

WORKERS' COOPERATIVES—A MEANS TO HUMANIZE THE ECONOMY

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Introduction

The presently renewed interest in workers' cooperatives may be traced mainly to two different sources: in the industrialized countries, to a number of successful attempts to save jobs in cases where companies have closed factories on the grounds that they were not profitable; and, in the developing countries, to the realization that technically sophisticated megaprojects do not create many jobs and do not solve the problems of low incomes and low employment for the majority of the population. An informative analysis is provided by Jacques Defourny, head of the research group on cooperative and social economy of the Belgian Section of the C.I.R.I.E.C., who is of the opinion that the present interest in workers' cooperatives results from the intersection of six ideological currents:¹

1. the continuation of a 150-year-old tradition;
2. the self-management movement;
3. the ecological movement;
4. Illich's concept of the conviviality-based community;
5. neoliberalism, with its emphasis on the initiatives of individuals and its critical position with respect to state intervention; and
6. decentralized socialism.

After the prevailing mode of production ceased being the family enterprise (with the extended family or the nuclear family), the relationship between the owner of the productive property and the labor became strained, if for no other reason than that there was no objective way to determine the contribution of each, and, based on these contributions, to properly divide the fruits of the common effort. To make the situation even worse, in a market economy there is a time lag between production and the sale of the products: in some cases, indeed, products may not be sold at all (by virtue of transportation costs; miscalculation of demand; the presence of people with needs but without purchasing power, etc.,—not to speak of possible interferences, both natural and man-made.)

One way of minimizing such conflicts would be to restore the original unity of ownership and labor. Since at the present time the number of members of the average family is declining (and also children follow their parents' occupation less frequently than before), and since both the size of businesses and capital involvement in business are both increasing, the restoration of family businesses is seldom a workable solution. The same goal can nevertheless be achieved by workers uniting in a productive unit that provides not only labor but also capital and management, in the form of a workers' cooperative.

A workers' cooperative is a cooperative enterprise, built on cooperative principles, which is owned and democratically controlled by its members, and whose operation provides those members with employment.²

Workers' Cooperatives Preceding Rochdale

Both in England and France, workers' cooperatives were established before the Rochdale Consumer Cooperative of 1844, which is generally accepted as the beginning of

modern cooperativism. The early workers' mills and bakeries in England (the 1760 Woolwich cornmill, and the Chatham mill and bakery) did not unfortunately last long; but the jewellers' workers' cooperative in Paris that was established in 1834 survived until 1873.

Types of Workers' Cooperatives

Alice and Bernardo Drimer differentiate among four types of workers' cooperatives:³

1. Productive cooperatives: workers' cooperatives in the strict sense of the term, in which workers own and manage their factories;
2. Communal work organizations—the concept of the community at work is extended to the whole communal life: communal housing, communal cooking, the socialization of childcare (e.g., Israeli kibbutzim);
3. Work (labor) cooperatives in the strict sense, whereby the workers as a group contract their labor, but retain some ownership of capital in the form of tools, machinery, etc. (for public and also for private work; this is often used as a means to decrease unemployment and underemployment);
4. Labor cooperatives—i.e., groups of workers providing labor, but depending on the employer to provide the necessary tools and machinery; operating within a public, a private, or a cooperative enterprise. Our discussion here will be limited to cases where workers own and manage their production and/or their service establishment, i.e., to *productive cooperatives*.

