the departments.

† A more detailed statement of the work of the department is contained in the Report to the Brighton Congress, pages 200-204. This statement is also published in pamphlet form.

tions ; and it has set up examination boards for the supervision of certain examinations.

It arranges a " Week End " every Easter, a number of week-end schools and summer schools, including junior summer schools and an international summer school. It also organises annually a conducted tour in some foreign country. Text books and other publications are issued through the Publications Department. The Union library is in the charge of the staff of the department. The work of the Co-operative College (at present carried on at Holyoake House) and the evening classes meeting at Holyoake House, are also organised by the department. Besides the secretary and administrative staff, the department has a teaching staff consisting of an adviser of studies and four teachers (two men and two women) at Holyoake House, and two travelling teachers who conduct classes in technical subjects in various centres where such services are required.

The secretary of the Central Education Committee is a joint secretary of the National Co-operative Men's Guild and of the National Guild of Co-operators, and much of the guild secretarial work is done in the department.

Publications Department.

The chief work of the Publications Department is to prepare and publish on behalf of the United Board, books, booklets, pamphlets, and other literature, on co-operative subjects, and to act as publisher for all other departments of the Union, including the Co-operative Party. The department also conducts a large and growing business in book selling, and is now able to supply all books on Co-operation and allied subjects printed in the English language, its book-selling business being confined mainly to the sale of propaganda, educational, and technical works useful to co-operators. A catalogue and price list of all books published and stocked by the department is published annually for the information of societies. In recent years, the department has been made responsible for the preparation of the Annual Report of the Central Board to Congress, and the Report of the Congress proceedings. It also publishes the " Co-operative Review " (every two months), which is the official organ of the Co-operative Union, and also the " Co-operative Official " (on behalf of the National Union of Co-operative Officials and the Co-operative Managers' and Secretaries' Associations). The department also undertakes a great deal of valuable publicity work on behalf of the Co-operative Union and the Co-operative Movement generally. It issues a monthly News Service, contributes special articles to the British and Foreign Co-operative Press, and now supplies reports to several year books published by co-operative organisations in foreign countries. The Publications Department, therefore, is to some extent a " service " department, which not only works independently as a department, but also renders assistance to all other departments of the Union in their work.

Statistical Department and Trade Information Bureau.

This department prepares the annual Congress statistics and the various analyses and reports based on these statistics. It collects and tabulates information required by other departments and the various committees of the Union. It collects and files information likely to be of service to societies, and from its records answers questions received from societies. It undertakes special enquiries, *e.g.*, *re* departmental working expenses, and publishes the results of its enquiries and investigations for the service of the movement. It also assists in the organising of the Trades and Business Conferences, and is working with the Secretaries' and Managers' Associations of England and Scotland in collecting data bearing upon the administration of societies.

Labour Department.

The work of the Labour Department has already been outlined fairly fully in the main part of this book, and beyond repetition little remains to be said. It keeps in touch with the labour conditions prevailing in the movement and the outside world, so that it can advise societies and help them in regard to labour matters. Connection is maintained with the work of trade boards, and societies are advised of any new regulations issued by the boards or government departments. The department also advises and helps societies in cases of dispute arising with their employees; and it maintains a close connection with the National Conciliation Board and the various Hours and Wages Boards. The department is supervised by the Labour Committee already mentioned, with a labour adviser who is a permanent official of the Union.

Agricultural Department.

The Organiser reports on questions of farm policy, with suggestions for the improvement of financial returns from farming, and endeavours to bring together agricultural and distributive associations within the Movement. Among the duties of this department are the provision of advisory services, the inspection of farms held by Co-operative Societies, the collection of agricultural statistics, and the organisation of agriculturalists with a view to the establishment of inter-trading between agricultural producers and the Co-operative Movement.

Finance Department.

This department receives and makes all payments on behalf of the Union and its various funds, including the collection of the subscriptions for the Co-operative Party, and from British societies for the International Co-operative Alliance. It also advises societies on matters of finance and taxation, *e.g.*, Rates and Income Tax.

General Department.

There is a great volume of work of a general character arising out of correspondence, the organising of the Annual Congress, and the carrying out of the decisions of the United Board and other committees of the Union. This work is under the direct control of the general and assistant secretaries of the Union.

II.—THE CO-OPERATIVE WHOLESALE SOCIETY.*

The Society was registered as the North of England Co-operative Wholesale Industrial and Provident Society Limited, 11th August, 1863, with its registered office at Liverpool. The registered office was changed to Manchester in 1865, and after the dropping of the words "Industrial and Provident," from the name in 1867, the title was altered to Co-operative Wholesale Society Limited, in 1872.

Objects.

The Society has very wide objects, including the carrying on of the trades or businesses of wholesale dealers, bankers, shippers, carriers, manufacturers, merchants, cultivators of land, workers of mines, and insurers; but no new trade or business of manufacturers, cultivators of land, or workers of mines, may be begun without the sanction of a general meeting on due notice given.

Membership.

Only co-operative societies or companies registered under the Industrial and Provident Societies Acts or the Companies' Acts may be admitted as members, and they require to be admitted by the general committee and approved by a majority of delegates voting at a general meeting of the society. Proxies may be appointed to act for members outside England, Scotland, Ireland, the Channel Islands, and the Isle of Man. Application for shares, which constitutes an application for membership, has to be made by a resolution of some general or committee meeting of the society or company making the application. It must be made in writing and attested by the signatures of the secretary and three of the members of the applying society or company. A member, which is a society registered under the Industrial and Provident Societies Act, must take up shares in proportion to its own membership—one share of £5 for each two members or fractional part thereof, and must increase the number annually in accordance with the number of its members as per its annual return to the Registrar; but no member other than such a society registered as an Industrial and Provident Society can take up more than £200 in shares.

Shares.

The shares are transferable only. A society may pay up its shares in advance, or it may pay only 1s. per share on admission, in which case it may not withdraw any interest or dividend until the shares are fully paid. With the consent of a special meeting the General Committee may call up the whole or any part of the share capital on giving notice. A society may, with the consent of the General Committee, transfer its shares or any portion of them to another society, but any such transfers have to be effected in a form prescribed by the rules. The society has a lien upon

* At the present moment (November 1928) a special Committee of Inquiry appointed by the members of the Wholesale Society is sitting; and its recommendations may involve changes in the organisation of the Society as described below.

the shares and deposits of any member indebted to it; and if the indebtedness is not less than three-fourths of the amount credited on the shares and the amount due is not paid within one month after the making of a special demand the committee may sell the shares.

Meetings.

The rules provide that "All general meetings shall be held in divisions at Manchester, Newcastle, London, and such other cities or towns as such meetings from time to time determine, at such places therein as the General Committee directs, and at such hour in each city or town as the division of the meeting there held determines from time to time." "The ordinary general meetings shall be held at Manchester on the fourth Saturday in the months of January, April, July, and October, in each year, and at Newcastle, London, and any other city or town where a division of the meeting may be hereafter directed to be held, on the Saturday last previous to such days" (see page 313 for places of meeting). "A special general meeting shall be held at Manchester on the day mentioned in the notice convening the meeting, and in each of the places where a division of the meeting is appointed to be held one week previously."

Twenty societies constitute a quorum; and if this number be not represented within one hour of the time appointed for the commencement of the meeting, it stands adjourned for fourteen days, if called by the committee; but it is dissolved if it is a meeting convened by a notice from the members. Business may proceed without a quorum at any division of a general meeting after the chair has once been taken; and any such division of the general meeting may adjourn for not less than fourteen days nor more than four weeks.

A special general meeting may be convened at any time by resolution of the General Committee, or by any ten societies on giving twenty-eight clear days' notice in writing to the secretary; and notice of the meeting must be given to members at least fourteen days before it is to be held.

For each ordinary general meeting the same business paper must, by rule, be sent out to all members four weeks before the day of the final meeting, and in the case of the April and October meetings must be accompanied by the balance sheets for the preceding half years ending January and July respectively. The business paper each quarter must contain all proposals by members of matters which they desire to bring before the meeting, and have communicated to the General Committee not less than six weeks before the day of the final meeting. Any member may send to the General Committee any amendment to any proposal or any proposal arising out of any matter contained in the business paper or balance sheet not later than eight clear days before the day of the divisional meetings; and the committee must forward any amendments or proposals to the members, in print, as an additional business paper, as soon as practicable after they have been received. No matter other than that shown on the original or additional business papers or balance sheets may be put to the vote for the purpose of definite decision at any meeting; and in every case a matter

put to the vote must be proposed in each division in identical terms. The votes at all the meetings are added together to arrive at the final decision. Amendments not on the business paper may be proposed in any division for consideration by it only, and if carried there must be placed in the same terms as a substantive motion on the business paper of the next general meeting. A proposal that a matter be adjourned may be made in any division, although not on the business paper, in which case the total number of members present at such meeting must be ascertained and added to the votes given against the matter in the other divisions, and if there thus results a majority against the matter it is considered adjourned to the next general meeting.

Voting.

Each society member has one vote in virtue of membership, one additional vote for the first complete £10,000 worth of purchases, and one other additional vote for every complete £20,000 worth of purchases thereafter. The representation of members at the meetings of the society is equal to the number of votes to which the society is entitled on the basis of its purchases for the year ending the last December preceding the meeting at which it is to be represented. The system of voting adopted at the Union's Congress—by means of a card which is carried by one delegate who thus casts the whole voting strength of his society—has recently been adopted by the Wholesale Society for its members' meetings.

In voting in the election of committee, auditors, or scrutineers, each society can use its full voting power for a candidate for each of the vacancies to be filled. The society has recently adopted the transferable vote method of electing the committee; and a candidate must now obtain a clear majority over all other candidates before he is declared elected. This is secured by striking out from the list of candidates the one with the lowest number of votes, and transferring his votes according to the second preference of those who voted for him. This process is continued until one candidate has a clear majority over all remaining in the list.

A society elsewhere than in England, Scotland, Ireland, the Channel Islands, or the Isle of Man, may in the manner prescribed in the rules, nominate any member of a society member of the Wholesale Society to whom its election papers shall be sent, and who shall be entitled to vote as its proxy, provided that no person shall hold more than one proxy at one time, or be a member of the committee of the Wholesale Society or one of its officers.

Every voting paper has to be returned in a provided envelope marked "voting paper," addressed to the secretary of the society and handed by him to the scrutineers at such time before each quarterly meeting as the General Committee fix for the attendance of the scrutineers. The scrutineers examine the votes and sign a declaration of the voting which is read at the quarterly meetings. The voting papers are afterwards preserved by the General Committee in sealed packets. A general meeting, but no other authority, can order a scrutiny of these papers by persons it appoints.

Referendum.

In pursuance of a resolution of the General Committee, or of a requisition signed by or on behalf of not less than twenty shareholding societies received by the General Committee not less than eight clear days before the divisional meetings, a referendum must be taken upon any proposal to be submitted to the general meetings, in which event the General Committee must, after the proposal has been discussed at such meetings, forward to each shareholding society, within seven days after holding such meetings, a special voting paper for the recording of the votes of such society in relation to the business so referred. The voting papers must set forth the nature of the business to be voted upon, and also the amendment or amendments (if any) thereto. Within fourteen days of their being sent out to societies by the General Committee, the voting papers must be forwarded to the scrutineers, who must count the votes and report the result to the General Committee. The committee are to act upon the voting, and report it to the next quarterly meeting. In the event of the adjournment of any proposal in respect of which a referendum is to be taken, the General Committee is not required to send out the voting papers until such adjourned proposal has, in the opinion of the general meetings, been sufficiently discussed.

General Committee.

The society is managed by a General Committee of thirty-two members, each elected for two years. Sixteen are elected from the Manchester district, eight from the Newcastle district, and eight from the London district. Two of the Manchester district members, and one of the Newcastle, and one of the London district members, retire quarterly. All retiring members may be re-elected, if under seventy years of age, and otherwise eligible. The election of committee members is made from three lists—representing respectively the Manchester, Newcastle, and London districts—of persons nominated by the members or committee of management of each society by nomination papers sent to each society, and by voting papers similarly sent. Persons nominated must have been in membership of the nominating society for at least twelve months, and be under seventy years of age at the date of nomination. A retiring member is considered to be automatically re-nominated, if eligible, if he declares to the secretary not less than three months before the date fixed for the election, the name of a shareholding society within the district for which he is elected, and of which he is, and has been for twelve months, a member.

The times for sending out and returning the nomination and voting papers, and the mode of conducting the elections are regulated by the General Committee, subject to the provisions outlined in the rules, and subject also to any resolutions of a general meeting not inconsistent therewith. A society with one member on the committee is not entitled to nominate another of its members. Not more than one member of a society may be included in the lists of candidates unless he is a member of, and nominated by, another society; and not more than one member of

any society is entitled to serve upon the General Committee at any one time. A candidate nominated by his own society is to be preferred to any member of that society nominated by another society. An employee of the society may not be a member of the General Committee. Canvassing by or on behalf of candidates for the committee disqualifies them; but every candidate may issue to the members of the society one circular for each election in support of his candidature.

