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Trade unions and
worker cooperatives:
Where are we at?

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Editorial

Pierre Laliberté

Editor

Last May, ACTRAV and the ILO cooperative branch held a seminar on the topic of relations between trade unions and worker cooperatives.¹ The goal was to re-examine the relationship between the two movements by taking stock of recent initiatives around the world.

To be sure, the relationship between trade unions and cooperatives is as long as the history of trade unions. In fact, it is fair to say that the first associations of workers that emerged in Europe looked more like cooperatives than trade unions. This initial isomorphism, which owed much to their common goals of economic security and democracy, gradually made way for organizations that were increasingly equipped to deal with more specialized social functions.

Nonetheless, to this day, trade unions have been and remain active participants in the area of cooperation particularly through the creation and operation of user cooperatives such as savings and credit unions, consumer and housing cooperatives. A recent survey² of 166 trade union organizations conducted by ACTRAV and the ILO social finance programme, found that over three-quarters provided services to their members, primarily in the form of cooperatives and mutuals. Just as importantly, almost all the trade unions surveyed were interested in strengthening their capacity to provide such services.

The area where the interest was highest was that of developing a support capacity to create and sustain worker cooperatives. In the wake of the financial crisis, this renewal of interest in helping workers to operate their own workplace should not come as a big surprise. In many ways, neoliberal globalization has not only jeopardized jobs all over the world, but has also destroyed the trust that workers might once have had in the social responsibility of their

1. See http://www.ilo.org/actrav/what/events/WCMS_211251/lang-en/index.htm.

2. Diana Angulo and Patricia Matzdorf: *Trade Union Benefit Schemes: General Report*, draft paper, ACTRAV, ILO.

employers. As financial capital has taken over the management of productive capital, the logic of fast profits has increasingly trumped other concerns. The closing down of profitable concerns or their relocation are now part of the normal course of affairs. The irony that much of what circulates as “financial” capital is really workers’ savings should not be lost on anybody.

While trade unions’ cooperative activities in the area of service provision to their members have been ongoing, the interest in supporting worker cooperatives has been more punctual and typically emerging as a response to crisis and the need to maintain jobs.

A region that went through such a crisis in the 1990s is that of Mercosur where hundreds of worker-owned enterprises emerged often with the full support of trade unions. A case in point is that of Forja, South America’s largest forge which, with the backing of the ABC Metalworkers’ union of the Central Única des Trabajadores (CUT), became Uniforja, a worker cooperative. The success of Uniforja and many other cooperatives led to the creation of Unisol, a worker cooperative federation which now has over 800 affiliated enterprises representing 70,000 workers. Argentina is another country where the crisis prompted a wave of takeovers by workers under the label of *empresas recuperadas*. These enterprises, which went bankrupt as a result of the deep economic crisis that affected the country in 2000, were salvaged by workers who kept them in operation, most often in the absence of the actual owners. Trade union support was not automatic in this period, but was provided by the Central de Trabajadores de la Argentina (CTA), as illustrated in the article by Bruno Dobrusin in this issue.

Episodes of enterprise restructurings and particularly bankruptcy bring a number of crucial issues to the fore. The first is that of the bankruptcy process itself and who is a priority debtor. Workers owed wage and benefit arrears can, as was the case in Argentina – as explained by José Orbaiceta – use this as the basis for an ownership bid. Of course, this is easier said than done. The treatment of bankruptcy proceedings becomes a pivotal element in whether there is a chance at all to maintain productive activities in a given site. Kristine Hille³ describes how the Argentine government established procedures to facilitate this process.

Also key is the technical know-how of the workers and their trade union. The article on the collaboration between Quebec-based trade unions and their organizations and those of Brazil illustrates the need to develop the expertise necessary to make a rapid assessment of the business viability of an enterprise and provide an array of complementary financial instruments that are (hopefully) well-suited to the needs of cooperatives.

3. Kristine Hille: *Empresas recuperadas in Argentina: A response to the crisis*, paper presented at the ILO Regional Conference “The Social Economy: Africa’s Response to the Global Crisis”, Johannesburg, 19–21 October 2009.

Finally, as reflected in a number of contributions, there is the need for training to help workers adapt to their new roles and responsibilities. This point is crucial as the record shows that without a firm commitment on the part of the workers themselves, the sustainability of the cooperative form of enterprise is next to nil.

In their article, Monaco and Pastorelli buttress this point and further illustrate how worker cooperatives have been successful through innovations that capitalize on their singular nature. They also emphasize, as do other authors, the importance of intermediate cooperative organizations not only to provide technical and financial help, but also a “business” support network.

The experience around the world demonstrates that despite rather inhospitable economic environments, worker cooperatives can thrive. In fact, recent studies show that they have shown greater resilience during the crisis than conventional enterprises.⁴ The interesting question is what could be done to create an economic “ecosystem” that would make it easier for them to thrive and get them out of their current marginality.

A new law currently discussed in France would do just that: ensure that when a concern is sold, its employees have a fair chance to make a collective bid for it. It further proposes to provide an array of supportive financial instruments that would bring down the “entry costs” for workers. In so doing, the French Minister of the Social Economy hopes to help mainstream the creation of worker-owned cooperatives.⁵ Without going as far, some jurisdictions such as Brazil, Italy, Argentina and Quebec have also tried to create an environment more hospitable for social and solidarity economy entities.

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 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. Another is the rather reasonable concern over the concentration of risk for the workers involved when they put both their job and their savings in the same basket. A third is an apprehension that cooperatives might serve, unintentionally, as vehicles that water down working conditions,

4. The European Confederation of Workers’ Cooperatives, Social Cooperatives and Social and Participative Enterprises (CECOP-CICOPA): *The resilience of the cooperative model: How worker cooperatives, social cooperatives and other worker-owned enterprises respond to the crisis and its consequences*, June 2012, available at: www.cecop.coop/The-resilience-of-the-cooperative.

5. Frédérique Roussel: “L’économie sociale, remède anticrise”, *Libération*, 5 November 2013. See http://www.liberation.fr/economie/2013/11/05/l-economie-sociale-remede-anticrise_944930.

particularly in areas where austerity is forcing governments to privatize some of the activities they previously operated.⁶ Dobrusin in his article shows the limitations of a top-down approach by government to organize workers into cooperatives for such purposes.

All of these concerns are valid and require answers but, as attested by the articles in this issue of the *Journal*, this can only be provided when the actors involved sit down together to work out a 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...”⁷

Each organization has a role to play that should ideally be viewed as complementary to each other. Of course, the role of trade unions will be highly influenced by national laws and regulations and whether worker-members of cooperatives are considered wage-earners or self-employed; or alternatively by the type of collective bargaining system that exists in a country. As reflected in contributions to this issue, the key factor again is leadership at the federation level from both cooperatives and trade unions. The ILO Promotion of Cooperatives Recommendation, 2002 (No. 193),⁸ provides a natural and important point of reference in the area of trade union–cooperative relations.

The need to provide concrete responses to the crisis and job losses here and now is forcing a renewed look at the old alliance. And indeed trade unions are becoming increasingly proactive. In this issue, Rob Witherell describes the partnership struck between the United Steelworkers of America and Mondragon Internacional to promote worker ownership among its membership. The union, well aware of the limitations of the Employee Stock Ownership Plan (ESOP) model in the United States, 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 India, the Self-Employed Women’s Association (SEWA) is a case in point. In his article, Sterling Smith provides an insightful

6. 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 unionization. This problem is gradually disappearing as the legal frameworks regarding cooperatives are being modernized.

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

8. See http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:R193.

review of the SYNDICOOOP initiative that sought to facilitate African trade unions' efforts to organize workers in the informal economy through the creation of cooperatives. As the majority of workers still belong to the informal sector in most developing countries, experimenting with new forms of associations and alliances is inescapable for the labour movement.

This is reflected in trade unions' priorities when it comes to external assistance. In the aforementioned survey, assistance to providing support for the creation of worker and producer cooperatives tops the trade unions' wish list with 58 per cent of unions requesting help in this area.

Fortunately, there is already a wealth of "good practices" out there to inform a proactive 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, are 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 a fair chance to make a bid in the event of a plant closure or a business transfer. This is not a utopian idea, but one that, as we saw above, is currently being given life in France.

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.

Trade unions and cooperatives

The experience of CICOPA–Mercosur

José Orbaiceta

President of FECOOTRA and of CICOPA–Mercosur

This article is based on the experience of the Mercosur sections of the International Organization of Industrial, Artisanal and Service Producers' Cooperatives (CICOPA–Mercosur). In particular, it focuses on the Argentinian experience, while describing some general processes that are also found in Brazil and Uruguay. Labour cooperatives in Paraguay are still in the early stages, so the approach taken to them here is more general than for the other three countries.

Overall, it should be borne in mind that the state of development of the cooperative and trade union movement in the Mercosur region is unequal and diverse. There are instances of high union organizing rates, such as in the countries of the Río de la Plata, but there are also cases like that of Paraguay, where workers' participation in trade unions is low. For its part, cooperativism involves a wide range of actors, who are generally grouped into user cooperatives and worker cooperatives. In the first type, the members generally organize in order to contract out the work needed to perform their cooperative organization's functions. In the second type, labour is the main purpose, as their workers are also their owners. This is CICOPA's field and therefore also the focus of the present article.

It should, however, be emphasized that user cooperatives may also have experience of the trade union movement. In some cases there are strong links, such as those with the food and consumer cooperatives in Argentina and Uruguay. In many cases these originated as extensions of the services provided by the trade unions themselves.

Finally, as the International Year of Cooperatives declared by the United Nations in 2012 recently came to an end, it should be noted that towards the end of 2011, the Mercosur Presidents explicitly came out in support of the ILO Promotion of Cooperatives Recommendation, 2002 (No. 193). The region's four Labour Ministers also issued a joint declaration of support on the occasion of the Intergovernmental Conference on this Recommendation held by the Mercosur Specialized Organization for Cooperatives (RECM).

*Despite the demonstrable resilience, viability and potential of cooperatives, labour cooperatives are generally still marginal economic actors. What are the obstacles to their creation and reinforcement?
And how can trade unions assist this process?*

In our view, the broad cooperative movement faces various difficulties, depending on the origins and the type of the cooperative concerned. Here, we will be focusing on the industrial and service cooperatives that stem from salvage operations on firms that go bankrupt or go under, as well as on the cooperatives that are formed by their members' decision to found an enterprise. In the region, these are probably two of the most common patterns for the emergence of cooperatives.

We will illustrate these difficulties using two examples from Argentina:

The first is the graphical workers' cooperative Ferrograf Ltda, located in the city of La Plata. This enterprise was founded by a few workers who had become unemployed during the military dictatorship period (1978), and was supported by the local print union Sindicato Gráfico Platense, which lent them the equipment and plant. Between 1978 and 1979, they operated as a de facto corporation, from 1979 to 1985 as a limited liability company and from 1986 onwards as a worker cooperative. The firm has now existed for 35 years. In this case, the cooperative members have always taken part in trade union life, as members of the union and participants in its social services. From Ferrograf and other cooperatives, the worker cooperative federation FECOOTRA (Federación de Cooperativas de Trabajo de la República Argentina) was born in 1988, and in turn FECOOTRA and other federations formed a confederation of worker cooperatives, the Confederación Nacional de Cooperativas de Trabajo de la República Argentina (CNCT) in 2008.

Another model, the salvaged enterprise, is illustrated by the history of the graphical workers' cooperative Cooperativa Obrera Gráfica Talleres Argentinos Ltda (COGTAL), created in 1956 by recuperating Editorial Alea, a state-run enterprise, during the government of General Perón. The firm was put into liquidation following the coup of 1955, but its workers resisted this and, with the union's support, they managed to form the cooperative, which has continued to operate ever since. The cooperative's first chairperson was Raimundo Ongaro, a legendary graphical workers' union leader in Argentina and still General Secretary of the trade union Federación Gráfica Bonaerense. COGTAL workers have always taken part in trade union life, as members of the union and participants in its social services.

These experiences with firms salvaged by their workers in the form of a cooperative, or with new cooperative initiatives promoted by people grouped around a shared project, are common to the four Mercosur countries. In Uruguay, around 50 per cent of the cooperatives are salvaged enterprises or stem from a group of workers who were previously employed by the same firm. In Brazil, for example, the enterprise-salvaging phenomenon was the model for the emergence of some major cooperatives such as the Cooperativa Central de Produção Industrial de Trabalhadores em Metalurgia (UNIFORJA), and later for the founding of second-tier organizations such as the Central de Cooperativas e Empreendimentos Solidários (UNISOL Brasil). An emblematic case in Paraguay is the ceramics cooperative Cerro Guy, which was salvaged by its workers.

In general, similar difficulties across the region explain the low economic and sectoral impact of workers' cooperatives:

- In a good many cases, the cooperatives salvage enterprises in crisis which are experiencing difficulties in the marketplace and have to be made

competitive again. In quite a few cases, there are serious problems of obsolescence and unsuitable technology.

- The salvaging process often involves losing part of the knowledge built up by colleagues who move to other firms or who do not wish to join the cooperative. Those remaining are generally the people who have considerable knowledge of the production side but are not very knowledgeable about management.
- These processes generally entail cultural change, in order to transform the experience of waged labour into associative entrepreneurship. A break has to be made with the culture generated by a dependent relationship. People have to acquire more autonomy and become business executives, in the sense of entrepreneurs, without having been previously prepared for this.
- A shortage of the capital needed to get the enterprise back on its feet means there will have to be a long period of self-exploitation in order to capitalize it. To the lack of workers' own capital must be added the lack of available financial capital, at least until recently. This has been due both to the banking system's distrust of cooperatives and to the cooperatives' not having financial instruments of their own. In Argentina these days, this capitalization process has been eased a little, thanks to the funding programmes run by the national government via the Ministry of Labour, the Ministry of Social Development and the National Institute for the Social Economy (Instituto Nacional de la Economía Social – INAES), as well as the Small and Medium-Size Industry Secretariat (SEPYME). In Brazil and Uruguay too, new public support mechanisms have been developed, for instance through the Brazilian Ministry of Labour and Employment (MTE), the National Secretariat for the Solidarity Economy (Secretaria Nacional de Economía Solidária – SENAES), or foundations such as that of the Bank of Brazil (FBB). In Uruguay, for example, programmes have been created through the National Cooperativism Institute (Instituto Nacional de Cooperativismo – INACOOOP), the Ministry of Industry, Energy and Mines (MIEM) and a Development Fund that makes available to initiatives of this kind a substantial fixed percentage of the profits from the operation of the Bank of the Republic.
- Another noticeable problem is managerial capacity and the need to bring in staff who have this knowledge or to train up their own cooperative management executives.
- The cooperatives have little research, development and innovation capacity (R&DI) of their own.
- Better models are needed for alliances that would enable the cooperatives to achieve the scale and synergies required for competitive density.

The graphical cooperatives of Argentina, together with the unions in this sector, have proposed the following ways of tackling each of these difficulties:

- make an analysis of the enterprises in order to strengthen their competitiveness, see which market they are servicing and assess whether they really have the potential to become sustainable;
- join the Graphic Cooperative Network (Red Gráfica Cooperativa), centred on 31 enterprises that serve different markets, but with a view to building joint service platforms and joint investment projects to strengthen the whole network as an economic group;
- develop a graphic training school covering both the technical and the cooperative aspects and operated jointly by the union, FECOOTRA and the Graphic Cooperative Network. The school would operate within the union and the work experience take place in the cooperatives;
- continue with the setting-up of a finance unit at the FECOOTRA level, with the involvement of the Graphic Cooperative Network, together with its own loan fund for working capital and investment, which will lend at lower interest rates than the banks;
- develop a group of legal, accounting and engineering advisers who can provide support for various aspects of the enterprises' development;
- seek alliances with universities and research institutes, so as to move forward on the development of new products and other innovations enabling the enterprises to position themselves better; and
- work with the Economic Solidarity Research and Management Centre (Centro de Investigación y Gestión de la Economía Solidaria – CIGES), a strategy analysis institute that is helping them to build a global vision of the development of the graphical trade in paper-based communications, but also incorporating ICT both into its processes and as an opportunity for new products.

All in all, breaking out of marginality entails joining together and creating cooperative economic groups – i.e. business networks. Starting just from our own vulnerable enterprises, it is very difficult to achieve decent levels of labour development and dignity. If we remain isolated, all that awaits us is self-exploitation. To get away from that, we have to unite and compete against the private firms under better conditions. That is why we set up the Graphic Cooperative Network in the legal form of a federation, as there is no law conferring legal status on cooperative economic groups, such as there is in other countries, mainly in Europe. I think that we in the trade unions, the worker cooperative federations as spheres of politico-institutional representation, and the cooperative economic groups, have to work together to ensure that we preserve and create the greatest possible number of jobs.

One factor amongst others may be added. It has been flagged up by the Institute of Economics at Uruguay's University of the Republic as explaining the relatively minor impact of the associate worker cooperative model on various economic sectors. This is "cooperative density". The idea is to use mutual leverage in order to become a more usual type of enterprise, with a corresponding impact in terms of standards, supervision and support. Quantitative growth from a specific critical mass would promote positive qualitative changes in the surrounding environment and so feed back into the generation of new workers' cooperatives.

Worker cooperatives were created in response to plant closures and/or relocations at various points in time. What was the trade unions' role in facilitating the creation of cooperatives of this type? What obstacles (institutional, legal, financial and cultural) had to be overcome?

Throughout the Mercosur region, very few trade unions – or only a minority – explicitly support the formation of worker cooperatives. In particular, the role of the unions in the metalworking sector should be highlighted, such as the Unión Obrera Metalúrgica in Argentina, especially its branches in Quilmes (Buenos Aires province) and Villa Constitución (Santa Fé province); the Unión Nacional de Trabajadores Metalúrgicos y Ramas Afines (UNTMRA) in Uruguay; or the Sindicato dos Metalúrgicos do ABC, in São Paulo, Brazil, whose efforts have brought about great results in terms of building cooperativism, self-management and the solidarity economy into the central platform of the Central Única de Trabajadores (CUT).

In all of these cases, the experience gained during the processes of bankruptcy and unemployment resulting from the application of neoliberal recipes in the region was very important in promoting mutual recognition between worker cooperatives and trade unions.

In Argentina, other union organizations involved are the Federación Gráfica Bonaerense, which covers the federal capital and Greater Buenos Aires, the Federación Argentina de Trabajadores de la Industria Gráfica, which groups unions in the interior of the country, the Confederación de Trabajadores de Argentina (CTA, with its two tendencies), and to a lesser extent unions such as those in the food industry, rubber, ceramics, textiles, and so on. It should be noted that the first Congress of Worker Cooperatives in Argentina was held in 1954, within the Confederación General del Trabajo (CGT) and was addressed by the country's President at that time, General Perón. Nonetheless, the majority of trade unions are strongly prejudiced against worker cooperatives, because this legal form has been used as a cover for labour precarization and many bogus cooperatives have been set up

that have defrauded the cooperative movement and labour alike, especially during the labour flexibilization processes of the 1990s. Although this prejudice remains, more and more unions have come to understand that worker cooperatives are a valid alternative means of preserving employment sources during a crisis, and thus saving jobs. Examples of this are the graphical and metalworking sectors, where the workers within the cooperatives can be trade union members and benefit from union services such as social work, social tourism and more.

In Uruguay, in very many cases worker cooperatives that have salvaged bankrupt firms have used their shopfloor trade union committees as the ideological underpinning for subsequent self-management projects. This has happened in some flagship firms that are now worker cooperatives, such as the tyre producer *Fábrica Uruguaya de Neumáticos* (FUNSACOOOP) or the former *PAYLANA*, now *COOTRAPAY*. Indeed, some major salvaging projects are currently being supported by trade union action, such as at the emblematic *Empresa Metzen y Sena* (Olmos) or even the main flag-bearing airline, *PLUNA*. After all, the unions played a historic role in the formation of the worker cooperative sector. There are examples of this dating back to the 1950s and 1960s, and some have become companies of reference, such as the *Cooperativa de Transporte de Paysandú* (COPAY). Other initiatives have also received support from unions in the sector concerned, when these are original initiatives by workers in that industry. One example is the pasta cooperative *CTEPA*, in Canelones. This is a model based not on salvaging a firm that has gone under, but rather on bringing together unemployed workers in this industry. As such, it has been able to count on the cooperation of the *Federación de Cooperativas de Producción del Uruguay* (FCPU), as well as the support of the milling and allied workers' federation *FOEMYA* (*Federación de Obreros y Empleados de Molinos y Afines*).

The Brazilian experience is perhaps the most diverse. Based on a much wider range of initiatives, activities coordinated between the cooperative movement and the trade unions have led to perhaps one of the most important alliances in strategic terms. The starting point was the experience of the São Paulo metalworkers' *Sindicato dos Metalúrgicos do ABC* in supporting various salvaged enterprises in the region. The involvement of the chemical workers' *Sindicato dos Químicos do ABC* should also be emphasized here, as should that of the metalworkers' unions in Salto and Sorocaba. The cooperatives' activities developed at such a pace that it was soon thought necessary to create a specific body to represent them. Thus the *Central de Cooperativas y Empreendimentos Solidários* (*UNISOL Brasil*) came into being. And right from the start, it was linked to the trade union movement. Thanks to this alliance, the CUT's trade union agenda has included developing the concept of cooperativism and the solidarity economy to a degree unparalleled throughout the region. Brazil undoubtedly has the most formalized and permanent linkage between trade unions and cooperatives.

Certainly, the unions' role has varied. In some sectors such as the graphical and metalworking industries, major support has been provided. In others, the unions have been indifferent to the cooperative formation process. And in others still, the unions have actually been against that process. Nonetheless, if workers decide to set up a cooperative, a union has never put obstacles in their way. Ultimately, the union will not voice an opinion and will just leave the workers to get on with it.

If the maintenance of employment is under threat, what the union will try to do is to protect the full value of the wages or compensation owed to the workers. Argentinian bankruptcy law stipulates that when a firm goes into liquidation, a crisis committee may be set up which must include employer representatives, the union and the workers. If the firm does collapse, the workers remain entitled to 100 per cent of the sums owed to them and may exercise the right to buy all or part of the enterprise in order to maintain the source of employment. The first step is to set off the sums owed to the workers against the value of the firm's equipment and premises and to see if even just the equipment can be purchased in order to continue in operation. Something similar is provided for in the legislation on worker cooperatives in Uruguay, where any worker proposals for rescuing a failed firm have priority.

In Argentina, the law provides for this possibility provided that the workers are organized in a labour cooperative and that, once this enterprise is up and running, they pay off what is owed to their colleagues who do not wish to continue working in the salvaged enterprise. At this point, the INAES intervenes. It issues the cooperative with an operating licence after assessing the viability of its business plan. At the moment when the dependent relationship is severed, the Ministry of Labour supports the workers via five different programmes, such as the unemployment fund, safety and health assistance, capitalization support, and so on. Once the firm has become a cooperative, it can receive capitalization subsidies from the Ministry of Social Development, or subsidies or long-term low-interest loans from the INAES. And when it has developed further as an enterprise, it may draw on subsidized loans from the Bank of the Argentine Nation or the Fuerza Solidaria fund of the Banco de la Provincia de Buenos Aires, Bicentenary seed funding from the Ministry of Industry, or subsidies or loans from the Small and Medium-Size Industry Secretariat (SEPYME), or credits at subsidized rates from the Banco Credicoop via the INAES. Normally, the cooperatives open current accounts with the cooperative bank Banco Credicoop or the state-run banks Nación or Provincia. This is because the private banks are not too keen on cooperatives, due to their initially weak funding and also because their democratic governance means that the bank may find itself dealing with a range of different interlocutors. However, some private banks do try to woo the most successful cooperatives. Currently, via the INAES, the cooperatives in Argentina are building up their own fund, with contributions both from

the cooperatives themselves and from national government, which grant loans for working capital and small-scale investments at lower interest rates and with softer collateral requirements.

The financial difficulty faced at the outset is a lack of working capital, and hence a lack of credits for investment, innovation and development.

Another difficulty, in Argentina at least and in a way also in Brazil, is that by becoming a cooperative the workers become self-employed and therefore lose their employee retirement provision. The pension received by a retired self-employed person is only about half of that drawn by a dependent employee. Medical cover will also be discontinued if the person is not a member of the union-run social service. This situation also exists in Paraguay, and it is one of the great barriers to the development of the cooperative model. In Uruguay, the particularities of worker cooperatives are recognized, and they have the possibility of paying contributions just like any other employers – one advantage being that part of these contributions is tax-deductible. And just like the other workers, those in Uruguay's labour cooperatives pay contributions to the Sistema Nacional Integrado de Salud (Integrated National Health System) and are thus entitled to its coverage.

In Argentina, legislation on worker cooperatives is in the pipeline, and will establish that: (i) there is an associative, and not a dependent, relationship between cooperative workers and their cooperative; (ii) the rights of cooperative workers are the same as those of dependent workers; (iii) a retirement pension category exists for cooperative workers, and it shall be such as to ensure a decent retirement; (iv) cooperative workers can be members of trade union social schemes in order to secure health coverage; and (v) workers' cooperatives are to be covered by occupational risk insurance.

In Brazil, another hurdle was the very high minimum membership requirement for the establishment of worker cooperatives. The minimum used to be 20 people. However, the new Law passed in 2012 has lifted this restriction. Worker cooperatives may now be created with a minimum of six members. Unfortunately, Paraguay still has similar minimum membership requirements. At any rate, the National Cooperative Institute (INCOOP) has sought to loosen this requirement, showing understanding for the reality of small self-managed worker collectives.

