

The Maltese Cooperative Movement: A Historical Outline

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The history of cooperatives is generally replete with references to the role played by support agencies in the promotion and development of the cooperative movement. The promotional exercise is very often directed at raising the consciousness level of the public about the principles of cooperativism, enhancing the image and viability of existing cooperatives and creating an urge to find gaps in the market where new cooperative ventures could be launched. The support consists in designing educational programmes, trying to procure financial and economic backing for cooperatives and providing managerial, audit, accounting and other consultative service. Political parties, trade unions, the Church and other social movements very often assume this catalytic role. To illustrate this point one may refer to the very effective strategies adopted by the Italian political parties and trade unions in building a strong cooperative movement in Italy, the charisma of the Catholic priest who pioneered the cooperatives in Mondragon, Spain and the Quaker beliefs of Ernest Bader that inspired him to found the Scott Bader Foundation in Britain.

The Maltese case study does not offer any such prototypes even though it is characterized by the emergence of social movements with their potential to mobilize people. The disposition of these movements to support the cause of cooperativism has been more conspicuous in words rather than deeds. The Social Action Movement - a body with close affinities with the Church and which was pioneered by a Catholic diocesan priest - initiated some ventures in this field. Nevertheless the Church with its powerful cultural position making it a special agent of moulding

and reproducing specific values failed to formulate an action plan to promote cooperatives (Baldacchino 1990, p.105). Neither have the other social movements (trade unions, political parties) shown any serious commitment towards this ideal. The history of Maltese cooperatives therefore reveals a serious lack of infrastructure for a cooperative model and it was actually the state through legislation that has played the major role in the promotion and development of cooperatives.

Legislation

During the second world war, the Colonial Government in its endeavor to enforce a rationing system had to monitor and collect agricultural produce. This policy raised the consciousness of the Government about the shortcomings of the agricultural sector in Malta. It was seen that the much extolled frugality and resourcefulness of the Maltese farmer were not enough to overcome some of the inherent difficulties in agriculture such as the small and labour intensive farms, the acute water shortage and a highly conservative farming community. Moreover the role of the middleman in the transaction of agricultural goods was acting as a disincentive for it was siphoning off much of the farmer's profits.

Though not stated explicitly the Cooperative Societies Ordinance of 1946 - the first form of legislation about cooperative legislation - was designed towards introducing reforms in the agricultural sector and place this vital sector on a sounder economic base. This Ordinance laid down the provisions for the constitution and regulations of a cooperative society by setting up a Cooperative Department, led by a Government official acting as the Registrar of Cooperatives. The brief was to register cooperatives as well as supervise existing ones. The overall aim seemed to have been not only to set up a

legal framework for the operation of cooperative societies but also to promote their development especially among the farming community. This ordinance might have therefore been motivated more by a sense of rationalized pragmatism than by any ideological principles inspired by a sense of cooperativism at grassroot level. Nevertheless, in spite of the truism of this statement, it must be said that this Ordinance marks an important milestone in the history of the Maltese Cooperative Movement for it proved to be a launching pad for the setting up of agricultural cooperatives. Indeed one would be inclined to think that the years that immediately followed the enforcement of the 1946 Ordinance mark the euphoric stage of the Cooperative Movement judging by the number of cooperatives registered during this period.

The substance of this ordinance provided the legal framework for cooperatives till 1975 when amendments were introduced aimed at steering the course of the cooperative movement along different channels. In 1992 the responsibilities of the Cooperatives was shifted from the Ministry of Agriculture and Fisheries to the Ministry of Education and Human Resources where a Parliamentary Secretary was assigned the task of dealing with cooperative affairs. Thus the history of the Maltese Cooperative Movement can be divided into three phases: 1946-1975 - the phase of initiation and sustainability; 1975-1992 - the years during which a new course was tried and finally 1992 when a new direction was given.

