

FIT FOR CO-OPERATION

Under the slogan 'fit for co-operation', the German DP Innova has shown that unemployed people can turn subsidised training schemes into viable businesses. As well as helping unemployed people to create permanent employment for themselves, Innova has piloted a new model of self-help co-operative.

"The main idea of the project was to develop an appropriate legal form that unemployed people can use to create their own jobs," says Hans-Gerd Nottenbohm, transnationality co-ordinator of the Innova development partnership. "We wanted to give unemployed people a way out of the



A company is born: Cena et Flora members sign on the dotted line at the co-operative's inaugural meeting on 29 October 2004

*endless cycle of temporary jobs and make-work schemes, and help them to set up their own sustainable businesses." These laudable aims are echoed in the *Integrated guidelines for growth and jobs*.¹ Guideline 8 urges the removal of regulatory barriers, guideline 18 recommends measures to include disadvantaged people in the labour market, while guidelines 10 and 22 advocate training for entrepreneurship.*

The crucial test is if people who have been in a government-supported employment measure can turn their activity into a self-supporting business," he continues. "Till now, they have had to use the form of an association (Verein) but this is not the right legal structure. Businesses need to have

accounts that clearly show profit and loss, VAT, depreciation and so on. Only with clear financial systems can you keep a business on the rails. We needed an appropriate business structure that people could use."

Using the conventional company form was not the point, as this emphasises individual shares. The project therefore wanted to use the existing co-operative structure, the *Genossenschaft*, and adapt it for use by start-up businesses owned by their employees.

The DP brought on board different strands of the co-operative movement – the small business federation Netz, the consumer and housing co-operatives and a social economy bank – and started work with unemployed groups in several regions of Germany. It has already established eight new enterprises, and is working with a further dozen groups who are keen to set up their own businesses. Along the way, Innova's staff have also had to advise hopeful entrepreneurs against pursuing 35 business ideas. Though it will help groups in any part of Germany, under EQUAL its work has been focused in Saxony, Brandenburg and Berlin in the New *Länder*, as well as in Nordrhein-Westfalen and Baden-Württemberg in the old *Länder*. As they build their business plan, start-up groups benefit from training in legal and financial aspects as well as group dynamics.

¹ *Integrated guidelines for growth and jobs (2005-2008)*, COM(2005) 141. See http://europa.eu.int/growthandjobs/pdf/COM2005_141_en.pdf

FROM GRANT DEPENDENCY TO COMPETITIVE BUSINESS

The first of the new enterprises is *Cena et Flora*, a catering and gardening enterprise that has sprung out of the conversion of a grant-aided employment scheme. This project, *Sprungbrett* ('Springboard') was operated by the Diakonie, the charitable arm of the Evangelical church, in the Saxon town of Riesa. However in March 2004 they decided that as grants came to an end they risked running into a loss, and decided to concentrate on providing social services, rather than creating jobs. The Innova partnership took over the project and at first created an association – *Sprungbrett e.V.* – to keep the 47 trainees together. It trained them to run their own business, and in October 2004 set up a trading co-operative (*eingetragene Genossenschaft*). The trainees, mainly young people, are gradually transferring from the association to the co-operative as business builds up.

The co-operative organisational form has empowered the trainees to escape dependence on one individual manager, and to take on themselves the jobs involved in managing their own business. "The key change our training has brought about is one of attitude," says Hans-Gerd Nottenbohm. "Before, they were just cooks and gardeners, but now they are board members. The co-operative structure has enabled the members to take responsibility for the business."

Customers for the catering side of the business include schools and small firms, while the gardening services are largely sold to the local authority of Riesa, between Dresden and Leipzig in the German Land of Saxony, where the co-operative is based.