Casual vacancies on the committee are now immediately filled, special nomination and voting papers being sent out to shareholding societies. The nomination and voting is the same as for an ordinary vacancy and election; and the person elected is elected in the first instance for the unexpired portion of the term of the person whose place he has taken. Power is given in the rules enabling a majority of three-fourths of the committee to call upon a member of the committee to retire, if he is palpably unfit to perform his duties because of age, infirmity, or misconduct; and if he refuses to comply, the next quarterly meeting, upon a report of such refusal, has power to declare his place vacant. A member of the committee must vacate his office if he holds any other office or place of profit under the society; if he, or the society he represents, becomes bankrupt, insolvent, or in liquidation; or if he is concerned in, or participates in, the profits of any contract with the society, except as a member of a society or company contracting with, or working for, the society, but he may not vote on any such contract.

The committee must appoint from their own number a chairman and vice-chairman, who preside at meetings of the committee. The committee appoints the chairman of each members' meeting of the society. With the direction of a general meeting, the General Committee may invest any part of the society's capital in the ways permitted by the legislation governing industrial and provident societies, and they may apply any surplus funds in repaying loans owing by the society.

Auditors.

The number of auditors, until otherwise determined by a general meeting, is four. No person is eligible unless a public auditor, and under 70 years of age; and an employee of the society may not serve as one of its auditors. Elections are for two years, one auditor retiring each half year in April and October. A retiring auditor, if eligible, is automatically re-nominated unless he intimates his desire not to be. The auditors, by rule, must "have access to all the books, deeds, documents, and accounts of the society, and shall examine every balance sheet and the annual return of the society, and shall verify the same with the books, deeds, documents, accounts, and vouchers relating thereto, and shall either sign the same as found by them to be correct, duly vouched, and in accordance with law, or shall specially report to the meeting of the society before which the same is laid, in what respects they find it incorrect, unvouched, or not in accordance with law." The salaries of the auditors are fixed by the general meetings, power being given by the rules to this effect. At present the payment is £850 a year, less 15 per cent.

Scrutineers.

Two scrutineers (or such greater number as any general meeting directs from time to time) are elected annually in the month preceding the second quarterly meeting in the year under the same provisions as the General Committee. The secretary of the society acts as returning officer in the election of scrutineers, and certifies the result to the General Committee, who must state on each balance sheet the names of the scrutineers. An employee of the society may not become a scrutineer.

Some Financial Matters.

Depreciation.

By an alteration of rules passed in 1923, the following rule became operative from June 24th, 1923: "Land and buildings (except for agricultural purposes), fixtures, and ships, shall be depreciated at the rate of not less than 1¼ per cent per annum on land, 2½ per cent on buildings, and 5 per cent on fixtures and ships, which amount shall be taken half-yearly from the original value of land, buildings, fixtures, and ships."

Share Interest.

The rate of share interest is determined by the general meeting.

Division of Profits.

The net proceeds of the business after providing for expenses, interest, and depreciation, may be applied to increasing the reserve fund, or to such other purpose as the general meetings may from time to time direct; and subject to any such direction are to be divided in the trade department in proportion to purchases and in the bank department among the depositors in such manner as the General Committee direct from time to time, subject to any resolutions of the general meetings relating thereto. Any undivided balance is to be added to the reserve fund.

Remuneration of Committee, Auditors, and Scrutineers.

The general meetings may from time to time assign to the committee-men, ex-committee men, auditors, scrutineers, and any other officer of the society, such remuneration and retiring allowances, and/or compensation for loss of office in lieu of retiring allowances, as may seem desirable.

General Matters.

Disputes.

In case of a dispute between the society and any of its members, or of any complaint against any member, application for redress may be made to the General Committee; and should agreement not be secured thereby, appeal may be made to a general meeting of members of the society, whose decision is final.

Complaints and Suggestions.

If any member has a complaint to make relative to the quality or price of goods, or respecting the conduct of any servants of the society, such complaint must be forwarded in writing and duly signed, to the General Committee, if the complaining society is not in the district assigned to some branch, and otherwise to the committee of the branch. The complaint must be investigated and decided by the committee to whom it is sent; and if the complaining society is not satisfied, it may appeal to the general meeting held in its district, and the decision of such meeting is final. Every complaint brought before any division of a general meeting must be included in the business paper of the meeting, with a notice of the division by which it is to be decided.

Any member of the society may send to the General Committee, in writing, any suggestions for carrying into better effect the objects of the society, which suggestions must be considered by the committee.

Injurious Conduct.

If any member of the society, after being warned in writing by the General Committee to desist from any conduct, specified in the warning, which the committee consider to be injurious to the society, persists in such conduct, the General Committee may report the offender to a general meeting, which has power to expel the member, and the committee may suspend the member in the meantime from exercising under the rules, any right not connected with a defence to the charge made. An expelled member can only be re-admitted by the votes of two-thirds of the representatives present at a general meeting, after notice has been given at the previous general meeting of the intention to propose the re-admission.

Alteration of Rules.

No new rule may be made or an existing rule repealed or altered, except by the vote of a majority of two-thirds of the members voting thereon at a general meeting of the society, of which notice must be given to each member at least four weeks before the time of holding the meeting in the division where the registered office of such member is situated, stating the time and place of meeting in the division, and also specifying the rules to be altered, amended, or repealed, and setting forth all additions or alterations proposed. No amendment of rules is valid until registered.

III.—THE SCOTTISH CO-OPERATIVE WHOLESALE SOCIETY LIMITED.

This Society was Registered 20th April, 1868.

Objects.

The objects of the society include the carrying on of the trades or businesses of wholesale and retail dealers, bankers, shippers, carriers, manufacturers, merchants, cultivators of land, workers of mines, and insurers of persons and property against various risks, with all the concomitant activities which the carrying on of these businesses implies.

Membership.

Subject to the approval of a general meeting, co-operative societies registered under the Industrial and Provident Societies Acts (provided they do not traffic in intoxicating liquors), and employees of the society above the age of 21 years, may be admitted to membership. Every application for membership made by a society must be sanctioned by a general meeting of that society, and made in a special form indicated in a schedule attached to the rules of the Wholesale Society. No member other than a society may hold an interest in the funds exceeding £200, and any employee applying for membership must apply for not less than five shares. A society, when applying for membership, must take up one share for each of its own members, and agree to increase the number annually in accordance with the number of its members as returned in the last annual return of the Registrar of Friendly Societies.

*Capital.**

Shares.

The capital of the society is raised in transferable shares of £2 each. Not less than 1s. per share has to be paid on admission to membership, and the unpaid portion must be paid by dividends or interest, unless the member exercises an option to pay in full, or part, at any earlier time. Applications to transfer shares have to be in a special form prescribed by the rules, and transfers require to be sanctioned by the committee. As no individual other than an employee can hold shares in the society, an employee shareholder leaving the employment of the society, has to put his shares on the transfer list. A society, with the consent of the committee, may take up a number of shares in excess of the number for which it is liable on the basis of membership.

The society has a lien upon the shares and deposits of any member indebted to it, and may set off any sum credited to such member thereon in or towards the payment of such debt. If the debts of a society member amount to three-fourths of the amount credited on its shares, and it does

* Other matters bearing directly or indirectly upon the question of capital, are dealt with later, in the paragraphs under the heading "Some Financial Matters."

not pay the amount due within one calendar month after a special demand therefor has been duly made, the general committee may sell or transfer the shares, and apply the proceeds in settlement of the debts owing by the member to the society.

The committee, at their discretion, may repay any sum credited upon any shares on certain conditions specified in the rules.

The Society's Business and Its Control.

The general management of the society, subject to the provisions of the rules, is assigned to the committee who have control of all business carried on by, or on account of, the society, the appointment and removal of all managers, buyers, salesmen, or other employees, and the fixing of their salaries and duties. The committee have power to arrange sales and contracts on special terms (including no-dividend contracts or sales).

Retail Branches.

In districts where there is no retail society (which is a member of the Wholesale Society) operating, branches may be formed and carried on under the control of the committee of the Wholesale Society, subject to the following terms and conditions: (1) Each branch must carry on business in the name of the society, but is treated as an independent business with its own books and accounts showing business done, and profit or loss, after allowing 5 per cent interest on the capital required to initiate and carry on the business; (2) each branch must keep books recording the names and designation of all purchasers; (3) the purchasers may not have any control over the business of the branch, but have the right to share in any dividends paid by it; (4) the profits must be determined quarterly or half-yearly, and be divided in the form of a dividend per £ of purchases, the committee having sole power to determine this rate. One half of each quarter's dividend of the branch must be placed to the credit of purchasers in the books of the branch in the proportions accruing to each; and each purchaser must be furnished with a book in which such retained dividends are to be entered and they are accumulated until such time as each purchaser has £5 of accumulated dividend to his credit, the dividends being accumulated for the purpose of assisting purchasers to take over the business of the branch, on the happening of which, the amount to the credit of the purchasers is transferred to their accounts in the books of the new society. Interest at 5 per cent per annum is payable on sums of £1 and upwards of accumulated dividend. When the sum of accumulated dividends is over £5 the surplus may be withdrawn, and if any of it is allowed to remain, it bears interest at the current rate allowed by the society on deposits. The committee have power to pay any purchaser the whole or any part of the dividend retained and accumulated; (5) as soon as any branch has, in the opinion of the committee, established a business with sufficient success to warrant the conversion of such a branch into a retail society, the committee are entitled to call upon the purchasers forthwith to form such a branch into a society, and register it as such accordingly; and in the event of the purchasers of a branch forming themselves into a society, and intimating a desire to acquire the business of such branch, or of any society (a

member of the Wholesale Society) desiring to take over the business of a branch, the (Wholesale) society has power to make the branch over to such society, either at cost price or at a valuation to be fixed by two valuators, or their oversmen, as may be agreed on ; (6) the committee are empowered, if and when they think proper, to discontinue any branch, and wind up the business without consulting the purchasers, and such purchasers have no claim against the society in connection with the discontinuing of the branch.

Committee of Management.

The management of the society is vested in a committee consisting of a president, secretary, and 10 committee-men, elected for a period of two years, retiring members being eligible for re-election. The quarterly meetings at which they are nominated and elected have been already intimated in Chapter XX, pages 315-6, where the qualifications determining eligibility for nomination and election are also given. Every person nominated for the committee is held to be qualified in respect of a society to be named in the nomination paper ; and a society, one of whose members is on the committee, is not entitled to have a second one of its members on the committee at the same time.

Nominations and Elections.

Societies desiring to make nominations for the committee must apply officially to the secretary of the society for nomination papers, and these have to be returned,* duly completed, to the secretary at least 21 days before the quarterly meetings in June and December. At these meetings the secretary has to announce the names of the persons nominated, the societies nominating them, and the societies qualifying them in virtue of their membership. (See page 315, *re* membership qualification.) The voting papers are, by rule, issued before 16th June and 16th December respectively,† and are returnable not later than 13th July and 13th January duly completed, with not more than the number of votes recorded which each society is entitled to cast. Should a second vote be necessary, the voting papers are issued not later than 22nd July and 22nd January, and are returnable not later than 12th August and 12th February respectively ; and if a third vote be required, the voting papers are issued not later than 19th August and 19th February, and are returnable not later than 4th September and 4th March. All voting papers have to be signed by two directors and the secretary of the voting society. The auditors count the votes, and determine the names to be submitted for a second and third vote when necessary, and announce the result to the quarterly meeting in September and March of each year.

Disqualifications of Committee-men.

A member of the committee vacates his office if he holds any other office or place of profit under the society, if the local society of which he is

* Accompanied by a brief statement of the candidate's age, calling, duration of membership and positions held in the Co-operative and Trade Union Movements, also Public Boards or Committees.

† Accompanied by a printed copy of the statement of age, calling, etc., as supplied with each nomination.

personally a member ceases to be a member of the Wholesale Society, if he becomes bankrupt or insolvent, if he is concerned in or participates in the profits of any contract with the society, except as a member of a company or society contracting with, or working for, the Wholesale Society, and in such case he may not vote in respect of such contract or work. A member of the committee may not take any part in the consideration of any matter affecting any relative employed by the society; and no member of the committee is permitted to hold any other office of profit in the movement except in his own distributive society. No employee of the society may hold any office on the committee, but may be nominated for election and retain his situation until the result of the voting is announced.

A member of the committee may be removed from office at any time by a resolution of two-thirds of the members present and voting at a special general meeting of the society, not less than 14 days' notice of such meeting and the business to be considered having been previously given to such member. Canvassing by, or on behalf of, candidates was formerly a disqualification, but, as pointed out in Chapter XX, a society nominating a candidate is now allowed to state briefly the qualifications of the nominee, and circularise same to members of the society at a cost not exceeding £20.

Duties of Committee.

The committee must meet once a week; and seven members form a quorum. The committee in all things acts for the society and in its name. Any three members of the committee may call a special meeting by giving three clear days' notice, in writing, to the secretary; but at any such special meeting no business other than that specified in the notice may be taken into consideration. The rules contain provisions requiring the committee to submit accounts to the general meetings, and these provisions are outlined in the paragraph referring to Audit, in this Appendix.

Filling of Vacancies on the Committee.

Vacancies occurring in the committee through death, resignation, or other cause, must be intimated to the shareholders within 14 days, with a request that they shall nominate a qualified person to fill the vacancy, forwarding such nominations within 21 days of the date of the intimation. Voting papers must be issued to shareholders within seven days of the last of the 21 days allowed for nomination, and these voting papers are returnable within 28 days thereafter, duly completed. The auditors count the votes within three days, and a candidate with an absolute majority over all others, is elected. If no candidate has such a clear majority, the auditors determine the names to be submitted to a second vote, and the voting papers are issued within 10 days thereafter, and are returnable within 14 days. If after counting the votes again, as before, the auditors find there is still no candidate with a clear majority, further voting papers are issued within 10 days, and after the auditors have so determined, and are returnable within 14 days as before. Upon the auditors intimating the final result to the secretary, he must forthwith notify the shareholders, and the person elected takes office immediately, but only for the unexpired portion of the period of the member whose place he was elected to fill.