Undoubtedly the most complex problem, in the specific case of cooperatives that result from salvaging failed enterprises, is the cultural change that workers face when taking charge of their own firm. The aberrations caused by a failure to understand this new situation within the organizational process are among the main causes of cooperative demise. Recognizing one's sole responsibility for the new entity, abandoning a world view based on a dependent worker–employer relationship, involving all the cooperative members in tackling the overall challenges posed by this undertaking, avoiding individualistic attitudes that run counter to the collective project – these are some of the key challenges faced by these organizations. And further down the line, there

also has to be an understanding that it is possible to build a different type of economy, an economy that is in people's own hands, a democratic economy, linking internal efforts with those in other similar collectives in the same territories and sectors.

That is an enormous task, and we cannot take it on unless we are united and organized: united with our union, united among workers and united with other cooperative enterprises to form cooperative economic groups, organizing the world of work and the economy as a whole in new ways. To achieve these macro objectives and firmly establish cooperative values and principles in our countries' economies, we must construct broader market alliances with the rest of the cooperative credit, housing, public service, insurance and consumer movements, with the mutual health funds, with the associative SMEs, with the universities and with research institutes.

We must have a strong presence in the economic sectors to which we belong, with our own weight and scale. We must be an option, and the sixth and seventh principles of cooperativism are key to this: the sixth is inter-cooperation, and the seventh, commitment to the community, which also means environmental commitment.

There are examples showing that the unions have a fundamental part to play in building this worker entrepreneurial power embodied by the cooperatives. There are unions that have substantial pension fund resources (for example in Canada and the United States) which could devote a small part of these funds to buying enterprises whose workers wish to continue as cooperatives. They can assist with health services, tourism and credit, through the power of the trade union lobby. All that needs to be understood is that it is all part of the same strategy of building power, the power of those who work, of those who make the economy with their hands and minds: the power of the workers. Trade unions plus workers' cooperatives add up to an organization that is on both the defensive and the offensive. In defending the purchasing power of wages and decent conditions for workers who are in a dependent relationship, a cooperative is the strongest expression of labour power in the workplace – workers starting to run the firm, liberating themselves from the boss.

Trade unions and cooperatives are part of the same power-building drive, the power of those who produce rather than speculate, the power of those who seek a world for everyone, respecting human beings and the planet. Together, we are the alternative to the neoliberal capitalism that has destroyed human beings and the planet. Together, we are the new economy and we must combine to make it grow, so that social property becomes an option and the solidarity economy can live on an equal footing with the public economy and the private, for-profit economy.

For the CICOPA–Mercosur, this broad arch of alliances, which strengthens our enterprises, requires us to be allied to governments that are close to the people and which propel our kind of economy forward. Gone are

the days when cooperativism was neutral. It cannot be neutral when the fate of humanity is at stake. We are workers and we are on the side of those who want to build a world for everyone.

The emerging “social economy” enterprises providing necessary social services are creating a new model of social inclusion for workers and clients alike. The unions often regard this phenomenon as a step backwards from public-sector provision of such services and a threat to the quality of employment, but due to fiscal pressure and growing needs, these initiatives have multiplied in recent years. How should the social economy be assessed from a trade union point of view? Can the social economy be a viable partner in the provision of social services and decent work?

In the Mercosur region, and especially since the creation of CICOPA–Mercosur, the social and solidarity economy is a sector of the general economy in which enterprises characterized by democratic ownership and management develop and priority is given to people over capital in any form. Cooperatives or other organizational forms that develop social services, or more especially the social and labour inclusion of workers who are in a situation of vulnerability, are only one part of this universe. An understanding of this situation is important precisely in order not to lose sight of these concerns, and to view them within the framework of a wider process aimed at the transformation not only of their members’ situation but also of the whole community and society of which they are part.

It is also necessary to understand that, despite the achievements of recent years in the Mercosur, there are still many different situations that cause general labour precariousness, particularly in view of the three decades of neoliberalism spent dismantling social protection policies.

In particular, the development of social cooperatives (which, as will be explained below, are not actually known by that name in Argentina) was consolidated during the most intense phase of the economic crisis at the end of the 1990s and in the first few years of the new century, especially as regards groups that were highly vulnerable and needed to be brought back into the world of work. Here too, the unions played an active role. Among other things, they were often the channel for initial contacts and for support to these groups, a role that the corresponding federations also tended to take on as these enterprises began to mature.

In Argentina, from 2003 when President Néstor Kirchner took office, there were various social programmes that covered people working for cooperatives, with the aim of creating new jobs. Initially, these programmes were run by the Ministry of Public Works. Sixteen-person cooperatives were organized with the task of building four houses in four months. This lasted

for two years, up to 2005, after which other programmes were run by the Ministry of Social Development to promote inclusion. These are also known as “work inclusion programmes” and the cooperative form was used to develop them. Under these programmes, which can last from six months to a year, the participants are given technical training and then, during the work phase, cooperative training. Once they have completed the programme, they decide whether they want to continue along cooperative lines and try to launch a small enterprise or else enter the labour market if they feel qualified enough. Under the Ministry of Social Development, work has been carried out on water and sewerage installations or networks, the cleaning of parks and streets, ditches, gutters and other minor urban infrastructure jobs. Integrated community centres have also been built in deprived areas to provide education, sport and health services. Currently, these programmes are called “Training through Work” and are used to build or repair premises for community organizations such as clubs, promotional associations, school cooperatives, community canteens and others. In the initial phases, the programmes launched about 3,700 cooperatives. Today, out of 6,000 registered worker cooperatives, some 4,500 belong to this type of social programme, while 1,500 are industrial or service cooperatives.

It is difficult to evaluate these programmes from a labour law point of view because they took in excluded workers who had no fixed income and did odd jobs for a living. And to go from earning nothing to an initial 1,200 Argentinian pesos (ARS) for four hours’ work was a big help. Add to that the training received, and the result was that, by the end of those few months, programme participants had improved their prospects of finding a job on the labour market or of continuing within the cooperatives (which was the path that many of them took).

As a result of all this, 25 worker cooperative federations emerged that we shall term “social”. Together with the old industrial cooperative federations, they formed the CNCT. The CNCT is currently chaired by the FECOOTRAUNFV (Federación de Cooperativas de Trabajo Unidas de Florencio Varela), which consists of 22 cooperatives, with 1,000 workers in all; it has stemmed from these programmes and developed as a cooperative economic group. These workers entered the market by constructing both public and private buildings. Within just a few years, their lives were transformed.

At first, the Government developed these programmes together with the municipalities, but for three years now it has also been developing them with cooperative federations such as FECOOTRA and with the CNCT. Both FECOOTRA and the CNCT have set up dedicated work teams to develop the programmes and are implementing them jointly with the State via the Ministry of Social Development and the INAES. Some trade unions have taken part in these processes – for example, the building workers’ Unión Obrera de la Construcción (UOCRA), which has technical training schools and has taught thousands of classes for the new cooperatives, training them

up in the art of construction. There is also an experiment in Lonas de Zamora, where the Press Trade Union, together with its social service arm and the Federation of Health Bodies (FAESS) is providing primary health cover for more than 1,000 cooperative members in that area. In the La Plata area too, in the Province of Buenos Aires, the teachers' union Suteba and the Central de Trabajadores Argentinos have set up cooperatives of this type and founded a federation that takes part in the CNCT. In Argentina, cooperatives of this type are commonly known as "Cooperativas 3026", as that was the number of the INAES resolution that legalized them. They are simplified cooperatives and, if they do not carry on, at the end of the programme they are dissolved.

FECOOTRA and CNCT take a very positive view of the roll-out of these programmes, which combine training, inclusion and a cooperative perspective. The workers in these cooperatives have occupational accident insurance, and a single social contribution serves to provide both social and pension coverage. Although at lower cost, these workers now have coverage that they did not previously enjoy.

In Uruguay, meanwhile, almost half the existing worker cooperatives follow the "social cooperative" variant. Under the country's legislation, the social cooperative is a specific type, its main purpose being the social and labour inclusion of people who are in situations of social vulnerability. There are around 200 of these enterprises, which are generally under contract to the State. Initially, they were regarded as temporary entities which, once they had matured, would turn into associate labour cooperatives. However, that transition has met with a number of difficulties so far, mainly on account of the guarantees and facilities granted to the social cooperatives. There are cases like that of the "Corporación Urbana de integración en forma consorciada" (a type of cooperative corporation), formed by about ten social and associate labour cooperatives to ensure a more diversified and complete provision of services.

In Brazil, although this phenomenon is relatively less developed, the social cooperatives have more strongly incorporated the whole string of initiatives involving special services and labour inclusion for people who have vulnerabilities other than that of economic income. In particular, there have been initiatives involving groups with various mental or social difficulties, which perhaps brings them closer to some social cooperatives in Europe.

The greatest challenges in these kinds of enterprise basically concern the cooperative technical and entrepreneurial maturity of their members. There is a need to break out of total dependency on contracts with the State and to assert their capacities in the market. On the other hand, the public sector should see this instrument for what it really is, namely a bridge leading to the inclusion of vast numbers of workers who have remained shut out and who must be reinserted into the world of work. In particular, the challenge is to give support without curbing the autonomy of these cooperatives, and it is very important in this regard to show understanding for the special economic relations that the State needs to build with the social economy in general.

The labour cooperatives formed by self-employed workers in the informal economy, who cannot organize in the traditional way, have given the workers a voice. The trade unions have often provided support to the workers by creating service cooperatives (savings and credit, food, consumer), so as to improve both their negotiating power and their means of subsistence. Have these initiatives been successful and sustainable? What are the reasons for their success? In what way does this change the relationship between the unions and informal-sector workers? How have the working conditions of self-employed workers improved?

At the regional level, there are many important service initiatives that stem from the unions; they generally correspond to the values of mutual assistance and solidarity and are carried out through different forms of the social and solidarity economy.

In Argentina the unions have, in addition, created mutual funds that provide workers with health and tourism services, medicines, insurance, and so on. One example of their presence, persistence and strength is the Federation of Trade Union Mutual Funds (Federación de Mutuales Sindicales). These mutual funds are a success and, as mentioned, they conduct many activities within different unions, such as those of the truckers, the metalworkers, the textile workers and others. These organizations defend the purchasing power of wages, providing union members with services at lower prices than on the private market. One area that has developed greatly is social tourism. Trade union hotels and campsites, many of them run through mutual funds, give the members better holiday opportunities.

In Uruguay, many trade unions have developed their own service provision organizations. They generally opt for the user cooperative format, especially in the case of consumer items and food. Despite the pressure from the oligarchical concentration of mammoth transnational groups in large-scale retailing, consumer cooperatives in the country include some highly significant firms such as those run by workers in the education sector (Cooperativa Magisterial), bank employees (Cooperativa Bancaria), the staff of the Election Tribunal (Cooperativa Electoral), or by blue-collar and white-collar local government workers (Cooperativa Municipal). All of these, and scores of others besides, stem from initiatives by the union branches concerned. Even greater is the number of food cooperatives that originated with the unions. These gave rise to two important federations in two areas – prior collective savings or mutual assistance in the construction process itself: the Federación de Cooperativas de Vivienda (FECOVI) and the Federación Uruguaya de Cooperativas de Vivienda por Ayuda Mutua (FUCVAM). Each federation groups around 500 cooperatives.

The consumer cooperatives in Argentina also have labour origins. El Hogar Obrero (The Workers' Hearth) started out building housing, then eventually became the largest consumer cooperative in the country. The

Cooperativa Obrera, based in Bahía Blanca, has 1.2 million members and 100 branches. It was started by bakery workers.

Apart from worker cooperatives, all cooperatives run their activities by entering into contracts with dependently employed workers. This applies to the food, consumer, credit, banking, public service, insurance and farming cooperatives, which all have dependently employed workers and take part in sectoral collective bargaining on the employer side, while their workers are represented by the appropriate sectoral unions. For example, the electricity cooperatives bargain with the power workers' union, the cooperative banks with the bank workers' union, the consumer cooperatives with the commercial workers' union, and so on.

A debate is getting under way, based on the Mondragón experience, as to whether the workers in these cooperatives should in future be managerial members, sharing the management of the cooperative with the members who use its services, whereas at present only the consumer members have a management role. So far, the trade unions in Argentina have opposed the idea, fearing that it might lead the workers to loosen their links with their union and cease paying their dues.

But the debate is showing signs of deepening, as in these cooperatives the strategic information on the development of the business is in the hands not of the members but of the dependently employed workers. This often leads to conflicts of interest. They ought all to be members, whether as consumers or as managers, and share in the proceeds of the enterprise, which belongs to them all.

What are successful models of coexistence between the unions and the workers' cooperatives and what can we learn from them? In this regard, it is sometimes asserted that workers' cooperatives offer better working conditions and more meaningful work, but where is the proof of this? Under what circumstances are decent working conditions achieved in cooperatives of this kind?

When the union and the cooperative, or the cooperative federation work together, both parties will be better able to fulfil their social and political roles.

It is true that some cooperatives offer better working conditions and greater labour advances than those provided for by union agreements, but they are a minority. The great majority of cooperatives try to abide by the relevant sectoral union agreement and the market rates.

If members of a cooperative obtain labour advances that are inferior to those in the marketplace, and do not manage to increase their capital, they will tend to move over into private enterprises. In both Argentina and Uruguay those lower down the job hierarchy may earn more than the collective agreement rate, but the higher job categories earn a bit less than the

going market rate, which often creates problems, especially where the cooperative spirit is not very strong.

But when the firm is doing well, other difficulties may arise, such as a lack of significant capitalization because monetary income is given priority over the future of the enterprise. This tendency is all the more marked in cases where members feel little attachment to their cooperative and the average age of the workers is high, which encourages short-term decisions rather than a longer entrepreneurial view.

Ensuring respect for rights is part of the joint work to be undertaken by the unions and the cooperative federations, as part of the cultural shift that the workers should make when they become the owners of their firms. Not losing sight of workers' identity, the ideological relevance of the movement, and convictions about rights are very important to the success of a cooperative enterprise.

We believe that trade unions, which represent dependent workers, and cooperative federations, which represent the cooperative enterprises, can work together because we are all workers – some in dependent relationships while others own the means of production, but we are all workers. And we believe that workers' rights should be the same for all. We should all have the same rights and benefits. It is just that as labour cooperative members we pay these rights and benefits out of the proceeds of our enterprises and it is our responsibility to pay them, whereas for those who are in a dependent relationship this is the employer's responsibility, but it is still paid out of the proceeds generated by the workers through their toil.

In the region as a whole, the degree of linkage between the trade union movement and the labour cooperative movement has not ceased to grow. In that spirit, in Argentina the CGT and the CNCT have participated jointly in various social economy activities, leading to such common projects as the Metalworking Cooperatives Network of the Argentine Republic, under the aegis of the CNCT and the Unión Obrera Metalúrgica (UOM). In Uruguay, a permanent space has been created for links between the FCPU and the PIT–CNT labour confederation, and some agreements signed on programmes aimed at strengthening labour self-management. There is a specific agreement between the FCPU and the PIT–CNT on occupational health and safety, and this includes training and technical assistance to members of workers' cooperatives. In Brazil, meanwhile, the roots of UNISOL can be directly traced to the CUT, and there is a mutual exchange of representatives between the two institutions.

Even though various situations exist in relation to specific cases, as a movement the worker cooperatives in the region have a firm wish for a closer relationship with the trade union movement. This is reflected in CICOPA–Mercosur's agreements and its strategic plan for the region, in which it has prioritized contacts and links with the Coordinating Body of Trade Union Centres in the Southern Cone (CCSCS), as well as with the ILO's offices for the Americas (both ACTRAV and the Cooperatives Branch).

Workers' cooperatives in Argentina

*The Self-administered
Workers' Association*

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This article examines the development of the Self-administered Workers' Association (Asociación Nacional de Trabajadores Autogestionados – ANTA) within the Workers' Confederation of Argentina (Central de Trabajadores de la Argentina – CTA). ANTA is an organization that groups workers from different cooperatives, most of them originating in the post-2001 economic crisis in Argentina, when many small and medium-sized enterprises were rescued by their workers. It analyses how ANTA emerged as an organization within a trade union (CTA) and the dynamics of that relationship. This relationship is seen as one of the fundamental elements leading to the sustainability of the cooperatives. The article also examines the complexities of the relationship and the inadequacies in the development of the cooperative movement when associated with trade unions.

The cooperative movement represented in ANTA owes its singularity to its identity as a workers' organization that belongs to the trade union movement. Debates about the representation and participation of cooperatives within trade unions are not recent. The case analysed here renews these debates, since it deals not with cooperative workers affiliating to an already established union, but rather creating their own (ANTA) within the structure of a confederation (CTA). This decision is based both on identity (members are identified as "workers") and practice, since the cooperatives integrated into the CTA have received general support from workers' organizations that might otherwise not be interested in their struggles.

In comparison to this dynamic, we will briefly examine that of a different group of workers' cooperatives, created under the 2009 government-sponsored plan "Argentina Trabaja" (Argentina Works). The plan was created as a countercyclical measure to Argentina's negative economic development during 2009, in order to stimulate employment generation and demand. The overall goal of the plan was to subsidize the creation of workers' cooperatives (Ministry of Social Development, 2009) that would be in charge of developing different activities, mostly in the construction sector and the maintenance of public spaces.

The Argentina Trabaja cooperatives can be seen as an example of workers' cooperatives, without trade union involvement and heavily dependent on the State (politically and economically), which have not managed to establish themselves as autonomous entities.

In studying the relationship between ANTA and the CTA, and then in turn comparing the development of this workers' cooperative with that organized around the Argentina Trabaja plan, we aim to analyse both the potential and the limitations of workers' cooperatives, their capacity to associate with workers' movements and their complex relationship with the State. It is not the purpose of this article to reach a final view or to decide that the ANTA cooperatives are a complete success while the others are not, but rather to make a comparison that can contribute to the future development of this fundamental sector for workers' participation in the economy.

The article is divided into four sections. Section one outlines the history of ANTA and that of the CTA. Section two explores the relationship between the two organizations, incorporating a theoretical analysis of the relationship between trade unions and cooperatives. Section three introduces Argentina Trabaja and compares its development with that of ANTA. Section four provides final remarks and a concluding analysis.

CTA and ANTA: A challenge to traditional organization

One of the heaviest consequences of the implementation of strict neo-liberal policies in Argentina during the 1990s was a process of deindustrialization, especially in small and medium-sized enterprises (SMEs). Towards the end of that decade, factories were being emptied of workers, while unemployment levels were reaching historically high levels of above 25 per cent (Teubal, 2004). Three different groups of stakeholders responded to this socio-economic crisis: picket-line protesters (*piqueteros*), workers who took over their factories and enterprises (also known as salvaged enterprises), and neighbourhood committees (Svampa, 2011). A common characteristic of these groups was that they were not represented in existing political and social organizations. The political parties had lost legitimacy, since both the two main parties (the Unión Cívica Radical – UCR, the radicals; and the Partido Justicialista – PJ, the Peronists) had been at the heart of the neo-liberal strategy.

An exception to this “crisis of representation” was the CTA. This confederation emerged as an alternative to the dominant General Labour Confederation (CGT), which was seen as having made too many compromises with the neoliberal administration of Carlos Menem. The CTA was a product of the struggle against neoliberal policies (Etchemendy, 2005) and the search for a new kind of political and social organization in Argentina (Martucelli and Svampa, 1997). Historically, the main forces behind the CTA were the public-sector unions, especially teachers and state employees. The main contribution made by the CTA to the labour movement was that of reconsidering the concept of “who is a worker” (del Frade, 2004 and 2010; Rauber, 1999). The main premise was that, due to the process of deindustrialization and massive unemployment, the community itself and the shantytowns had become the new “factories” (ibid.), and that as a consequence the labour movement should organize those workers who were unemployed as well as those who had jobs. The launch of the CTA, together with other social movements that joined the initiative, therefore promoted a reorganization of labour.

By the late 1990s, the CTA had established itself as a mass organization with over a million members, bringing together unionized workers, the unemployed, youth, environmental movements and community organizations

(del Frade, 2004). It was an example of a labour organization that developed during the neoliberal period (Palomino, 2005). Once the process of enterprise takeovers began and workers were looking for a place to organize, the CTA was the only large organization that could integrate them into the larger struggle. The workers' cooperatives were initially associated as separate entities, but later on formed ANTA as a step forward in their organization (Ghirelli and Alvarez, 2009).

ANTA was formed in 2005 with the intention of creating a new union representing autonomous, or self-administered, workers. ANTA was not the first association of self-administered workers, for the enterprises that had been taken over had attempted from the start to organize in different groups (Rebón, 2005; Magnani, 2003; Lavaca Collective, 2007). The spectrum of such organizations has thus expanded since the beginning of the process (Ruggeri, 2011), mostly due to the different political strategies of support and action adopted by each organization.

ANTA is distinguished by two main characteristics: first, it defines itself as a trade union representing self-administered workers, regardless of whether they come from a salvaged enterprise or not; second, its creation has taken place in the context of a workers' organization, the CTA. Of the two, the decision to associate with the CTA as a member rather than a partner is the most significant. With few exceptions, involvement with the trade union movement was not well perceived in the context of management buyouts (Davalos and Perelman, 2003; Martí, 2006).¹

Eight years after ANTA's inception, 100 workers' cooperatives in the country are members (Ghirelli and Alvarez, 2009), some of them salvaged enterprises and others organized as workers' cooperatives from the beginning. Most are enterprises that were taken over by workers during the 2001 socio-economic crisis. The cooperatives organized within ANTA share three fundamental elements: democratic management in the organization of work and production; common property, as in the rest of the cooperative movement (Albergucci et al., 2009) and their identity as "workers" rather than "partners in the enterprise" (Ghirelli and Alvarez, 2009). This last element is the main reason why they are part of the CTA.

A study undertaken by CTA's Space for Social Economy (Albergucci et al., 2009) and based on six case studies reveals that the cooperatives in ANTA have succeeded on several fronts. First, they pay higher average salaries than the minimum wage, sometimes twice as high. Second, they have all grown in size (measured by the number of workers participating) by an average of 321 per cent. Third, their development has not taken place in a

1. Among the exceptions there is the Metalworkers Union (Unión Obrera Metalúrgica – UOM) in the city of Quilmes, Buenos Aires Province. The UOM in Quilmes was very supportive of the workers in their takeover struggles, especially in those enterprises where they had representation. For further details see Davalos and Perelman, 2003.

vacuum, but rather in close relation with improvements in the communities in which they are organized, demonstrating the importance for the cooperative movement of being closely involved in the social context.

Overall, the experience of ANTA has been successful in providing for sources of decent employment in times of economic crisis, and has increased the capacity of workers to manage the organization of the production process

Cooperatives and unions

The relationship between trade unions and the cooperative movement has always been complex. In the case of the salvaged enterprises and the workers' cooperatives formed as a result, their relationship to the trade union movement has been relatively unexplored, with few exceptions (Davalos and Perelman, 2003; Martí, 2006; Dobrusin, 2012). The case considered here is a key example of a workers' cooperative engaging within a trade union. An important factor in the ANTA cooperatives is their identity as "workers" (Albergucci et al., 2009; Ghirelli and Alvarez, 2009; ANTA, 2007). This is not negligible, since not all cooperatives – even workers' cooperatives – are part of a trade union. In the case of many salvaged enterprises in Argentina, the unions were often a pillar of opposition to workers' occupation of factories (Dobrusin, 2012).

Another element is the support provided by the CTA to ANTA in the demands it makes of the State. Even though the cooperative movement has a symbolical importance, workers' cooperatives remain relatively marginal in Argentina; the demands of the sector are very specific, and without the support of a larger organization visibility is limited. The CTA has provided ANTA with a context and the necessary financial resources to mobilize and engage (Albergucci et al., 2009). In the case of those cooperatives that were created after an enterprise takeover by the workers, this cooperation has focused on the provision of legal advice and mobilization at the gates of the enterprise in defence of the workers inside. Furthermore, the CTA's press agency (ACTA) has made a significant contribution to promoting the work and services of the ANTA cooperatives. Moreover, the CTA has provided educational tools, mainly as a result of the creation within its organizational structure of the Space for Social Economy, which has been in charge of providing workshops and capacity-building tools to the ANTA cooperatives, as well as monitoring their development.

A significant element of the relationship is that ANTA was originally intended to be a trade union itself. While most of the other cooperative organizations were "movements" or "federations", ANTA defined itself as a union defending the rights of specific workers. The main policy adopted at its first congress in 2005 was to push for a new law on cooperative workers that would take self-administered workers into account, because such workers

have not been included in the legal framework so far. Such a measure would bring about a significant change, because it would allow workers' participating in the cooperatives to benefit from a statutory system of social security and health care, both of which are problematic today owing to the legal vacuum (Albergucci et al., 2009). The second policy proposed by ANTA was the creation of a fund for technological renewal, which would assist workers' cooperatives to update their machinery (Ghirelli and Alvarez, 2009).

The relationship with the CTA is not solely one-sided, however, since the CTA has also benefited from the integration of ANTA within its structure. As mentioned above, the workers' cooperatives are not large, either in size or overall impact on the economy, but they carry significant symbolic weight since they represent the capacity of workers to manage the production system by themselves. They allow workers to provide a concrete response to the economic crisis and to offer a practical solution to unemployment (Martí, 2006).