1946-1975: Initiation and Sustainability

The regulations governing the setting up of cooperatives came into force in December 1946 and in the following years a number of cooperatives were registered. Table 1 seems to

indicate that this drive came to an abrupt halt in the early 50's. Actually a number of cooperatives were formed during these years but were soon cancelled or liquidated. However in 1958 a cooperative was formed by the milk producers which subsequently became one of the most economically viable cooperatives in Malta. Its original function was to act an agent between herdsmen who had to sell their milk and the Government who bought the milk; the cooperative getting a small commission on the milk sold. It soon branched out into more activities such as dealing with animal fodder for its members, providing a veterinary service free of charge (through the surplus generated) and also supplying laboratory facilities for milk testing for its members. The Farmers Wine Cooperative, set up in 1960, marks another attempt by a group of farmers to pool their resources in order to produce their own brand of wine from the grapes which they grew in their vineyards. These farmers ventured into a market where long established firms had been in operation. Due to technical and management factors this cooperative was never able to match the marketing acumen of other competitors in this field. The last cooperative registered in the 1960's that appears on the list in the table is the Agricoop which was registered in 1965. It can boast of the highest number of members of all the Maltese cooperatives. The services which it provides from its stores such as supplying insecticides, pesticides, manure together with the aid given by a fully qualified agronomist appeal to all individual farmers. Moreover efficient management was able to put this cooperative on a sound footing.

Thus during the years 1946-1975 the Maltese Cooperative Movement was able to sustain itself even though this sustainability did not bring about any major innovations for the movement remained too much anchored within the agricultural sector. A glance at the table confirms this statement. All the

cooperatives registered between 1946-1975 are within the agricultural sector and their function is to provide a service to their members. The few modifications that were made in the operation of the 1946 ordinance tended to reinforce this affinity with agriculture. In April 1960 the Director of Agriculture and Fisheries assumed the functions of the Registrar of Cooperatives as part of his official duties. In 1969 the duties of Registrar of Cooperatives were entrusted to an administrative officer who still remained responsible to the Director of Agriculture and Fisheries. It was in 1975 when an amendment act was passed in Parliament and this heralded a new move towards a new policy.

1975-1992: Amendment to Legislation

The Cooperative Societies (Amendment) Act 1975 replaced the registrar by a Board and it stipulated that every cooperative society was to have its accounts audited by persons qualified for appointment as auditor of a company and duly authorised by the Board. In the summer of 1975 Professor Hans Munkner of the University of Phillips, Marburg, Germany, was invited by the Maltese Government to give advice and suggestion for the revision of the existent cooperative legislation. Following Professor Munkner's report on his visit to Malta a draft statement containing a long term programme for the development of cooperative societies was approved by Government and a bill containing 118 clauses was presented to the House of Representatives in 1977. These clauses were incorporated in the Cooperative Societies Act 1978 which repealed the Cooperative Societies Ordinance 1946. The main novelties in this act were the creation of a Supervisory Board and the Central Cooperative Fund. The Supervisory Board was to ensure that the affairs of each cooperative society be conducted in accordance with the provisions of the Act as well

as with the rules of the society and the decisions and conditions adopted at general meetings or committee meetings. The Central Cooperative Fund to which each cooperative was to contribute 5% of its surplus resulting from its operations during any financial year was to be used for the furtherance of cooperative education, training, research, audit and general development of the Cooperative Movement.

These changes brought about a new approach in the sense that serious attempts were made to set up worker cooperatives. Following the initiative of Dr Alfred Sant, who since then has assumed the leadership of the Malta Labour Party which was then in office, two rescue cooperatives were formed by workers declared redundant in textile industries. These cooperative ventures were also backed by state financial support. Nonetheless they were never able to make the necessary breakthrough and had to close down within a few years of their inception. Another cooperative was also formed from and by a group of unemployed workers which offered to provide plumbing, electricity and pest control services. The member workers however never showed any high commitment to the cooperative, notwithstanding the generous state assistance in money terms (grants of Lm400 per member) and in kind (free premises). It was thus never able to thrive and was struck off the register.