THE BUSINESS OF LOCAL DEVELOPMENT

The second new start is *Lausitzer Zeitreisen* ('Lusatian Time Travel'), which is being founded by a group of 20 people, mainly in middle age and with a mixed gender balance. The firm is situated in Grünewald in the district of Lauchhammer, which is suffering from the closure of the lignite mines (it was once the site of the world's only lignite-fuelled gasworks). The co-op manufactures mediaeval-style clothes and craft items as large as horse-drawn wagons, for sale in shops and market stalls, in what is called a *Historische Werkstatt* or 'historic workshop'. The training scheme was converted into a co-operative in mid-2004, but the enterprise is not yet capable of sustaining itself on market income alone. It



January 2005: members of *Lausitzer Zeitreisen* learn public relations techniques.

It would be more correct to term it a community business, that is an enterprise that aims to develop the economy of the locality in which it is situated. It currently survives on a mixture of earned income and grant aid, and the jobs it provides are part-time and insecure.

HELP THE NEIGHBOURS

January 2005 saw the launch of *Stadtteilgenossenschaft Sonnenberg*, a neighbourhood co-operative serving the Chemnitz suburb of that name. The co-operative will offer a wide range of services to individuals, businesses and public bodies, thus giving work to unemployed people, while at the same time improving the neighbourhood. Areas under development include household services, landscaping, event organisation and culture.

The most recent launch, in March 2005, is *SAGES – Serviceagentur für Senioren* – in the southwest German town of Freiburg im Breisgau. Its seven members have chosen to work in what is surely a growing market niche, that of the 93% of elderly people who live in their own homes. As they age, they can benefit from help with many activities such as cleaning, washing, cooking, gardening, shopping, errands, correspondence, cultural activities and transport. "Our

group met two years ago on a business training course, and spent a long time searching for the right business form. Then we chanced across the Innova website," says founder member Heide Marie Garthe. "We plan to offer elderly people a range of services that official care services do not cover." Luckily, the co-operative's future customers seem to be equally keen on the idea. The spokesperson for Freiburg's elderly people's council, Councillor Ellen Breckwoldt, welcomes the initiative: "It is a very worthwhile objective that is mobilising and energising unemployed people from a wide range of professions," she said.

Eight-strong MTS Muldenland Tourismus & Service (MTS) in Grimma offers tailor-made tourism products. "One of our specialist products is special guided walks in the woods suitable for people suffering from heart problems," explains manager Renate Kretschmar.

Two further new co-operatives are in contrasting fields: *euregio-it* is a computer and internet firm in Aachen, while *Haus- und Bauservice Genossenschaft* carries out urban rehabilitation work in Leipzig.

Taken together, the new businesses are already providing sustainable jobs for a dozen people who would otherwise be unemployed. Many more of their 132 members hope to gain jobs as their co-operatives find their feet.

AN INNOVATIVE BUSINESS FORM

The DP has piloted what is a new form of business in Germany. By adapting the co-operative form, it gives a group a collective business vehicle which has the structural safeguards that a business needs. At the same time it is perfect as a self-help vehicle for people without much capital, because it allows the financial risk to be shared among as many shoulders as possible.

Developing the business model involved bringing on board the different sections of the co-operative movement, with their complementary strengths. One such strength is the audit federations (*Prüfungsverbände*) that are a feature of the German co-operative sector. "The law lays down that all co-operatives are members of an audit federation, and this could be a strength, as they will advise not only on the business aspects but also on the way the members manage the business, on the culture and 'soul' of the enterprise," says Mr Nottenbohm. It also involved inspiration from abroad: Innova took as its model the social co-operative that is so well established in Italy.

The project also devised a new training course to prepare people to make the move from living on benefit to earning a living in the business world.

A BUSINESS FORM THAT EMPOWERS

The co-operative form is in essence empowering, as it gives control over the business to the people who work in it – it is up to them whether it succeeds or fails. But people have more practical reasons for choosing the co-operative form. "It's a flexible structure that allows lots of people with relatively little capital to share the financial burden of setting up the firm," explains Freiburg-based co-operative adviser Burghard Flieger. "Alongside the employees, customers and other supporters can buy shares in the business."