If the member who died, resigned, or otherwise vacated his office, was either president or secretary, the committee have power, if they think fit, to fill the vacancy until an appointment has been made by the shareholders in the manner related above for filling casual vacancies.

President.

The president acts as chairman at all meetings of the society, and in his absence the members present elect a chairman from amongst themselves. The president, or chairman acting in his absence, has a vote and a casting vote.

Secretary.

The secretary must give his attendance at all meetings of the society and of the committee, and devote his whole time to the business of the society. He records attendances of committee members and minutes of meetings, summonses all special meetings, and deals with all correspondence on behalf of the committee.

Auditors and the Audit.

The rules provide that there shall be three or more auditors elected who shall be public auditors. They are elected for a year, and are eligible for re-election. No employee may be an auditor of the society. The auditors have the usual powers accorded to auditors of calling for and examining all vouchers and documents belonging to the society, and at the quarterly meetings held in March and September, they must make a report on the balance sheet and accounts. Every balance sheet signed by them, and approved by the quarterly meetings, is binding on all members of the society.

The committee must, twice in every year, submit the accounts of the society, together with a general statement of the same, and all necessary vouchers up to the last Saturdays in June and December, for audit, to public auditors; and they must lay before the quarterly general meetings held in March and September, a balance sheet together with a statement of the affairs of the society for the previous half year, and of their then condition.

Meetings.

General meetings of members are fixed by rule to be held at noon on the second Saturday of March, June, September, and December, the first two (March and June) to be held at Glasgow, the last two at Edinburgh. At the March and September meetings the committee are required to submit a report and balance sheet of the position of the society.

A special general meeting may be convened at any time by resolution of the committee, or by any ten society members, on giving notice to the secretary, specifying the objects thereof in writing, signed by the secretaries of such societies, 21 clear days before the day of holding the meeting, of which meeting a notice shall be posted to the registered address of each member, specifying the time, place, and object of such meeting, by the

secretary, at least 14 clear days before such day of meeting. No other business can be transacted at any such meeting than the business specified in the notice convening it.

Ten members constitute a quorum for a general meeting, and if a quorum is not present within one hour of the time of meeting, it is dissolved if convened by notice from the members, and if the ordinary quarterly meeting or a special general meeting convened by the committee, it stands adjourned. Any general meeting may adjourn from time to time for any period not less than one week, nor more than five weeks; and no meeting is rendered incapable of transacting business by the want of a quorum after the chair has been taken.

*Voting and Elections.**

Each society has at least one vote, in virtue of membership; but its full number of votes is determined according to purchases on the following basis. The society with the largest net purchases for the immediately preceding quarter is given a maximum of 50 votes; and all other societies are entitled to appoint delegates in the same proportion. Voting and delegation rights are equal. Only a bona fide purchasing member of a society can act as one of its delegates.

Employee shareholders are entitled to appoint one delegate to the general meetings; and if the number of shareholding employees is in excess of 150, they may elect another of their number to represent them, and every additional 150 employee shareholders are entitled to send one delegate to represent them at the society's meetings.

Shareholding employees must form themselves into an elective body that must meet once every three months on some convenient evening prior to the society's quarterly meetings. At their quarterly meetings they must elect delegates to the next quarterly or other meeting of the society, and they may transact any other business within their competence. Every employee who becomes a shareholder must become a member of this elective body (association of shareholding employees) and must pay towards its expenses such a sum not exceeding 6d. per annum, as may be fixed from time to time by the shareholding employees.

Proxy voting by members of the society, or on their behalf, is not allowed by the rules of the society.

Some Financial Matters.

Share interest.

Share interest is payable out of the surplus of the society after all expenses have been paid, at such rate not exceeding 6 per cent per annum, as the quarterly meetings from time to time determine.

Reserve Fund.

One halfpenny per £ of sales must, by rule, be placed to a reserve fund, which is to be used only for business purposes.

* The procedure of nominating and voting for members of committee and filling casual vacancies is dealt with in the paragraphs relating to Committee of Management.

Depreciation.

Buildings, live stock, and fixtures must, by rule, be depreciated at the rate of not less than 5 per cent per annum on buildings, 20 per cent per annum on live stock, and 10 per cent per annum on fixtures—nominal value.

Division of Profit.

After all expenses, including interest charges, provision for reserve fund and depreciation have been met, the net profit, or such portion of it as may be agreed upon at the quarterly general meetings held in the months of March and September, is allocated as to 1¼ per cent to the special fund (see next paragraph), whilst the remainder is allocated at such rate per £ on members' purchases in the name of dividend as the quarterly general meeting determines, non-members' purchases being credited with dividend at one half of the rate per £ fixed on members' purchases, except in the case of special contracts which the committee have power to arrange on a non-dividend basis. Any balance remaining after the above division is to be carried to the next half year's account.

Special Fund.

The special fund is created in the manner described in the previous paragraph. The fund may be applied to any purpose which the general meeting may from time to time direct, whether such purpose be connected with co-operative institutions, educational, social, charitable, philanthropic, of public utility, or any other purpose, whether within the objects for which the society is formed or not. Any such application of the fund can only be made on a vote of a two-thirds majority of delegates voting at a general meeting of the society.

Members' dividend and interest.

Members' dividend and interest, and the dividend of non-members, are placed to their credit in the share or deposit account, and may, at the option of the committee be applied to liquidate in whole or in part any moneys, debt, claim, or damages due by them to the society. Members are not allowed to withdraw any dividend or interest until the full amount of their shares is paid up.

Payment of committee and auditors.

The payment of committee and auditors is provided for in the rules as follows: "At the quarterly meeting of the society held in the month of December, in each year, the majority of the members present shall assign to the president, secretary, committee, and auditors, or any other officer of the society, such remuneration as seems to them desirable; three months' notice to be given of any proposed alteration."

Banking.

Banking is authorised by the rules, subject to the provisions of the Industrial and Provident Societies Act.

Loans.

Loans may be accepted from any person or society by bond of security given under the seal; but the total amount of loan capital may not exceed four times the subscribed capital of the society. The rate of interest payable on loan capital is decided at a quarterly or special meeting of members. The society may also obtain advances from its bankers, giving as security, under the seal of the society, any property of the society for the money owing on current account, limited to such an amount as shall have been agreed upon at a quarterly or special meeting of the members, but not exceeding the amount already specified.

Nominations.

The rules contain the usual provisions regarding nominations. These provisions meet the need of the employee shareholders.

Investments.

The committee may, by the direction of a special general meeting, invest any part of the funds of the society in the shares or upon the security of any other society registered under the Industrial and Provident Societies Act, the Building Societies Act, or of any company registered under the Companies Act, or incorporated by Act of Parliament or charter, provided that no such investment is made in the shares of any society or company other than one with limited liability. The committee have power, however, to invest any part of the funds of the society in certain ways without obtaining the sanction of any general or special meeting, provided always that any purchase or investment which involves a sum exceeding £5,000 sterling has a majority of two-thirds of the whole board cast in its favour. The investments which may thus be made are: (1) The purchase of heritable property, including land, of any description, and wherever situated; (2) any trustee securities; and (3) any mortgage, bond, debenture, debenture stock, corporation stock, annuity, rent charges, rent, or other security (not being securities payable to bearer) authorised by or under any Act of Parliament passed or to be passed of any local authority, as defined by Section 34 of the Local Loans Act, 1875.

General Matters.

Making or Altering Rules.

The rule (No. 39) of the society which deals with this matter reads as follows: "No new rule shall be made, nor any of the rules herein contained, or hereafter to be made, shall be repealed or altered, except by a majority of two-thirds of the delegates voting at any special general meeting of the society, to be called in pursuance of a requisition by twenty or more members, or by virtue of a resolution passed by a majority of the delegates voting at any quarterly general meeting. Notice of said special meeting must be given to each society at least six weeks before the time of holding such meeting, stating time and place, and also specifying the rules to be altered, amended, or repealed. No new rule, or amendment of rules, is valid until registered."

Disputes.

In case of any dispute between the society and a member or person claiming through a member, or under the rules, application for redress must first be made to the committee; but should the complaining member not receive satisfaction, appeal can then be made to a general meeting of the society, after which, if the complaining member is still dissatisfied, appeal can be made to arbitrators, whose decision is final and binding. All disputes between the society, or any officer thereof and a member, or person aggrieved, who has for not more than six months ceased to be a member, or person claiming through such member or under the rules, if not settled in the manner just described, must be finally settled by arbitration. When any dispute is to be thus settled, each party appoints two arbitrators, who are not committee-men or office bearers, who appoint an umpire or oversman; and in the event of their disagreeing, the oversman decides the matter in dispute. The decision thus arrived at is binding and conclusive on all parties without appeal. The apportionment of the costs of an arbitration is decided by the arbitrators; and the parties requiring the arbitration must deposit £5 in advance with the secretary.

Complaints and Suggestions.

If any member has any complaint to make relating to the quality or price charged for goods supplied, or to other matters concerning goods, such complaint has first to be made to the manager of the department interested. If his explanation is not deemed satisfactory, the complaint must then be sent to the committee, in writing; and any complaint respecting the conduct of any of the servants of the society must be sent to the committee in writing, signed by the secretary of the society making the complaint. Such complaints must be investigated by the committee, and their decision recorded in the minute book. If due satisfaction is not given by their decision, the matter may be brought before a general meeting.

Any member may forward to the committee suggestions for carrying into better effect the objects of the society. These must be considered by the committee, and their conclusions entered in the minute book of the society.

Inspection of Affairs.

The rules contain the usual provision for the right of a specified number of members to apply to the registrar for an examination of the society's affairs or/and the calling of a special meeting of the society.

Dissolution of the Society.

The society may be voluntarily dissolved (1) by a resolution to wind it up, made as is directed in regard to companies by the Companies Act; or (2) by an instrument of dissolution signed by three-fourths of the members for the time being, and in the form prescribed by the regulations in force under the Industrial and Provident Societies Act.

APPENDIX VI.

(See page 85.)

SUGGESTED CODE OF STANDING ORDERS FOR THE REGULATION OF BUSINESS AT THE MEETINGS OF A CO-OPERATIVE SOCIETY.

(These standing orders are merely suggestive, and should be modified or amended to meet the special needs of societies.)

Quorum.

1. The quorum essential for the transaction of business at any ordinary or special meeting of members shall be the number provided by the rules of the society from time to time; and, in the absence of any provision in the rules, then any ordinary or special meeting may proceed to business if twenty members are present; but no meeting shall be incompetent to transact business after the chair has been taken and the business of the meeting has been duly commenced.

Chairman of Meetings and Powers.

2. The President of the Society (or Chairman of the Committee) shall take the chair at all members' meetings, and in his absence at the time appointed for commencing the meeting, the vice-president or vice-chairman of the committee shall officiate as chairman, and failing the President and vice-chairman of committee then a member of the committee appointed by the committee, and failing such appointment any member of the society appointed by the meeting. The chairman of the meeting shall have a vote; and if the votes on any motion are equal he shall have a second or casting vote.

3. The chairman shall have power to "warn" and afterwards "name" any member who repeatedly defies his authority or is repeatedly guilty of breaches of standing orders, or of disorderly conduct; and unless a vote of no confidence in the chair is immediately moved and carried, the offending member shall thereupon be suspended from the meeting in progress; but if the vote of no confidence is carried the meeting shall thereupon be adjourned until the following week, when the meeting shall be resumed at the same hour and on the same day of the week as them eeting which is adjourned.

4. Whenever the chairman rises during a debate, any member then speaking, or offering to speak, shall resume his seat. The ruling of the chairman on a point of order or on the admissibility of a personal explanation shall at that meeting be final.

Voting.

5. Voting shall be by show of hands except for such purposes as the rules or a previous ordinary general meeting has decided shall be decided by ballot vote; but if twelve persons present at any meeting request a ballot vote on any subject before the show of hands has been taken, then the voting shall be by ballot in such manner as the chairman may direct.

Business Admissible.

6. No business may be introduced at any meeting except that contained in the agenda, or matters of urgency which may be introduced with the consent of the majority of the members present; but at the conclusion of the business contained in the agenda, the chairman may permit a general discussion of matters relating to the welfare of the society. No resolution or amendment shall be accepted by the chairman unless of a routine character arising directly out of the business of the meeting as notified in the agenda, or unless notice of same has been duly given in accordance with the rules of the society.

Resolutions, Amendments, and Discussions.

7. Any resolution proposed must be seconded before discussion upon it can take place, whereupon an amendment may be moved. The proposer of a resolution or amendment shall be allowed ten minutes, and all other speakers five minutes when speaking on any subject before the meeting; and the mover of a resolution (but not of an amendment) shall be allowed five minutes to reply on the discussion, after which no further speech shall be allowed before the vote is taken. A member seconding a resolution or amendment may do so formally and speak later. A meeting may consent to an extension of time for any speaker by resolution moved, seconded, and carried.