The dismal failure of these ventures was however counterbalanced by the success of four worker cooperatives set up in 1980's. One of these is the Catering Cooperative Society which was set up following the decision taken by a private catering establishment to close down three of its outlets and declare a number of workers redundant. With the help of the union some of these redundant workers agreed with the owners to forfeit their rights to terminal benefits and in return the

company was to pass the three outlets to them. These workers formed a cooperative and started operating in November 1984. This cooperative together with the other three registered in 1980's signify a shift in the composition of the cooperative movement in the sense that it marks a serious attempt to branch out in other sectors of the economy.

Whether the prime motivation of this change was a blind belief in the ideology of cooperativism is of course a moot point. It could be argued that it was the practicality of rationality that acted as the driving force for the formulation of these four cooperatives. Their rationale can be defined as a reaction to a contemporaneous event such as the closing down of a firm (the Catering Cooperative); an expressed wish to pool resources for a better system of the organisation of a servicing system, (Pig Breeders Association '*Koperattiva ta' Min Irabbi l-Majjali*); and some hived off financial advantage that accrues from a cooperative society (*Koperattiva tal-Burdnara* (Stevedores) and Mini Buses Cooperative). Nevertheless the setting up of these cooperatives provided some tangible results for the efforts which were made to promote the cause of cooperatives and to generate more enthusiasm towards them.

In 1991 two amendments to the Cooperatives Societies Act 1978 exempted cooperatives from paying tax on profit and halved the National Insurance payment of farmers and fishermen registered in cooperatives.

In April 1992 the Cooperatives Board was transferred to another Ministry. Following this change a longer term strategy and policy seemed to be in the offing and the results to date (1994) have not betrayed this promise. Thus the year 1992 marks another new beginning in the history of Maltese cooperatives.

1992: A New Direction

In the cabinet reshuffle that followed the general elections of 1992 in which the Nationalist Party was returned to power, the responsibility for cooperatives was shifted from the Ministry of Agriculture and Fisheries to Education and Human Resources within which a Parliamentary Secretary was designed with this specific task. This loosening of ties with the Ministry of Agriculture and Fisheries to which the cooperative movement was associated since its inception had the salutary effect of reducing the heavy slant of cooperatives towards the agricultural sector. It was also felt that this move was an upgrading exercise for the Cooperatives Board and its day-to-day staff since rather than being part of a large department which was accountable to a Minister it was now a body reporting directly to the Parliamentary Secretary. The change was not merely cosmetic. The level of technical and personal qualifications of the staff improved; attention was being given to education and training by organising courses, seminars and fora for cooperative members. Resource persons and members of the University academic staff were invited to give their advice, expertise and help for the development of cooperatives. The discussions and meetings that ensured these invitations were geared towards mapping out areas in the economy where new cooperative ventures could be launched and identifying persons with a potential to initiate these ventures.

It is thus not mere coincidence that during 1993 four cooperatives were registered, three of which are Worker Cooperatives. The conception and birth of these cooperatives owe much to the new approach adopted after 1992. Any comment on the economic viability of these cooperatives would of course be hazardous. However, Spotless Cleaning and Maintenance Cooperative has managed to earn a good

reputation by the high quality services that it has offered; if it can maintain this standard it can serve as a model for other cooperatives.

The prospects for an expansion of the cooperative movement seem to be bright. However the history of cooperatives has shown that in order to maintain a momentum that has been built prudence is necessary. A Proposed Policy Document for the Development of Cooperatives in Malta which was approved by the Cooperatives Board urges this Board to exercise caution as to what categories of cooperatives it should allow to register under the Cooperative Societies Act. The exemption of cooperatives from income tax payment may attract purely commercial entities and *'this development may lead to a gradual degeneration of the Cooperative concept'* (Cooperatives Board 1993, p.2). This Policy Proposal has suggested the establishment of a Support Unit to help existing cooperatives strengthen and consolidate their market position as well as providing support to new cooperatives (ibid. p.1).

