

Worker Cooperatives as a Response to the Crisis

by Pierre Laliberté

In recent times, it has become commonplace to say that we are not so much facing an economic crisis as much as a crisis of the prevailing economic model. Undeniably, not only has neoliberalism failed to deliver decent social and environmental outcomes, but it has even failed on its own terms: delivering economic growth and stability.

The dominance of the financial interests and liberalisation has wreaked havoc on workers and communities alike. It has imposed new costs on governments and led to increased insecurity the world over. Yet for all the obvious limitations of the “model”, the way forward is not always clear, as if even the victims and critics of the system had internalised Margaret Thatcher’s infamous TINA.ⁱ

Beyond the necessary mobilisations to resist self-defeating austerity measures and to reform political and economic governance, it is important that workers and their organisations get a tangible sense that organising the economy around more ethical and democratic principles is both possible and viable.

It so happens that cooperatives have proven just that. Every day, throughout the world, tens of thousands of workers go to work in workplaces that they run themselves along cooperative principles.

Worker Cooperatives work!

Worker cooperatives are not only viable, but have also demonstrated resilience in the face of the crisis. A recent report by CECOP CICOPA-Europeⁱⁱ reveals that in France, Italy and Spain, worker cooperatives have in fact done so far better than conventional enterprises in weathering the crisis. Similarly, saving and credit unions and cooperative banks have performed better and have been better able to maintain their lending activities than private investor banks. This is largely the result of sounder business strategies that made them avoid the speculative excesses of private banks, much to the benefit of their members and of taxpayers.

Given all of this, two paradoxes do nonetheless emerge. First, why is it that cooperatives (and worker cooperatives in particular) do not proliferate relative to their more conventional competitors? And secondly, why is it that the collaboration between trade unions and cooperatives remain so limited?

But why aren’t they richer?

The answer to the first question is a complex one, but it is fair to say that much boils down to two broad constraints: the uneven playing field that limits the ability of workers to “hire” capital, and the travails of operating democratic structures in an economic “ecosystem” where they are usually perceived as a drawback rather than an asset.

In practical terms, the difficulty for workers is first and foremost that of gathering the capital (and often the management skills) necessary to operate an undertaking while not putting themselves totally out on a limb. Apart from very small enterprises, this is only possible with outside capital, the provision of which raises additional issues of the degree of outside control over the democratic process within the cooperative, and for the outside investors, that of the risk involved in dealing with a non-conventional concern and getting their money back. Needless to say, conventional investors and bankers are typically not particularly keen. The saga in the UK over the purchase of Lloyds TSB branches by the Cooperative Group is a telling and burlesque example of this lasting prejudice.

In countries where worker cooperatives have been successful, they have done so by creating a web of networks and instruments to support their activities. These institutions which provide business support, training and financing, it turns out, are making the key difference in ensuring that not everything is on the shoulders of the worker-members of a single enterprise, but that this weight is shared with a broader constituency.

Yet the first basic enabling condition remains worker awareness of the benefits and the feasibility of running their own workplace. It can be said that on all counts, in all countries, there are gaps to be filled in terms of creating a cooperative-friendly environment and this is where trade unions could be of invaluable help to cooperatives.

And this brings us to our second paradox on the limited collaboration between trade unions and cooperatives.

Where are the unions?

Despite their common origins, joint history and common goals of fostering economic security and industrial democracy, it is fair to say that in recent times, genuine collaboration between trade unions and cooperatives has been rather limited, both sides tending to their most immediate and urgent concerns.

A few reasons come to mind to explain this mutual “reserve” although it is not my intent to fully review them here. One, no doubt, is the ambiguity of workers’ status in worker cooperatives and its possible implications for the role of trade unions. A second is the rather reasonable concern over the concentration of risk for the workers involved when they put both their job and savings in the same basket. A third is an apprehension that cooperatives might serve, unintentionally, as vehicles that water down job standards, particularly in the field of social services.ⁱⁱⁱ

All of these concerns are valid and require answers, but this can only be provided when the actors involved sit down together to work out *modus operandi*. In Europe, for instance, the European Trade Union Confederation (ETUC) and CECOP have worked out a joint understanding regarding the standards on worker cooperatives, such as the fact that the latter would “combat them being instruments aimed at making the labour conditions of wage-earning workers more flexible or precarious, and from acting as conventional intermediaries for jobs...”^{iv} Notwithstanding these obstacles, the need to provide concrete responses to the crisis and job losses here and now is forcing a renewed look at the old alliance.