Historical Development

W.P. Watkins divides the development of workers' cooperatives into six phases:⁴

1. In the first, workers' cooperatives were used to maintain the traditional role of the skilled craftsman in the changing economy.
2. In the second, attempts were made to retain labor's control of the enterprise in industries which were not yet under the control of capitalists, and to prepare members for the introduction of new production methods when the change became inevitable.
3. In the third, state support was requested as one of the important sources of the capital and credit needed for cooperative enterprises (e.g., Lassalle in Germany).
4. In the fourth, individual workers' cooperatives formed federations in order to exchange experiences and to support new organizations with advice.⁵
5. Workers' cooperatives had a difficult time during the fifth, which occurred between the two World Wars, on account of domestic dislocations, inflation, fluctuations in currencies, etc..
6. The sixth, following World War Two, was marked by a revival of the idea of workers' cooperatives. This revival was partly influenced by attempts on the part of many nations to strengthen their economic independence, and partly the socially irresponsible behavior of profit oriented businesses, which pulled out of communities with the claim that their operations had become unprofitable—which was very often caused by the owners' purposeful neglect to modernise. Pull-outs of this kind are especially fateful for communities with one dominant industry, where they result not only in the loss of jobs but also in the end of a functioning community. In many such cases the capital required for keeping the industry alive by the workers is provided, at least in part, by various government programmes.

Alexander Laidlaw, in his report for the 1980 ICA Congress in Moscow, assigned "Cooperatives for Productive Labor" his second priority in his list of "Choices for the Future." He stated:⁶

"One of the most significant and far-reaching changes in the world cooperative movement in the last two decades has been the rehabilitation of the entire concept of workers' cooperatives. From a position of benign neglect during seventy-five or more years, they have returned to a place of high esteem in the mind of many cooperators, and much can be expected of them in the remaining years of this century. Here it is suggested that, next to food, employment in various kinds of workers' industrial cooperatives will be the greatest single contribution of the global cooperative movement to a new social order. . . .

"It is not too much to forecast that the rebirth of workers' cooperatives will mark the beginning of a second Industrial Revolution. In the first, workers and artisans lost control of the instruments of production, while ownership and control passed into the hands of entrepreneurs and investors. Capital employed labor. Workers' cooperatives reverse the situation: labor employs capital. Developed on a massive scale, these cooperatives will indeed usher in the new Industrial Revolution."

Buchez's Concept of Workers' Cooperatives

One of the early theoreticians on workers' cooperatives was Jean-Philippe Buchez (1796-1865), a follower of Saint-Simon. In an article published in 1831 he established the basic principles of workers' cooperatives:⁷

- Workers elect management;
- Workers receive for their work the same compensation as workers in other similar enterprises (either by the hour, or in return for the work done; and according to individual skills);
- At the end of the year profit is divided: 20% is put back into the business, and 80% is used either for assistance or for distribution to members, proportionally according to their work.
- The original capital and yearly increases (20% of profit) would not be transferable. The capital would be the property of the cooperative, which itself would be made indissoluble. This was an idealistic principle which could not always be upheld in reality (in view of economic failure, the inability to replace members who resign, etc.) but the rejection of this principle—as was done by the Christian Socialists in Great Britain—led to the failure of their attempts to establish workers' cooperatives. In many cooperative systems this principle received a worthwhile formulation, as the principle of disinterested transmission of net assets: in the case of liquidation, transmission to another cooperative with the same (existing or future) purpose, or to any non-profit communal institution (thus, in Germany, to cooperatives of the Raiffeisen type; in Canada, to the Caisses populaires; and in Nova Scotia the Cooperative Act includes this as one of the possible methods of disposal of net assets.) Buchez's basic idea was to prevent the current members of a successful workers' cooperative from enriching themselves either by dissolving the cooperative or by changing it into a profit oriented business—as happened to the Manufacturing Cooperative that was established by the Pioneers in Rochdale in 1854, which was transformed into a profit oriented company in 1862.⁸

● Non-members could not be employed for longer than one year. Buchez realized that production is seldom even throughout an entire year. For seasonal peaks the hiring of additional workers becomes necessary. Since membership involves the purchase of share capital, it would be difficult to find persons who would be willing to invest (often, those who would even be capable of investing) in the cooperative for short term employment. Nevertheless, employment of non-members, while often necessary, also re-creates the same conditions that the workers' cooperatives were set up to abolish, namely, hired labor.