For the CTA, contributing to the struggle of this group of workers is a demonstration of its commitment to workers' empowerment. Furthermore, the CTA has historically invariably supported socialist principles (Rauber, 1999) and has firmly believed in the capacity of workers to manage their own affairs. It is the workers' cooperatives that are the most notable example of a situation created by the mass entry of workers' organizations into the management of production. ANTA's membership of CTA allows us to see the cooperative struggle as a continuation of the labour movement (Martí, 2006).

From bottom-up to top-down: The Argentina Trabaja plan

The workers' cooperatives described in the previous sections are an example of a workers' movement independent of the State, which has generally been opposed to them in the case of enterprise takeovers. In recent years, however, the Argentine Government has actively promoted the formation of workers' cooperatives, especially during the first impacts of the global economic crisis in 2009. As a countercyclical measure to the negative impacts of the crisis on employment and demand, the Government developed a plan known as "Argentina Trabaja" (Argentina Works). This is an atypical social assistance programme, since it involves a state subsidy for the creation of workers' cooperatives through the municipal governments and social organizations (Fernández, 2012). These cooperatives must be adapted to local circumstances and were initially organized in groups of 80–120 members, a number that was later reduced to no more than 30 members. The overall idea behind the programme is to "promote economic development and social inclusion, creating decent jobs based in the community and targeting local workers' organizations" (Ministry of Social Development, 2009).

The plan is an innovation in social assistance policy, since it does not give individual aid to unemployed workers while they search for a job, but rather provides the tools for the organization of those workers into cooperatives and furnishes opportunities, through the local governments, for those cooperatives to be employed. The argument of the Ministry of Social Development centres on the social and solidarity economy as a fundamental tool for promoting economic development and decent work (Fernández, 2012).

The plan has succeeded in organizing over 100,000 workers in over 6,000 cooperatives throughout the country, with an investment level of 5 billion pesos (just under a billion US dollars) per year (*La Nación*, 2013). One of the most ambitious social investment plans of recent times in Argentina, it has meant a paradigm shift in social assistance policy, from providing assistance to an individual (as in the worst moments of the 2001 crisis), to requiring that the recipient play an active part. The epicentre of the plan is the province of Buenos Aires, where poverty is most acute. The cooperatives work mostly on the provision of certain social services such as street cleaning.

Argentina Trabaja represents a new form of social policy where the main idea is not simply to assist workers in need, but also to provide them with the tools that will allow them to make a decent living in a sustainable manner. This is not the place to discuss the theoretical foundations of the policy; rather, we question here the way the plan is being put into practice and the nature of the “cooperatives” engaged. A relevant element of the critique concerns the concept of a workers’ cooperative. According to certain specialists in the field, the Argentina Trabaja cooperatives are such in name only, since they are not independently organized and do not decide on their areas of employment (Lo Vuolo, 2010). Furthermore, the notion that the social economy is an “economy of the poor” is reinforced by the fact that very restrictive rules are applied on who can participate in the scheme. According to the Government, only those without formal employment, retirement plans, social assistance or any other form of state provision can take part (Ministry of Social Development, 2009). The paperwork requirements make the plan difficult to access for those at the lowest levels. What remains, then, is a targeted social policy that guarantees no new rights to participating workers, but rather ties them politically to the specific municipality for which the cooperative works (Lo Vuolo, 2010).

Another important criticism concerns the level of income of these cooperatives. The Government “subsidizes” the cooperatives with a contribution for each member of 1,200 pesos (about US\$220) plus an additional 700 pesos for productivity and participation (Fernández, 2012). In the original design of the plan, this income was intended as a subsidy that would be supplemented by the earnings of the cooperatives outside of the government plans. However, the vast majority of the Argentina Trabaja cooperatives are not sustainable without the government funding, and the income paid to individual members is limited to that amount of 1,900 pesos (*ibid.*). The main

challenges, then, are that these cooperatives are not sustainable without the State organizing and funding them, and that the income levels provided fall below the national minimum wage. The various social organizations that have created the cooperatives participating in the scheme have asked for an increase in the subsidy levels because these workers have no other income.

Argentina Trabaja demonstrates that the cooperative movement needs to be independent of the State, and also financially viable without state funding. The idea of creating workers' cooperatives as a response to socio-economic hardship resulting from a combined financial and economic crisis certainly has merit. The challenge arises when after several years of implementation the cooperatives continue to rely on state funding, and in turn the State, especially at the municipal level, uses them for tasks that should be carried out by state agencies. The symbiotic relationship between the cooperatives and the State has meant, in practice, the emergence of informal labour at various state levels, whether local, provincial or national. In this context, the cooperatives grouped in ANTA gain credibility and relevance as a counter-case of worker-managed cooperatives that are sustainable without state funding and that enjoy the active support of the labour movement. In the following section this comparison is further analysed.

Cooperatives in a time of economic crisis: What advantages for workers and the State?

The cooperative movement has proved to be a concrete and sustainable alternative for workers at times of crisis. In the southern hemisphere, the cooperative movement has demonstrated its ability to provide workers with the means of obtaining decent work and of contributing to economic development (Favreau, 2007). Two recent studies sponsored by the European Confederation of Workers' Cooperatives, Social Cooperatives and Social and Participative Enterprises (CECOP–CICOPA Europe) (Zevi et al., 2011; Roelants et al., 2012) have found that the cooperative movement has not only managed to survive the main effects of the crisis, but has also proven to be a feasible economic alternative to neoliberal policies. The cases analysed in this article also illustrate the capacity of the cooperative movement to respond to an economic crisis. Two different cases at two different points in Argentina's recent history have been presented. The first and most significant case is that of the ANTA cooperative trade union, formed mostly by enterprises that were reclaimed by their workers during the process of resisting economic neoliberalism and deindustrialization during the 1990s. The second case, the cooperatives formed by the government scheme Argentina Trabaja, is also a product of an economic crisis (the global crisis that begun in 2008), but it is not an independent response from the ground up, that is, by the workers themselves. Argentina Trabaja is a top-down plan promoting the creation of

workers' cooperatives and with large sums of state money invested in them. In both cases we are dealing with workers' cooperatives created as a response to a socio-economic crisis, but there is a two-fold difference between them: their relation to the trade union movement and their relation to the State. Both differences are controversial in the light of one of the main principles of the International Cooperative Alliance (ICA): autonomy and independence (ICA, 2013).

In the Basque Country with its long-standing experience in Mondragon, the cooperative movement considers the autonomy of worker cooperatives to be essential to their development and sustainability (Sarasua and Udaondo, 2004). Further, the idea of self-management is understood as autonomous work within autonomous communities. According to this definition, the cooperative movement is considered to be almost completely autonomous, except in relation to the surrounding community. The case of ANTA and its participation in the CTA presents similarities to this concept, but also notable differences. ANTA agrees with the need to be autonomous, but mainly in relation to the State, not to other social movements (ANTA, 2007; Ghirelli and Alvarez, 2009). At the heart of the association of ANTA cooperatives is the definition of their members as "workers", demonstrating their firm belief in the necessity of their link to the labour movement of which they consider themselves an integral part. ANTA's participation in the CTA is both a tactical choice and a question of identity. It is tactical because it has provided ANTA with a larger platform to make the necessary demands in the name of its cooperatives. In this sense, ANTA cooperatives are not "independent" of the labour movement, nor are they independent of the communities in which they work. But they are indeed independent, even if only partially, of the State.

In comparison, the analysis of those cooperatives enrolled in Argentina Trabaja brings to the heart of the debate the role of the State in the development of the cooperative movement. In the case of Argentina, when ANTA was formed, the State – especially local administrations – was opposed to these workers' initiatives, considering them an attack on private property and seeing them as a potential challenge to the Peronist state administration (Levitsky, 2003; Dobrusin, 2012). The Argentina Trabaja cooperatives are the product of a government policy aiming to promote them as a solution to unemployment at a time of external crisis. Their dependence on the State is thus critical to their survival. As mentioned earlier in this article, the majority of the cooperatives engaged in this programme depend on the State for the financing of their projects, as well as for decisions regarding the area of intervention of each cooperative (it is the municipalities that generally define the work that needs to be done).

This very different relationship with the State also reinforces the union role in the case of ANTA. When most of the cooperatives were founded, including ANTA in 2005, Argentina's socio-economic situation

was catastrophic and government intervention in the economy was still not firmly established (Svampa, 2011). The need to incorporate larger actors in the process of enterprise takeovers and the promotion of cooperatives became a matter of survival for those organized in ANTA. The role of the CTA was fundamental in more than one way: it provided support, visibility and meeting places so that the cooperatives could examine the situation of the thousands of cooperative workers who, in response to the difficulties their companies found themselves in, had decided to take factory production into their own hands.

Argentina's experience in the first years of the twenty-first century concerning social movements and new forms of social organization demonstrates that the dependence of cooperatives on other movements was due mainly to the absence of the State or to the repressive stance it took where it did intervene (particularly concerning unemployment and enterprise takeovers). The actions taken by these organizations, as described in the case of ANTA, confirm both the aspects underlined by Vieta (2010) and the CECOP-CICOPA report (Roelants et al., 2012): they were resilient to the global financial crisis, providing a livelihood with decent jobs; and they also portrayed an alternative economic model, autonomous from the State and 'big money' but not independent of other workers' organizations. The Argentina Trabaja cooperatives are a partial contrast to ANTA since, although they certainly provided employment for more than 100,000 people who were unemployed at that time, they have not been able to provide a sustainable alternative that gives participating workers the means for a decent life in the medium term. Current salary levels, together with complete dependence on the State, do not bode well for workers, were the State to withdraw from the programme.

The cases presented in this article are a contribution to the debate on the role of unions in workers' organization during times of crisis, and on providing an alternative model of economic organization to the dominant capitalist system. The fundamental difference is that in ANTA, and in interaction with the labour movement and other social organizations, workers have created their own structures for the jobs on which their survival truly depends. The Argentina Trabaja cooperatives do not represent an autonomous movement initiated by workers, but rather demonstrate the problem for social organizations that are, as expressed by Favreau (2007, p. 54), "confined to managing poverty without attacking the structures, policies and mechanisms that generated that condition in the first place". The organization of movements that are capable of challenging those structures and administering themselves in the struggle against a socio-economic model that condemns workers to precariousness and marginalization is an indispensable step.

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Trade union support for labour cooperatives

*An experiment in cooperation
between Brazil and Canada*

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The Confederation of National Trade Unions (Confédération des syndicats nationaux – CSN) in Quebec, Canada has promoted the creation of a group of autonomous organizations aiming at socially responsible economic development. The mission of these organizations is to provide technical managerial services and financial products in order to maintain and create jobs, giving priority to support for solidarity economy enterprises, including labour cooperatives.

Meanwhile in Brazil, the Metalworkers' Union of the ABC, an affiliate of the Central Union of Workers (Central Única dos Trabalhadores – CUT) in the São Paulo conurbation, has been supporting the salvaging of bankrupt enterprises by labour cooperatives since 1997. In these salvaged firms, as well as other experiments with self-managed enterprises, lie the origins of the Cooperative and Self-Managed Enterprise Centre UNISOL (Central de Cooperativas e Empreendimentos Solidários), which has become a major grouping of labour cooperatives and solidarity enterprises right across Brazil.

With the participation of the Inter-Trade Union Department of Statistical and Socio-Economic Studies (Departamento Intersindical de Estatística e Estudos Socioeconômicos – DIEESE) and the financial support of the Bank of Brazil, a partnership was built up between UNISOL in Brazil and Développement solidaire international (DSI) in Canada, aimed at developing an original analytical approach to supporting social economy enterprises and solidarity enterprises in Brazil and laying the foundations of a service and counselling bureau for collective entrepreneurship. The prospects are good for inter-union cooperation between the CUT and the CSN, via their partner organizations, in order to build a financial and technical support network for the Brazilian solidarity economy.

This article describes the solidarity cooperation action between the organizations within the trade union movement in Quebec (Canada) and Brazil with a view to assisting groups of workers to set up labour cooperatives aimed at maintaining and creating jobs. Concretely, this assistance consists in offering financial products and technical services in support of management, governance and economic efficiency aimed at facilitating the achievement of the social aims being pursued. These goals are the maintenance and creation of jobs, participative management of the workplace and access to collective entrepreneurship. The Brazilian and Quebec trade union movements have thus been instrumental in the creation of autonomous technical and financial instruments that are close to the trade unions and in harmony with their values. They chose to work together in order to share their experience and develop best practices that serve their members.

Capitalism in crisis, trade unionism and collective entrepreneurship in Brazil

Trade union support for labour cooperatives

The origins of the Metalworkers' Trade Union of the ABC (Sindicato dos Metalúrgicos do ABC – SMABC) in Brazil's São Paulo conurbation date back to 1933. This union experienced strong growth from the 1950s onwards at a time of industrial development, particularly in the automobile industry. From the 1970s, when its President was Luiz Inácio “Lula” da Silva (1975–1980), the SMABC played an important part in the struggle against the military dictatorship and in the gradual return to democracy. Mobilization against the rise in the cost of living, strikes and factory occupations culminated in the general strike of 1979, the first mass demonstration by Brazilian labour since the military coup of 1964. Its major contributions to the political and trade union life of Brazil, notably the creation of the Workers' Party in 1980 and the main Brazilian trade union confederation, the Central Única dos Trabalhadores (CUT) in 1983, have made the SMABC a real beacon of social progress in Brazil (www.smabc.org.br). To this day, the ABC metalworkers' union has remained one of the most influential trade unions in the country.

Concentrated in the São Paulo conurbation are the major industries, which at that time attracted many migrants who had abandoned the semi-arid land of the North-East in search of jobs and a better life in the metropolis. At the beginning of the 1990s, Brazilian domestic production began to suffer the negative effects of the country's opening up to foreign trade. This region was then hit hard by the new situation. Factory closures, internal delocalization, rising unemployment, hyperinflation (1,149 per cent in 1992), the federal government's “seizure” of a large part of people's savings and a campaign of massive privatization of state firms created a real economic and social crisis. This new state of affairs also led to new forms of trade union struggle.

The ABC metalworkers' union, like other unions in Brazil, had maintained relations with European trade union organizations ever since the 1980s. These exchanges led Brazilian trade unionists to view the active participation of workers in enterprises, through co-management, self-management or the creation of labour cooperatives, as a coherent means of attempting to tackle the crisis and of broadening the spectrum of trade union action. Even if the cooperative model sometimes prompted questions and sparked ideological debates about the proper trade union role and dynamics towards workers/co-operators who collectively owned a business, the ABC metalworkers' union and other CUT unions supported the Conforja workers when they took over Latin America's largest industrial forge. This support first of all made co-management of the firm possible and then, from 1997 onwards, enabled the creation of a first worker cooperative, which gradually took over all of the firm's operations when it went bankrupt. Today, the activities are grouped within the Workers' Central Industrial Metalworking Production Cooperative UNIFORJA (www.uniforja.com.br), which currently has 500 waged cooperative members.

The creation of UNISOL

UNISOL was founded in February 2000 at the request of the cooperatives that had been formed with the institutional support of SMABC and the city of Sorocaba, and that of the ABC chemical workers' union. UNISOL's role is to gather together the cooperatives formed with support from other unions, first and foremost in the territory of the State of São Paulo. Meanwhile, in 1999 the CUT had launched the Agency for Solidarity-based Development (ADS/CUT), with the aim of organizing and supporting local development in various parts of the country.

Today, UNISOL groups more than 750 organizations right across the country's 27 states and represents more than 70,000 workers in various sectors (family-scale agriculture, food, bee-keeping, handicrafts, textiles and garments, civil construction, social cooperatives, recycling, fruit farming, metalworking and polymers). In 2011, the combined turnover of UNISOL's cooperatives and solidarity enterprises came to more than US\$1.25 billion.

A real federation of worker cooperatives, UNISOL has set itself the mission of "organizing, representing and concerting, in a broad and transparent manner, the cooperatives, associations and other self-managed enterprises of the solidarity economy through the promotion of intercooperation, social and economic equality, human dignity and sustainable development".¹ It aims to bring together cooperatives and collective enterprises created by workers in order to promote the socio-economic improvement of its members and to guarantee work and revenues with dignity. UNISOL works in eight different fields to service its member organizations (figure 1).

Figure 1. UNISOL fields of activity

| | | | |
|---|--|---|--|
| <ul style="list-style-type: none"> • UNISOL Finanças • Solidarity Investment Fund | <ul style="list-style-type: none"> • Support for draft laws: General law on cooperatives, worker cooperatives, solidarity economy, etc. | <ul style="list-style-type: none"> • Management • Self-management | <ul style="list-style-type: none"> • Marketing centre • International markets |
| Credit | Legal support | Training | Market access |
| <ul style="list-style-type: none"> • Dissemination of social technologies • Modernization of production processes | <ul style="list-style-type: none"> • Development of production and marketing networks among enterprises | <ul style="list-style-type: none"> • Support for the drafting of laws to assist and develop the solidarity economy | <ul style="list-style-type: none"> • Support for the adoption of various approaches in Brazil • Dissemination of the solidarity economy in other countries |
| Technology | Networks and links | Public policy | International cooperation |

1. See www.unisolbrasil.org.br/missao-e-objetivos-2/

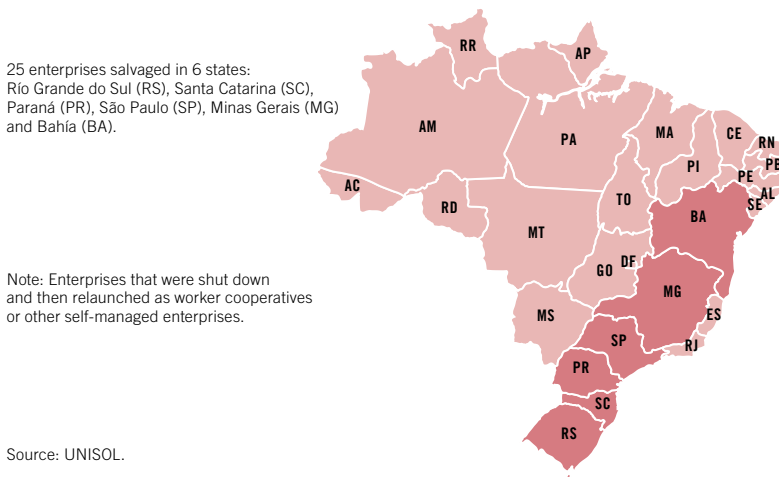
UNISOL and its members have committed themselves to the pursuit of the following aims (www.unisolbrasil.org.br):

- sustainable, solidarity-based development of enterprises and of the regions in which they are located;
- practical work focused on the economic, educational and environmental fields;
- improving the quality of life of the workers involved in the enterprises and related activities;
- stimulating and supporting the organization of workers and of populations affected by poverty or unemployment, as well as the groups threatened with job losses;
- achieving economic efficiency and excellence in the development and marketing of goods and services, as a basic mechanism for ensuring the continuation and progress of the enterprise; and
- respecting occupational health and safety standards and working for their continuous improvement.

In seeking to strengthen partnerships in the institutional field with representative national and international trade union bodies, UNISOL's aim is to reinforce cooperation and the solidarity economy with those bodies that share its principles of solidarity, self-management, collective participation in decision-making, and the promotion of equality, social justice and development.

Twenty-five enterprises have been salvaged in six Brazilian states, as shown in figure 2.

Figure 2. Salvaged enterprises in Brazil



The CUT's position in favour of cooperatives and the solidarity economy

The CUT also supports solidarity-based development, as is shown by these extracts from resolutions adopted by its 10th National Plenary in May 2002 (box 1).

Box 1. Extracts from resolutions of the 10th CUT National Plenary, May 2002

“The 7th National Congress of the CUT approved the construction of a solidarity economy as a strategy of its political action. The solidarity economy is regarded as a class project built around the CUT's historic demands. The main tasks for the CUT in this respect are:

- organizing waged labour
- struggling for the creation of financial products and public policies suited to the cooperatives
- carrying out joint mobilization to defend employment
- implementing an education programme about the solidarity economy
- acting to found new cooperatives
- combating bogus cooperatives

“The solidarity economy is a project to consolidate self-management of enterprises, and constitutes an alternative source of employment and income for workers. These are concrete experiences of new working relationships that break away from the subordination of labour to capital and foster the establishment of democratic relations within the management of work and production. Self-management of production is a fundamental educational process for the building of democracy within society.

“The solidarity economy is an important strategy for social inclusion and the promotion of a sustainable development model, an initiative that must be rolled out. In this context, the CUT is developing, through the Agency for Solidarity-based Development (ADS) and UNISOL, strategic policies and action leading to the organizational and institutional strengthening of solidarity-based enterprises.

“The solidarity economy is an historic and authentic initiative of the working class ... which endows the workers with new gains so that they can collectively take on the task of managing enterprises in accordance with democratic, egalitarian principles. The success of the solidarity economy depends on a process that is both economic and political ... towards strengthening the workers' technical capacities and the economic conditions that step up their production and management.”

The CSN, “collective instruments” and international cooperation

For its part, the Confédération des syndicats nationaux (CSN) in Quebec has historically initiated or supported the creation of “collective instruments”, i.e. complementary organizations set up to tackle the challenges of employment, democratization of the economy and the mobilization of collective savings (www.csn.qc.ca). Today, the term “collective instruments” is applied to nine organizations founded between 1971 and 2008 that share the same values, have specific complementary missions and are run autonomously. These are:

- The Caisse d’économie solidaire Desjardins (a financial products cooperative, founded in 1971)
- MCE Conseils (a consultancy group on management and collective entrepreneurship, 1987)
- Bâtirente (a complementary retirement savings scheme, 1987)
- Fondation – the CSN Fund for cooperation and employment (a risk capital and development fund financed by workers’ savings, 1995)
- Filaction (a development fund, 2000)
- Neuvaction (counselling on organizational development, 2000)
- Développement solidaire international (international cooperation, 2004)
- The Caisse d’économie Desjardins Le Chaînon – Honoré-Mercier (2005)
- Plandaction (counselling on individual financial planning, 2008).

Thus, the CSN has promoted the creation of a set of autonomous organizations aiming at socially responsible economic development. Their mission is to provide technical management services as well as financial products, with a view to maintaining and creating jobs. These organizations give priority to supporting solidarity economy enterprises, including worker cooperatives. Thousands of enterprises are financed by this network, which has made it possible to convert tens of troubled enterprises into worker cooperatives.

The CSN’s position in favour of cooperatives and the solidarity economy

The CSN has been supporting the development of worker cooperatives as a path towards social change for several decades now; in fact, this has been part of what the CSN is all about since its creation. This is clear from its declaration of principles, which states: “economic development that is not aimed at social development is meaningless”. In a world where economic power is more and more centralized, the CSN maintains that development should serve the

interests of all, rather than being diverted into profits for the well-off few. The conditions for sustainable development must be established and rigorously applied (CSN, 1990). In its statutes and regulations, the CSN declares that it will “foster the creation of any institutions capable of assisting the workers, including cooperatives”.

It also needs to be understood that the CSN’s approval of the cooperative movement has never meant unconditional support for established cooperative groups and systems. Rather, it is the goals of the cooperative formula that the CSN supports, i.e. an ideal of fairly shared created wealth, appropriation and collective control of the means of production and management mechanisms by the workers, autonomous determination of their destiny, and democratization of the working and living environments.

The CSN has always held the same conviction about the affinity between trade unions and cooperatives, despite the often difficult context formed by the anti-unionism of broad sectors of the traditional cooperative movement. The CSN believes that those who are hostile to trade unions are actually denying cooperativism itself, as historically it has the same origins as the trade union organizations. To the CSN, the solidarity economy is and must remain a channel for democratization, collective ownership, autonomy and justice.

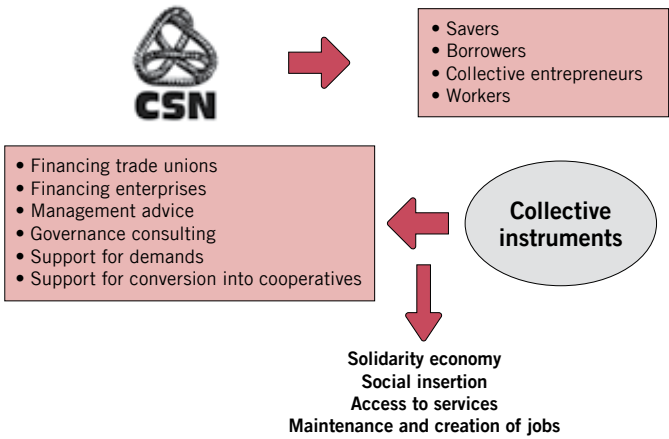
The role of collective instruments in supporting the solidarity economy

The CSN’s collective instruments are not concentrated in the solidarity economy alone; a good part of its assets is invested in socially responsible private enterprises. The contribution of the CSN to maintaining and creating employment goes far beyond its own internal interests and serves the whole of Quebec – provided that the partners respect some non-negotiable basic values. But together, they make up a significant force for action, with 140,000 workers who pay dues or are members, 230 technicians and professionals and CAD 2.3 billion worth of assets invested in the Quebec economy (see box 2).