8. A member who desires to speak shall rise in his place and address himself to the chair. He must direct his speech to the motion or amendment which is before, or being brought before, the meeting, or to a point of order. No member may speak twice on the same resolution or amendment except the mover of a resolution in replying to the discussion, unless it be by way of an explanation with the consent of the chairman or for any other purpose with the consent of the meeting.

9. Except as provided in this clause, no motion or amendment may be submitted at any meeting if it is in substance the same as some other motion or amendment which has already been voted upon at the meeting; and a motion carried at any meeting shall not be rescinded at that meeting except with the consent of three-fourths of the members voting after the chairman has admitted a rescinding motion for reasons that he considers adequate. After a resolution has been rescinded another motion on the same subject shall be in order provided it is otherwise admissible by the rules of the society and these standing orders.

10. A motion in favour of the "Previous Question" shall not be in order at any meeting; but at the close of any speech it shall be competent for any member to move, but without making a speech, "That the discussion be adjourned," or "That no further action be taken in the matter under discussion," and provided the motion is formally seconded the motion shall be accepted and put by the chairman forthwith if he is satisfied that it is reasonable to do so. If such a motion is defeated the discussion shall proceed as if the motion had not been made.

11. At the close of any speech a member may move, but without making a speech, "That the question be now put," and the motion, if similarly seconded, shall, unless the chairman rule otherwise, on the ground that inadequate time for discussion has been allowed, be put forthwith. If the motion is carried, the mover of the original resolution may claim his right to reply on the discussion before his resolution is voted upon, and after his reply the vote shall be immediately taken; but if the motion "That the question be now put" is lost, the discussion shall proceed as if no such motion had been made.

Questions, and Points of Order.

12. Any member may ask questions on the minutes, reports or balance sheet before the meeting, or any question relevant to the business before the meeting whether he has already spoken or not.

13. A member may raise a point of order on the following occasions—

(*a*) When the chairman or any member is disregarding one or more of the standing orders;

(*b*) When he or another member rises to correct a misquotation;

(*c*) When he or another member rises to correct a personal misunderstanding.

Upon a point of order being raised, a member addressing the meeting must resume his seat until the point of order is decided, and the member raising the point of order must preface his remarks by stating that he raises a point of order and must state it briefly and without making a speech, resuming his seat immediately thereafter.

Adjournment of Meetings.

14. If the business of any meeting is not completed at 10-30 p.m. it shall be adjourned until the same day of the following week, when it shall be continued at the same time as was fixed for the commencement of the original meeting; and at the end of any speech a member may move "That this meeting be adjourned," and if the motion is seconded and carried the meeting shall thereupon be adjourned to some date decided by the members present. At the end of any speech a member may move, but without making a speech, "That the chairman do leave the chair," and on the motion being similarly seconded, and after the chairman has explained the effect of passing such a resolution, it shall be put to the meeting forthwith and, if carried, the meeting shall be adjourned *sine die*.

Suspension of Standing Orders.

15. Any one or more of these standing orders may be suspended at any meeting so far as that meeting is concerned by a resolution moved and seconded at the meeting and supported by three-fourths of the members present and voting ; but no speech shall be interrupted for the purpose of proposing such a motion.

APPENDIX VII.

Specimen Reports of Secretary and Departmental Manager to Committee and of Management and Education Committees to Members.

[Note.—*The figures throughout these Reports are for purposes of illustration of method only, and do not indicate standards by which any Society's figures can be compared.*]

I.—SECRETARY'S REPORT.*

THE ADVANCE CO-OPERATIVE SOCIETY LIMITED.

SECRETARY'S WEEKLY REPORT

For Week ending December 8th, 1927.

To the Committee.

Ladies and Gentlemen,

I have pleasure in submitting herewith my Report for the Week ending 8th December, 1927, with the accompanying documents.

(Here enumerate any documents sent with the Report.)

(*Continued over-leaf.*)

* If a secretary's report is not presented direct to the full committee it should be incorporated in the Report of the Finance Committee and presented according to the Agenda on page 129.

Membership.

Twenty applications for membership and ten notices for withdrawals, as per lists attached, have been received. The lists will be submitted at the meeting. The following is the position of membership at this date, and the figures for the quarter and year, with comparisons for the same period of last year:—

STATEMENT OF MEMBERSHIP AT END OF TENTH WEEK OF THIRD QUARTER

(December 8th, 1927.)

Year.	Number of Members.		Admitted during Year.		Withdrawals during Year.		Membership. Dec. 8th, 1927.	Pending.	
	At beginning of Year.	At beginning of this Quarter.	Previous Quarters.	This Quarter to date (10 weeks).	Previous Quarters.	This Quarter to date (10 weeks).		Applications.	Withdrawals.
1927	15,000	15,600	900	200	300	80	15,720	20	10
1926	14,500	14,800	700	180	400	70	14,910	16	8

Share Capital.

During the week £1,000 has been deposited as share capital and £800 withdrawn. Withdrawal notices in hand, but unpaid, amount to £1,000. The following are the figures for the quarter and year, with comparisons for corresponding periods last year:—

STATEMENT OF SHARE CAPITAL AT END OF TENTH WEEK OF THIRD QUARTER (December 8th, 1927).

Year.	Amount of Share Capital.		Received during Year.*			Withdrawn during Year.*			With-drawals notified and pending.	Total due to members at Dec. 8th.	Average amount per member.
	At beginning of Year.	At beginning of this Quarter.	Previous Quarters.	This Quarter to date (10 weeks).	This Week.	Previous Quarters.	This Quarter to date (10 weeks).	This Week.			
	£	£	£	£	£	£	£	£	£	£	£ s.
1927	200,000	210,000	15,000	10,000	1,000	5,000	8,000	800	1,000	212,000	13 8
1926	180,000	195,000	22,000	11,000	1,200	7,000	7,000	700	800	199,000	13 7

* Including dividends and interest added to share accounts.

Loan Capital.

During the week £600 has been received as Loan Capital and £400 paid out. Withdrawal notices received but unpaid amount to £300. The following Table gives comparative figures:—

STATEMENT OF LOAN CAPITAL AT END OF TENTH WEEK OF THIRD QUARTER (December 8th, 1927).

Year.	Amount of Loan Capital.		Received during Year.			Withdrawn during Year.			With-drawals notified and pending.	Amount due to Loanholders at date.	
	At beginning of Year.	At beginning of this Quarter.	Previous Quarters.	This Quarter to date (10 weeks).	This Week.	Previous Quarters.	This Quarter to date (10 weeks).	This Week.		Total.	Average per member.
	£	£	£	£	£	£	£	£	£	£	£ s.
1927	50,000	56,000	10,000	3,000	600	4,000	2,000	400	300	57,000	3 12
1926	42,000	48,000	10,000	3,500	700	4,000	2,500	300	400	49,000	3 6

Bank for Small Savings.

Ten depositors have joined the Bank this week and six have withdrawn. The deposits for the week amount to £100 and the withdrawals to £80. The following Table gives the figures for the week and for the quarter and year up to date, with the figures for the corresponding periods last year.

STATEMENT OF SAVINGS BANK DEPOSITS AT END OF TENTH WEEK OF THIRD QUARTER (December 8th, 1927).

Year	Net Number of Depositors.				Depositors' Balances	Deposits.			Withdrawals.			Balance at date December 8th, 1927.	
	At beginning of Year.	Net addition previous Quarters.	Net addition this Quarter up to date.	Net number at date.	at beginning of Year.	Previous Quarters.	This Quarter up to date.	This Week.	Previous Quarters.	This Quarter up to date.	This Week.	Total.	Average per Depositor.
					£	£	£	£	£	£	£	£	£ s.
1927	2,000	200	60	2,260	10,000	2,500	850	100	1,700	550	80	11,100	4 17
1926	1,700	220	70	1,990	8,500	2,000	700	150	900	400	90	9,900	4 19

Summary.

The following is a summary statement of the capital of the Society at December 8th, 1927, with comparative figures for the corresponding date in 1926.

SUMMARY STATEMENT OF SOCIETY'S CAPITAL.

Nature of Capital.	December 8th, 1927.		December 9th, 1926.		Increases.	
	Total.	Average per member.	Total.	Average per member.	Total.	Average per member.
	£	£ s.	£	£ s.	£	£ s.
Share Capital	212,000	13 8	199,000	13 7	13,000	0 1
Loan Capital	57,000	3 12	49,000	3 6	8,000	0 6
Small Savings Deposits	11,100	0 14	9,900	0 13	1,200	0 1
Total	280,100	17 14	257,900	17 6	22,200	0 8
*Reserve Funds (as below) Total	(71,190)	(4 10)	(67,095)	(4 10)	(4,095)	—
*General Reserve Fund	31,640	2 0	29,820	2 0	1,820	—
*Dividend Equalisation Fund	23,730	1 10	22,365	1 10	1,365	—
*Insurance Fund	15,820	1 0	14,910	1 0	910	—
* These are the amounts as per the last balance sheet.	£351,290	£22 4	£324,995	£21 16	£26,295	£0 8

Hire Purchase Account.

Goods to the value of £150 have been supplied on the Hire Purchase System during the week, and £100 has been received in payments on the Hire Purchase Account. The following Table indicates the position of this phase of the Society's activities:—

Year.	Position at beginning of Year.		Sales.				Members' Payments.		Position at date (December 8th, 1927.)	
			Previous Quarters.		This Quarter to date.					
	No. of Accounts.	Amount outstanding.	Accounts opened.	Amount.	Accounts opened.	Amount.	Previous Quarters.	This Quarter.	No. of Accounts.	Amount outstanding.
		£		£		£	£	£		£
1927	400	2,000	350	2,500	100	1,000	2,500	800	420	2,200
1926	300	1,800	300	2,000	90	800	2,000	600	390	2,000

Advances to Members (House Purchase Account).

During the past week £500 (two applicants) has been advanced to members on House Purchase Account, and £300 has been repaid. The following Table shows the important figures for this year and last year:—

Year.	Position at beginning of Year.		Amount Advanced this Year.			Amount Repaid this Year.			Position at December 8th.	
	Number of Borrowers.	Amount owing.	Previous Quarters.	This Quarter to date.	This Week.	Previous Quarters.	This Quarter to date.	This Week.	No. of Borrowers.	Amount outstanding.
		£	£	£	£	£	£	£		£
1927	150	15,000	6,000	2,000	500	4,000	1,500	300	155	17,500
1926	140	13,500	3,000	1,500	400	2,000	1,200	250	148	14,800

*Members' Debts.**

Goods have been sold on credit to the value of £800 during the week and £900 has been received from members on account. The amount at present outstanding is £1,400. Some of the debts are now getting very old, and special measures should be adopted in regard to the following:—

Member	8753	owing	£12	for	six	months.	No	payment	for	twelve weeks.
,,	5326	,,	£18	,,	four	,,	,,	,,	,,	eleven ,,
,,	3211	,,	£20	,,	three	,,	,,	,,	,,	eight ,,
,,	9210	,,	£30	,,	ten	weeks.	,,	,,	,,	ten ,,
,,	7532	,,	£20	,,	eight	,,	,,	,,	,,	seven ,,
,,	6532	,,	£25	,,	seven	,,	,,	,,	,,	six ,,

The following Table shows the position in regard to debts:—

Year.	Debts Owing.			Age of Debts now Owing.						
	At beginning of year.	At end of last Quarter.	At present date.	Six months old and over.	Five months old.	Four months old.	Three months old.	Two months old.	One month old.	Under One month.
	£	£	£	£	£	£	£	£	£	£
1927	1,800	1,700	1,400	12	...	18	20	50	600	700
1926	1,500	1,600	1,550	25	25	70	80	150	300	900

* This paragraph is inserted to encourage a better oversight by those societies which grant credit; but strict cash trading is recommended as the wisest policy.

Accounts Owing by Society.

Purchases and other liabilities incurred by the Society during the week amount to £5,000, and accounts amounting to £4,500 have been paid. The following Table shows the amount at present outstanding:—

Year.	Accounts owing.		Liability incurred during present quarter up to date.	Accounts paid during present quarter.	Balance owing at date (end of tenth week, December 8th).
	At beginning of Year.	At end of last Quarter.			
	£	£	£	£	£
1927	1,500	1,200	45,000	42,000	4,200
1926	1,000	1,300	40,000	38,000	3,300

Investments and Bank Balance.

During the past week £5,000 has been transferred to C.W.S. Loan Account. Accounts, wages, share and loan repayments, etc., have been paid amounting to £5,200: and £6,500 has been paid into Bank for sales, interest received, share contributions, etc. The following Table gives the comparative figures for this year and last year:—

THIS YEAR.

Date.	Investments.				Bank Balance.*	Owing by Society for Goods, etc.
1927.	Share Investments.		Loan Investments.			
	C.W.S.	Other.	C.W.S.	Other.		
	£	£	£	£	£	£
At beginning of year	20,000	2,000	5,000	1,000	8,000	1,500
At beginning of quarter ...	21,000	2,200	5,000	1,000	11,000	1,200
At date (December 8th).....	21,000	2,200	10,000	1,000	5,000	4,200

LAST YEAR.

Date.	Investments.				Bank Balance.*	Owing by Society for Goods, etc.
1926.	Share Investments.		Loan Investments.			
	C.W.S.	Other.	C.W.S.	Other.		
	£	£	£	£	£	£
At beginning of year	20,000	2,000	4,000	800	6,000	1,600
At beginning of quarter ...	20,000	2,000	5,000	800	7,000	1,200
At date (December 9th).....	20,000	2,000	5,000	1,000	7,800	3,300

* After deducting cheques issued.