The Zenith of Workers' Cooperatives

It is somewhat surprising to realize that two persons of completely different orientations—Karl Marx and Hermann Schulze-Delitzsch—saw, in workers' cooperatives, the most perfect form of cooperatives.

For Karl Marx the workers' cooperatives represented the promise of the new society, because they overcame the conflict between labor and capital. He was nevertheless of the opinion that, in the period of large industrial complexes, workers' cooperative could not become the prevailing form of economy: society itself would have to become the owner of all productive property.

Hermann Schulze-Delitzsch, the founder of credit and supply cooperatives for craftsmen, adhered very strictly to the *laissez faire* doctrine. He would not even allow his credit cooperatives to use the services of the Cooperative Bank in Germany (then called *Deutsche Genossenschaftskasse*), because it had been initiated by government. Rather, he preferred to make an agreement with a private bank to provide the necessary banking services for his *Volksbanken*. Despite this, he believed that workers' cooperatives would represent the most perfect form of cooperatives. Bishop von Ketteler, too, looked to workers' cooperatives for the solution of labor problems. Since workers did not have enough capital, well-situated persons should provide it, viz. as charity; it should not be provided by the state, as requested by Lassalle.

An Alternative to Capitalism and Socialism

Cooperatives are considered by many as an alternative economic system to both capitalism and socialism.⁹ This is certainly true if we take into consideration the rationale of each system—profit, for capitalism; a centrally imposed plan, supposedly representing the interests of the collective, for socialism; and servicing human needs at cost, for cooperatives.¹⁰ By ending the supremacy of capital over work, and by eliminating the dependency on remuneration from the labor market where human work is treated as merchandise, workers' cooperatives are in the best position to achieve the goal of cooperatives: to subordinate the economy to high (human) values and to provide a suitable environment for the integral development of man.

Workers' cooperatives (as well as cooperative communes) represent an integral type of cooperative; other types are called segmental cooperatives. Workers' cooperatives involve their members, more or less, in the totality of their lives, because their livelihood depends on the cooperative. In segmental cooperatives members use the cooperative only for some of their activities (e.g., purchasing consumer goods, using financial services), and are therefore less vitally involved in them.

It is true that not everybody shares this kind of concept of cooperativism. The so-called school of modified capitalism (Laidlaw), as well as all socialist concepts of cooperativism,

consider cooperatives as just an appendix, or perhaps as a limited corrective for the prevailing socio-economic system (I call them "appearance cooperatives"). In some instances authors do not even differentiate between capitalism as a socio-economic system and capitalism as a factor of production. Jenny Thornley, for example, in her book on workers' cooperatives, states:¹¹

"But cooperatives are a response to the effects of capitalist production and their whole existence is bound into the capitalist system. They *do* therefore have a relationship to capital."

Workers' cooperatives, even more than other types of cooperatives—with the exception of cooperative communities which, on account of their total integration, require a permanent dedication from their members that is above the average—represent a true alternative both to capitalism and to communism as socio-economic systems.¹²

Johannes Messner sees in workers' cooperatives the possibility of eliminating the conflict between capital and labor:¹³

"Understood as a member of the market economy, the producers' cooperative can be an ideal form of replacement of the labor agreement by a company agreement and of the reunion of labor and ownership of the means of production. The workers would have exclusive control (not only a share in the control) in all questions of policy concerning factory and firm, including questions of distribution of profits and capital investment. . . this form of enterprise to be aimed at and promoted by all means consistent with the principle of socio-economic productivity."

Their wider expansion in national economies is conditional on—apart from preconditions of a technical nature—a radical change of culture, from a predominantly competitive/conflict-orientation to a predominantly cooperative orientation.¹⁴

In industrial relations, this means that both management and unions must relinquish their adversary positions and accept it as their role in the nation to unite in a cooperative effort to supply society with the necessary goods and services. To use a parallel in political life, unions must play the role of the 'loyal opposition.'