The Local Councils established for the first time in Malta in 1993/94 by a direct election can provide an ideal ground where new cooperatives can be launched. The projects which these local councils have to undertake include garbage collection and cleaning; maintenance of playground, public gardens and sports; cultural and leisure centres; maintenance of creches, kindergartens, health centres and public buildings; the running of day care centres to which parents, who are both gainfully employed and making use of this centre, will be asked to pay a nominal fee (Secretariat for Human Resources, 1993, p.11). These are fields where cooperatives can function efficiently. Government is urging local councils to set up or liaise with cooperatives and assign to them the above mentioned tasks.

Thus the prospects for the Cooperative Movement in Malta do not appear bleak. If the present momentum can be kept and the policies outlined implemented the potential for growth is real.

Conclusion

The Cooperative Movement in Malta has not so far played a significant part in the Maltese economy because it has confined itself to the marginal sector of the economic market. The role of Government as the main promoter and arbiter of cooperatives may not have provided enough stimulus for its growth and expansion. Moreover, the affinity of the Cooperative Movement with the agricultural sector might not have been very conducive for the cooperative movement to branch out in other sectors. In spite of all this, the cooperative movement in Malta did not lie dormant and was able to sustain itself. Attempts made to steer it along channels it would not have followed if left to run its natural course produced some concrete results even though they have not led to a large scale expansion. Recent events and trends seem to augur better prospects for development.

References

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Position of the Cooperative Movement
in Malta (1993)

Name	Nature	Date of Regis-	Member- ship	No. of Employees
Zabbar Farmers' Coop Soc. ~	service	5.01.47	66	Nil
St Paul's Bay Farmers' Coop Soc. ~	"	17.01.47	83	Nil
Zebbug Farmers' Coop Soc. ~	"	21.01.47	50	Nil
Siggiewi Farmers' Coop Soc. ~	"	24.01.47	93	Nil
Rabat Farmers' Coop. Soc. ~	"	03.02.47	292	1ft, 1pt
Farmers' Central Coop. Soc. *	"	08.02.47	*	24 ft, 2pt
Dingli Farmers' Coop Soc. ~	"	06.06.47	123	Nil
Qormi Farmers' Coop. Soc. ~	"	11.06.47	23	Nil
Mgarr Farmers' Coop. Soc. ~	"	24.07.48	94	1pt
Koperattiva Produtturi tal-Halib	"	16.05.58	220	50ft
Moviment Azzjoni Soċjali (MAS) Coop	consumer	21.06.58	28	Nil
Gozo Milk & Agric. Producers Coop	service	23.02.59	772	3ft
Farmers' Wine Coop. Soc.	"	27.08.60	74	3ft, 1pt,
Koperattiva tas-Sajd	"	29.12.64	94	1pt
Agricoop	consumer	18.06.65	882	16ft
Koperattiva ta' Min Irabbi I-Majjali	service	18.04.83	196	2ft
The Catering Coop Society	worker	07.12.84	12	10pt+
Koperattiva tal-Burdnara (1987)	"	21.08.87	45	2ft+
Ghaqda tal-Mini Buses Coop.Soc.	"	28.07.89	270	1ft, 1pt+
Ghaqda Kop. Nazzjonali tas-Sajd	service	19.04.91	281	Nil
Koperattiva Snajja' tal-Bini	worker	14.01.93	7	Nil+
University Coop. Bookshop Soc.	consumer	21.01.93	210	Nil
Motor Towing Coop. Soc.	worker	15.09.93	8	Nil+
Spotless Maintenance & Cleaning Coop. Soc.	"	15.09.93	7	Nil+
Total			3929	117ft

Source: Cooperatives Board, Parliamentary Secretariat for Human Resources 1993

ft - full time

pt - part time

* The FCCS is a secondary-level coop; set up by the eight agricultural service primary cooperatives marked ~ above.

+ this statistic excludes the worker members in the case of worker cooperatives