Record of Purchases.

The value of goods ordered up and invoiced during the week amounted to £4,500, of which £3,450 or 76·66 per cent represents purchases from the C.W.S., £130 or 2·9 per cent was spent with other Co-operative suppliers, and £920 or 20·4 per cent was spent with private merchants. The following Tables show the figures for the current year and last year:—

PURCHASES FOR TENTH WEEK OF FOURTH QUARTER AND FOR QUARTER UP TO DATE (December 8th, 1927).

1927. Source.	Purchases for week ending December 8th, 1927.								Purchases for Quarter up to date (10 weeks), December 8th, 1927.							
	Grocery Department.		Drapery Department.		Boot & Shoe Department.		Total.		Grocery Department.		Drapery Department.		Boot & Shoe Department.		Total.	
	Am't.	Per cent.	Am't.	Per cent.	Am't.	Per cent.	Am't.	Per cent.	Am't.	Per cent.	Am't.	Per cent.	Am't.	Per cent.	Am't.	Per cent.
	£		£		£		£				£		£		£	
C.W.S.	2,400	80	600	67	450	75	3,450	77	21,600	80	6,000	75	4,000	80	31,600	79
Other co-operative suppliers ...	...	...	100	11	30	5	130	3	...	...	400	5	250	5	650	1¼
Other merchants' transfers.....	600	20	200	22	120	20	920	20	5,400	20	1,600	20	750	15	7,750	19¼
	3,000	100	900	100	600	100	4,500	100	27,000	100	8,000	100	5,000	100	40,000	100

LAST YEAR.

PURCHASES FOR TENTH WEEK OF FOURTH QUARTER AND QUARTER UP TO DATE (December 9th, 1926).

1926. Source.	Purchases for week ending December 9th, 1926.								Purchases for quarter up to date (10 weeks), December 9th, 1926.							
	Grocery Department.		Drapery Department.		Boot & Shoe Department.		Total.		Grocery Department.		Drapery Department.		Boot & Shoe Department.		Total.	
	Am't.	Per cent.	Am't.	Per cent.	Am't.	Per cent.	Am't.	Per cent.	Am't.	Per cent.	Am't.	Per cent.	Am't.	Per cent.	Am't.	Per cent.
	£		£		£		£		£		£		£		£	
C.W.S.	2,100	75	600	75	300	75	3,000	75	15,000	75	4,800	60	2,600	65	22,400	70
Other co-operative suppliers ...	...	...	200	25	...	...	200	5	...	...	800	10	800	20	1,600	5
Other merchants' transfers.....	700	25	...	...	100	25	800	20	5,000	25	2,400	30	600	15	8,000	25
	2,800	100	800	100	400	100	4,000	100	20,000	100	8,000	100	4,000	100	32,000	100

Records of Sales and Wages.

The Sales for the week have been as per Table below, which gives a comparison with previous week and corresponding week of last quarter. The table also shows Sales for the quarter up to date and up to the corresponding date last quarter. In all cases the wages for the period are also given :—

STATEMENT OF SALES AND WAGES. MADE UP TO DECEMBER 8TH, 1927.

Period	Sales				Wages and Wages Cost of Distribution									
					Grocery		Drapery		Boot and Shoe		Total Departmental Wages		Office and General Wages	
	Grocery	Drapery	Boot and Shoe	Total	Am't	Rate per £ of sales	Am't	Rate per £ of sales	Am't	Rate per £ of sales	Am't	Rate per £ of sales	Am't	Rate per £ of sales
	£	£	£	£	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.
This week	1,000	200	200	1,400	50	1 0	12	1 2½	13	1 3½	75	1 1	10	0 1¾
Last week.....	1,050	230	220	1,500	50	0 11½	12	1 0½	11	1 0	73	0 11¾	10	0 1½
Corresponding week last quarter	900	180	190	1,270	45	1 0	10	1 1¼	11	1 2	66	1 0½	10	0 2
Quarter up to date (10 weeks)	10,000	3,000	3,000	16,000	479	0 11½	150	1 0	165	1 1¼	794	1 0	100	0 1½
Corresponding period of last quarter (10 weeks)	9,000	2,500	2,500	14,000	469	1 0½	146	1 2	135	1 1	750	1 1	100	0 1¾

Estimated Profits or Surplus.

The following is an estimate of the trading results up to date. An estimate of the figures for the week is also given, along with comparative figures for last quarter. For the corresponding quarter last year the estimated surplus up to this date was £1,500 on £15,000 trade, equal to 2s. in the £.

ESTIMATE OF TRADING RESULTS. COMPILED DECEMBER 8TH. 1927.

Period and Department.	Sales.	Estimated Gross Profit.	Estimated Expenses and Stock Reductions.	Estimated Net Profit.	Rate per £ of Net Profit.	Estimated Stocks (Wholesale Prices).
This quarter up to date (Ten weeks ending December 8th, 1927) :—	£	£	£	£	s. d.	£
Grocery	10,000	2,500	1,500	1,000	2 0	4,000
Drapery	3,000	1,000	550	450	3 0	5,000
Boot and Shoe	3,000	900	550	350	2 4	5,000
Total	16,000	4,400	2,600	1,800	2 3	14,000
Position at end of last week :—						
Grocery	9,000	2,250	1,350	900	2 0	3,800
Drapery	2,800	900	500	400	2 10¼	5,100
Boot and Shoe	2,800	850	500	350	2 6	4,900
Total	14,600	4,000	2,350	1,650	2 3¼	13,800
Difference for week :—						
Total	1,400	400	250	150	2 1¾	200 Inc.
Corresponding 10 weeks last quarter :—						
Total	14,000	3,800	2,200	1,600	2 3½	12,000
End of last quarter (13 weeks) :—						
Total	20,000	5,000	2,800	2,200	2 2½*	11,500

* Estimate. The actual realised surplus was £2,250 = 2s. 3d. per £.

Accounts for Payment.

The following accounts having been duly signed by the responsible manager, and approved for payment by the sub-committees, will be submitted for authorisation of payment, and cheques for payment of the accounts will be presented for signature :—

1.	Co-operative Wholesale Society	Goods	£3,500
2.	Co-operative Printing Society	,,	100
3.	Co-operative Boot Society	,,	150
4.	Bran and Chop	Hay	30
5.	Young and Old	Painting	45
6.	Wages		80
7.	Sundries		6

General Matters.

1. Negotiations for the purchase of the premises and land at Cupworth for £2,000 have now been completed, and the necessary resolutions regarding the signing and sealing of documents will be submitted.

2. The Insurance Policy upon the Central Premises and the stock stored therein will run out in six weeks' time. A revision of amounts is suggested in view of the alteration in value of stocks.

3. Correspondence.

Letters to be submitted include :—

(1) Letter from the Co-operative Union *re* membership of the Hours' and Wages' Board.

(2) Letter from the Co-operative Wholesale Society *re* rates of interest.

(3) Letter from Co-operative Insurance Society *re* our claim for loss sustained through motor accident.

(*Signed*) A. GOODMAN,

December 10th, 1927. *Secretary.*

II. GROCERY MANAGER'S REPORT TO COMMITTEE

Week Ending December 8th, 1927.

(Note.—*The figures in the Statistical Statements are only for purposes of illustration of method, not to indicate the basis of any comparisons.*)

1.—The trade during the past week has not been up to the average owing, probably, to continued stoppage of the local works on account of the dispute. The usual statistics are given below showing the sales at the various branches. The total sales for the week are £1,000.

2.—We have been experiencing a little difficulty during the last fortnight owing to a local competitor selling sugar at 3d. per lb., which is less than wholesale price. He opened his shop a month ago, and appears to be using cheap sugar as a device for attracting customers. We have reduced our price from 4d. to 3½d., which is ¾d. more than wholesale price, and we are retaining almost the whole of our trade.

3.—The houses on the new estate which the Town Council is laying out are now being tenanted, and it appears desirable to arrange for a van delivery in the district until the new branch premises are ready. This delivery will be commenced next week; but the contractor should be pressed to complete the branch as early as possible.

4.—It seems desirable to extend our advertising, and I propose to submit suggestions to the committee at its next meeting, along with other suggestions relating to a shopping week.

5.—Goods invoiced during the week amount in value to £3,000, of which £2,400 or 80 per cent came from the C.W.S. and the balance from outside merchants. We have now had to pass the C.W.S. for three weeks for our supply of flour owing to a difference of a shilling per sack. We have written to the C.W.S. on the matter but have not yet had a satisfactory reply. I suggest that an interview with the directors of the C.W.S. be asked for if the position remains the same next week. Goods on order not delivered amount to approximately £800, and we have running contracts for various goods amounting to £2,000. The estimated value of stock at the central and branch shops is £4,000. It seems likely that butter will advance considerably during the next fortnight on account of interrupted transport from Denmark, and I propose to buy forward for about 8 weeks' supply.

6.—Our contract for milk expires at the end of next month. It is desirable to take action at once regarding a new contract, and inquiries are being forwarded to the C.W.S. and our old suppliers.

7.—Owing to the resignation of Mr. Harold Smith, the manager of No. 2 Branch, consequent upon his taking up the position of manager with the Donray Co-operative Society, several changes in the staff arrangements have been made. Mr. John Gay, who was first hand at the Central, has

been appointed branch manager at No. 3 vice Mr. Frank Clegg, who has been transferred to the vacancy at No. 2 Branch. Mr. Joe Dawson, second counterman at the Central, has been promoted to the position of first hand; and a new boy, James Kay, has been appointed at Central after an examination of six candidates. The necessary alterations of wages according to scale will be made.

8.—The weekly accounts amounting to £800 will be submitted for approval before being passed forward to the Finance Committee for authorisation of payment.

9.—The following are the weekly statistical statements.

STATISTICAL STATEMENT, No. I, OF GROCERY DEPARTMENT,
FOR WEEK ENDING DECEMBER 8TH, 1927.

Purchases.

From	This week.		Last week.		Quarter up to date.	
	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.
This quarter :	£		£		£	
C.W.S.....	2,400	80	2,250	90	21,600	80
Other co-operative suppliers	...	...	...	...	...	...
Private merchants...	600	20	250	10	5,400	20
	3,000	100	2,500	100	27,000	100
Last quarter :						
C.W.S.....	2,000	50	1,800	75	20,000	83⅓
Other co-operative suppliers	200	5	...	...	720	3
Private merchants...	1,800	45	600	25	3,280	13⅔
	4,000	100	2,400	100	24,000	100
Last year :						
C.W.S.....	2,100	75	2,000	80	15,000	75
Other co-operative suppliers	...	...	...	...	...	...
Private merchants...	700	25	500	20	5,000	25
	2,800	100	2,500	100	20,000	100

STATISTICAL STATEMENT, No. II, OF GROCERY DEPARTMENT,
FOR WEEK ENDING DECEMBER 8TH, 1927.

Sales, Wages, and Estimated Stocks.

	Central.	No. 1 Branch.	No. 2 Branch.	No. 3 Branch.	Total.
This week :	£	£	£	£	£
Sales	400	250	180	170	1,000
Wages	18	15	9	8	50
Estimated stock	1,600	900	800	700	4,000
Wages cost of distribution per £ of sales	s. d. 0 10·1	s. d. 1 2·4	s. d. 1 0	s. d. 0 11·3	s. d. 1 0
Last week :—	£	£	£	£	£
Sales	420	275	190	185	1,050
Wages	18	15	9	8	50
Estimated stock	1,500	950	700	650	3,800
Wages cost of distribution per £ of sales	s. d. 0 10·3	s. d. 1 1·1	s. d. 1 0·7	s. d. 0 10·4	s. d. 0 11·4
Corresponding week last quarter :—	£	£	£	£	£
Sales	400	250	180	190	1,020
Wages	16	14	9	8	47
Estimated stock	1,400	800	600	600	3,400
This quarter up to date :—					
Sales	4,000	2,500	1,800	1,700	10,000
Wages	167½	150	97½	85	479
Wages cost of distribution per £ of sales	s. d. 0 10·0	s. d. 1 2·4	s. d. 1 1	s. d. 1 0	s. d. 0 11·5
Last quarter up to same date :—	£	£	£	£	£
Sales	3,600	2,400	1,600	1,400	9,000
Wages	180	120	80	89	469
Estimated stock	1,400	850	750	600	3,600
Wages cost of distribution per £ of sales	s. d. 1 0	s. d. 1 0	s. d. 1 0	s. d. 1 2·3	s. d. 1 0·5

(*Signed*) X. PERT,
Grocery Manager.

December 10th, 1927.

III.—MANAGEMENT COMMITTEE'S REPORT TO MEMBERS.

THE FORWARD CO-OPERATIVE SOCIETY LIMITED.

REPORT OF MANAGEMENT COMMITTEE TO MEMBERS,

QUARTER ENDING DECEMBER 31ST, 1927.

LADIES AND GENTLEMEN,—

The Committee have pleasure in presenting herewith their 81st Quarterly Report, and for the convenience of members do so under various headings.

Membership.

1.—The number of members admitted during the quarter was 150, and the number of withdrawals 50, a net gain for the quarter of 100. The number of members on the books at the end of the quarter was 5,000 (purchasing members during the quarter 4,600), compared with 4,900 three months ago, and 4,700 a year ago.

Share Capital.