Box 2. The CSN’s collective instruments

- 9 organizations
- 140,000 members or participants
- 230 staff
- CAD 2.3 billion in assets
- Contribution to the maintenance and creation of 40,000 jobs in Quebec
- 2,900 collective and private enterprises financed

Figure 3. CSN: Mutual exchange



These organizations operate in line with the CSN's values and provide synergies with the affiliated unions. Workers become dues-payers, savers, borrowers and solidarity-based entrepreneurs with the support of these collective instruments, which offer them savings, investment and credit products together with technical advice on finance, management and governance, thus supporting their demands or their projects as collective entrepreneurs. It is a relationship of mutual exchange (see figure 3).

Drawing on the experience and know-how of the CSN and the organizations that make up the collective instruments, Développement solidaire international (DSI) is the CSN international cooperation network for solidarity-based, socially responsible finance. DSI offers a whole range of expertise rooted in the values of democracy, freedom, justice, responsibility and solidarity.

Partnership between DSI and UNISOL

DSI and UNISOL came into contact in 2007 during a first international cooperation experiment in Brazil resulting from the trade union relations between the CSN and the CUT.

The issue of how to finance collective enterprises in Brazil was clearly a major concern for UNISOL. There are specialized organizations in Quebec such as the Caisse d'économie solidaire, which has financial products for cooperatives and associations, or MCE Conseils, which offers specially tailored professional services that promote access of collective enterprises to finance. In Brazil there are no comparable organizations with specific missions. In April 2010, a Brazilian delegation composed of two members of the

UNISOL executive, the treasurer of the ABC metalworkers' union and an economist from the Inter-Trade Union Department of Statistics and Socio-Economic Studies (DIEESE) visited Quebec. The relevance of Quebec's experience to Brazil was confirmed, not as a model to be transposed but as a source of inspiration for developing initiatives there, in line with its own legal, regulatory and institutional framework for support to collective entrepreneurship. In addition to the specificity of the products and services offered to collective enterprises by organizations that are among the CSN's collective instruments, the fact that the Quebec experience had trade union roots rapidly created a climate of trust and a will to move on to concrete action.

Complementary financing

The initial work concerned the cooperatives' financing strategy. One of the issues when building a support network for the start-up and development of the solidarity economy is to make available a set of financial products that strike a good balance between the needs for capitalization, investment and responsible, constructive borrowing.

There is a divide between collective entrepreneurship and the banking sector. This sometimes stems from badly formulated funding applications, but more often from cultural resistance to the solidarity economy and, more objectively, from an absence of capitalization or of adequate collateral, together with doubts about repayment capacity (see figure 4).

The question of access to credit is crucial and can be resolved in two ways. The first reflex is to substitute oneself for the traditional banking sector, which generally shows clear resistance to collective entrepreneurship projects, both for reasons of rational internal logic and due to cultural and ideological prejudices. So here, the approach is to create the solidarity economy's own financial organizations. But complementarity is another possible scenario – an

Figure 4. Difficulties for cooperatives in the finance market

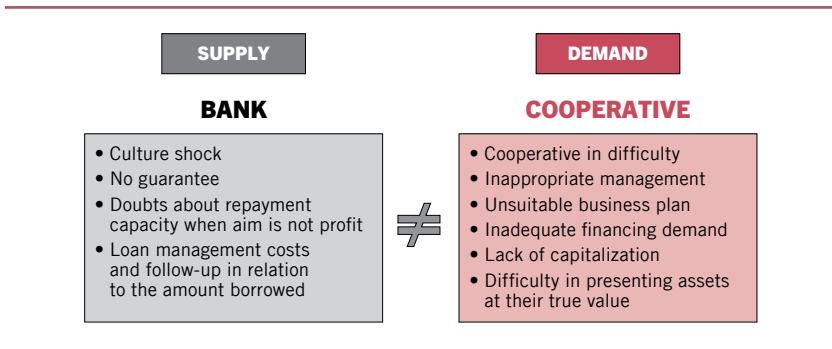
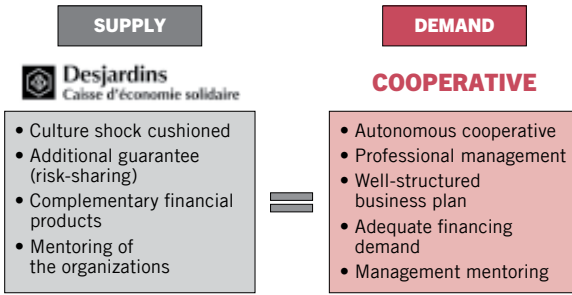


Figure 5. Funding guarantee instruments



attempt can be made to build up complementary instruments that will make it possible to attract the financial sector by meeting its technical objections.

The Quebec strategy is to acquire complementary instruments that use both supply and demand for borrowable funds to improve the quality of exchanges among the actors and to offer them strengthening elements, so as to promote a balance between the cooperatives' capacities and the lenders' requirements. This complementarity is built around improved formulation of applications for financing, the presence of credit cooperatives dedicated to the social economy, a public system of credit guarantees, and risk capital funds drawn from workers' savings and open to solidarity economy projects.

The exchanges between DSI and UNISOL caused the latter to reflect upon the construction of its own funding guarantee instruments, as well as approaching government partners who were willing to engage in exchanges about cooperatives' needs and their capacity for rigorous management (see figure 5).

The first project

The first project was to make available to the Brazilian partners Quebec's experience of managing and financing social economy enterprises. This meant providing strategic and operational information about the models existing in Quebec and assisting UNISOL to develop a toolkit that would help to promote the growth of solidarity enterprises. The central element in this project was a mechanism for analysing social economy enterprises, so as to provide a basis for dialogue with the Brazilian financial actors and demonstrate that UNISOL was competent to take part in financing arrangements. This involved:

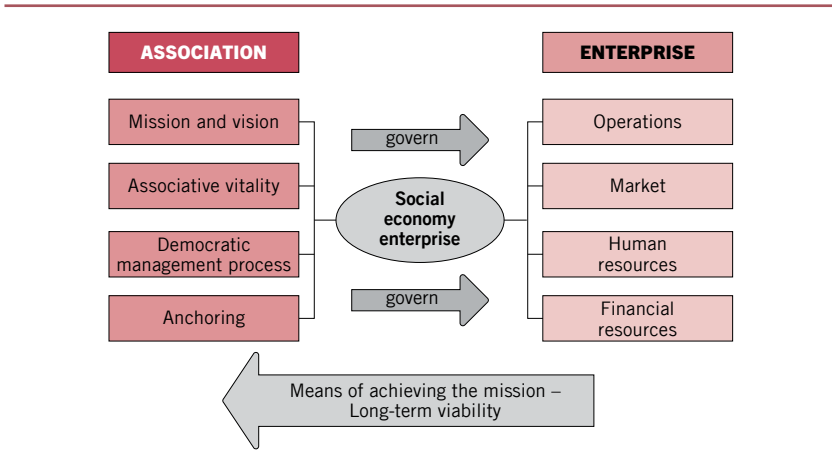
- capitalizing on the example set by the *Guide to the analysis of social economy enterprises* (RISQ, 2005) written by the protagonists of solidarity-based finance in Quebec;

- getting the Brazilian and Quebec organizations better acquainted with each other's origins, mission, services, networks and ways of operating;
- presenting the general analysis framework for solidarity economy enterprises with reference to the need for a balance between the organizations' associative and economic facets, and then making such adjustments as were required by the Brazilian approach;
- identifying the components needed for the analysis, and structuring a Brazilian reference tool for the overall framework in this analytical approach; and
- building a training approach to sharing the reference tool with the support networks for collective enterprises.

This cooperation scenario was to a large extent based on the principles that an association's aims and the various facets of the enterprise must be mutually reinforcing if a social economy enterprise is to be efficient in serving its members and fulfilling its mission.

Striking this balance means that the association's vision must not compromise the enterprise's economic efficiency and the enterprise's objectives must not contradict the association's values (see figure 6). This reasoning was shared with Brazilian lenders and helped to build dialogue on the financing of cooperatives.

Figure 6. Dynamics of the association and the enterprise



The second project, supported by Brazilian lenders

Under the first project, DIEESE, UNISOL Brasil and the Foundation of the Bank of Brazil had produced an analytical methodology that suited solidarity enterprises. Its main aim was to enable a more appropriate analysis of enterprises of this type, including cooperatives, so as to support their economic structuring and encourage the provision to them of accessible funding and credit. The second project, currently in progress, aims to contribute to the development of a large chain of processing cooperatives in the dairy sector and to analyse these projects by means of the reference tool. It thus has two objectives:

1. Mentoring and facilitating the application of the Brazilian reference tool methodology to the analysis of solidarity economy enterprises in the dairy sector of the state of Paraná, thus enabling the analysis and designation of applications to lenders for the funding of cooperative projects.
2. Contributing to the modelling and strategic planning of a Counselling and Support Office for solidarity economy projects, with the aim of structuring draft business plans and encouraging lenders to fund them.

Success factors: Some lessons learned

This action to support the creation and development of cooperatives is based on a number of lessons learned. Various elements promote the success of cooperative projects, whether they are built from scratch or from converted private enterprises. Several such factors are cited in the *Quebec Guide to the analysis of social economy enterprises*, and were adapted for the Brazilian reference tool:

- technical and financial feasibility
- the cultural predispositions of the group promoting the project
- the objective conditions of understanding with the financial partners
- governance and the separation of powers
- membership training
- respect for cooperative values, including transparency towards the members
- balance and complementarity between democratic ownership and managerial effectiveness
- the partners' roles in the project (including financial roles)

The role of the supporting adviser complements that of the financial partners. By and large, it serves to check that the cooperative project is feasible and is therefore a good thing for its members. If that is the case, the role then becomes one of bringing the promoters and the financial partners closer together

and securing the best possible financing terms. Supporting advice has to be given at many levels. It starts with a market analysis and feasibility study, so as to make sure that the cooperative has a real chance of succeeding in its aim of improving its members' economic and social conditions. If the answer to this is positive, the next steps are to formally establish the cooperative, put the financing package together, set up an efficient internal operating structure, seek out and negotiate funding, and provide management support. In parallel, broad-based training has to be offered to the cooperative members so as to ensure that when they invest in a project, they are fully aware of the benefits and risks of doing so, and of the conditions needed in order to succeed.

- **Training before the cooperative is set up.** Introduction of all workers to the cooperative model, the legal and financial obligations and responsibilities of the members, the decision-making structure, and the cooperative's structured democratic operation and its consequences for the internal operation of the enterprise. Training should permit a shared understanding of the dual role of anyone who is both a member of the cooperative and a unionized employee of the enterprise that owns the cooperative. Similarly, this training should demonstrate the balance to be struck between a collective, democratic property-sharing association and the efficiency demanded of an enterprise in a market economy. The project's business plan should be presented, so that everyone understands its benefits and risks.
- **Training the board of directors.** Presentation of roles and responsibilities in relation to the cooperative's mission and towards the internal and external stakeholders in the cooperative enterprise. The cooperative's functioning, the decision-making mechanisms, and in-house communication. The directors' role is distinct from that of the managers, but ensures that they act in line with the cooperative's values. Means of selecting and supervising those entrusted with operational management and providing them with a clear mandate for which they are answerable.
- **Follow-up training.** After the cooperative enterprise has been in operation for a fairly short time, training sessions that include reminders about cooperative principles and which tackle the experiences that the organization has gone through so far. Presentations on problem-solving mechanisms and how to read accounts.

Technical resources to support cooperatives

Technical resources can serve a social mission at many levels when supporting a group of workers who wish to found a cooperative or to restructure its funding.

Initially, a tide of enthusiasm led us to believe that collectivization was a viable substitute for production expertise (often actually present) and

expertise in management and sales (less frequently possessed by unionized workers). But a cooperative, democratic enterprise must also be efficient and competitive in a private market. All the expertise needed to manage it must be gathered together within the cooperative, or must operate in close partnership with it. It is essential to provide groups of workers with the following specific additional elements of expertise that are vital at the various stages of their enterprise's development.

Techniques

The presence of supporting advice must enable the founders and managers of cooperatives to benefit from:

- multidisciplinary expertise that makes it possible to judge the project as a whole, its feasibility and the best way of financing it;
- a process of continuous training that is directly linked to their business plan and which should cover both the business and the cooperative aspects of the project;
- a strategy of communicating regularly on the progress of work that is to the benefit of all the members;
- backing for finance negotiations with the various lenders, both institutional and governmental; and
- on-call managerial mentoring when starting up the project and when adjusting it to events.

This is a source of complementary expertise as well as a source of efficiency when performing transactions.

Approaches

Technical resources must never become a substitute for the group that is promoting the project and is responsible for it. The group must show both the strong long-term will and the capacity to implement the project and to run the enterprise when the consultant's mandate comes to an end. The consultant complements the team in order to meet specific or temporary needs, but should not be its backbone.

This is all about supporting the promoting group without replacing it. It is about helping the group to convince its partners. It is also about getting the group to do as much of the work as possible, so as to maximize the workers' mastery and general understanding of their project.

Ethics

The role of the supporting adviser is not only technical; sometimes the adviser also has to be the promoter's conscience. It is vital to judge the project's chances of success. The adviser must check that the resources placed at the project's disposal match its degree of difficulty. Any gaps have to be identified and solutions have to be found to ensure that the project is a comfortable one.

Values

The adviser's role is also about transmitting values. Groups that set out on the cooperative path need to share not only a project but also certain values that will shape the relationships both among themselves and with their partners. Without knowledge and ownership of these values, the cooperative formula can become a hotbed of conflicts that are dangerous for the cooperative and its members. Shared ownership of values spells collective access to entrepreneurship, efficient democratic management and fair shares of the proceeds.

Strategy

Finally, the supporting adviser should assist in making choices that maximize the chances of success and minimize the costs to the workers. The following four levels of balance must be ensured:

- *Balance between the financial resources and the needs of the enterprise.* Sufficient room for manoeuvre should be available to deal with unforeseen circumstances, but without unnecessarily inflating the enterprise's financial costs.
- *Balance between ensuring that members' involvement provides sufficient capitalization and limiting their financial commitments to what they can afford.* Cooperatives are a type of enterprise that enables individuals to jointly acquire the means of meeting the economic or social needs they have in common. Collective access to entrepreneurship is therefore one of the values of the cooperative model that help to limit the required individual effort. On the other hand, a monetary link between the cooperative and its members is needed to ensure their constant involvement and their day-to-day investment in its development. This effort is also a sign of confidence and interest, which helps persuade lenders to take part in funding the enterprise.
- *Balance between internal funding by workers and external funding through loans and the additional capitalization required.* By combining the different channels, leveraging effects and accessible funding can be achieved. This combination makes it possible to set targets for the reduction of financing

costs. A funding strategy must enable a balance to be struck between savings on the interest paid, the flexibility of repayments, the availability of possible additional efforts and the adjustment of this financing to the enterprise's annual and seasonal cycles.

- *Balance among, and linkage of, the economic, social and environmental dimensions inherent in the operations and in the choice of products and services offered, as well as the way in which they are produced.*

Diplomacy

To a considerable extent, the supporting adviser's role is educational. General knowledge transfer to the members of the cooperative is crucial to the success of the adviser's intervention. The members' understanding of the technical procedures is important, and more especially their understanding of the factors that are critical to the success of their enterprise project.

This understanding of one's dual role as both a member and an employee of the cooperative is not just something for the Chief Executive. It should be shared by the greatest possible number of cooperative members. They should all be familiar with the facts noted and the strategy proposed.

Four major lessons should be applied whenever setting up a cooperative, whether from scratch or through conversion

First, three concerns at the heart of the analyses conducted in order to assess a cooperative project should be borne in mind:

1. The maintenance and creation of jobs on a sustainable basis.
2. Participative management, or else self-management.
3. The return on the financial investment made by the workers.

These issues are always present, but their relative weight varies greatly. The cooperative model remains an instrument and a means of choice for achieving these aims. But it is just a means, not an end in itself. Every opportunity to set up a cooperative must be judged on its likelihood of sustainable success, with working conditions close to the optimum in terms of the alternative possibilities open to the workers.

Second, a conversion project is framed by a **very particular economic situation** and has to steer a course between risk and opportunity. Enterprises have to be found that are doing badly enough for the employer to want to sell them off or shut them down, and yet well enough for it to be in the workers' interests to buy them and refocus them on activities that might be expected to make them viable.

There are three cases in which these requirements may coincide:

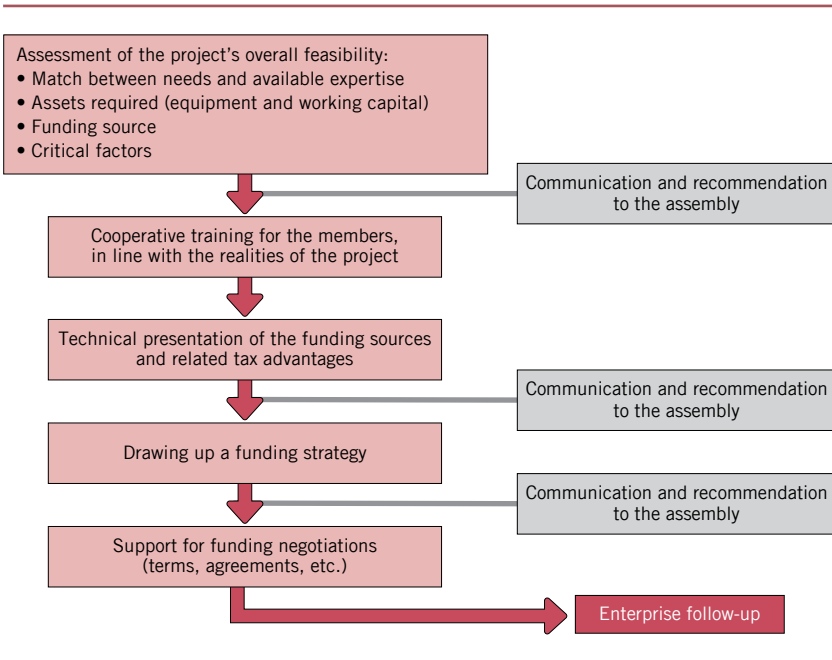
1. Differing assessments of the enterprise's real situation, or a strategy of enhanced management.
2. Differing expectations of returns, the main difference being the conversion of employment and wages into returns for the workers.
3. Differing levels of energy available for dedication to the project, according to age, interests or networks of financial partners.

Third, a cooperative is a form of enterprise ownership. It is therefore **an economic operation that must be both sustainable and profitable** if it is to accomplish its long-term mission of providing its members with work under the best socio-economic conditions possible.

Fourth, cooperatives are a **collective entrepreneurship formula**; in our cooperation project the trade union centres involved look on it positively because they believe in its effectiveness and its democratic nature.

But it is a risky business for anybody to impose or force entrepreneurship upon a group. Individual or collective entrepreneurs can be cultivated, supported and mentored, but not invented. The first signs of initiative have to come from the group itself. Otherwise, nobody will have taken on the task of ensuring the enterprise's future, and it will all end in disappointment, disillusionment and disputes.

Figure 7. Setting up a cooperative: Steps to be taken



The members and the elected officers have to be trained and supported so that they can do their jobs with the professionalism required. Messages about the cooperative rules, obligations and rights have to be communicated regularly to ensure a governance that respects values, makes for effective decision-making and is quick to transmit information, knowledge and motivation to the membership as a whole.

Figure 7 shows a possible procedure for the steps to be taken in setting up a cooperative.

Conclusion: Relations between trade unions and cooperatives

Trade unions and cooperatives share the will to work to satisfy their social and economic needs, but the levers they use are different and complementary. Both structures have a democratic, collective logic, ensuring the primacy of people over capital. Nonetheless, the peaceful coexistence of the two structures is not a foregone conclusion and tensions do sometimes arise.

And yet, the ideological similarities are clear. Cooperatives are an ownership structure that promotes participative management. A cooperative association is a vehicle for collective ownership of an enterprise. Unions, on the other hand, have the aim of ensuring the development of equal relations, given the status and condition of employees within an enterprise. Nevertheless, the result is a shared representative legitimacy, which can lead to competition over labour representativity. This modifies the collective dynamics, both in the union and for the cooperative. By clarifying roles in terms of status, the logic of collective bargaining leads to porous borders, particularly in sectoral negotiations where only a minority of the employers are cooperatives. The dialogue on working conditions should be based on transparency and respect for each movement's role, since both cooperatives and trade unions are defending the interests of the same group. As regards the application of the rules, the unions' role remains a strong one and can be even increased as they become the defenders of cooperative democracy.

To sum up, the actors in this international cooperation project share the same democratic vision of the organization of economic activity, and promote collective access to entrepreneurship that serves humanity. That is why the cooperative movement can count on the support of the trade unions.

- Cooperativism is a complementary means of improving the working and living conditions of the workers, and is thus wholly in line with the objectives of trade unions.
- Cooperatives are a different type of enterprise, so there is a need for trade union action that is adjusted to this form of ownership.

- Cooperatives are not an end in themselves but a means of economic democratization serving the maintenance and creation of employment, participative management and the achievement of better working conditions.
- A private enterprise that is sick does not become healthy simply by changing its legal status.
- An outside technical support network and a set of complementary financial services are often vital before, during and after the creation of a cooperative. A federation can ensure that such a network exists.

The cooperation between Brazil and Quebec in the fields of the solidarity economy and trade union action has enriched practices within the two networks through the exchange of instruments, strategic analyses and lessons learned from the two project experiences they have worked on together, and the constraints that form the context of interventions within their very different situations. This learning has been mutually beneficial as a way of improving solidarity-based, collective capacities to act for the maintenance and creation of jobs, especially through collective entrepreneurship.

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Trade unions and worker cooperatives in Europe: A win–win relationship

*Maximizing social and economic
potential in worker cooperatives*

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The authors wish to thank all those researchers, civil servants and representatives of the trade union and cooperative movements who dedicated their time (and their confidence) for the interviews carried out in the course of this research.

The European Union's ten-year growth strategy is calling on social economy enterprises, particularly cooperatives, to contribute actively to the overall aim of achieving "smart, sustainable and inclusive growth" by 2020 (European Commission, 2010a and 2010b). It is because of their unique characteristics that cooperatives are seen as capable of performing on both the economic and the social fronts. This requires finding a balance between the economic and social interests of enterprises, the labour force and the whole community – a difficult exercise for economic and social actors at all levels, especially in a complex globalized context and in times of economic stress.

Worker cooperative associations have often engaged with trade unions in the pursuit of mutual goals relating to employment, innovation, education, social inclusion, equality and environmental sustainability. The two movements have common historical roots and a long-standing commitment on labour-related topics, features which may facilitate joint work to ensure the success of strategies related to the abovementioned goals, as illustrated by experience in various European Union (EU) countries. This is particularly so in the areas of industrial relations and social dialogue, often involving public authorities in a tripartite process.

All this, however, can take place only if certain methodological and substantive conditions are met, because if the shared goals of trade unions and worker cooperatives provide the potential for a constructive relationship, this is nonetheless often marred by tensions and sometimes conflict.

This article is based on original field research aimed at reaching a better understanding of the main features of the relations between European trade unions and worker cooperatives in the current economic and social context. The objective has been to identify reasons for both closeness and rifts, respective and shared challenges, and good methods of exchanging and achieving common goals. The investigation has focused on the practices of social dialogue and industrial relations at all levels because, faced with the complexity of integrating economic and social goals, social dialogue is a fertile ground where worker and business interests can meet. Quality employment, good working conditions and high economic performance are in the interests of trade unions and the cooperative world alike. The focus of this article, then, is an in-depth analysis of the contexts in which social dialogue can be "the method" for successful compromises between the two movements, with the aim of identifying the necessary conditions for this to occur.

Starting from the relatively sparse literature of recent decades on the subject, the research targeted four European countries – France, Italy, Spain and the United Kingdom – where trade unions and worker cooperatives are well-rooted and active. A series of interviews with representatives of both movements was carried out; and direct evidence gathered at all levels (national, regional and local, as well as from enterprises) was also used.

The article illustrates how trade unions and traditional cooperative associations share a common set of values which tend to inform their behaviour

as collective actors. But it also highlights the tensions that can arise between the two movements. These pertain to the perceived risks that worker cooperatives may provide lower salaries and working conditions than other enterprises; unequal rights, prerogatives and treatment between member and non-member workers; or self-exploitation and lack of effective involvement, awareness and freedom of worker members in decision-making.

In taking stock of such criticisms, we attempt to identify paths which allow both movements to collaborate towards a market economy that also promotes social development. The article describes how the worker cooperative movement is capable of achieving integrated solutions to overcome economic and legislative constraints by turning to its core values, such as concern for people and respect for labour rights, as well as assertive dialogue with workers, trade unions and public authorities. Such innovative solutions, jointly conceived and implemented with trade unions, can bring relevant economic and social benefits simultaneously to enterprises, workers and citizens in general.

A series of case studies provides evidence of such innovative practices. The experiences are presented in two ways: first, positive results achieved collectively through intensive social dialogue and work between the social actors and public authorities; second, the workplace dimension, where social dialogue and worker involvement lead to customized corporate strategies. Here, working conditions, management of change, valuation of human resources and business promotion go hand in hand.

Trade unions and worker cooperatives: Shared values and methods

The existing literature and direct evidence show that both movements share similar historical roots, common values and aims, and a methodology based on dialogue and workers' involvement. These affinities are the source of good relations between trade unions and major cooperative organizations.¹ However, such affinities sometimes appear weaker in the workplace and in representing the interests of the more recently established cooperative organizations.