A further advantage of founding a co-op is that it provides a gentle transition out of unemployment. "Founder members who are unemployed don't have to give up their right to benefit straight away – they can start working and earning a salary when the business can afford to pay them."

The co-operative form can also serve the needs of business start-ups. In Witten, a score of new entrepreneurs have come together to found Germany's first *Gründergenossenschaft* (founders' co-operative).² Between them they offer, each on their own account, a wide range of craft, social

² www.gruendergenossenschaft.de

and business services. The co-operative offers all-important pre-start-up training and coaching for the first year of trading, and takes care of services such as marketing and accounts. Members repay this by contributing voluntary work. *“We shall soon be adding finance to the list of services, and starting a mutual guarantee scheme,”* says Hans-Gerd Nottenbohm. Further *Gründer-genossenschaften* are on the cards in Nürnberg and Hannover.

MAINSTREAMING THE ‘WE-CO-OPERATIVE’

“Our experience shows that the co-operative movement can be a useful actor in creating jobs,” says Mr Nottenbohm. *“So we believe co-operators should qualify for the same help as anyone else. We hope that the German government will recognise this by giving start-up businesses that are co-operatives the same help as those that use the individual self-employment model. Under the Hartz laws, the government promotes the so-called Ich-AG (‘I-employer’). We think people should also be able to put their start-up grants together to create a Wir-eG (‘we-co-operative’). We are promoting this idea through a ‘Charter of self-help enterprises’”.* The DP is also pressing for changes to the law on public utility (*Gemeinnützigkeit*).

Innova has joined with other third sector federal bodies involved in EQUAL to form a national pressure group to press for improvements in the regulatory climate. *“First, we want to see the concept of a ‘social enterprise’ (Unternehmen mit sozialen Ziele) recognised in law,”* says Mr Nottenbohm. *“Secondly, there is a core of disadvantaged people whom it is very difficult to integrate into the labour market. We believe that firms that employ them, in proper socially insured jobs, should qualify for a wage subsidy to make up for their lower productivity. The subsidy can taper off in successive years. Finally, we need to see social and environmental criteria taken into account when public contracts are awarded.”*

The training courses that the project has designed and delivered are a third aspect that the promoters hope the vocational training system will take on board. In the second round of EQUAL, Innova plans to create a multiplier effect by training 40 co-operative development workers, each of whom will help develop a new business.

DP name: innova-Entwicklungspartnerschaft für Selbsthilfegenossenschaften (Development Partnership for Self-Help Co-operatives)

DP ID: [DE-EA-93973](#)

National partners: Bank für Sozialwirtschaft AG (BfS); Bundesverein zur Förderung des Genossenschaftsgedankens e.V. (BzFdg); Bundesverband deutscher Wohnungsunternehmen e.V. (GdW); netz Bund – Netz für Selbstverwaltung und Selbstorganisation; netz NRW – Verbund für Ökologie und soziales Wirtschaften e.V.; Sächsische Verein zur Förderung des Genossenschaftsgedankens e.V. (SäVGeno); Univation – Institut für Evaluation und wissenschaftliche Weiterbildung e.V.; Zentralverband deutscher Konsumgenossenschaften e.V. (ZdK)

Transnational partnerships: TCA 687 SQUARES – partners IT-IT-LIG-008 ESSERE, SE-41 NESE – New economy & social entrepreneurship, UKgb-59 Social Enterprise Partnership – and TCA 1258 SITED (Social inclusion through enterprises development) – partners IT-IT-S-MDL-053: Quasar – qualità per i sistemi a rete di imprese sociali, AT-3-01/128: Empowerment kleiner und mittlerer sozialer Organisationen, FR-NAT-2001-10817: EETIC – entreprendre ensemble sur un territoire pour l’inclusion par la coopération

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