2.—The sum of £2,000 was paid in as share capital during the quarter, and share interest and dividends amounting to £1,000, not paid out at the end of last quarter, was added to share capital. Withdrawals during the period amounted to £1,500. The present claims amount to £105,000, an average of £21 per member. The following table provides comparisons with previous periods:—

SHARE CAPITAL.

End of	No. of members.	Balance to begin.	Contributions.	Share Interest and Dividends transferred.	Withdrawals	Amount at end. Total.	Amount at end. Av. per member.
		£	£	£	£	£	£
This quarter	5,000	103,500	2,000	1,000	1,500	105,000	21 0 0
Last quarter	4,900	102,000	2,500	1,000	2,000	103,500	21 2 5
Corresponding quarter last year	4,700	95,000	2,350	800	1,800	96,350	20 10 0

Loan Capital.

3.—The amount contributed as loan capital during the quarter was £2,525, with £1,000 withdrawals, an increase of £1,525 for the quarter, the amount due to loanholders at date being £15,000, an average of £3 per member, compared with an average of £2. 15s. at end of last quarter, and with an average of £2. 10s. a year ago.

Small Savings Bank.

4.—Thirty depositors joined the bank during the quarter and five withdrew, an increase of 25, the total number of depositors at date being 632, and the amount to their credit £3,000, compared with 607 depositors and £2,500 three months ago, and 500 depositors and £2,000 a year ago.

Trade.

5.—The past quarter was not as favourable as it might have been, but there was a slight increase over last quarter despite the fall in prices. All departments shared in the increase, but the increase in quantities was greatest in the grocery department, where the fall in prices was greatest. The table below shows the figures for the various departments:—

SALES.

Period.	Grocery Department.		Drapery Department.		Boot & Shoe Department.		All Departments.	
	Total.	Av. per member.	Total.	Av. per member.	Total.	Av. per member.	Total.	Av. per member.
	£	£ s. d.	£	£ s. d.	£	£ s. d.	£	£ s. d.
Past quarter..	50,000	10 0 0	10,000	2 0 0	10,000	2 0 0	70,000	14 0 0
Previous quarter....	46,550	9 10 0	8,575	1 15 0	8,820	1 17 6	63,945	13 2 6
Corresponding quarter last year.	37,825	9 15 0	9,400	2 0 0	7,285	1 11 0	54,510	13 6 0

(There might follow here a short paragraph for each department reviewing the most important points of interest in connection with the department.)

Purchases.

6.—During the quarter our purchases were £50,000, of which £40,000 or 80 per cent represents purchases from the C.W.S.; £3,000 or 6 per cent purchases from other co-operative sources; and £7,000 or 14 per cent purchases from non-co-operative sources.

Expenses.

7.—The fall in prices was not accompanied by a corresponding fall in expenses, with the result that expenses per £ of sales were 8d. per £ higher than in 1914, being 2s. 2d. per £ as against 1s. 6d. in 1914; wages being 1s. 4d. per £ as against 1s. per £ in 1914, and other expenses 10d. per £ as against 6d. per £ in 1914. The expenses per £ of sales are, however, a little less than last quarter (2s. 2d. as against 2s. 3d.), and as against the corresponding quarter last year (2s. 2d. as against 2s. 3½d). The committee are taking all steps possible to reduce expenses, but the best means of reducing the burden of expenses is by increasing trade; and members can assist the committee very much in this respect by greater loyalty.

*Surplus.**

8.—After allowing for depreciation (£600) as per rules, and share interest amounting to £1,125, the trading surplus for the quarter amounted to £8,100, which, with £50 brought forward from previous quarter, we recommend should be allocated as follows :—

Dividend at 2s. in £ on members' purchases	£7,000
Special depreciation on Central Premises	500
Reserve Fund	500
Donation to Town Hospital	50
Carried forward	100
	£8,150

House Purchase Scheme.

9.—The sum of £1,500 was advanced to members for house purchase during the quarter, and £1,000 was repaid, the balance outstanding at date being £7,500, owing by 40 members.

Collective Life Assurance.

10.—During the quarter eight claims were paid amounting in all to £85, bringing the total number of claims paid since we adopted the scheme six years ago to 180, and the amount to £1,800.

General Matters.

11.—The Committee have been pressed on several occasions to open a grocery branch at Longdorf, and a few weeks ago acquired premises in Castle Street which are being adapted and will be opened on February 1st.

12.—The subject of pensions for co-operative employees has been engaging much attention of late, and several societies have adopted a scheme in agreement with the Co-operative Insurance Society. Your Committee have considered the question on several occasions, and are now preparing a scheme in consultation with representatives of the employees and the Insurance Society. A report will be brought before the members' meeting, with recommendations, when a satisfactory scheme has been prepared and approved.

13.—The Co-operative Wholesale Society, in which we are deeply interested financially, and in other ways, is steadily improving its position, as revealed by its last balance sheet. This balance sheet, and the report of the delegates present at the last quarterly meeting, were summarised in the November "Wheatsheaf." Trade is increasing, and there was a slight surplus on the last quarter's trading.

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* The education fund has been provided for by a charge against the Final Revenue Account as elsewhere recommended by the author.

14.—The report of the delegates to the half-yearly meeting of the Publishing Society, was also given in the November issue of the "Wheatsheaf," along with comments on the balance sheet. The society is continuing its propaganda on behalf of a co-operative daily newspaper.

15.—We have nominated during the past quarter Mrs. Robin for a seat on the board of the National Co-operative Publishing Society, and she was the highest unsuccessful candidate. We also voted for Messrs. White and Black, the retiring members, for seats on the committee of the C.W.S., and they were re-elected. Our manager has been nominated for a seat on the directorate of the Co-operative Productive Society, but the election has not yet taken place.

16.—The following delegation fees and expenses have been paid during the quarter to members of the committee and other members of the society engaged on the society's business:—

			£	s	d
Mr. Robert Smith, attending C.W.S. quarterly meeting			1	5	0
Mr. John White	,,	,, ,, ,, ,,	1	0	0
,,	,,	Co-operative Union Sectional Conference	0	12	6
Mr. Frank Lee	,,	Co-operative Union Sectional Conference	0	12	6
Mrs. Stone	,,	Co-operative Union District Conference	0	10	0
Mr. John Smith	,,	meeting of Association of Committees of Management	0	12	6
Mrs. M. Robin	,,	half-yearly meeting of Publishing Society	0	15	0
Mr. James Brown, visiting Exton Society *re* purchase of motor			0	10	0
Mr. Henry Green	,,	,, ,, ,, ,,	0	10	0

(*Signed*) (for the Committee)

JOHN WISEMAN, *Chairman.*

HENRY BANK, *Secretary.*

January 28th, 1928.

IV.—EDUCATION COMMITTEE'S REPORT TO MEMBERS.

THE ADVANCE CO-OPERATIVE SOCIETY LIMITED.

REPORT OF EDUCATION COMMITTEE TO THE MEMBERS,

HALF YEAR ENDING JULY 30TH, 1927.

LADIES AND GENTLEMEN,—

The Education Committee have pleasure in presenting their Forty-second Half-yearly Report. The past half year includes the second half of the winter session, which was a busy time for all concerned. We review the activities of the department under the usual headings.

Children's Classes.

1.—The interest in the classes was well maintained until the end of the session. There were, in all, ten Stage I classes with 300 children enrolled, six Stage II classes with 150 names on the books, and four Stage III classes with 112 students. In addition, two Intermediate Classes with 58 students were held. This makes over 600 students in all, and at the end of the session over 500 were still in attendance, which the committee consider very satisfactory. Four hundred students presented themselves for examination, and the results were excellent, one student, Janet Bridge, in the Intermediate Examination, gaining a Co-operative Union Summer School scholarship. The students who have now passed through the Intermediate classes will form the nucleus of the Adult classes which it is proposed to organise in the coming session.

At the close of last session the members of the classes gave a concert, the whole of the items being provided by the children themselves. There was a large attendance, and the young people received many compliments for their good work. The concert, by request, will be repeated at the beginning of next session, and the certificates and prizes gained during the present session will be presented on that occasion.

Week-end Schools.

2.—Our usual quarterly week-end schools have been held during the half year. The first was in January, when Mr. A. B. Cee gave an excellent series of four lectures on "Co-operation at Home and Abroad." About 50 students attended and took a keen interest in the lectures and discussions.

The second school was held in April, when Mr. D. E. Eff was the lecturer, his subject being "The Making of a Nation." The subject was rather unusual, but it attracted good audiences of over 60 students on each occasion. Mr. Eff was in good form, and sustained his high reputation both in the lectures and discussions.

Joint Lectures with the Women's and Men's Guilds.

3.—Three joint lectures with the Guilds have been held during the half year. The first on "Co-operation in Russia," by Mr. S. Roe, of London, was attended by over 600 people, and at least another 100 were turned away owing to the hall being packed. The second was one of the C.W.S. cinema lectures given by Mr. E. Talks on "The People's Food," and was well attended, the hall being comfortably full. The third was by Mrs. Stone, of Manchester, who spoke to an audience of 300 on "Problems of Citizenship affecting Women." Probably there would have been a still better audience had the weather been more favourable. The lecturers acquitted themselves with distinction, and in every case received the appreciative thanks of an interested audience.

Concerts and Propaganda Meetings arranged jointly with the Management Committee.

4.—Six of these meetings have been held during the past half year in the Englebank, Renforth, Bankfield, Milepark, Carfield, and Rosefield districts. Attendances ranging from 200 to 400, with an average of 320, were recorded. Excellent concert programmes were provided, and effective propaganda speeches were given by various speakers at the meetings.

Library.

5.—Eighty new books have been added to the library during the half year, the total number of volumes being now 8,500. The library is open on Wednesday and Friday evenings only, but it is proposed to open on Monday as well during the winter months commencing in October next. The issues during the half year have averaged 200 per week. A new catalogue is in course of preparation.

Choirs.

6.—The Senior Choir continues its good work. Its membership at present is fifty voices; but there are vacancies for several tenor singers and one or two who take other parts. The Choir gave a public concert on behalf of the choir funds in March, and it was attended by a large and appreciative audience. Members of the choir also provided a musical programme at two of the joint propaganda concert-meetings.

The Junior Choir was only established last year; but it is making excellent progress. There are now eighty members meeting weekly under the tuition and leadership of Mr. B. Key. A public concert will be given by the choir in September next.

Co-operative Literature.

7.—Six thousand copies of the "Wheatsheaf" have been issued monthly during the half year. Any member of the society not receiving a copy of this interesting and useful magazine, may obtain one on making application at the nearest branch. Twelve dozen copies of the "Co-operative

News" are sold weekly; but this number is not in keeping with the membership of the society, and the committee desire to urge upon members the desirability of purchasing and reading this weekly co-operative journal regularly. Copies may be ordered at any branch, and will be delivered on Friday each week. Attention is also drawn to the following monthly co-operative publications, all of which may be ordered at any of the branches: "Millgate Monthly" (price 6d.), "Woman's Outlook" (price 1½d.), and "Our Circle"—the magazine for children—(price 1d.). The "Co-operative Educator" (price 2d.), published quarterly, can also be ordered at any branch.

Summer School Scholarships.

8.—The Committee have granted scholarships to the best three students in the children's classes—John Bond, Mary Lord, and Edna Lyle. These scholarships are tenable at the Co-operative Union Junior Summer Schools. One employees' scholarship (to Miss Dora Leng) and one members' scholarship (to Mr. Frank Jones) have been granted for the Adult Summer Schools, selecting examinations being held for the purpose of guiding the Committee when making these two awards.

Financial.

9.—The Committee commenced the half year with a balance in hand of £30. The receipts for the half year (including the half-yearly grant of £200) amounted to £230. The total expenditure, including the usual grants to the guilds, choir, and junior organisations, as per Balance Sheet, amounted to £240, leaving a balance in hand and at bank of £20.

The following deputation expenses have been paid during the half year:—

Mr. J. Brown, attending	Co-operative Union Congress	£5	10 0
Mr. J. Read ,,	two Conferences of Sectional Education Association	1	15 0
Mrs. A. Why ,,	two Conferences of District Education Association	0	12 0
Mr. I. Know ,,	Sectional Conference of Co-operative Union	0	10 0
Mrs. J. Kay ,,	,, ,, ,, ,,	0	15 0
Mrs. J. Kay ,,	District ,, ,, ,,	0	6 0
Mr. F. Wright ,,	Week-end School at Bryton	1	6 0

General.

10.—The Committee propose at an early date to organise a circle and a guild for the young people in the junior classes and choir, and for other children of members; and they bespeak the support of the members for their effort. A preliminary meeting for the launching of a second branch of the men's guild will be held in September next. Adequate notice of the meeting

will be given in the "Wheatsheaf" and the shops; and the committee ask the men members of the society to watch for these notices and attend the meeting in large numbers.

11.—The Committee propose to organise, also, in the coming session, Adult classes in Co-operation and Industrial History; and they wish to take advantage of this opportunity of urging upon members the desirability of joining these classes for the purpose of gaining a deeper knowledge of industrial and social phenomena.

12.—Whilst much educational work is being done in the society, the Committee are conscious that much remains to be done, and in thanking members for the support that has been given in the past, they ask for a continuation and extension of that support, so that the society's educational work may be increasingly worthy of the society.

(*Signed*) (for the Committee),

JAMES READ, *Chairman.*

FRANK WRIGHT, *Secretary.*

August 12th, 1927.

APPENDIX VIII.