A common set of values

The direct evidence indicates that a set of shared values is a key factor. The promotion of labour-related issues and the protection of labour rights are the responsibility of trade unions. However, in the words of Paolo Cattabiani, President of Legacoop Emilia Romagna, work is also the “constitutive

1. CGScop in France; Legacoop, Confcooperative and AGCI in Italy; Coceta in Spain; and Cooperatives UK in the United Kingdom.

component of the cooperative pact of yesterday, today and tomorrow” (Cattabiani, 2012), and, especially for *worker* cooperatives, the main reason for mutual exchange.

In some countries, trade unions and cooperative associations used to collaborate closely with major political parties.² Nowadays, the major cooperative associations still regard work as a driver for democracy, freedom and individual dignity, social inclusion and cohesion, legality and security: a factor in both their individual and collective development.

Worker cooperatives in particular claim a primary “concern for people” in their role as workers and also – though not necessarily – cooperative members, as individuals and citizens, being part and parcel of the community. In traditionally established major cooperative associations, such “concern for people” consistently goes hand in hand with attention to *rights*. In particular, the focus is on the fundamental right to work and to *decent* work, as well as on workers’ right to be involved in those strategic and organizational decisions that often determine the concrete realization of these rights. Particular attention is also given to doing business in a coherent way that furthers both social and collective goals.³

It is this set of values that characterizes the genuine cooperative model, reflecting the original inspiration of the cooperative movement, and grounded in the legislative and regulatory provisions governing cooperatives. It is also due to these values that trade unions acknowledge the more “traditional” cooperative associations as active interlocutors, partners wishing to implement a business model aimed at providing generalized well-being, based upon the democratization of the economy, and fairness and equality in governance processes and the distribution of resources.

Cooperative “identity” as characterizing industrial relations

The frequent references to the shared values described above indicate that they have implications for industrial relations. In the many forms of interaction that take place in industrial relations, including confrontation, the direct evidence shows that this shared heritage partly eases conflict and often positively influences the relational framework as well as working conditions. This positive feedback loop results from a whole range of factors. In regions

2. This is particularly evident in countries such as Italy and Spain, characterized by trade union pluralism, where trade union organizations used to be linked to ideological movements and political parties. In the United Kingdom too, although to a lesser extent, trade unions and cooperative movements have been traditionally close to Labour and other left-wing parties.

3. See ICA (2005), in particular art. I.1; European Commission (2011a); European Parliament (2012).

with the highest concentration of worker cooperatives,⁴ the unionization rate, the rate of company-level collective bargaining coverage and the percentage of open-ended employment contracts⁵ are usually very high, while the levels of conflict registered are quite low. Cooperatives can therefore act as concerned employers, open to dialogue and involvement, in line with their traditional founding values.

In this regard, the key role played by cooperative associations should be noted. While respecting the appropriate balance of powers and responsibilities in carrying out their function of democratic representation, these associations provide individual guidance and support to their affiliated companies. Adhesion to major cooperative associations typically translates into counselling and supervision, for example on balance sheets, or on compliance with cooperative laws and statutes, fiscal and employment regulations, and collective agreements. Full compliance with the regulatory system often also represents a necessary precondition for the affiliation of a cooperative to the association. Such action emerges as especially relevant against the trade union perception that cooperatives are not “virtuous” companies per se: if the intrinsic features of their corporate model predispose them to the implementation of value-oriented objectives, these features alone are not sufficient to ensure a mutual exchange.

Cooperatives: Distinctive pathways of social dialogue and collective bargaining

Our investigation in the targeted countries finds that industrial relations in the cooperative world tend to replicate the national models, but with certain peculiarities specific to cooperatives. This mostly occurs where cooperative associations are firmly established and the national system enables them to flourish.

In general, cooperative associations are engaged (although to different degrees) in tripartite dialogue with public institutions at various levels, with a view to influencing broad policies and plans to improve social and economic well-being.⁶ In addition, they tend to an autonomous and bilateral exercise

4. Emilia Romagna in Italy; Rhone-Alpes and Ile de France in France; Wales in the United Kingdom.

5. In Emilia Romagna, for example, the unionization rate in worker cooperatives is almost 90 per cent. Cooperatives affiliated to Legacoop, the major cooperative association in the region, register 85 per cent of open-ended contracts among their employees.

6. In France, Spain and the United Kingdom, cooperative associations do engage in dialogue with the public authorities but in a much less binding way than in Italy, where they enjoy full bargaining power at cross-sectoral level, negotiate and sign framework agreements with the Government, the most representative trade unions and other employer organizations.

of the powers that arise from their recognition as social partners, developing their own paths of collective bargaining. This notably occurs in Italy, where cooperative associations – social partners to all intents and purposes – negotiate and sign sectoral national collective agreements different from those applying to non-cooperative companies. This practice has also emerged in other countries, albeit to a lesser extent and in different ways.⁷ It is also true of key sectors⁸ where cooperative companies stand out as valuable economic entities.

This observation is true not only of the collective bargaining method but of its qualitative outcomes as well. In past years, economic provisions and emoluments have been on average superior to other types of company in the same sector. Even if recent economic and sectoral developments have reduced differentials, nonetheless the measurable working conditions remain globally – albeit at times only slightly – more favourable.⁹ In addition, it is possible to gain further margins in territorial and enterprise-level bargaining.

The participatory method

In all the countries targeted, cooperatives appear to make frequent recourse to participation at both the tripartite and bipartite levels. Provisions for participation,¹⁰ especially when formalized via collective bargaining, tend to provide substance to democratic organization and the decision-making process. This is, for instance, clearly enshrined in the Italian national collective agreements for cooperatives, for example:¹¹

7. At sectoral level, only in Italy are cooperative associations recognized as full social partners with relative collective bargaining power; the national sectoral agreements they sign are binding for all their associated members. In France, such practices are exceptional. In Spain and the United Kingdom, cooperative associations may set up territorial or multi-employer negotiations, although final bargaining power resides only at the enterprise level.

8. National collective agreements applicable to cooperatives exist only in Italy; they concern 13 sectors including metal working, the food industry, wholesale and retail, building, agriculture and fishing. In France, similar conditions apply only to consumer cooperatives in the wholesale and retail sectors. In the United Kingdom, where there are no sectoral national collective agreements, it is the large consumer cooperative groups that negotiate and sign collective agreements with the sectoral workers' unions.

9. Evidence from the comparison of economic statements reported in sectoral collective agreements, as well as of different company-level agreements in countries with more fragmented bargaining structures. Interviews with cooperative and trade union organizations reveal that beyond the strictly economic data, overall working conditions in cooperatives (determined by work organization, work environment and participatory practices) appear to be better than in other companies.

10. Workers' involvement in enterprises in the three components of information, consultation and participation is regulated by European law, in particular Directive 2002/14, and national legislation.

11. National collective agreement for the cooperative metal industry 2009–2013, introduction.

The parties acknowledge that *economic democracy* is a typical and essential value of the cooperative enterprise whose key features are self-governing members and male and female worker involvement. In the framework of a common establishment of *industrial democracy* values, the signatory parties commit themselves to favour forms of workers' participation in company development processes – subject to the specific autonomies and responsibilities as well as the specific aspects of the cooperative enterprises.

This approach is not limited to the Italian experience, although it appears to be the most structured in that country.¹² In all the targeted countries, diverse practices for employee information and compulsory consultation allow the involvement of *all* workers, to the benefit especially of non-members who do not have access to the company decision-making bodies. Formal arrangements for worker involvement are stronger the closer one gets to the enterprise level. As demonstrated by the good practices documented below, attention to work quality and dialogue can lead to a “virtuous cycle” where an increase in productivity and competitiveness is accompanied by an improvement in working conditions.

Tensions in the relationship

Despite the commonality of methods and objectives, the relationship between trade unions and worker cooperatives may often be problematic. The reasons for this are typically associated with a high degree of fragmentation of both the legislative and the relational frameworks which affect working conditions, and with the mechanisms of democratic and participatory management of cooperatives, as well as the enterprises' capacity not only to remain competitive but to grow.

The fall of the “quadrilateral” relations between trade unions, cooperatives, political parties and public administration

In the countries analysed the cooperative movement benefited in the past from its closeness to the labour movement and the main political parties (mostly left-wing) as well as to public authorities. Such a “quadrilateral” relationship ensured political support and allowed both cooperatives and trade unions to pursue economic success without compromising their principles. Rather, it opened new paths to competitiveness, thus guaranteeing the

12. Participation arrangements laid out in national collective agreements are possibly integrated and extended by those at regional and enterprise level.

protection of social priorities at the same time (Thornley, 1983). At the beginning of the 1990s this bond was loosened. While enabling companies to gain greater autonomy, this change also led to a reduction in the joint integrated strategies which had often been developed with public authorities at community level.

Pressures of the global market and the economic crisis

The economic pressures arising from changes in global and sectoral markets and, more recently, from the economic crisis, have not spared industrial relations. Despite being affected by the credit crunch and the reduction in job orders, especially from public administrations, cooperatives have proved more capable than other types of enterprise of launching an anti-cyclical dynamic in the face of economic adversity and have demonstrated strong ability to maintain pre-crisis employment levels (Roelants et al., 2012). However, more competitive market conditions and the progressive reduction of resources have also often provoked cost-cutting, which has not always been compensated for by true strategic alternatives. In highly labour-intensive sectors, or in those based on the awarding of contracts and tenders such as the building and services sectors, the reduction in costs has usually entailed the compression of the cost of labour, and therefore a risk of reduced protection for workers.

The cooperative sector has also been exposed to financial instability. Major cooperative enterprises, which had adopted a strategy of “cooperative capitalism” before the crisis, had diversified their activities, enabling them to accumulate liquid assets. However, deviating from their core business led them away from their own roots and primary objectives. In time, these structural conditions have made dialogue and relations between unions and worker cooperatives more difficult.

The fragmentation of representation and the unravelling of labour standards

A progressive fragmentation in the representation of workers' interests has also undermined social dialogue. The overall context is marked by changes in the structure of collective bargaining throughout Europe, which have progressively undermined the bargaining systems and reduced the certainty of application of national collective agreements. In some countries, legislative reforms, frequently imposed by national governments, have pushed towards decentralization, weakening bargaining above the level of the enterprise, jeopardizing the effectiveness of the minimum standards fixed by the

governments themselves and increasingly voiding them of all substance.¹³ In other countries, the social partners themselves have allowed more flexibility at different levels, through reforms agreed by negotiation.¹⁴ Consequently, the relational framework has become more problematic both at a bilateral level and even within the two movements themselves.

On the trade union side, internal divergences have emerged, especially in countries with pluralistic trade union traditions.¹⁵ Disagreements among trade unions have primarily concerned structural measures undertaken to cope with the economic crisis. Such rifts have sometimes exacerbated the situation, with significant consequences especially at enterprise level. Here, conflicting or demanding approaches make it difficult to manage resources or to jointly conceive and implement strategic planning, as well as to define workers' rights.

On the other hand, the largest cooperative associations have also increasingly witnessed the rise of employers' organizations that diverge from their value system and methodology. In Italy in particular, the problem arises with regard to the evolution of cooperative associations and "independent" trade unions that stipulate company agreements with lower legal and economic standards than those guaranteed by the sectoral national agreements. Differentials in remuneration between the former and the latter can be as much as 35 per cent.¹⁶ Such practices deprive national collective agreements of their function of establishing a level playing field for companies and employees.¹⁷

In addition to the increased incidence of such "pirate" collective agreements, trade unions have recently registered with great concern a wave of unilateral cancellations by enterprises of collective agreements signed according to the national standards.

13. For example in Greece, Hungary, Portugal and in some respects Spain.

14. For example in Germany and Italy (Article 8 Decree Law N. 138 of 2011 – Further urgent measures for financial stabilization and development. Inter-confederal agreements of 2008 and 2011).

15. Such as France, Italy and Spain. Recent collective bargaining seasons in Italy have been quite conflict-ridden. On various occasions, framework and sectoral collective agreements have not been jointly signed by the three most representative Italian trade union organizations CGIL, CISL and UIL. The same tends to apply at the enterprise level, with serious problems in the management of contractual relations. In some circumstances, the levels of conflict have led to a need for more accurate rules on the effective representation of the unions.

16. This refers to the National Union of Italian Cooperatives (UNCI) and the National Confederation of Independent Trade Unions (CONFSAL). Unions and cooperative representatives interviewed on this refer to "pirate" collective agreements, which conflict with those signed by CGIL, CISL and UIL, and the cooperative organizations Legacoop, Confocooperative and AGCI.

17. Decision of the Ordinary Court of Turin, Labour section No. 3818/2010, enshrining the non-application of the collective agreement signed by UNCI and CNAI, which envisaged compensatory standards in the services sector 35 per cent lower than those provided for by the collective agreement signed by the major cooperative and trade union organizations.

There is also a risk of social dumping in relation to misuse of the status of social or worker cooperative. The issue arises in particular in Italy, as remarked by both trade union and cooperative organizations, as well as by the public authority in charge of monitoring the legislation and statutory provisions in force for cooperatives. This is the case where businesses adopt the cooperative formula with the sole purpose of taking advantage of favourable legislation, while failing to comply with the associative and legislative requirements foreseen for the cooperative model. These “false” cooperatives elude controls on compliance with the bargaining regulations in force, producing distortion effects in the market that are often based on the violation of labour standards and legislation. They often also elude the verifications of labour inspectorates, due to objective difficulties in monitoring establishments and their operations.

Cooperative member workers: Status and contractual conditions

A long-standing concern of trade unions with regard to worker cooperatives is that survival in low-margin economic activities may lead to self-exploitation and disregard of labour rights. The question of the member worker, although historically unresolved, is nowadays particularly relevant to the application of the standard working conditions set in collective agreements,

In most of the European countries investigated, the legislation attempts to prevent situations of under-protection. In general, enterprise or sectoral collective agreements cover all workers in a cooperative, regardless of whether they are members or not. In the United Kingdom, for example, minimum labour standards applicable to workers in a given sector are set by law. In Spain, on the other hand, a worker member is considered to be a self-employed person to whom collectively agreed standards do not apply. A related concern leading to tension with trade unions is the risk attached to legislative provisions that allow cooperative member workers' wages to be kept lower, in order to capitalize their business.¹⁸ In Italy, legislative provisions setting out collective bargaining standards also allow exceptions for the treatment of cooperative member workers, though under certain conditions and following specific procedures.¹⁹ In the case of a corporate crisis, for example, the reduction of agreed wages is permitted, by virtue of the autonomy of shareholders/cooperative members to make decisions.

18. The issue is still unresolved, especially taking into consideration that in a similar setting to worker cooperatives in Spain – *Sociedad Laborales* – members benefit from a collective agreement by law. The law on *Sociedad Laborales*, however, envisages that participation in the capital can come also from external investors up to a certain limit, which allows them to raise capital for their business.

19. Article 6, Law 142 of 2001.

Joint action by cooperatives and trade unions

Despite the demise of the political “quadrilateral relations”, there are recent trends in several European countries of a renewed interest in integrated strategies of public relevance, agreed with public authorities and implemented under their coordination and guidance, and enacted via joint actions of trade unions and cooperative associations. The issues addressed are quite varied: job creation and protection, promotion of qualifying paths and enhancement of resources available – notably *human* resources, and schemes for the efficient and sustainable supply of services of general interest, among others. The common feature is, however, the acknowledgement of worker cooperatives as valuable economic *and* social actors.

Italy: Action for the implementation of collective agreement rights

The protection of labour rights and standards agreed collectively (considered as embodying *decent working conditions*) is the reason for joint actions developed by the most representative cooperative and trade union organizations in Emilia Romagna, Italy. They signed a set of joint protocols, addressing crucial issues affecting highly labour-intensive sectors (such as logistics, services and portage), as well as issues concerning the awarding of contracts and tenders: illegal forms of employment, risk of exploitation, and a high incidence of contracting companies applying collective agreements with worse working conditions than those foreseen in national collective agreements. From such protocols, initially intended as bilateral, the social partners drew up a proposal for a regional draft bill containing provisions on the conditions under which the regional administration should outsource activities, as well as on actions monitoring the enforcement of bargaining rules.

These joint actions and the draft bill itself have been widely promoted by the cooperative associations, which are committed to supporting cooperatives in the region in seeking competitive solutions which offer an alternative to labour cost-cutting.

The promotion of legality is also supported by a national-level initiative whereby the major cooperative and trade union organizations hold regular dialogues with local bodies and regional departments of the Labour Ministry. Provincial and regional observatories on cooperatives have been jointly established to detect and compare phenomena such as black labour, false cooperatives and lack of application of collective agreements. The aim is not only to call on labour inspection in sanctioning irregularities, but also to promote a culture of legality and “genuine” cooperation. Proactive initiatives include the drawing up of guidelines for bids in cooperative companies, especially in their start-up stage.

Assets seized from organized crime: The experience of Libera Terra

The potential of worker cooperatives as social stakeholders in the community has led to an interesting experience in Italy. Law 109/96 on the redeployment of assets seized from mafia organizations envisages the allocation of illegally acquired or inherited properties to public or private entities able to exploit them for the welfare of citizens by means of social and labour-promoting services and activities. Most assets – mainly agricultural land – are being granted by local administrations to already existing worker cooperatives, or new ones created by specific public tender selecting expert staff. The agricultural worker cooperatives thus created have organized themselves into an association, Libera Terra, and into a consortium-based company to commercialize biological agricultural products identified by a trademark indicating quality and legality. The consortium has experienced growth and now has a turnover of EUR 5 million.

In Southern Italy, where underdevelopment, unemployment and labour under-protection are often related to the activities of organized crime, the first cooperatives founded as a result of this initiative have been named after unionists killed by mafia criminals because they supported the creation of cooperatives of farmers and day labourers. This initiative is certainly valuable, and not only with regard to the jobs created; today's cooperatives embody values of great importance in contexts where a culture of law and labour as key elements for economic sustainability still needs to be affirmed. The role of unionism is remarkable in the provision of expertise, campaigning and awareness raising, political support and the promotion of legislative initiatives to improve the effectiveness of the action itself. Furthermore, the network of union contacts is at the service of both individual cooperatives and the consortium, to attract new investors and bodies committed to contributing through solidarity.

United Kingdom: Supply of general services and job creation

In 2012 the national association for cooperatives, Co-operatives UK, started a formal process of dialogue with the Trades Union Congress (TUC). The aim was to develop a common statement of best practice for worker cooperatives to emerge from the privatization of the public sector and deliver services, as envisaged by the Conservative Party and the Coalition Government. The Worker Co-operative Council, a representative body within Co-operatives UK, while welcoming the spirit of the programme, expressed concerns about the risk, in practice, of poor quality enterprises or businesses operating without genuine worker democracy. These risks would hurt the

reputation of the whole cooperative sector and, should they end up as a stepping stone to an investor-led privatization, discredit the model in the public-sector arena. The TUC had similar concerns that worker rights needed to be safeguarded, at a time of cuts and change, in the form of genuine, democratic worker cooperatives with good standards in terms of employment conditions. Co-operatives UK and the TUC therefore developed a common agenda.²⁰

In this context, it is worth mentioning that the Wales Co-operative Centre (WCC) was set up over 30 years ago, in 1982, by the Wales branch of the TUC, during the downturn in heavy industry. The Centre is now an established agency for cooperative development, publicly supported and funded, to promote social, financial and digital inclusion through the creation of new cooperatives or business succession to employees. It supports the creation of cooperative enterprises devoted to *social objectives and also economically sustainable*.

The Wales TUC and the WCC have historically had a strong working relationship at both strategic and operational levels. They share a basic commitment to deliver greater community prosperity through common endeavour. Both aim to influence, inform and respond to Welsh public policy, and both recognize the advantages of partnership work on strategic issues and in areas of common interest. To acknowledge the strong historical background and mutual goals as well as to strengthen their social partnership, they have recently agreed a memorandum of understanding establishing further cooperation and coordination for developing joint actions across a wide range of public policy issues. Both parties have distinct but complementary roles and functions vis-à-vis Welsh public policy on the one hand, and workers, citizens and consumers on the other.

The relationship between these two actors has brought significant benefits for both of them in terms of capacity to impact on public policy and boost the wealth of the community. Integrated strategies have been jointly conceived and implemented to reduce unemployment among the middle-aged, to combat school drop-out and raise youth employment, to ensure extensive professional training as a measure for anticipating restructuring and to prevent the negative effects of further downturns in the region. Innovation at company and technological level has been promoted. It is also worth mentioning that in launching the joint initiative, the TUC was originally inspired by the experience of the Spanish cooperative group Mondragon;²¹ in

20. This was also informed by groundbreaking work in the education sector, where the growth of cooperative schools, now numbering over 500 in the United Kingdom, was accelerated by the signing of formal agreements between the Schools Co-operative Society and unions such as the National Association of Schoolmasters Union of Women Teachers (NASUWT). A best practice guide resulting from this work by Co-operatives UK and the TUC was due to be published in late 2013.

21. Despite concerns about the absence of trade unions in the Spanish company.

particular, by the integration of economic activity within the fabric of local communities and especially by the astonishing business performances. This explains why support provided via the WCC tends to be highly tangible and effective in terms of economic efficiency as well as communal needs.

France: Legislative action to protect employment

In France, the national reform plan recently presented by the socialist Government includes a chapter which refers to the social economy. The bill, expected to be approved by the end of 2013, is built around five key areas. One specific area concerns the modernization of the cooperative model, which will be the subject of tailored provisions, in particular on business succession by employees. This is meant to cause a “cooperative shock” and to multiply the number of cooperative and participatory societies (SCOP) in the next five years.

French trade unions, involved in processes of wider dialogue, have welcomed the initiative, taking part in dialogue for the bill’s development and implementation. They have long been fostering and supporting the creation of new cooperatives, in synergy with cooperative associations particularly at the regional level, for the protection and promotion of employment and of resources. Trade unions have played a crucial role in those instances of corporate crisis where the possibility of a business takeover and transmission to employees loomed on the horizon.

The Helio Corbeil cooperative in the Loire region, active in the press, magazine and printing sector, and Fontanille, in the textile sector,²² fall into this category. In both cases, trade unions (CGT and CFDT) have supervised worker takeovers of bankrupted enterprises to ensure that they represent real, viable and safe business options. The workers have invested their unemployment benefits and compensation in the capitalization of these newborn cooperatives. This active contribution, provided together with CGScop, has focused on the drawing up by experts in the respective sectors of industrial strategies and business plans designed to be sustainable over the long term. Trade unions have eased their relations with public authorities in the region; however, their most valuable contribution has consisted in the reorganization of company and work organization strategies according to a participatory dynamic. Shifting to the cooperative form, in fact, has entailed a profound reorganization of the processes of governance and participation in the membership base. Training to become a cooperative member has been the object of great attention. In particular, in Helio Corbeil it takes 18 months to be trained and admitted as a member. Moreover, all workers in the newly

22. In this enterprise, trade unions have also fostered crowdfunding, whose development and management is yet to be evaluated.

formed cooperatives are members and are unionized. Working conditions in the previous enterprises have been maintained, whereas productive processes have been organized according to a renewed flexibility and effectiveness which seemed to be lacking under the previous management.

Collaboration at enterprise level

The finding that good overall working conditions are linked to higher competitiveness has led to enterprise strategies that draw on cooperative good practice to enhance human capital, in response to global market pressures and the economic crisis.

The three Italian case studies in this section describe innovative solutions to opening new business opportunities and delivering the best quality of service. More often than not, such solutions also include the improvement of existing schemes, organizational rationalization and a “leaner” work organization, leading to higher productivity and the cutting of unnecessary costs. In such cases, the active and well-informed involvement of workers plays a vital role. The case studies demonstrate a high degree of integrated growth, based on the most versatile participatory methods but also on intense awareness of the competitiveness scenarios required for the economic sustainability of the company.

As previously mentioned, advanced practices in this context are already enshrined in national collective bargaining for cooperatives in Italy. The metal sector agreement, for example, acknowledges the distinctive participatory features of worker cooperatives in pursuing their social and economic objectives:

Cooperation needs to promote the active and responsible involvement of workers in company processes and labour organization in order to pursue social and development purposes. Professional participation at various levels, if combined with the effective and efficient organization of the various company roles, is a condition of market competitiveness for the enterprise, as well as a condition for workers to actively contribute to the rapid change in professional and organizational systems.

Consequently, many cooperatives have identified useful procedures to help foster competitiveness in achieving relevant social goals. When it comes to innovation strategies, the enterprise and/or regional-level collective agreement is closest to the action. It is therefore recognized as the most appropriate means to grasp the enterprise’s economic and socially distinctive specificities. As such, it appears to be the right tool to delegate (and not derogate from) innovation and experimentation in areas such as work organization and productivity growth, as well as implementation of remuneration systems designed to acknowledge, enhance and promote credits and skills.

Innovation, enhancement of human resources and sustainable development: Formula Servizi

Formula Servizi is an Italian worker cooperative specializing in the provision of various high-quality services to private citizens, enterprises and public administrations. It is rated amongst the ten best national companies for size and profit, and has reached the 35th position in the Top 500 European Growth Companies for the year 2013.

Its entrepreneurial success is based upon a long-term view of sustainability and innovation: "Formula Servizi has always acted strategically and not tactically, focusing on service quality to reduce marginal costs and remain competitive in bids for tender, without affecting working conditions at all."²³ The company policy is based on rethinking work in terms of human, economic and environmental efficiency; reducing energy consumption; recycling, economizing and using renewable energy sources.