Workers must be willing to develop the necessary skills, which are daily becoming more and more demanding, both in production and in management. They also have to recognize that any organized effort requires a substantial amount of self-discipline and subordination to democratically-made decisions. Management must realize that it will be successful only if it relinquishes authoritarian methods and adopts new approaches, accepting workers (who will anyway be its employers) as human beings and co-workers in the pursuit of common goals.

Different methods, depending on each individual case, must be found to provide the workers' cooperative with sufficient capital to be economically viable, with as high a financial involvement of its members as possible. Voting shares must be restricted to persons working in the cooperative.

To make it easier to retain the human touch, there should be some freely-accepted limitations on the size of cooperatives; Mondragon set the limit at 500. Should expansion occur, duplicate cooperatives should be established.

For greater stability and services which are beyond the capacity of individual cooperatives, second-level federations must be organized—educational, financial, research, feasibility studies, etc.¹⁵ These may be special organizations providing exclusive service to

workers' cooperatives, or may be common to more than one type of cooperative. Such a structure would allow members to be temporarily (and sometimes, perhaps, permanently) transferred to other cooperatives, as well as to arrange for a shorter work-week during a depression. Mondragon groups, for example, came up with the slogan: "Work less and earn less so that everybody can work."

Despite the emphasis on cooperation, some mechanisms must be set up to resolve possible conflicts without wasteful interruptions of work.

Workers' cooperatives, like cooperatives in general, must be community-oriented, and involved personally and financially in projects which are intended to improve the quality of life of their communities and the larger society.

Workers' cooperatives, which are an excellent means for humanizing the economy, deserve the larger support of the community, including the social sciences¹⁶ and governments, not to mention other cooperative organizations. This kind of support, which must be oriented toward as great a self-sufficiency as possible, is especially important in the period of the formation of workers' cooperatives.

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NOTES

1. Jacques Defourny, "Les nouvelles coopératives: quelles racines, quel avenir?" *Revue des études coopératives* 208/5 (1982) 77-81.
2. The ICA Statement of Capability defines it as follows: "A worker cooperative is a for-profit business, owned and controlled by its employees on the basis of one worker, one vote. All workers, including managers, become members after a trial period and payment of a membership fee. No person outside the cooperative can obtain an ownership position. Profit (or loss) is allocated to employees on the basis of the number of hours worked or gross pay. Wages vary according to skill and seniority." David P. Ellerman defines it as follows: "A corporation is a *worker cooperative* if those membership rights [the voting rights and the rights to profit] are personal rights attached to the functional role of working in the company. Each worker-member gets one and only one vote, and the net income is assigned to the worker-members on the basis of their labor. In a worker cooperative, the third ownership right to the net book value remains a property right held by the worker-members of the cooperative through some appropriate legal mechanism, such as the system of internal capital accounts," see *Notes on the COOP/ESOP Debate* (Somerville MA: ICA, 1983) 6.
3. Alice Drimer & Bernardo Drimer, *Las cooperativas* (Buenos Aires: Intercoop & F.A.C.C., 1973) 162, 182-84.
4. W.P. Watkins, "The assumptions and historical background," *The Society for Cooperative Studies Bulletin* (Loughborough) 26 (1976) 23-25.
5. Thus, already in 1882 the Cooperative Productive Federation was organized in England; this became virtually inactive following Neal's death in 1892 but experienced a short revival from 1894 to 1899, with about 100 cooperative as members.
6. Alexander Laidlaw, "Cooperatives in the year 2000," *ICA Studies and Reports* 15 (1980) 59.
7. Translated as "Political economy. The way to ameliorate conditions of the city wage-earners," published as Appendix I, pp. 285-90, in Paul Lambert, *Studies in the Social Philosophy of Cooperation* (Manchester: Co-operative Union, 1963); original published in *Journal des sciences morales et politiques*, December 17, 1831.
8. See Drimer & Drimer, *Las Cooperativas*, 241. G.J. Holyoak, in *The History of the Rochdale Pioneers* (10th ed., New York NY: Scribner, 1907; facsimile edition, 1972), 111, reports that in 1862 the Cooperative Manufacturing Society numbered over 1,500 shareholders. Only 664 voted at the meeting; of these, 502 voted for and 162 against a resolution that all the profits be given to the shareholders and none to the workers. The company still kept the word "Cooperative" in its name.