Depreciation.

(See page 176.)

There is some difference of opinion regarding the merits of different policies in relation to depreciation. The principal difference arises as to the merits of charging depreciation on the basis of (1) the original value of an asset or (2) that value as it becomes reduced by the writing off of the amount of depreciation each year, *i.e.*, the reduced or nominal value. In favour of the basing of depreciation charges on original values it is claimed (*a*) that a definite period is set to the writing off of the asset (which is never completely written off by the other method); (*b*) that it is the most commendable method from the point of view of sound finance; and (*c*) that it encourages enterprise in scrapping old assets in favour of better ones. In favour of depreciating on nominal values it is urged that the annual charge for repairs becomes heavier as an asset becomes older, so that a reducing depreciation charge compensates for an increasing repairs charge and keeps the total charge for depreciation and repairs more constant. Against this it is argued that interest on the capital represented by an asset should be charged to trade, as it is charged by most co-operative societies, according to the balance sheet value of the asset. If this is done, then depreciation, plus interest, plus repairs, is a less variable charge when depreciation is based upon original values than when based upon nominal values. The general conclusion we reach is that depreciation on original values is the best; and it is the practice that should be followed by all co-operative societies. The following table illustrates the different results reached by adopting the two methods of depreciating an asset. The charge declines annually when based on nominal values, but remains constant when based on original values. The difference between the charges under the two methods increases in successive years; but the increase is not as great if interest is added in both cases. If the rate of depreciation is 10 per cent, the asset is completely written off in 10 years when the charge is based on original values; but the same rate based on nominal values leaves the asset standing at 35 per cent of its original value at the end of this period.

To reduce the asset to an insignificant value in ten years on the basis of reduced values would require the adoption of a much higher rate of depreciation than 10 per cent per annum, and this would mean a very high charge in the earlier years. A rate of approximately 20 per cent would be required to reduce the value of an asset costing £100 to £10 in 10 years, and the charges in the ten years would be £20, £16, £12. 16s., £10. 5s.,

£8. 4s., £6. 11s., £5. 5s., £4. 4s., £3. 7s., and £2. 14s. respectively. These charges show wide variations, which repairs charges do not equalise; and at the end of the ten years the asset is still standing in the books at £10. 14s.

TABLE SHOWING RESULTS OF DEPRECIATION OF AN ASSET COSTING £100 WHEN DEPRECIATED AT 10 PER CENT PER ANNUM ON (A) ORIGINAL VALUES AND (B) REDUCED VALUES.

Method "A." (original values).			Method "B" (reduced or nominal values.)		
Year.	Amount of Depreciation.	Book value of Asset at end of year.	Year.	Amount of Depreciation (omitting pence).	Book value of Asset at end of year (omitting pence).
	£	£		£ s.	£ s.
First	10	90	First	10 0	90 0
Second ...	10	80	Second ...	9 0	81 0
Third	10	70	Third	8 2	72 18
Fourth ...	10	60	Fourth ...	7 6	65 12
Fifth	10	50	Fifth	6 11	59 1
Sixth	10	40	Sixth	5 18	53 3
Seventh ...	10	30	Seventh ...	5 6	47 17
Eighth.....	10	20	Eighth.....	4 16	43 1
Ninth	10	10	Ninth	4 6	38 15
Tenth	10	...	Tenth	3 18	34 17

APPENDIX IX.

(See page 277.)

SUGGESTED OBJECTS, METHODS, AND CONSTITUTION FOR A JOINT COMMITTEE (IN SOME SOCIETIES TERMED AN ADVISORY COUNCIL) OF MANAGEMENT COMMITTEE AND EMPLOYEES.

THE PIONEER CO-OPERATIVE SOCIETY LTD.

Objects, Methods, and Constitution of the Joint Committee of Management Committee and Employees.

Objects.

The Objects of the Joint Committee are :—

(1) To promote the success of the Society and the Co-operative Movement; and to advance the well-being and status of the Society and its employees.

(2) To provide opportunities, through appointed representatives, for continuous consultation between the Management Committee and Employees on matters affecting the welfare of the Society and its employees, but the Joint Committee is not to deal with matters which fall within the recognised province of trade unions or the Management Committee.

(3) To promote a good understanding and harmonious relationship between the Society and its employees.

Methods.

The Joint Committee shall endeavour to realise its objects by the following methods :—

(1) The holding of regular meetings at which all matters falling within the province of the Joint Committee as outlined in this constitution may be freely discussed ;

(2) The training of members of the staff of the Society in all grades ;

(3) The discussion of any suggestions that may be made for improving the efficiency and service of the Society or the welfare of the employees, including Welfare Methods, Status of Labour, Industrial Control, Realisation of Co-operative Ideals through Commercial Activities, Investigation of Suggested Improvements of Methods of Working for securing Better Results, Pension or Benevolent schemes, the organisation of Social and Recreational activities for employees, and such other topics in harmony with the objects of the Committee as may be suggested from time to time ;

(4) The consideration of such matters as may be remitted to it by the Management Committee; and the making of representations or recommendations to the Management Committee on conditions of service or other matters affecting the Society or its employees as may be deemed desirable from time to time.

Constitution and Meetings.

The Joint Committee shall consist of (seven)* members appointed by the Management Committee and (seven)* members appointed by the employees, with the Manager and Secretary as ex-officio members in a consultative capacity and without a vote. The following rules shall apply to the committee and its meetings:—

(1) Meetings shall be held once a quarter and more frequently as the committee itself may decide;

(2) Each side shall elect its own representatives, annually, in such manner as it may choose, with power to fill any casual vacancy or vacancies that may arise;

(3) Not more than three employees shall be elected from any one department or branch;

(4) All employees who are eligible for trade union membership and are members of the Society, or are members' children living at home, shall be entitled to vote for, and sit upon, the committee;

(5) Each side shall appoint a chairman, and the two chairmen shall occupy the chair alternately;

(6) Each side shall appoint a secretary, and these two secretaries shall be the joint secretaries of the committee;

(7) The joint secretaries shall prepare the agenda of each meeting and shall include therein any item of business, the inclusion of which is requested by a member of the committee;

(8) In the absence of any instructions from the committee, the secretaries shall fix the date and hour of each meeting, and seven clear days' notice of each meeting shall be forwarded to the members of the committee along with a copy of the agenda of business to be considered at the meeting.

General.

All employee representatives on the committee shall be given permission to leave business in time to reach any meeting of the Joint Committee to which they have been summoned; and if any employee member of the committee loses wages in consequence of attending such a meeting he shall be paid by the Society a deputation fee not exceeding the amount of wages lost. Any secretarial or other similar expenses incurred in carrying on the work of the Joint Committee, including the travelling expenses of employees living, or working, some distance from the place at which the meetings are held, shall be borne by the Society.

* Number according to conditions of society.

APPENDIX X.

Clubs and Hire Purchase.

Clubs appear originally to have been savings clubs commencing on a definite date and running for a period of twelve or twenty weeks, during which a member paid 6d. a week for each share he or she took up. At the end of the period the member had saved a nice little sum available for purchasing boots, clothing, &c., without going into debt.

Then came two variations. In one of the new types of club the member was allowed to have goods, to the value of the number of shares he had taken out, after paying one or more weekly instalments, the balance being paid off by subsequent weekly instalments. In the other type of club, a weekly ballot took place for purchasing-coupons equal in value to the amount paid in on club account during the week. A fortunate member obtained his coupons the first week, and the least fortunate during the 12th or 20th week, according to the duration of the club. In this type of club the society never issued goods beyond the value of the money received, and thus credit was given in only a special sense.

The three types of club still exist and have undoubtedly been instrumental in securing a considerable increase of trade in drapery, furnishing, outfitting and, in some cases, coal departments. The original type of club has to some extent been substituted by the introduction of savings stamps, which members can buy and afterwards spend as cash in the shops of the society. Some members find it easier to save in this way than to save cash. The clubs are not without their critics, particularly where they involve the granting of credit. One ground of the criticism is that some of the clubs cause an unequal distribution of trade, the big pressure coming at the time the coupons are issued, when the staff have difficulty in coping with the demands made upon them, whilst at other times they are not fully employed. This is also true where quarterly credit is given. (See page 178.)

This particular difficulty is overcome by the recently-popularised Mutuality Club, which runs as a rule for 20 weeks. A member is allowed to have a number of shares (usually of the value of £1 each) varying with his share capital, his purchases, or his credit worthiness. He may join the club at any time, and is usually allowed his coupons for purchasing after making his third weekly payment. Mutuality clubs differ from the older types of club not merely by the ability of members to join at any time (which distributes the trade more equally over the half year), but principally by the fact that canvassers and collectors paid by salary, commission, or both, are employed to visit the homes of the members to persuade them to join the club and in order to collect the weekly

instalments. As in other types of club, the departments in which the members can spend their coupons are the drapery, clothing, furnishing, and, in some cases, the coal department.

A very large volume of trade has been secured through the medium of mutuality clubs; and it is claimed that this increase of trade has so far reduced the rate of expenses as to benefit the cash purchasers who usually pay the same prices as the club purchasers. It is also claimed, with evident justification, that the co-operative clubs give a better service and a "squarer deal" than the clubs outside the co-operative movement.

This deliberate and organised departure from the no-credit principle to which co-operators have hitherto given at any rate lip service (there were always societies which gave credit as is seen by reference to the Co-operative Union statistics, where the debts owing to societies are stated), has not been without its critics. Some of the criticisms may be noted. It is said that it is bad to encourage debt. To this several replies are given. One is that co-operators are already obtaining this credit from outside traders and co-operative societies are losing their trade. A second is that there is no difference in principle between buying a house on the instalment plan and the furniture in the house, so that the credit giving is not bad provided it does not extend beyond the life of the article purchased. A third is that many members would be unable to save in advance for the purchase of expensive articles; the money would be depleted by other calls, whereas the obligation to pay the weekly instalments gives the payments precedence.

Against these arguments it is urged that members may be induced to buy goods they could do without and which they only buy because they do not have to pay cash down. Available information does not indicate that this kind of purchase obtains to any great extent. It is also suggested that extension of this kind of trading will involve societies in heavy losses from bad debts; but experience has shown that the bad debts are few and that losses are not heavy, despite the depression that has existed since mutuality club trading was introduced. It is, however, important in this connection, to warn committees and officials to have regard to the local conditions when they introduce this form of trading. Where, for example, the majority of workers in a district are in receipt of unemployment pay and there is some prospect of the local industry declining, it would be unwise to introduce the credit club system. There will be many who will be quite ready to purchase goods on credit, but the society's prospects of securing the instalments will not be very bright. It should also be pointed out that credit trading is more expensive than cash trading of an equal amount, and this imposes a burden upon the consumer.

Some other criticisms apply to the method of administration rather than the principles of club trading. It is argued, for example, that it is inequitable to charge the same prices to club customers and cash customers since the expenses of club trading are much higher—apart from interest on capital outstanding and other expenses, 5 per cent commission is usually paid to collectors. This criticism seems sound,

and it is not a complete answer to say that the increase of trade benefits the cash customer. It does; but the cash trade helps to keep down the expense of club trade: the service in this respect is reciprocal, and the two types of purchasing are left in the same relative position. Failure to recognise the advantage to the society of the cash trade is likely to drive cash customers into the ranks of credit customers. One society meets the position by having common prices, but charging the club member 21s. for a 20s. share, which seems an equitable arrangement and still leaves the co-operative club with a margin of attractiveness over the outside club because of the dividend.

A second criticism of club method is the practice obtaining in some societies of issuing dividend checks to members at the time the goods are handed over. This practice has the advantage of administrative convenience, but it makes it possible for a member to obtain dividend on a purchase for which he has not paid at the time he becomes entitled to draw the dividend. It would be far better not to issue the dividend check until all instalments are paid.

The most fundamental criticism of the mutuality club, and one that has not been fully answered, is that it makes the member without capital dependent upon the member who has capital. It thus increases the power of those with capital. At first this does not seem important in relation to present-day club activities, but if the practice extends it will become important, and the purpose of the Co-operative Movement to make the workers independent of the capitalist may be defeated. In America, where instalment buying has become a craze, special finance corporations have been established to finance this class of trade, and it is quite clear that such corporations must wield great power and may wield even more power in the future.

The club running for 20 weeks is hardly suitable for expensive items such as pianos and suites of furniture, for which a longer period of payment is required. Hence, the development of club trading has not prevented the growth of hire purchase. A virtue of hire purchase, as compared with club purchasing, is that the goods remain the property of the society until the final instalment is paid. Hire-purchase customers usually pay a little more than cash customers to cover the interest on capital outstanding, though competition for trade is leading to the abandonment of this practice. Of course, this expense has to be paid in some way or other, and the price has to be raised to both cash and credit customers where no charge is made for interest and working expenses. Even with hire purchase, there are occasional losses for bad debts, and these can be insured against. Since the goods remain the property of the society, it suffers loss if they are destroyed by fire, and the society should either insure them or require the purchaser to insure them. In many societies now, the hire-purchase agreement provides that if the purchaser dies, the goods become the property of the widow without further payment.

APPENDIX XI.

Books and Pamphlets Useful to Committee Members.

I.—Reference Books.

Note.—*At least one copy of each of the books and pamphlets named below should be included in every Committee-room Library.*

(*a*) Books on Co-operation.