An initial innovative aspect concerns work organization. Ninety per cent of its employees are women; 80 per cent of them benefit from a modular part-time or full-time contract, entailing a personalized schedule to cope with private and family requirements. Work assignments are organized so as to enable each employee to work as close to home as possible, also reducing his/her carbon footprint. This has cut absenteeism and enhanced motivation.

Technological innovation represents a second pillar. Great attention is paid to groundbreaking technologies, especially with regard to environmental impact. Investments have been made in research and development, in partnership with regional institutes. For example, Formula Servizi's hospital cleaning service does not require the use of water.

Moreover, adaptation to the labour instruments requested by health and safety representatives has become the focus of a separate business, which has allowed the company to diversify its activities. In the highly labour-intensive sector of cleaning services, the idea of enhancing human resources might seem difficult; nonetheless, Formula Servizi has based its success on the care and professional development of employees, who are involved in the company strategy and fully able to master technological innovation. In line with this multifaceted company strategy, all employees benefit from more than 1,500 hours of training per year.

The company's industrial strategy benefits from the presence of skilled managers, often with a past in trade unionism, who have developed professionally within the company and are therefore fully aware of its potential, as well as of the region where it is rooted. The close involvement of workers allows them to benefit from their daily experience, not only as individuals but also in the improvement of working methods and the conception of new

23. Company trade union representatives from CGIL, CISL and UIL.

business products, thus increasing both satisfaction and productivity and saving on management costs.

The company's success is the result of a culture of solidarity, which relies on its members²⁴ who are trained for this role for at least two years. Employee shareholders are keen to be fully involved in corporate governance. Local assemblies are held in all the locations scattered around the national territory, and general assemblies are highly attended. Members also evaluate the company managers every three years, a procedure that has proved to be one of the most rewarding in terms of internal cohesion. Representatives of non-member workers also attend the assemblies, thus guaranteeing a flow of detailed and thorough information to all colleagues.

Trade union delegates (who are sometimes also cooperative members) hold a constant and direct dialogue with the management, mainly representing the interests of non-member workers and thus strengthening relations throughout the entire workforce. They also deliver the workers' views on, for example, health and safety issues, which have often helped to better manage internal organizational processes, streamline procedures and improve communication. Encouraged by a climate of transparency and mutual trust, company trade unions have never obstructed innovation processes, but have made a significant contribution to the overall collaborative spirit, despite the difficult times and situation of the sector of operations.

Cooperative suppliers and professional development: Consorzio Euro 2000

Like other small companies, many worker cooperatives often depend on large private corporations for orders or supplies. Consequently, these corporations can exert pressure on cooperatives, or jeopardize their survival as businesses. However, trade unions can play a balancing role, putting pressure on the contracting companies on which cooperatives depend by virtue of the relationships they enjoy in the region and the weight they can have on public opinion. Moreover, the experience of trade unions in the consolidation of industrial districts can help cooperatives to develop strategies that can make them more robust, such as the creation of consortia. This is the case of Consorzio Euro 2000, established in 1998, which unites a group of cooperatives active in meat butchering, with 1,330 worker members mostly based in Lombardy, Italy. Thanks to collaboration with the trade unions, the establishment of the consortium allowed cooperatives to secure a long-term contract for butchering services with the agri-food giant Cremonini Group.

24. Out of 1,900 workers, almost 900 are worker members.

Nowadays, the consortium no longer depends only on this single client. Thanks to a careful policy of management and staff training and development, production processes have reached high standards of excellence. Consorzio Euro 2000 is a highly efficient organization relying on strong worker involvement and trade union engagement in health and safety issues. Butchering procedures have been refined over time, making the job safer and less burdensome, with higher efficiency and quality output.

The experiences accrued have been put to good use: specific training and job placement plans have been agreed with regional trade unions to train at least 25 young people annually who are willing to learn a highly specialized job. The scheme has been running for five years, and all the participants have been recruited by the consortium or by other employers in the area, where there is a strong demand for professionals in an “endangered trade”.

Participation and solidarity in the building sector: The case of CMB

One of the sectors most affected by the economic crisis has been construction. Not only did the credit crunch stall private contracts, but the cuts in public spending had a drastic impact on the economy of the sector. The Cooperativa Muratori e Braccianti (CMB) in Carpi, Italy, is one of the largest construction companies in Europe. It has survived thanks to a combination of corporate and industrial strategies that have proved capable of safeguarding the jobs of its approximately 900 employees, all hired on permanent contracts. The business strategy has been focused on diversification: in addition to the production of work, the cooperative has undertaken “socially responsible” financial and real estate activities, not aimed at mere speculation, that have recently provided significant cash reserves right when they were most needed. Before the crisis, this “social capitalism” allowed for an increase in employment and, among other elements, the hiring of workers transferred from the whole national territory, for whom the cooperative also provides room and board. The *social* aspect of the corporate strategic choices and the strong values of the cooperative guarantee, moreover, that in times of crisis the priority lies in safeguarding employment levels. In the event of the application of social safety nets such as redundancy payments, for example, the company tends to supplement the government contributions to ensure a decent minimum income to employees who have been made redundant.

The membership base is represented by about 250 worker members out of 900 workers, almost all managers and middle managers. A climate of trade union pluralism, promoted by the management in spite of the risks of fragmentation on the consultation front, has fostered trade union membership as well as the presence of trade union representatives (on behalf of all workers,

whether members or not) at cooperative members' meetings, and thus a steady and full flow of information.

The choices of corporate strategy, which thus far have proved to be far-sighted thanks to a management that is experienced and aware of the environment in which the cooperative operates, are the subject of preliminary discussions with company trade unions. Important issues are first debated at meetings with all workers, together with the management, and only then at the members' assemblies. They are then the object of a structured participation in the application phase.

This internal participative structure is aided by the extraordinary²⁵ presence of three bargaining levels applicable to the cooperative: national, provincial – both usual for the construction sector – and corporate, covering all three regional divisions of CMB. There is, however, no overlap: each level agreement deals with different issues. The corporate layer is the most flexible, allowing CMB to reach standards of excellence for example in relation to the treatment of transferred workers, health and safety issues, salary support and training. Company agreements deal with professional bonuses, offered on the basis of compliance with safety obligations and responsibilities, which encourage and reward participation in specific training courses and provide accountability on key issues for construction workers.

Trade union agreements on industrial organization see the trade unions and the general representation of workers carrying considerable weight with respect to the decisions taken in the cooperative assemblies. For example, the recent (2011–12) solidarity agreements,²⁶ involving even the professional category of middle managers and cadres, especially typical of members, and which provided social safety nets for 150 people, were first discussed with the trade unions and then by the members' assembly.

The win–win relationship: Conditions and pathways of maturation for economic sustainability

From the evidence presented in this article, working conditions appear to be best protected and promoted in multi-level collective bargaining systems, which are more likely to reach a satisfactory arrangement regarding the rights and obligations of cooperatives and workers. They work to the benefit of the whole process: the value of the agreement lies in its being the culmination of a negotiation, even though hard-fought, in which parties must strive together for their respective interests, knowing that the point of balance lies in their complementarity.

25. In Italy, the local and the corporate levels are alternatives.

26. The practice of solidarity agreements is quite widespread among cooperatives.

The signature of the agreement, however, does not put an end to the debate on working conditions, on which cooperatives and trade unions continuously exchange views. There remains the question of the “internal” representation of the interests of members and non-members. In this respect, a common thread among the experience of the enterprises analysed is that where trade unions are present, they act in the interest of the whole workforce. Members’ decision-making autonomy on crucial choices (from the appointment of their managers to the application of business and organizational strategies, even extreme and difficult ones), can also be supported by the action of the trade union. The position of member, normally coveted by cooperatives’ employees, in general is not automatic; it is the result of a preparatory process whose completion is required by the company and is carried out jointly with trade unions.

This path contributes to the creation of a corporate culture based on shared values such as awareness of labour rights and workers’ prerogatives, solidarity and allegiance to the collective reality. The fact that many cooperatives have chosen to maintain their employment levels during the crisis, sharing the pain among workers, demonstrates a distinctive cohesion with strong social connotations. Moreover, it is often members who are the first to make sacrifices, perhaps giving up the return on capital, to safeguard the positions of non-member employees.

In such contexts, there is no condemnation of the choice made by cooperative members to “sacrifice” working conditions, as long as they are aware of and compliant with the substantial constraints for the protection of rights. In this respect, trade unions oversee and support. Such a culture takes into account the communal environment in which cooperatives and their employees coexist, affected by the company choices – as sadly experienced in cases of closure of entire plants. The link with the community supports informed and shared choices, and fosters solidarity. At the same time, the cooperative draws strength and resources from the surrounding region. The management of the cooperatives surveyed always has a strong link with both: it knows the region, and is able to enhance its potential in the interests of economic activity, which in turn produces benefits for the region as a whole and its people.

The cases reviewed here have seen workers’ experiences taken into serious consideration, translated into actual improvements in working methods, capitalized as innovative assets for the company, and used for the benefit of its economic sustainability. The pathways towards such win–win solutions therefore seem to rely on *social innovation*.

This is not a new concept, especially for the cooperative world.²⁷ Worker cooperatives are frequently acknowledged as being able to “respond to unmet

27. Social and workplace innovation have recently been relaunched by the European Institutions through policy documents and supporting financial interventions (European Structural Funds). See, amongst others: Social Business Initiative, available at: <http://ec.europa.eu/enterprise/policies/innovation/policy/social-innovation/>

social needs” at the enterprise and community levels, while performing successfully as economic actors. In the present context, however, innovation is intended not only in terms of industrial strategy, but also, and mainly, in terms of cultural approach.

Evidence from the field highlights that innovation is possible if it is led by awareness and responsibility of all the actors involved. It depends on their capacity to mature and adopt attitudes such as the possibility to “reshape the relationship between development and rights, between globalization and region, as growth is not separated from rights, hence they foster each other” (Cattabiani, 2012).

For cooperatives, awareness and responsibility imply an attempt to reverse the trend towards the pursuit of competitiveness at the expense of workers’ rights and working conditions, especially for the most disadvantaged categories. This would betray the very nature of cooperatives and would also represent a defeat for trade unions and public authorities. Although this is a challenge for all enterprises, it is more pertinent for cooperative enterprises than for conventional ones.

Trade unions are also facing a cultural change affecting their role. They are called upon to develop a more proactive and pragmatic approach while still affirming their general principles and defending labour standards for all. Greater pragmatism implies a greater willingness to put forward proposals, and therefore greater capacity to evaluate individual situations and customize solutions.

Cultural change involves public authorities too, which need to set priorities, enrich existing resources and prevent any risk of marginalization. In this framework, social dialogue and industrial relations appear to be the ground for enhancing industrial and economic democracy through the promotion of participation, mutual responsibility and commitment within companies and in the regions, where both trade unions and cooperatives are traditionally well rooted.

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An emerging solidarity

*Worker cooperatives, unions,
and the new union cooperative
model in the United States*

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* In March 2012, the United Steelworkers, Mondragon International USA, and the Ohio Employee Ownership Center published a white paper detailing our union cooperative model, written by myself, Chris Cooper (OEOC), and Michael Peck (Mondragon International USA). This article seeks to expand on the need and potential for that model, with many thanks to Chris Cooper and Michael Peck for providing their insights and advice along the way.

If we were to re-imagine what work and the workplace should look like, what businesses should look like, what would that be? We might think of small businesses and people who are self-employed. We might think of work as something we are proud of and enjoy doing. We might think of compensation for work as reflecting our efforts, our talents, and our ability. We might think of work as providing us with a comfortable standard of living, with food on the table and time off to enjoy with our friends and families. If we multiply those ideas throughout our communities, what might our economy look like? Would it be more stable? More sustainable?

In October 2009, the United Steelworkers (USW) and Mondragon announced their collaboration in developing unionized, worker-owned cooperative businesses in the United States and Canada. Although progress in bringing these union cooperatives into existence has been understandably slow since “we build the road as we travel”,¹ the fruits of this collaboration have begun to emerge.

Initial interest in this collaboration was intense, as people wondered: what, exactly, could labour unions and cooperatives have in common? As it turns out, quite a lot. One might go as far as describing unions and worker-owned cooperatives as both being part of a broad-based labour movement with common roots in the industrial revolution of the nineteenth century. Core values and beliefs such as solidarity, dignity and fairness are not exclusive to one or the other, but have been shared principles all along.

Workers engaging in collective bargaining with their employer may appear to be drastically different from and incompatible with workers cooperating as owners, but the underlying approach is the same: workers supporting each other to improve their livelihood. The mechanisms to implement that goal may differ, but sharing that common purpose means that unions and worker-owned cooperatives could truly function as complementary elements within the same labour movement.

Separately, unions and cooperatives face enormous challenges. For unions, the ability to secure good contracts has diminished as membership continues to shrink and employers’ power continues to grow. For worker-owned cooperatives, challenges include access to the investments and loans needed to grow their businesses or to start up new cooperatives, especially in capital-intensive sectors such as manufacturing, and access to broader support networks.

Together, union and cooperatives have the potential to create sustainable jobs that support sustainable communities, the potential to organize workers and workplaces in whole new ways, and even the potential to fundamentally transform our economy and our society for the better.

1. Father José María Arizmendiarieta, quoted in Morrison (1991).

Current challenges for unions

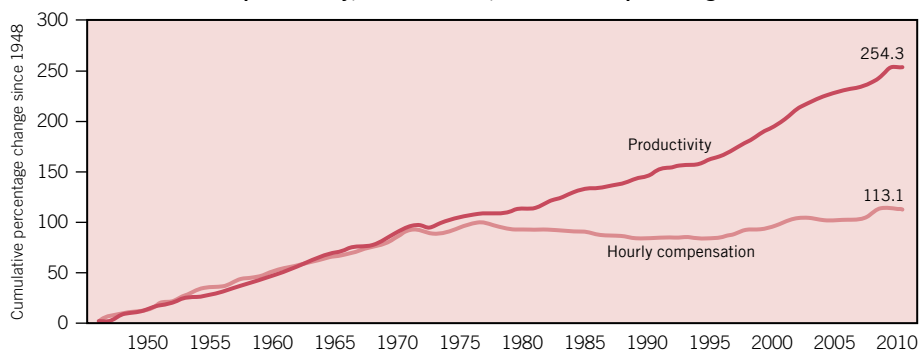
As of January 2013, only 11.3 per cent of all wage and salary workers (6.6 per cent in the private sector) in the United States are members of a union, down from over 30 per cent in the 1940s, 1950s and 1960s (BLS; Mayer, 2004). The reasons for this decline are varied, from an expanding workforce to the loss of manufacturing, to changes in technology, to the rise of productivity and efficiency, to employers emboldened by weakened labour laws.

One effect of this decline is that overall wages have stagnated, even while improvements in productivity have accelerated. Variations of figure 1 (Mishel, 2012) have shown that productivity and real wages (adjusted for inflation) in the United States kept pace from 1948 through 1973, when union density was at its highest, but diverged from about 1973 forward, with productivity continuing to improve at a steady or even accelerated pace while real wages stagnated.

We have all too often encountered employers who lay people off simply to boost their stock price, shut down manufacturing plants, and move production elsewhere to save a few pennies, and who threaten lay-offs and shut-downs if workers don't accept steep concessions. When new jobs have been created, they usually do not come close to replacing the income and benefits of the jobs lost. Minimum wage jobs at a large box retailer such as Wal-Mart do not replace the millions of well-paid manufacturing jobs lost. The combination of stagnating compensation with these lay-offs and shutdowns has had a devastating effect on workers, their families and their communities.

Given these trends, the challenges for US unions are immense. Broadly categorized, they include: how to improve bargaining power for existing members, how to better safeguard existing jobs from lay-offs and shutdowns, how to make unions more relevant for more people, and how to help more

Figure 1. Growth in real hourly compensation for production/non-supervisory workers, and in productivity, United States, 1948–2011 (percentages)



Note: Hourly compensation is of production/nonsupervisory workers in the private sector and productivity is for the total economy.

Source: Mishel (2012).

workers join unions as a means of improving bargaining power for all. Making these challenges even more difficult is a well-organized and well-funded opposition that has recently been able to successfully attack and undermine unions at the state level, for example through revocation of collective bargaining rights in Wisconsin and passing “right to work” laws in Indiana and Michigan.

Although union members now only account for a small percentage of the workforce according to the figures from the Bureau of Labor Statistics given above, polling in recent years has shown that a majority of workers would join a union if they could (Eisenbrey, 2007). Why the disparity? For workers without a union in the United States, the process of joining is an almost insurmountable challenge. Labour laws are weak and the penalties for employers who break the law are even weaker. To level the playing field at least a little, the Employee Free Choice Act (EFCA) was introduced in 2007, which would have allowed for “card check” recognition of unions, increased penalties for employers who break the law, and binding arbitration of any unresolved disputes during the first contract negotiations. Although passed by a Democratic majority in the House of Representatives in 2007, the bill was unable to overcome a filibuster in the Senate in both 2007 and 2009, despite gaining a majority of support in both years. After the defeat of EFCA in 2009, the potential for a legislative solution to remove some of barriers to joining a union appears slim any time in the near future.

How then can unions hope to grow or even to sustain their bargaining power? In addition to stepping up efforts in organizing and political action, another approach taken by the USW has been to seek out allies and build coalitions, and to explore new ways to support workers, inside and outside of the union. The impact has been positive, but the core challenges remain.

Current challenges for cooperatives

Worker-owned cooperatives have been growing in the United States, albeit slowly, but they also face significant challenges such as access to investment, access to resources, perception, and the small size of most existing businesses.

I recall a life-long worker cooperative activist making the point that “small is beautiful” and that just because worker-owned cooperatives are small, this does not mean they are not successful. While that appears to be mostly true, it also depends on how you define success. A small cooperative business may be able to do well enough to sustain itself and maybe even be able to slowly grow over time, but it still faces all the challenges of any small business, such as the ability to invest or borrow, the ability to provide good health care and retirement benefits, and the ability to withstand downturns in the business or the broader economy. Cooperative principles such as helping the community, helping others to form cooperatives, and cooperating with other cooperatives are aimed at growing the cooperative movement.

At this point, worker-owned cooperatives, although increasing in number, remain an infinitely small part of the US economy. And because they have such a marginal presence, there is a challenge of negative perception and misunderstanding to overcome. Some might think of cooperatives as some type of odd commune (or worse), or as some type of utopian ideal that will never really be viable or competitive. Few will know worker-owned cooperatives as the competitive, sustainable, effective businesses they are and can be. These negative perceptions and misunderstandings are part of the barrier to being able to get loans or investment at reasonable rates, part of the barrier of not being considered a serious alternative when people look to start up a business, and part of the barrier to bringing people into cooperatives.

As mostly small businesses, worker-owned cooperatives also struggle to provide benefits such as reasonably priced health insurance, disability insurance or life insurance or to offer any type of retirement plan other than their ownership accounts. Because those benefits are all available at lower costs to larger groups, they are a prime example of the very tangible gains in building up the size of a cooperative or in developing a stronger network of connections with other cooperatives.

The challenges of size and perception also affect a cooperative's ability to attract investment or to secure low-cost loans, which in turn greatly affects its ability to grow. Although not quite a Catch-22 from which there is no escape, the ability to break through that cycle is probably the most difficult barrier to overcome.

Learning from the Mondragon example

For worker-owned cooperatives in the United States, there is hope in the example of the Mondragon cooperatives based in the Basque region of Spain. Founded in 1956 as a small cooperative of five people to build paraffin stoves, the Mondragon cooperatives have grown to employ over 85,000 people, almost all of them owners, with combined annual revenues in excess of US\$24 billion. Keys to the early success of the Mondragon cooperatives were the cooperative principles developed by Father José María Arizmendiarieta, based upon the earlier work of Robert Owen and the Rochdale Pioneers in the nineteenth century: putting people before profits, gaining significant support from the community, and developing a network of supporting institutions.

After arriving in Mondragon in 1941, Father Arizmendiarieta initially developed a technical school, Escuela Profesional, in 1943, which became an important training ground for future cooperative workers. After helping five of his former students to form the first Mondragon cooperative, Ulgor, in 1956, he had the idea of creating a bank to channel public savings into cooperative investment and formed Caja Laboral in 1959. Because of the goodwill already created in the community, people quickly

responded and funded Caja Laboral, which has become the engine of growth for Mondragon cooperatives ever since. Largely because of the investments that Caja Laboral was able to provide, the total number of worker owners in Mondragon cooperatives grew from a total of 479 in 1960 to 4,711 in 1965 and to 8,743 in 1970 (Mondragon Cooperative Corporation, 2006). When the Spanish Government denied them social security benefits as owners, not workers, Mondragon workers created their own social insurance plan with the founding of Lagun-Aro in 1959.

As intriguing as the founding business principles such as solidarity and the sovereignty of labour may be, what truly sets Mondragon apart is its network of support, from not only other cooperatives but also the financial engine of Caja Laboral, the benefit fund of Lagun-Aro, and the education and training of Escuela Profesional (now Mondragon University). For the most part, these are the elements currently missing for worker-owned cooperatives in the United States. This network of support has also allowed Mondragon to keep lay-offs to a minimum in a severe economic recession, while unemployment has now reached 26 per cent in Spain overall.

The potential for union cooperatives: Combining the Mondragon model with collective bargaining

If the challenges faced by cooperatives could be matched by the strengths of labour unions, and the challenges faced by labour unions by the strengths of worker-owned cooperatives, the result would be a potent combination. A union cooperative model is just such a creation: a worker-owned cooperative business with an integrated collective bargaining function.

Even if a cooperative is wildly successful, success creates a whole new set of challenges. Where a worker-owned cooperative becomes increasingly large, such as the experience with Mondragon, the potential exists for workers to become increasingly disenfranchised as owners as the gap widens between those who manage the business and those who do the hands-on work on the shop floor. As a way of maintaining involvement and accountability by the shop-floor workers in the cooperatives, social councils were developed by Father Arizmendiarieta, originally in 1958 during an era when unions were banned by Franco. Members to the social council would be elected by each work area, to provide wide representation across the cooperative.

The union cooperative model adapts the Mondragon model to the United States by turning the social council into a union bargaining committee (union committee), combining the ownership of a cooperative with the accountability of collective bargaining. Although a small cooperative may be able to maintain a high level of accountability and ownership without a collective bargaining structure, the union cooperative model is most effective as the size of the cooperative increases. Within the Mondragon cooperatives,

the adoption of the social council structure is strongly recommended for cooperatives with more than 50 people. As to whether these social councils have been effective or not, they are perhaps – like their union bargaining committee counterparts – most effective when they have active members with strong leadership.

By affiliating with large established labour unions, the union cooperative model also opens the door to building the type of strong support networks that worker-owned cooperatives need. Unions are by nature a broad support network of workers to share resources, such as pooling together a larger group for affordable benefits, pensions, research, education, advocacy and legal expertise, and organizing new members. Connecting cooperative workers to the larger universe of union members provides opportunities to access and share in those benefits. With thousands of employers and contracts, unions also have the potential to provide a sort of informal business-to-business network through the relationships developed by union leaders and staff across a multitude of employers.

A union cooperative model also provides opportunities for new ways of organizing workers. For example, workers who are self-employed or “freelance” could affiliate together in a cooperative without sacrificing ownership, while gaining access to group benefits and services.

Worker ownership opens the door for unions to save jobs, create a better workplace, and help members earn a better living that is not so dependent on the whims of Wall Street. Worker-owners are probably not going to eliminate and outsource their jobs just because they can save a penny by making their product in China. Worker-owners have little incentive to force wage or benefit concessions on themselves to increase operating profit margins from 15 to 16 per cent, because they own the profits. Worker-owners are unlikely to force themselves to work in unsafe conditions. Worker-owners are not going to starve themselves of needed capital investment just to tweak the stock price.

One way of looking at the advantages of the union cooperative model for workers may be to contrast it with what union cooperatives are not.

ESOPs as the vehicle, not the destination

In the late 1980s and early 1990s, the USW was active in using Employee Stock Ownership Plans (ESOPs) as a means of trying to save jobs and provide relief for employers that were struggling financially. Some succeeded, but many more failed. Why? Partly because those businesses continued to have the same problems that got them into trouble in the first place, since employee ownership only meant the value of those ESOP shares – while the culture of the workplace did not change at all. Workers may have been shareholders, but too often they were not “owners”. When those businesses

continued to have problems, when the culture did not change, when workers were still treated only as workers, then ESOPs became seen as just another way for the company to exact concessions from its workforce.

The ESOPs that succeeded, such as Market Forge Industries in Everett, Massachusetts, and the Maryland Brush Company in Baltimore, Maryland, were able to succeed because the culture changed as well as the ownership. From that experience we have learned that ESOPs can be an important vehicle to move towards worker ownership, but that a culture and practice of real ownership with one worker, one vote is the ultimate destination. That destination is the union cooperative model.

Worker ownership is not “employee involvement”

Over the past 70 years and more in the United States, the role and function of a union has primarily been in reaction to the actions of an employer. The employer makes all the major business decisions. When the business does well, union members demand their fair share. When the business does poorly, unions attempt to shield their members from the damage. Even with a good labour–management relationship in place, that dividing line tends to endure. Perhaps rightly so, each has a role – one as an advocate of the interests of the business, one as an advocate of the interests of the workers.