9. John Egerton, in "Workers Take over Store," *The New York Times Magazine*, September 11, 1983, quotes Steven L. Dawson from the ICA as stating: "This is not worker capitalism, and it's not state socialism. It's a third way, a new alternative that points toward the creation of democratic firms in a democratic economy."
10. Cf. J.G. Craig, *Multinational Cooperatives* (Saskatoon: Western Producer Prairie Books, 1976) 13-18.
11. Jenny Thornley, *Workers' Cooperatives* (London: Heinemann Educational Books, 1981) 64.
12. The Slovene philosopher France Veber goes even further; according to him, *cooperatives* are the only natural economic order, because with their dual nature (being essentially both a social group and an enterprise) they correspond to the social individuality of man. *Capitalism* distorts this duality by overemphasizing man's individuality, and *socialism* distorts it by overemphasizing his sociality. See France Veber, "The social significance of cooperative thought," a transl. from Slovene publ. in *Serta Balcanica-Orientalia Monacensia* in honor of Rudolf Trofenik (München, 1981) 137-43, and also in Rudolf Čuješ, *Slovenia—Land of Cooperators* (Willowdale ON: Research Centre for Slovenian Culture, 1985) 46-51.
13. Johannes Messner, *Social Ethics* (rev. ed., St. Louis MO: Herder, 1965) 858.
14. Cf. R. Čuješ, *Integralism: A Philosophical Environment for Cooperation* (Downsview, Ont.: CFDP, 1981), and Terry Orlick, *Winning through Cooperation. Competitive Insanity—Cooperative Alternatives* (Washington DC: Acropolis Books, 1978).
15. See also John E. Jordan, *Developing Worker Cooperatives* (Saskatoon, Sask.: Cooperative College of Canada, 1981) [= Cooperative Future Directions Project 12].
16. It was refreshing to notice that the sociologist William Foot Whyte, in his Presidential Address at the 1981 annual meeting of the American Sociological Association, mentioned Mondragon workers' cooperatives as an example of social invention. See W.F. Whyte, "Social inventions for solving human problems," *American Sociological Review* 47/1 (1982) 1-13.

POVZETEK

DELAVSKE ZADRUGE — SREDSTVO POČLOVEČENJA GOSPODARSTVA

Spodbuda za večje zanimanje za delavske zadruge v industrijskih državah je v njih sposobnosti ohraniti delovna mesta, v državah v razvoju pa v njih sposobnosti ustvarjati deloavna mesta za množice. Dejansko poznamo delavske zadruge že pred ročdalsko zadrugo. Kljub temu, da v primeri z drugimi vrstami zadrug niso nikdar bile številne, so jih tudi zastopniki nasprotujočih si ideologij (K. Marx, H. Schulze-Delitzsch), smatrali za višek uresničenja ideje zadrugištva. Zadrugištvo na sploh in še posebej delavske zadruge predstavljajo potencialno alternativo tako kapitalizmu kot tudi socializmu-komunizmu. (Slovenski filozof France Veber dokazuje, da je zadrugištvo edini naraven družbeno-gospodarski sestav, ker gradi na ideji družne osebnosti; kapitalizem in komunizem sta samo spačka, ker gradita vsaj načelno na samo eni plati človekove bistvene dvojnosti.) Za večji uspeh delavskih zadrug in zadrugištva na sploh pa je potrebna tudi sprememba celotne usmerjenosti kulture od povečevanja tekmovalnosti in konflikta k večjemu sodelovanju. Ker delavske zadruge omogočajo počlovečenja gospodarstva, zaslužijo vso podporo celotne družbe.