Acland, A. H. D., and Jones, B.—Working-men Co-operators: An Account of the Artizans' Co-operative Movement in Great Britain. (Revised by Julia P. Madams.)

Aves, Ernest.—Co-operative Industry.

Barnes, A.—The Political Aspect of Co-operation.

Carling, J. R., and Davis, Mr. and Mrs. W. T. Through Play to Understanding. (Hints to Teachers of Junior Co-operative Classes.)

Fay, C. R.—Co-operation at Home and Abroad: A Description and Analysis.

Flanagan, J. A.—Wholesale Co-operation in Scotland, 1868–1918.

Gide, Charles.—Consumers' Co-operative Societies.

Hall, F.—Sunnyside: A Story of Industrial History and Co-operation for Young People.

Hall, F.—Handbook for Members of Co-operative Committees.

Hedberg, A.—International Wholesale Co-operation.

Holyoake, G. J.—The History of the Rochdale Pioneers.

Hughes, T., and Neale, E. V.—Foundations: A Study in the Ethics and Economics of the Co-operative Movement. (Revised by A. Stoddart and W. Clayton.)

Lucas, J.—Co-operation in Scotland.

Madams, Julia P.—The Story Re-told: An Intermediate Text-book on Co-operation.

Mercer, T. W.—Dr. Wm. King and The Co-operator, 1828–1830.

Nicholson, Isa.—Our Story: A History of the Co-operative Movement for Young Co-operators.

Poisson, E.—The Co-operative Republic.

Potter, Beatrice.—The Co-operative Movement in Great Britain.

Redfern, Percy.—The Story of the C.W.S.: The Jubilee History of the Co-operative Wholesale Society, 1863–1913.

Redfern, Percy.—The Consumers' Place in Society.

Smith, Gordon L., and O'Brien, C.—Co-operation in Many Lands.

Smith, Gordon L., and O'Brien, C.—Co-operation in Ireland.

Webb, Catherine.—Industrial Co-operation: The Story of a Peaceful Revolution: Being an Account of the History, Theory, and Practice of the Co-operative Movement in Great Britain and Ireland.

Webb, Sidney and Beatrice.—The Consumers' Co-operative Movement.

The People's Year Book (for the current year).

The Co-operator's Year Book (for the current year).

Report of the Annual Co-operative Congress of the Co-operative Union (for the current year).

The Co-operative Directory (current issue).

(*b*) TECHNICAL WORKS.

Citrine, W. A.—The Labour Chairman.

Cook (and Cooper).—Text Book for Salesmen in Drapery and Allied Departments.

Ellison and Ramsden.—The Management of Foodstuffs and Allied Departments.

Haigh.—Text Book for Salesmen in Furniture and Allied Departments.

Hall, F.—Standard Co-operative Bookkeeping, Parts I and II.

Hopkins, O. T.—Working Expenses in Retail Distributive Co-operative Societies.

Jacobs, H.—Stevens' Mercantile Law.

Kerr, C. U.—Guide to Welfare Work for Beginners and Others.

Naylor, G. K. and T. E.—The Rules and Conduct of Debate.

Rigg, J.—How to Conduct a Meeting: Standing Orders and Rules of Debate.

Palin, G., and Martin, E.—The Chairman's Manual.

Tetlow, B.—Co-operative Auditing.

Whitehead, A., and Gray, J. C.—The Industrial and Provident Societies Act, 1893, and Amendment Act, 1913.

Wilson, R. J.—The Co-operative Apprentices' Text-book. (*Out of Print*).

Wilson, R. J.—The Co-operative Manager's Text-book. (*Out of Print*).

Wilson, R. J.—Supplement to the Co-operative Manager's Text-book. (*Out of Print*).

Wood, A.—The Co-operative Secretary. (*Out of print.*)

Some of the Most Important Acts of Parliament which affect Co-operators.

Educational Programme and Syllabus of Classes (issued by the Central Education Committee of the Co-operative Union).

II.—PAMPHLETS AND BOOKLETS ON ADMINISTRATION AND MANAGEMENT.

Anderson, John.—The Leakage System. (*Out of Print*).

Armstrong, T.—Advertising and the Co-operative Movement.

Banister, W. E.—Business Systems and Control.

Bethell, W.—Leakage Accounts.

Bethell, W.—Stockkeeping and Stocktaking.

Barrett, A.—An Advertising Policy for the Co-operative Movement.

Blair, W. R.—National Retail Price Fixing for Co-operative Productions and the Desirability of the Mail Order Business for Co-operators.

Briggs, G.—The Principles of Rating and Assessment, and their Application to Co-operative Property.

Charter, W. T.—The Trading and Financial Policy of the Wholesale Societies.

Church, E. J.—Management.

Cook, T. D.—The Development of Co-operative Drapery and Allied Departments.

Cooper, N. H.—Excess Profits Duty and Income Tax in their Relation to Co-operative Societies.

Cooper, N. H.—Income Tax: Notes and Extracts for the use of Co-operators, with special reference to the Assessment of Co-operative Societies engaged in Farming.

Crowther, Joel.—Expenses, Depreciation, and Reserves.

Davies, T. G.—Co-operative Banking.

Davies, T. G.—The Case for Increased Capital for the Co-operative Movement.

Deans, James.—The Amalgamation of Societies as a means of Consolidating the Co-operative Movement.

Denman, F., and Arnold, T. G.—The Organisation and Administration of Large Distributive Co-operative Societies.

Downie, John.—Capital and Banking for Co-operators.

Ellison, T.—Counter Points.

Foster, S.—The Development of Co-operative Trade.

Gray, J. C.—Co-operation: the ideals of its founders; a comparison with present-day methods, and proposals for future consolidation.

Gray, J. C.—How to Start Co-operative Stores.

Gray, J. C.—Loan Capital: How to Deal with It.

Gray, J. C.—Notes of Importance for the Use of Committees and Officials (on Loans and Deposits, Share Capital, the Use of Receipt Stamps, and the Importance of Efficient Auditing).

Griffiths, G. E.—Starting a Co-operative Society: Hints and Suggestions.

Griffiths, G. E.—Co-operative Propaganda: A Handbook for Propagandists and Canvassers.

Griffiths, G. E.—The Work of a District Organiser and Propagandist.

Griffiths, G. E., and Mercer, T. W.—Better Service: How Co-operative Employees Can Help. (*Out of Print*).

Hainsworth, A.—The Organisation of Canvassing.

Hainsworth, A.—The Organisation of Public Meetings.

Hall, F.—A Standard Balance Sheet: The Uniform Classification of Expenditure; and the Organisation of Statistics of a Co-operative Society. (*Out of Print*).

Hall, F.—Co-operation and the Problem of Unemployment.

Hall, F.—Co-operation and Trade Unionism.

Hall, F.—Co-operative Capital: Its Accumulation and Employment, with special reference to Working Expenses and Trading Results in Retail Societies.

Hall, F.—Co-operative Control of Raw Materials and Prices.

Hall, F.—Expenses and Their Influence upon Trading Results. (*Out of Print*).

Hall, F. (and others).—Scientific Management in Co-operative Business.

Hall, F.—Some Results of War Time and Post War Influences upon Retail Distributive Co-operative Societies.

Hall, F.—The Duties of Committees and Employees to the Co-operative Movement.

Hall, F.—The Economic Results of the War and Their Effect upon the Co-operative Movement.

Hall, F.—The Organisation of Retail Distributive Societies in the Face of Present-day Competition.

Hall, F.—The Value and Use of Statistics.

Harris, Lilian.—The Position of Employees in the Co-operative Movement.

Hopkinson, G. H.—Best System of Leakage for a Country Co-operative Store.

Judd, A.—The Business Initiative of Co-operative Officials and Committee Responsibility.

Lucas, James.—District Amalgamation.

McDonald, R.—Some Acts of Negligence and Their Consequences.

Maxwell, W.—The International Co-operative Alliance: Its Claims. (*Out of Print*).

May, H. J.—Co-operative Societies and Income Tax.

Mercer, T. W. (and others).—Co-operative Policy in Relation to the Organisation of Retail Trade.

Mercer, T. W.—The Co-operative Union: Its Organisation and Work.

Mercer, T. W.—The Principles and Purpose of Co-operative Trade.

Mercer, T. W.—The Proposed National Co-operative Society.

Müller, Dr. Hans.—The International Co-operative Alliance and Its Importance to the Co-operative Movement.

Neale, E. V.—The Principles of Rating applied to Co-operative Stores.

Newbold, C. W. (and others).—The Trade Campaign.

Newbold, C. W., Hynd, A., Wilkinson, W. A., Olney, W. R., and Garvin, H. R.—Scientific Management in Co-operative Business.

Openshaw, W.—Store Management.

Pickup, A., and Banister, W. E.—The Policy of Societies in Regard to Trade, Dividends, Reserves, and Depreciation.

Pollitt, J., and Hall, F.—The Policy of the Movement in Regard to Employees' Welfare and Joint Committees.

Purdie, W.—Depreciation of Buildings, Fixed Stock, and Stocks.

Rae, W. R.—Rule by Committee.

Redfearn, P. G.—Depreciation.

Riddle, G.—The Financial Position of the Movement in Relation to New Forms of Administration in the Retail Trade.

Rose, W.—Safety First: Transfers from Depreciation and Reserve.

Royle, R. W.—Transport in the Co-operative Movement and the Organisation of a Co-operative Society's Transport Department.

Snowdon, W., and Morton, N. J.—Co-operative Finance; Reserves and Reserve Funds.

Spooner, M. C.—Emergency Funds and Their Application. (*Out of Print*).

Watkins, W. H.—The Co-operative Party: Its Aims and Work.

Watkins, W. H., and Perry, S. F.—The Co-operative Party: Its Policy, Activities, and Needs. (*Out of Print*).

Watkins, W. H.—The Development of Co-operative Resources and Services.

Wilson, R. J.—The Position of Employees in the Co-operative Movement.

Webb, Sidney.—The Constitutional Problems of a Co-operative Society. (*Out of Print*).

Wood, T.—Expenses and Depreciation: Their Application to Co-operative Societies.

Young, T. M.—Business Organisation, with Reference to Detailed and Departmental Accounts.

Co-operative Societies and the Income Tax.

General Survey Committee: Third and Fourth (Final) Reports.

Income Tax: The Case for Co-operative Societies: Summary of Evidence given (December, 1904) before the Departmental Committee on Income Tax, and the Report of the Committee thereon, June, 1905.

Lectures for Secretaries (First Series) on Check Systems, Investments of Surplus Capital, Employers' Liability, Legal Matters, and Rating.

Lectures for Secretaries (Second Series) on Leakage, Fire Insurance, Cost Accounts, and Railway Rates and Charges.

Lectures for Secretaries (Third Series) on Banking, The National Insurance Acts, and the Value and Use of Statistics.

Suggestions for the Control and Limitation of Credit Trading in Co-operative Societies.

The Industrial and Provident Societies (Amendment) Act, 1913, with notes on the alterations.

III.—Pamphlets and Booklets on Educational Organisation and Administration.

Balmforth, Owen.—Educational Funds: Their Necessity and Importance.

Bank, T.—Co-operators and Class Work.

Foster, W. J.—The Value of the Educational Work of the Co-operative Movement.

Hall, F.—A Co-operative College.

Hall, F.—Co-operative Education Committees and Their Work.

Hall, F.—Further Developments of Co-operative Education.

Hall, F.—The Necessity for Co-operative Education.

Hall, F.—The Summer Schools for Co-operators.

Hall, F.—Work of a Co-operative Educational Association.

Mercer, T. W.—The Relation of Co-operative Education and Co-operative Politics.

Rae, W. R.—Co-operative Education and the Programme of the Central Educational Committee.

Rae, W. R.—How Best can Co-operative Societies utilise their Educational Funds in view of the Educational Facilities now provided by municipalities and local authorities.

Rae, W. R.—The Work of an Educational Committee.

Reeves, Joseph.—Educational Organisation.

Toynbee, Arnold.—Education of Co-operators.

Twigg, H. J.—Junior Co-operators and Their Organisation.

Twigg, H. J.—Organisation and Extent of Co-operative Education.

Twigg, H. J.—Outline History of Co-operative Education.

Wintersgill, A. T.—Co-operative Education: Some Suggestions regarding Its Future Organisation and Extension.

Co-operators and the Provisions of the Education Act (England and Wales) of 1918 in relation to Continued Education.

Educational Programme (annually).

General Co-operative Survey: The Second Interim Report with Recommendations in regard to (*a*) Co-operative Education, (*b*) Co-operative Literature, (*c*) Co-operative Propaganda, as presented to the Swansea Co-operative Congress, 1917.

The New Education Act (England and Wales) of 1918 and the attitude of Co-operative Societies towards it.

The Organisation of Junior Co-operators.

The Organisation of Week-end Schools (and other Schools of Short Duration) for Co-operators.

IV.—Periodicals.

NOTE.—*Copies of the current issue of each of the periodicals named should always be kept in every committee-room for the use of Committee Members.*

(*a*) Weekly Periodicals.

The Co-operative News.
The Scottish Co-operator.

(*b*) MONTHLY PERIODICALS.

The Co-operative Official.
The Wheatsheaf.
The Producer.
Co-Partnership.
The Millgate Monthly.
The Woman's Outlook.
Sunshine Stories.
The International Co-operative Review.
The Guildsman.

(*c*) BI-MONTHLY.

The Co-operative Review.

(*d*) QUARTERLY.

The Co-operative Educator.

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