One of the often-cited examples of employee involvement in the United States is Saturn, a General Motors (GM) factory in Spring Hill, Tennessee. In developing the business plan for Saturn, GM and the United Automobile Workers (UAW) agreed to what essentially amounted to co-management of the factory operations. After several years, however, the co-management arrangement came to end when the UAW members there voted out those local union leaders and replaced them with co-workers who wanted a more traditional labour–management arrangement. Why would they do that? Because the line between management and union had become so blurred under the co-management model that workers could hardly distinguish between the two. Workers wanted local union leaders who were going to be advocates for them, not management.

Even so, we should not confuse co-management with co-ownership. Even in the heyday of Saturn’s co-management structure, GM controlled all high-level decision-making, including investment and product development. The decisions made by GM, not the plant management, are what eventually led to its demise. If co-ownership had been the model, rather than just co-management, perhaps things would have turned out differently. And perhaps those UAW members would have felt differently about their role in management if they had actually owned a significant part of the business.

Because of the huge cultural shift in transitioning from employees to owners, a key component of conversions from more traditional businesses

into worker-owned cooperatives is the training of workers to become comfortable with the culture and practice of working cooperatively. Without ownership and without a real cultural shift to ownership roles, it is no wonder that even the co-management model of Saturn could not overcome the suspicions of “us vs them”.

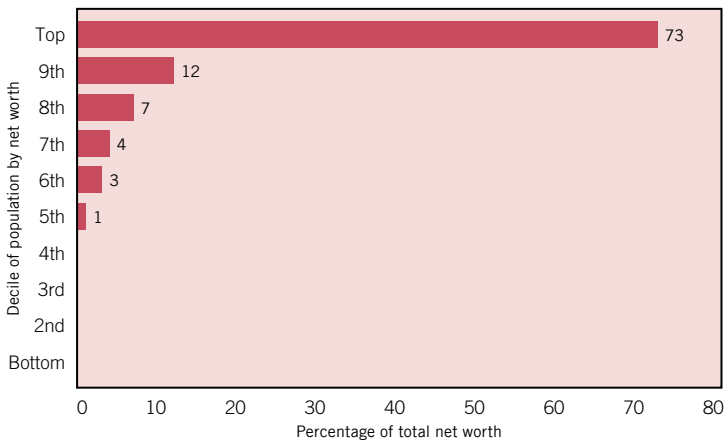
Challenges for union cooperatives

Despite the advantages of a combined approach, there are still plenty of challenges in developing union cooperatives. The first is money: money for education about cooperatives; money for feasibility studies and business plans; money for training; money for start-up investments; money for continued growth. Where might this money come from?

In the United States, 73 per cent of the total wealth (defined as net worth) is owned by only 10 per cent of the population (see figure 2). Another 12 per cent of the wealth is owned by a further 10 per cent of the population, leaving 80 per cent of the population with only 15 per cent of the wealth. The poorest 40 per cent of the population owns 0.2 per cent of the wealth (Wolff, 2010). At a macro level, the challenge is to finance worker ownership for that 80 per cent with comparatively few financial resources, and worker ownership for the poorest 40 per cent with almost no resources.

Since there have been few wealthy investors pouring millions of dollars into investments in worker ownership, the success of this model will depend on creative solutions in financing these enterprises. A starting point in developing such alternatives could be to consider the needs, the possible partnerships, and what resources are already available.

Figure 2. Wealth ownership in the United States (percentages, by decile)



Source: Mishel et al. (2012).

Paths towards worker ownership

One path to worker ownership is the conversion of an existing business. This has distinct advantages and disadvantages. An established product or service, with an established customer base, an established supply chain, and an established workforce can be advantageous if they each fit well in a successful business plan. An existing business also holds assets that can be borrowed against (collateralized) to help finance the buyout. In contrast to many examples of leveraged buyouts (LBOs) in which the acquired company is bled dry of cash, then discarded in bankruptcy, the potential for LBOs to actually be used to create worker ownership, and to save jobs rather than destroy them, would be a fascinating counterpoint. However, the opportunity to buy out an existing business often arises because the business is not doing well, and if the problems behind it are not quickly addressed any chance of success as a worker-owned cooperative is doomed.

A common situation for conversion of an existing business into worker ownership is when it is a family-owned business without a succession plan. When an owner of a family business is considering retirement and looking seriously at selling, the idea of selling it to the employees who helped them build it becomes an attractive option if a reasonable price can be worked out. Selling a business to the workers can also provide attractive tax advantages for the seller, by using an ESOP or by selling to a cooperative. In Spain, the path to conversion for Mondragon has generally involved a combination of share purchases by the workers, investment from existing Mondragon cooperatives, and loans from Caja Laboral. In the United States, conversion to worker ownership usually takes place through the use of an ESOP, where shares are sold to employees in lieu of some level of pay and/or benefits. Although either path may eventually lead to similar results, the support network and financial resources of the Mondragon cooperatives quicken the conversion process and are likely to be a highly valuable asset for the business's future success and growth.

Another opportunity for converting an existing business could arise because of financial troubles, possibly including bankruptcy. In evaluating the potential for worker buyout of such businesses, one has to be careful what one wishes for. Just because workers could buy it doesn't mean they should. The problems that have led the business into distress are often not easily overcome. Major capital investments may be required over and above the capital required to acquire the business, such as for the replacement of outdated and/or inefficient equipment, the need to invest in research and development, and the need for improved and/or expanded facilities, to name a few. Any business plan to acquire and run such a business should take such issues into account, and for worker-owned cooperatives this includes a means to raise the additional capital. In other words, before you jump in the lake, make sure you can swim.

In bankruptcy cases, the patience required for and the cost of navigating the bankruptcy court can be difficult, especially the need to come up with the money quickly – even with a sound business plan in hand. Without huge amounts of venture capital or other deep-pocketed investors readily at hand, time becomes an added obstacle to worker ownership.

What about developing new businesses? Starting from scratch can provide a lot more flexibility and time, although there are probably even more obstacles and risks than starting a more traditional form of business. The major obstacles are the same challenges facing worker-owned cooperatives overall: the ability to attract investors, the ability to secure reasonably priced loans, a lack of knowledge and understanding of what a cooperative is and what makes it effective. The positive aspect of creating a union cooperative as a new business is probably that Rome does not have to be built in a day: there is room to explore opportunities, find allies and refine business plans.

In Cleveland, the Cleveland Foundation brought anchor institutions in the area together with the city government to launch the Greater University Circle Initiative. Through this initiative, the Evergreen Cooperative Corporation and the Evergreen Cooperative Development Fund were launched to help seed for-profit worker-owned cooperatives in the area, such as the Evergreen Cooperative Laundry, Ohio Cooperative Solar, and the Green City Growers Cooperative. By partnering with non-profit organizations, the initiative was able to secure grant money to develop the groundwork for starting these new for-profit cooperatives and to continue to provide a support structure as they began operations.

Most of the current union cooperative efforts in the United States have so far focused on developing new businesses and have followed a similar path. The Cincinnati Union Cooperative Initiative (CUCI) began as a study group of local people interested in the idea and has developed into a partnership of area unions and community organizations. They helped launch their first union cooperative in 2012, Our Harvest, which intends to develop into a local food hub that combines farming, processing, wholesale and retail.² In Pittsburgh, unions and community organizations have been working on developing a green laundry cooperative similar to the Evergreen Laundry Cooperative in Cleveland. With the help of a grant from a local foundation and administered through the non-profit Steel Valley Authority, the feasibility study and business plan have been completed. Although this group is still organizing customer commitments and finalizing plans for its location, the cooperative intends to launch by the end of 2013. All around the country, others are coming up with even more ideas and more opportunities to start up union cooperatives as a way of creating good sustainable jobs.

2. For further information, see www.cincinnatiunioncoop.org.

Piecing together solutions to the financial puzzle

Funding worker ownership has been and is going to continue to be a puzzle that requires creative solutions. Whatever savings workers might have and whatever amount of pay or benefits workers might be able to forgo to invest in ownership is just not going to be enough to capitalize most businesses, outside of small service-oriented enterprises with little capital outlay. That means few cooperatives are going to be able to start out as 100 per cent worker-owned. Instead, hybrid solutions need to be developed that are compatible with the goal of 100 per cent worker ownership and that pull together a variety of other pieces of the financial puzzle.

As with the USW's past experience with ESOPs, one piece might be concessions by workers in exchange for an ownership stake. Especially with their tax advantages in the United States, ESOPs do actually provide an attractive path towards worker ownership, if ownership is understood as being a lot more than just an account balance. To be clear, ESOPs and cooperatives are not mutually exclusive. Rather, these concepts can be highly complementary when ESOPs are considered as providing the vehicle to get from here to there, with the destination being the type of fully engaged ownership structure that a cooperative provides. Funding ESOPs through concessions can take time if done through future earnings. For example, redirecting US\$1.00 per hour in wages would only result in a little over US\$2,000 per year per worker towards their ownership stake. Building up enough equity through that path alone could take years.

One example of exchanging concessions for ownership is Market Forge Industries in Everett, Massachusetts. In 1993, as the existing owner looked to leave, Market Forge workers were able to buy 100 per cent of the business with the help of the USW, in exchange for eliminating the previous owner's obligations to provide health care to retirees. While the existence of such accrued benefit obligations has become rare, there may still be opportunities. For Market Forge workers, the trade-off has allowed them to keep their plant open for 20 years without having to permanently lay off anyone. However, the challenge of generating enough capital to invest in research and development, in upgrading their equipment and facilities, and in extending their distribution and market efforts has inhibited their ability to grow. As a counterpoint, this is also an example of how Mondragon's development of *Caja Laboral* has made a huge impact on their ability to grow.

As an increasing number of workers rely on individual retirement accounts such as 401(k) plans,³ it is worth exploring if those financial resources can or should be used. Enron employees famously had invested huge amounts of their 401(k) money into Enron stock (primarily due to only Enron stock

3. A tax-deferred defined contribution pension scheme qualified under subsection 401(k) of the US Internal Revenue Taxation Code.

being used for the company matching contribution), so when the company collapsed, so too did the retirement plans of a lot of people. In the context of real worker ownership though, it might be worth taking another look. Although the mechanics would need to be worked out, 401(k) accounts could provide a valuable investment source as part of an overall ESOP strategy.

Since initial worker equity is going to be limited, what other investors and/or lenders might be willing to get involved? Even if initial worker equity amounts to a 50 per cent share, how can the remaining 50 per cent be pieced together? Understanding that investors may want to diversify any potential risk and exposure, it is probably necessary to seek out several investors to invest 10 or 20 per cent each, rather than one to invest 50 per cent. Who are these investors? They may be philanthropists, foundations, non-profit or other organizations that might be willing to make a long-term investment with possibly few, if any, short-term returns. Another possibility, using debt to help capitalize the business is a challenge similar to finding lenders willing to make long-term investments of “patient capital”. One model already used by cooperatives is to raise money from friendly lenders/investors in the form of subordinated debt (sub debt), which can then be collateralized to obtain traditional loans at reasonable rates.

Developing financial capacity

While current sources of financing for worker-owned cooperatives do exist in the United States, their capacity is limited. The National Cooperative Bank (NCB) manages over US\$1.6 billion in assets, but serves many different types of cooperatives, not just worker-owned cooperatives. Funds such as the Northcountry Cooperative Development Fund (NCDF) with total assets of about US\$7.7 million, and the Cooperative Fund of New England (CFNE) with total assets of about US\$16 million, are more focused on serving worker-owned cooperatives but lack the capitalization to make large loans. In fact, only about 8 per cent of the loans made by NCDF and CFNE go to worker-owned cooperatives⁴ and the percentage for the NCB would be much less.

One might then wonder why these funds are not lending more to worker cooperatives. The main reason is probably that the demand at this point is not as great as might be hoped. On one hand, existing worker-owned cooperatives have been cautious about using debt for growth, and on the other, the financing available may be too small or too expensive. The same problems exist in developing new worker-owned cooperatives, but more magnified as an unproven business usually presents a higher risk to the lender. This perceived lack of demand is borne out by the experience of a socially responsible

4. See the NCDF 2011 Annual Report at ncdf.coop; for CFNE, see www.cooperativefund.org/cfne-borrowers.

investment fund that recently began to explore the feasibility of a cooperative capital investment fund and found one of the challenges to be finding investment opportunities. Matching the need for financing with the availability of financing should therefore be another issue to consider.

With nearly US\$7 trillion in assets in the United States (Towers Watson, 2012), defined benefit pension funds are another source of investment often sought after. Who makes the investment decisions, however, depends on the type of pension fund. Historically, for the USW the most common pension was a single employer pension, where an individual employer creates its own pension fund into which it allocates money and which is invested by a fund manager who is selected by the employer and answers solely to the employer. There are also two types of multi-employer pensions: those created prior to the Taft-Hartley Act of 1947 and those created after that. Post-1947 multi-employer pensions are therefore sometimes referred to as Taft-Hartley pensions, which the Act requires to be administered by a joint Board of Trustees, comprised equally of management and union representatives. The Steelworkers Pension Trust (SPT) is one such plan, with 524 participating employers, over 100,000 covered participants and over US\$2.8 billion in assets.⁵ The SPT, like every other Taft-Hartley plan, tends to be conservative in its investments to ensure that it meets its financial obligations, so investing in specific projects is a rarity. On the other hand, there are multi-employer pension plans that pre-date Taft-Hartley, primarily affiliated with building trades unions, which are managed solely by union trustees. With more freedom to invest in union-friendly projects, these funds have been able to obtain a good investment return for their participants in two ways: one by generating a return on their investments, the other by investing in construction projects that create jobs for their union members. An intriguing example is the construction of a mixed-use residential and retail tower in downtown New Haven, Connecticut that was funded and owned by the Multi-Employer Property Trust (MEPT), which is comprised of a variety of pension funds with over US\$5.6 billion in assets and builds with only union construction workers, creating over 67 million job hours of work. MEPT not only created many construction jobs through its investment; it also helped to fund the development of one of its tenants, a new food cooperative called the Elm City Market Community Co-op.⁶

Other sources of finance might include foundations, community development financial institutions (CDFIs), impact investment funds and possibly even credit unions, which are actually member-owned cooperatives. Unfortunately, even these sources are likely to be reluctant to invest the amount of long-term patient capital needed for any significant development

5. For further information see the SPT website, available at: <http://www.steelworkerspension.com/index.php/about-the-trust>.

6. See Bronin (2011) and the MEPT website, available at: mept.com.

of worker-owned cooperatives, as they all have interests in funding so many other types of project as well. Strangely, credit unions are also limited by law (the Credit Union Membership Access Act of 1998) to making business loans totaling no more of 12.25 per cent of the credit union's assets, a limitation probably imposed because of their tax-exempt non-profit status. Some have suggested that changing that law alone would free up a significant amount of money for cooperative investment, as US credit unions hold nearly a trillion dollars in assets (US\$963,300,000,000 at the end of 2011).⁷

Organizing the money

The need to develop broad investment vehicles that target worker ownership seems clear. Senator Bernie Sanders of Vermont has proposed legislation in 2009 and again in 2012 that would have created a US Employee Ownership Bank within the Department of Treasury with an initial budgetary allocation of US\$500 million. Although the bill has not yet received much support in Congress, the creation of such a bank could go a long way in advancing employee ownership generally and worker-owned cooperatives specifically. Rather than waiting on Congress to pass legislation, however, there are also potential paths to creating larger investment funds that can be taken by cooperatives themselves.

Although 80 per cent of the US population may own only 15 per cent of the wealth, that is not necessarily an insignificant amount. The key is to organize the money.

Organizing and aggregating small amounts of money into a large amount of money is not a new idea. In 1938 the March of Dimes raised US\$1.8 million to fight polio, including 2,680,000 dimes that were mailed to the White House. In 1945, US\$19 million was raised, including US\$8 million from movie theatre collections alone (Wilson, 2009). A more modern example might be the collection of dues by unions. Just by collecting a few dollars a week in dues from members, the USW has over US\$400 million in annual revenues. For all union members in the United States, this probably aggregates to around US\$4 or \$5 billion a year in revenues to advocate for and protect workers' rights and to fight for fair wages and benefits.

A prime example of organizing money into a responsible investment fund is Fonds de solidarité FTQ (Solidarity Fund), founded by the Quebec Labour Federation in 1983 to invest in small to mid-size socially responsible businesses in the province. As an incentive for individuals to invest in the fund, the federal and the provincial government both offer tax credits of 15 per cent of the amount invested that year, up to a maximum investment

7. See the California Credit Union League website, available at: <http://www.ccul.org/02media/custats.cfm>.

of CAD 5,000 per year. By investing in the Solidarity Fund through a Registered Retirement Savings Plan (RRSP), which is similar to a 401(k) plan in the United States, individuals can increase their tax savings even further. Since 1983, the Solidarity Fund has grown to over CAD 7 billion in assets and has a historical rate of return of about 7 per cent (Croft, 2009). Other labour-sponsored investment plans have been developed throughout Canada, modelled on Quebec's Solidarity Fund, but none have been able to match its success.

So how can the Solidarity Fund idea be replicated or adapted to develop successful investment funds elsewhere? In the United States, tax incentives may currently be lacking, but 401(k) plans do offer tax-deferred benefits. As employers have moved away from defined benefit pensions, worker participation in 401(k) plans has become widespread, with over US\$3 trillion invested by 74 million participants in 536,000 plans as of the end of 2010, according to the Society of Professional Asset-Managers and Record Keepers (SPARK). However, with investment options set by an employer or plan manager, workers actually have very little impact on how their savings are invested. Too often the result is a "set it and forget it" investment plan where money is continually pumped into Wall Street with little knowledge of how it is being used, other than occasionally checking the rate of return on the options selected. Would it not be better for workers to be able to choose more rewarding options?

In 2011, I gave a presentation at a National Cooperative Business Association (NCBA) meeting on the idea of a union-managed investment fund, funded through a 401(k) investment option. A union could negotiate with an employer to provide such an option, then ask its members to allocate a small portion of their 401(k) deferral to that option. Specifically, the hypothesis was that if 100,000 USW members (about 12 per cent of total membership) allocated 5 per cent of their 401(k) balance into a USW fund, that fund would have about US\$200 million in assets – an ambitious goal, but not out of reach. The biggest hurdle would be the upfront costs of about US\$250,000 to \$500,000 to establish the fund and register it in each state, in addition to the costs of managing the fund on an ongoing basis.

A popular new way of organizing money is crowdfunding. Funding portals, such as Kickstarter.com, allow people to donate a small amount of money to get a project started, usually receiving some type of gift in return if the project is fully funded. In most cases, if the fundraising goal is not met, the money pledged by donors is not taken. Although there are many instances where this type of fundraising has been widely successful (so far 20 projects have been funded at more than US\$1 million each according to Kickstarter.com), successful crowdfunding still requires plenty of work and creativity. Its main limitation, though, is its inability to provide a financial return. To remedy that barrier, the United States passed the Jumpstart Our Business Startups Act (JOBS Act) in April 2012, which allows individual

investments of up to US\$10,000 (depending on net worth and income) and allows businesses to raise up to a total of US\$1 million annually without the reporting and regulation of traditional investment funds. The US Security and Exchange Commission (SEC) is still developing rules to implement the law as of July 2013 (Barnett, 2013). With nearly as much potential for financial scams as for generating innovative investments, it is difficult to predict the impact this new investment vehicle might have, but it is one worth exploring.

Concluding thoughts

Despite all the challenges facing unions and worker-owned cooperatives today, the potential for increased collaboration and hybrid models could create opportunities for both. These challenges and opportunities are also not unique to the United States; around the world there are different cultures, different laws and different unions, so clearly a one-size approach will not fit all. We need to be flexible and adaptive in our thinking. By doing so, we might find that there is far more that unites us than divides us. Similarly, if we think of unions and worker ownership as complementary parts of the same broad labour movement, then surely we have a greater chance of success of building that movement by working together and reaching for those common goals.

Achieving those goals will require creativity, determination and patience. We must adapt current tools and invent new ones. We must have the patience and perseverance to keep pursuing our goals even when hit with short-term setbacks. Not only do we need to organize the investment money, we need to organize the hearts and minds of our communities. Innovation, necessity, and a strong base of community support propelled Mondragon towards success – a success measured not just in terms of money, but in creating good and sustainable jobs that bring life to their communities. A success built upon putting people first and rooted in solidarity.

Solidarity may sound like an old, foreign word to many in the United States, conjuring up images of old black-and-white photographs during the Great Depression of the 1930s. But solidarity means supporting each other, helping each other. It may be an ancient idea, but it is one that is critical to achieving a better future.

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The experience of SYNDICOOP in Africa: A model for trade union action?

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Introduction

SYNDICOOP was a project which operated in Africa from 2002 to 2006, aimed at improving the working and living conditions of unprotected informal economy workers through collaboration of trade unions and cooperatives. The project covered Rwanda, the United Republic of Tanzania, Uganda and Kenya. An attempt to extend the project to South Africa was unsuccessful.

SYNDICOOP is of interest as a rare example of a structured and deliberate collaboration between the trade union and cooperative movements.

This paper will provide a narrative of SYNDICOOP, attempt to draw up a balance sheet of its achievements, consider why the project did not take off in South Africa, and why it has not been replicated since 2006. Finally, this paper will reflect on what lessons the SYNDICOOP experience may have for wider issues of the trade union and cooperative relationship.

This paper will not consider other examples of trade union–cooperative joint action although these do exist.

The SYNDICOOP project

SYNDICOOP was conceived as a pilot project in East Africa for the purpose of improving the working and living conditions of unprotected informal economy workers. The project started in 2002, initially to cover Rwanda, the United Republic of Tanzania and Uganda. In 2004 Kenya was added as a fourth country. The project ended in April 2006.

In South Africa, a pilot project was implemented in 2004, initially for one year and extended in 2005 for a further year, but without any real impact. From July 2006 the project was dormant.

At international and national level, the project was governed through formal relationships between trade union and cooperative structures. At international level, partners were the International Confederation of Free Trade Unions (ICFTU) and the International Cooperative Alliance (ICA); two offices within the ILO were involved: the Bureau for Workers' Activities (ACTRAV) and the Cooperative Branch (COOP).

The overall objective of the project was to improve the working and living conditions of the unprotected workers in the informal economy in Kenya, Rwanda, Tanzania and Uganda. The immediate objectives were:

- strengthening trade union and cooperative capacity to organize unprotected informal economy workers; and
- improving the beneficiaries' working and living conditions through pilot projects.

The background

In 2002, the International Labour Conference (ILC) held a discussion on Decent Work and the Informal Economy. The report prepared for the meeting and the conclusions of the discussion contained a number of references to the potential of trade unions and cooperatives to organize in the informal economy. Examples were noted of the potential of cooperatives and, in summary, the report stated:

Where there are major constraints to informal operators or workers joining existing employers' organizations or trade unions or establishing their own organizations the most effective membership based organizational structure may be that of a cooperative... The formal cooperative movement has not developed specific strategies for dealing with the informal economy – mainly because “the boundaries between formal and informal are not as important to organizations that are used to dealing in the market economy as a whole” (ILO, 2002, p. 93).

This was hardly a ringing endorsement; the implication was that cooperatives provided a fall-back, a second best to the gold standard of workers' and employers' organizations. A similar statement occurs in reports prepared for the discussions on the Domestic Workers Convention, 2011 (No. 189).

The 2002 report clearly outlined some scope for a closer relationship:

Both the trade union and cooperative movements recognize that they each bring to the informal economy a set of strengths that are wide ranging and complementary and that there is therefore considerable potential for collaboration (ILO, 2002, p. 94).

In the same year, the ILC adopted the Promotion of Cooperatives Recommendation, 2002 (No. 193), which replaced Recommendation No. 127 of 1966.

Recommendation No. 193 was strongly supported by the Workers' Group within the ILC, and has a strong emphasis on the importance of promoting workers' rights *within* cooperatives, as set out in Paragraph 8:

8. (1) National policies should notably:
 - (a) promote the ILO fundamental labour standards and the ILO Declaration on Fundamental Principles and Rights at Work, for all workers in cooperatives without distinction whatsoever;
 - (b) ensure that cooperatives are not set up for, or used for, non-compliance with labour law or used to establish disguised employment relationships, and combat pseudo cooperatives violating workers' rights, by ensuring that labour legislation is applied in all enterprises;
 - (c) promote gender equality in cooperatives and in their work;

(d) promote measures to ensure that best labour practices are followed in cooperatives, including access to relevant information; (...)

(g) promote the adoption of measures that provide for safety and health in the workplace; (...)

In the earlier Recommendation, there was no mention of workers' rights.

Recommendation No. 193 has undoubtedly had an impact, and has led to the law being updated in many countries. This is a real achievement, as ministries of labour, the ILO's natural counterparts, do not traditionally have much contact with cooperatives and, conversely, ministries for cooperatives and cooperative movements have had little contact with "labour", as noted by Smith (2004).

Whether trade union movements saw the relevance of Recommendation No. 193 is not clear. For example, the British Trades Union Congress (TUC) initially seemed to be unaware of the Recommendation, or perhaps did not see it as being of practical application. In a document prepared in the context of new mutuals for the public sector, published in 2010, there is no mention at all of the Recommendation (TUC, 2010). Given that a key focus of this paper was the protection of workers' conditions as public sector functions were transferred to new mutuals, this is a surprising omission.¹

A high point of collaboration?

SYNDICOOP was also presented as a follow-up to the ILO International Symposium on Trade Unions and the Informal Sector, held in Geneva in October 1999, where cooperative–trade union joint strategies in the informal sector were prominently featured.