This was evident in Argentina, and in other Latin American countries, when the “*empresas recuperadas*” emerged when workers kept their workplaces going in the midst of the crisis providing a rather “practical” response to factory closures.

In Brazil, the national metallurgical union affiliated with the Central Única dos Trabalhadores^v (CUT; Lula’s “alma mater”) has helped establish a federation of cooperatives and other solidarity economy enterprises, Unisol. Among Unisol’s affiliated cooperatives are a few dozen enterprises that were in crisis and have been turned into cooperatives, the most famous being Uniforja in Sao Paulo.

Some trade unions are becoming interestingly pro-active. The United Steelworkers of America, for instance, have struck a partnership with Mondragon Internacional^{vi} to promote worker ownership among its membership. The union, well aware of the limitations of the Employee Stock Ownership Plan (ESOP) model in the US,^{vii} wants to promote a model where workers are truly in command and where the union can find its place.

Producers’ cooperatives associated with trade unions have emerged in a variety of countries as a response to the need to improve the bargaining power of independent workers. In In-

dia, the Self-Employed Women’s Association (SEWA) is a case in point. In Africa, trade unions have lent support to the creation of producers’ cooperatives to help “organise” workers in the informal economy.

Moving forward

Clearly there is already a wealth of “good practices” out there to inform a pro-active trade union agenda to engage with cooperatives. A basic task should be to develop education and diagnostic tools in workplaces to ensure that workers are able to anticipate closures/transfers, better informed on the feasibility of setting up a cooperative and, ultimately, better equipped to operate their own production sites. Indeed early intervention in case of restructuring or transfers is crucial as it saves money and reduces the risks inherent in these operations.

Equally, unions could strike alliances with the cooperative movement to lobby for changes in laws and regulations and the creation of financial instruments to facilitate the creation of cooperatives. Given the important hurdle workers face when considering the possible buy-out of their workplaces, they should be provided with “preferential treatment” in the event of a plant closure or a business transfer. This is not a utopian idea, but one that is currently being given life in France.^{viii}

At a time when trust in conventional capitalist governance is at a historical low, worker cooperatives demonstrate that, given a fair chance, workers can run the show by themselves and it is indeed a good moment for trade unions to challenge received ideas about worker cooperatives.

ⁱ “There is no alternative”, an expression typically attributed to the former UK Prime Minister who wanted to stress the necessity to adapt to the rules of globalised capitalism.

ⁱⁱ The European Confederation of Workers’ Cooperatives, Social Cooperatives and Social and Participative Enterprises. Report available at www.cecop.coop/The-resilience-of-the-cooperative.

ⁱⁱⁱ There is also the problem raised by “false” cooperatives in several countries such as Colombia, where cooperatives are set up as legal shells by employers to avoid unionisation. This problem is gradually disappearing as the legal frameworks regarding cooperatives are being modernized.

^{iv} Cited in Brzozowska, J. and al. 2009. Social cooperatives East-West: Two models of social cooperatives (western and eastern) in comparison, available at www.spoldzielnie.org.pl.

^v Unified Workers’ Central

^{vi} See www.mondragon-corporation.com.

^{vii} Indeed the resilience of cooperatives during the crisis does not appear to apply to most ESOPs which tend to show that it is control rather than ownership, together with the systematic capital accumulation of coops that makes the difference. I thank Bruno Roelants of CICOPA for pointing this out.

^{viii} See (<http://www.economie.gouv.fr/economie/projet-loi-pour-leconomie-sociale-et-solidaire>).

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