It may be that this period represented a high tide of collaboration between trade unions and cooperatives. The positive context of the discussion on the informal economy and the new Recommendation certainly represented a favourable environment for the launch of the new project.

How SYNDICOOP worked

At national level the project partners were the national centres for trade unions and national apex bodies of cooperatives. On the government side, the project liaised with ministries responsible for labour and cooperatives.

1. Two new draft agreements in the United Kingdom currently under discussion do reference the Recommendation. The first is between the apex Co-operativesUK and the TUC. In addition, trade unions for the education sector have also agreed a framework for working with the new cooperative schools sector, which indicates a more constructive relationship.

A project coordinator (a former African Regional Director of the ICA) was based in Nairobi and a National Liaison Officer was appointed in each country. A gender consultant from the trade union or cooperative movement was also engaged in each country.

National committees identified suitable groups for support which took the form of training and loans from a revolving fund. In this latter sense, SYNDICOOP was another, small wholesale microfinance provider, but without the usurious levels of interest prevailing with other providers.

Organizing savings and credit

A major objective of the project was to organize workers. Evaluation data with hard numbers do not exist. In Uganda, it was estimated that ten groups were established, with 3,000 members. Rwanda developed between five and ten groups, with 2,500 members. One of these groups is discussed in detail below, although it was set up prior to SYNDICOOP. Other groups were much smaller. In Tanzania and Kenya, where less data seem available, the average size of each group was around 50–60. SYNDICOOP possibly reached about 7,000 workers organized into cooperatives or trade unions.

Most of the groups were some type of savings and credit cooperative (SACCOS), or credit was a major activity and purpose of joining. Out of eight case studies written up by Smith and Ross (2006), only two were not primarily SACCOS. SYNDICOOP operated only in the urban informal economy and most groups identified for help were market traders or small traders. They borrowed money through the SACCO to build up their own business. The individuals no doubt benefited enormously, and would have had some extra training and some association with a trade union but otherwise, they could have been assisted by any mainstream microfinance programme.

It may assist in an understanding of SYNDICOOP to consider brief case studies of two organizations.

Case study No. 1: Kenya market traders

The Gikomba Self-Help Group was established in 2004 in Gikomba market, Nairobi. Thirty people formed the group for the original purpose of providing basic services such as water, toilets and washing facilities in the market. The group has gone on to open a market restaurant that provides cheap meals.

The group has also set up the Gikomba Wanabiashara SACCO (Savings and Credit Cooperative). Loans from the SACCO can help people to begin to trade, to develop their business, or they can offer a lifeline in the case of an emergency.

The first aim, to rehabilitate public toilets, was quickly achieved. The project started with each member contributing 50 Kenyan shillings to a fund every two weeks. Once 80,000 Kenyan shillings was saved, permission was sought from the municipal authorities to rehabilitate one toilet, thus creating a job for one caretaker/watchman. The organization charges 2 Kenyan shillings from each client who uses the facility. The group is not concerned solely to provide a service but also to create new jobs. The toilet/shower facility has expanded and now employs several workers. More importantly, it gives women the freedom to trade in the market. Indeed, without a toilet, they cannot spend all day by their stall.

The daily average income is 1,800 shillings. Sometimes collections hit as high as 3,000. Usually, the women's facility generates more income than the men's.

The earnings that resulted from this first initiative were invested in a café which provides cheap food for market users and has created another 12 jobs.

The group is unusual in that it includes both men and women of different ages and from diverse ethnic communities.

Case study No. 2: Rwanda Informal transport workers

The members of *Assetamorwa* (*Association de l'Espérance des Taxis Motor au Rwanda*) are motorcycle taxi drivers in Kigali. Most drivers hire motorbikes from the owners and pay rental fees. After paying the owner, the petrol, and buying food, drivers were bringing home roughly 500 Rwandan francs per day – less than US\$1. However, those that owned their own bikes were able to bring home US\$2 or US\$3 per day.

Other issues concerned crime: people can be injured or murdered for their bikes. Personal injuries are another concern: they are easy to sustain with long working hours on poor roads. Nearly 85 per cent of motorcycle taxis in Kigali run on adulterated petrol. The resulting pollution poses serious health hazards to drivers, apart from damage to engines.

A further obstacle faced by drivers can be the actions of the traffic police who can determine where the drivers ply their trade and who can, or cannot, have a permit.

The drivers created *Assetamorwa* in 1994, before *SYNDICOOP*, in response to these problems. *SYNDICOOP* provided additional loan funds to expand services. The organization is registered as a trade union and affiliated with *CESTRAR*, the national centre. Each member is an individual trader though, negotiating fares with passengers.

The services the organization provides include:

- A savings and credit cooperative; this enables drivers to access long- and short-term loans as a proportion of the shares they own. *Assetamorwa* had been able to help 57 members to buy motorcycles at the time of a visit in 2005.

- The provision of equipment and uniforms for the drivers. All drivers wear a yellow tunic, so they recognize fellow members and assist each other.
- “Auto Ecole” – training school – where students can learn their “trade” in courses such as the Highway Code and basic mechanics. The graduates of this school are readily accepted by the authorities and given an operating licence.
- A garage and spare parts depot that supplies better quality fuel and cheaper spare parts.
- “Collective bargaining” – with the traffic police. This helps improve the drivers’ livelihoods by allowing them to wait for customers at certain locations.
- A club to combat the spread of HIV/AIDS.

The point about Assetamorwa is that it has characteristics of both a trade union and a cooperative. It provides many services to members that a trade union would not normally provide. It is affiliated to CESTRAR and so accepted as a trade union; if it were *not* affiliated to CESTRAR, how would it be characterized?

Evaluation

A formal evaluation took place, supervised by the ILO’s Evaluation Unit in 2005. Country-level evaluation studies were undertaken by consultants. An evaluation workshop was also held in Kigali, and a synthesis report prepared (ILO, 2005). SYNDICOOP had a number of objectives, including:

- strengthening trade union and cooperative capacity to organize unprotected informal economy workers;
- creating a number of jobs;
- improving the beneficiaries’ working and living conditions through pilot projects;
- involving trade unions and cooperatives in Poverty Reduction Strategies (PRSs) discussions in their respective countries.

Groups were organized and livelihoods secured for numbers of workers in the informal economy. As no reliable baseline data were collected at the start of the project, it is difficult to identify a figure for the number of jobs created through it. Only one country-level evaluation mentioned a figure for jobs generated, namely 300, which indicates one job per ten members. This seems unlikely, and the reality may be that these jobs were in fact the membership

of the SACCOs. So these “jobs” were not in formal employment, but livelihoods secured or enhanced.

A stocktaking report prepared in November 2007 (Lubasi, 2007) found that many of the groups were still operating, 18 months after the project had been effectively wound up.

The project “infrastructure” such as the national-level steering committee did not survive for long after the end of the project. Difficulties in handover are normal with most projects. But this has meant that the forum for trade union–cooperative dialogue established during the project was not sustained. In the policy area, there seems to have been little success in influencing PRSs.

Nevertheless, the idea of collaboration was shown to be possible and workable. The independent evaluation of the project, published by the ILO’s Evaluation Unit, found as follows:

In conclusion, it should be said that SYNDICOOP is a powerful model which should be rolled-out and replicated in other countries. A manual was also created to help the replication process. The groundwork has been done and consolidation and growth is now possible. This model promotes the idea of decent protected work amongst the very poor and unorganized as well of ways of organizing that are democratic, inclusive and equitable (ILO, 2005, p. 3).

The South African extension²

An attempt was made to extend the project to South Africa. Joint trade union and cooperative collaboration had been discussed much earlier, in 2002, at the time of the adoption of Recommendation No. 193. The Workers’ Group at the ILC Committee which drafted the Recommendation was led by a South African trade unionist, Ebrahim Patel.³

In 2004, ILO missions followed up the earlier discussions and drew up a project proposal. Two main interventions were discussed. The first was the promotion and establishment of cooperatives among unprotected workers in the informal economy, including in rural areas. The second was the promotion and establishment of workers’ cooperatives for workers faced with lay-offs as a result of the closure of private or public enterprises including in cases of outsourcing of support and services.

Thus trade unions had one view of the role of cooperatives, and how they could utilize them, which was principally helping redundant workers and also the establishment of saving and credit cooperatives (SACCOs); the latter

2. This section draws on Theron (2007).

3. Now a minister in the South African government.

is urgently needed, as there has been an explosion of debt, according to James (2012), with unregulated credit agencies targeting urban workers in regular employment.

The focus of the SYNDICOOP programme, however, was the informal economy. It does appear that there was a potential conflict between what COSATU wanted and what SYNDICOOP offered. In an independent review by Theron, this lack of clarity about the objectives on the project appears as the major reason for the inability of SYNDICOOP to be sustained in South Africa.

Although in South Africa there have been job losses in the formal economy and an expansion of the informal economy, relative to other African countries its informal economy is not large and much employment is still in the formal economy. Inevitably, therefore, the focus of the well-established trade union federations including COSATU was towards the role that cooperatives could play for outsourced and retrenched workers. Establishing worker cooperatives as a strategy for saving jobs certainly interested the trade union movement in South Africa for a while.⁴

As the project was rolled out, there appears to have been very poor management by the organization contracted to run it, and weak oversight by the ILO Pretoria office. Additional difficulties were created by attempting to cover three scattered provinces of South Africa. Neither COSATU nor other trade unions were engaged. During this period, the national cooperative apex collapsed, and one of the highest-profile organizations of the informal economy, SEWU, was dissolved. Not all project funds were spent, which indicates a low level of activity.

In summing up the disappointing results of the SYNDICOOP extension to South Africa, Theron, an observer friendly to both movements, noted that “it is questionable whether COSATU and its affiliates or trade unions in general, have any better understanding of cooperatives today than when the project was started”. (Theron, 2007). SYNDICOOP did not address the two issues that concerned South African trade unions where cooperatives could have helped – recovering enterprises and rapacious money lenders.

Was union or cooperative strength a factor?

It is interesting to note the relative strength of the trade unions and cooperative movements in countries that participated in the project.

In Kenya, the United Republic of Tanzania and Uganda the cooperative movement was (and remains) much stronger than the trade union movement, in the sense that membership levels and staff numbers are higher. The great

4. In a communication from a COSATU officer to the author, dated 24 April 2013, it was admitted that there is now little interest in COSATU affiliates in cooperatives for this purpose.

majority of cooperatives are either agricultural or financial (SACCOs). Currently, the apex cooperative organization in Uganda, the Uganda Cooperative Alliance employs some 40 people, which is about ten times more than the number employed by the trade union centre, NOTU.⁵

In Kenya, where the trade union movement has been historically stronger than that of its neighbours, the cooperative sector is claimed to represent over 40 per cent of GDP and is a major player in the country. In Tanzania as well, despite inconsistency in policy, the cooperative sector is particularly strong in a number of primary products, including coffee.

In Rwanda, the trade union movement was re-established promptly after the genocide and played an important role in establishing cooperatives, which had in any case been much less institutionalized, being based on a Belgian model. Rwanda's trade union movement and the formal economy are still very small. Nevertheless, at the time of the project the trade union movement was stronger than the cooperative movement.

By contrast, the South African trade union movement is one of the strongest in the developing world. The cooperative sector is extremely weak despite, or perhaps because of, government attempts at national and provincial level to promote cooperative enterprise. The easy availability of government loans and subsidies has produced many organizations claiming to be cooperatives, but in reality set up purely to attract government funding. Even more disturbing, according to Theron (2007), have been a number of pseudo cooperatives in the clothing industry that were formerly garment factories. These seem to have registered as cooperatives to avoid compliance with certain provisions of labour legislation.

It does not seem therefore as if the relative strength of the cooperative and trade union movements had any impact on the project.

A SYNDICOOP balance sheet

A Project Document for a new phase of SYNDICOOP was prepared, entitled Global SYNDICOOP, although it was not completed. The champions of SYNDICOOP within the ILO had moved on from the Cooperatives Branch, and it is not clear who now might advocate an approach to donors for funding for a new phase.

In East Africa, the project successfully served as a catalyst for the formation of a number of groups which improved or supported the livelihoods of several thousand individuals. However, it is not clear whether the project has been successful in resetting the general relationship between trade unions and cooperatives at the conceptual organizational level.

5. Uganda has a small trade union for employees of cooperatives.

Theron (2010) argues that the situation of workers in the informal economy is best understood in terms of two inter-related processes. The first is “informalization from above”, whereby employment is increasingly externalized, resulting in a layer of workers ostensibly located in the formal economy to whom labour standards increasingly do not apply. The second, “informalization from below”, is manifested by the expansion of self-employment and survivalist activities.

Theron is a friend of the trade union movement, and played a key role in drafting South Africa’s cooperative legislation; he notes that the trade unions have not been able to respond effectively to informalization from above. But that is certainly much more their focus than “informalization from below”.

This probably holds good for most trade unions which would take the view that they should seek to “follow the members” when they leave the primary employer through outsourcing or redundancy.

SYNDICOOP, with its emphasis on the informal economy, was perhaps not a suitable vehicle for a comprehensive or systematic dialogue between cooperatives and trade unions. At most levels, the distance between them is so great that a good deal more preparatory work is necessary. It represents an unfinished and incomplete model.

Wider reflections on cooperatives and trade unions

At this point it is necessary to consider some wider questions. Firstly, I propose to examine what can be called the common philosophical basis of cooperatives and trade unions. This will be followed by reviewing how the ILO has regarded cooperatives since its founding in 1919. Finally, some suggestions for research and for action on trade union and cooperative collaboration.

The ideological roots of trade unions and cooperatives

From at least the 1790s, workers created a whole series of movements to resist the new forms of economic and social exploitation they experienced as a consequence of the Industrial Revolution. Some of these were purely defensive, and some elaborated thought-out programmes of reform. Some looked back to an ideal of independent peasant production, and some looked forward to a new social order. Two of those movements became institutionalized: trade unions and cooperatives.

Cooperators and trade unionists share a joint intellectual basis for the activity of both movements. It is a belief that “full individual development can take place only in association with others. As an individual, one is limited

in what one can try to do, what one can achieve. Through joint action and mutual responsibility, one can achieve more, especially by increasing one's collective influence in the market and before governments" (MacPherson, 1995).

Just as the individual worker is unable to negotiate his or her terms and conditions of employment with an employer on an equal basis, so the individual consumer or farmer is unable to negotiate on equal terms with more powerful players in the market.

This idea is expressed by trade unions in the slogans that are sometimes found inscribed on banners, such as "Unity is strength" or "An injury to one is an injury to all". Cooperatives have expressed this idea through symbols such as the wheat sheaf or the beehive.

The philosophy of cooperation has been discussed and developed over a century and a half; its latest expression is the Statement on Cooperative Identity and Principles approved at the ICA Congress held in Manchester in September 1995. This provides an authoritative, high-level expression of cooperative ideology – especially if read with the *Background paper on the Cooperative Statement of Identity*. The ICA statement has been recognized as a high level statement and attached to the text of Recommendation No. 193. It is interesting to note that no document of a comparable status exists for the trade union movement.

A historical perspective

If we take a historical and geographical view of all trade unions and cooperative organizations, they can look very different during different periods and in different countries.

For example, if we look back two hundred years ago in the countries where they first emerged – Great Britain and Ireland – those organizations which with hindsight are recognized as the forerunners of trade unions were usually mutual aid organizations. The membership was usually composed of skilled tradesmen whom we would now characterize as self-employed. In this period, the distinction between cooperatives and trade unions as separate categories was not at all clear in the minds of their members. In the early 1830s several craft unions in the building trade came together to form one national organization, the Operative Builders Union. This was governed by a "Builders' Parliament" which in 1833 established a Guild to organize cooperative building production. Workers in the industry resented the growth of a new category of contractors that intervened between themselves and architects (Pelling, 1971). The Operative Builders Union saw cooperatives enterprise as indistinguishable from trade union activity.

The organizations that existed two hundred years ago were more like the motor cycle taxi drivers in Rwanda discussed earlier. The boundaries between trade unions and cooperatives were more malleable.

The institutionalization of separate movements occurred around the mid-nineteenth century in the United Kingdom. However, there remained considerable interaction between them. Individuals were active in both movements and from the cooperative side, at least, there was a clear recognition that the two movements were complementary. In 1894, the education syllabus produced by the UK apex body, the Cooperative Union, had a whole section on the relationship. As employers, cooperative consumer societies were in the forefront of providing good employment conditions, such as the eight-hour day (for workers in factories owned by the Cooperative Wholesale Society which manufactured foodstuffs and other goods, not for workers in stores), and recognizing trade unions, although the relationship was not without tension.

In other countries, trade unions and cooperatives were initiated separately, although linked under an umbrella such as the Socialist movement or the Roman Catholic Church, after Pope Leo XIII issued the Encyclical “*Rerum Novarum*” in 1891.

In these contexts, trade unions and cooperatives were seen as different expressions of an ideology and the links between them were quite explicit.

Based on this writer’s experience of working for international trade union organizations, trade union movements today still have expectations as to what a workers’ organization will look like in other countries and these perceptions inform their solidarity work. This is particularly important when trade unions in developed countries provide donor funds for movements in developing countries for initiatives such as organizing and education. Projects tend to “reproduce” the donor’s structures such as shop stewards (United Kingdom) or study circles (Sweden).

The ILO and cooperatives: Towards an institutional history

It is also instructive to examine how the ILO has answered the question at different times in its history: What are cooperatives for? This could be the subject of a complete study within the ILO Century Project. We can suggest at least three answers to the question although it is clear that much research is required.

Cooperatives for industrial workers

The first ILO Director-General, Albert Thomas, was from the cooperative movement himself. His view was that the ILO should be concerned not solely with the conditions of work, but *the conditions of workers*. The earliest activities of the ILO revolved around standard-setting, through Conventions setting hours of work or health and safety standards – the conditions of work.

Albert Thomas also believed that cooperatives could help workers outside their work through the provision of housing or consumer stores, which would improve their lives. These workers were the classical proletariat of Western Europe and the United States, in larger organized workplaces.

This approach persisted for decades. There is an echo of it in the Recommendation on Workers' Housing, 1961 (No. 115), where cooperatives are suggested as one option for providing workers' housing.

Many trade unions have followed this approach. "Co-op City", in the Bronx, New York City, is one of the largest cooperative housing developments in the world, built by the Amalgamated Clothing Workers of America. The union also set up other cooperatives including a credit union, grocery and milk deliveries, pharmacies and opticians, a furniture store, an insurance business and even a cooperative power plant.

In Singapore, the NTUC has promoted a range of consumer cooperatives with the explicit aim "to make the workers' dollar go farther". Many larger formal workplaces in, for example, India, have a consumer store attached to them, often a benefit negotiated through collective bargaining. A complete chapter of the Indian Railways Establishment Manual is devoted to support to cooperative societies for railway staff, in which the railway trade unions are strongly involved.⁶ These workplace consumer cooperative stores date from the 1950s and 1960s.

In recent years, the only advocates of factory level cooperatives have been global businesses including, perhaps surprisingly, the global sports brand Adidas (Adidas, 2004).

Cooperatives for poverty reduction

By the 1960s, and the adoption of Recommendation No. 127, the emphasis had shifted to more general poverty reduction and economic development. This is quite explicit in the Recommendation:

3. In particular, cooperatives should be established and developed as a means of—

(a) improving the economic, social and cultural situation of persons of limited resources and opportunities as well as encouraging their spirit of initiative;

(b) increasing personal and national capital resources by the encouragement of thrift, by eliminating usury and by the sound use of credit;

6. Personal communication from Shiv Gopal Mishra, General Secretary, All India Railwaymen's Federation; see also <http://indianrailways.gov.in/railwayboard/uploads/codesmanual/est-manual-II/estbl-man2-chap23-p01-p20.htm#2301>.

- (c) contributing to the economy an increased measure of democratic control of economic activity and of equitable distribution of surplus;
- (d) increasing national income, export revenues and employment by a fuller utilisation of resources, for instance in the implementation of systems of agrarian reform and of land settlement aimed at bringing fresh areas into productive use and in the development of modern industries, preferably scattered, processing local raw materials;
- (e) improving social conditions, and supplementing social services in such fields as housing and, where appropriate, health, education and communications;
- (f) helping to raise the level of general and technical knowledge of their members.

This reflected the optimism in the 1960s that state-promoted and controlled cooperatives could successfully deliver a range of development objectives.

According to Münkner (2012), there was a large technical cooperation programme from the 1970s to the 1990s with 50 ILO member States in Africa, Asia, Latin America and the Caribbean receiving ILO/UNDP support for the development of agricultural producer cooperatives, cooperative food banks and other forms of cooperatives. At any one time, more than 100 technical field experts were being coordinated by the ILO Cooperative Branch to carry out this development work.

At the same time the ICA had its own large programme, and many donors had bilateral programmes to support cooperatives.

With hindsight, of course, we can see that state-controlled cooperatives were not cooperatives at all and, unsurprisingly, many cooperative “members” welcomed the dismantling of the system of parastatals and cooperatives.

Cooperatives for decent work

Recommendation No. 127 did not mention *workers' rights within cooperatives* at all, although by 2002 and the adoption of Recommendation No. 193, this aspect had much more prominence, as we have seen already.

A main concern of the Committee of Experts on the Application of Conventions and Recommendations (CEACR) and the FOA Committee has been bogus cooperatives (ILO, 2010). In the *General Survey concerning employment instruments in light of the 2008 Declaration on Social Justice for a Fair Globalization* there are no examples of workers' organizations promoting cooperatives of any type. The submissions of trade unions were all regarding “pseudo cooperatives” used to establish “disguised labour relationships”. There is little doubt that this is a serious problem in some countries which

the global cooperative movement is aware of, but there has been no dialogue between cooperatives and trade unions on how to resolve it.⁷

The Global Jobs Pact adopted by the ILC at its 98th Session (2009) as a response to the crisis included “recognizing that *cooperatives provide jobs* in our communities from very small businesses to large multinationals and tailoring support for them according to their needs” (emphasis added).

Münkner (2012) suggests that the ILO’s orientation, flowing from Recommendation No. 193, combined with the Decent Work Agenda, directs the interest of the ILO especially to workers’ productive cooperatives and labour contracting cooperatives, to the exclusion of other types of cooperatives. The text of the Recommendation implies a limited role for workers’ organizations in supporting the establishment of new cooperatives. Paragraph 16 (d) seems to suggest that workers’ organizations could:

...assist and participate in the setting up of new cooperatives with a view to the creation or maintenance of employment, including in cases of proposed closures of enterprises;

Union members are also to be assisted “to establish cooperatives” with the aim of facilitating access to basic goods and services.

It may also be noted that the Call for Proposals for the May 2013 Symposium, when this paper was first presented, was entitled “Trade unions and cooperatives: Challenges and perspectives”, and later became “Trade unions and worker cooperatives: Where are we at?” – a name change that would seem to support Münkner’s thesis.

Finally, we can note that within the ILO, Cooperatives are situated within the employment department, which emphasizes the focus on job creation. This is not to say that a wider view of cooperatives cannot be found within the ILO literature. The report of the Director-General to the ILC in 2003 saw a much broader role than worker cooperatives:

Participation and inclusion are central to a new approach to poverty reduction. Cooperatives are an ideal instrument in such a strategy, and the ILO has long drawn on the strength of the movement. Meeting the challenges of globalization requires strong local communities, strong local leadership and strong local solutions. Cooperatives have proved to be a key organizational form in building new models to combat social exclusion and poverty, for example through local development initiatives. Cooperative members learn from each other, innovate together and, by increasing control over livelihoods, build up the sense of dignity that the experience of poverty destroys (ILO, 2003).

7. Personal communication between the author and the ICA Americas office, February 2012.

Despite this, and other statements that can be found, cooperatives within the ILO seem to have been placed within a particular box, which does not capture the full potential of the enterprise form and leads to a structural separation from trade unions.

Conclusions

The fundamental idea of SYNDICOOP, that collaboration between trade unions and cooperatives is essential, is fundamentally sound. These two movements, or structures, are the forms developed by workers as a response to the unequal power relations between themselves and employers. The cooperative idea has spread to other groups – such as farmers – and has been constantly renewed, as Cook and Burress (2009) have pointed out.

The two movements have very rich traditions of resistance to capitalist power and have sometimes proceeded along parallel lines, and sometime at a tangent. As member-based organizations, with a common philosophical basis, they have much in common, and much to learn from each other.

Trade unions remain focused on formal employment in the formal economy. Their default *modus operandi* is to deal with employers and represent members through handling grievances and discipline, health and safety and collective bargaining.

Trade unions have, with some exceptions, neglected the potential for setting up cooperatives providing additional services and benefits for these members in well-organized workplaces.

Trade unions still find it difficult to deal conceptually with the extremely heterogeneous nature of much informal work of the kind targeted by the SYNDICOOP project. They would prefer to concentrate their limited resources on formal sector workers.

On the other hand, cooperatives have often focused on their role as a business, and neglected their foundations as mutual organizations. They have fallen under state control (a problem for trade unions as well, sometimes) or gone down the path of de-mutualization, converting into mainstream businesses.

A joint future for cooperatives and trade unions?

A joint future is possible and, it could be argued, necessary. In order to begin a realignment of these two movements, the following steps are proposed.

More research is required into the history of the relationships between cooperatives and trade unions and why these organizational forms have taken such different trajectories.

Trade unions could examine more closely the possibilities for members in better organized workplaces to promote cooperatives including consumer

cooperatives, transport and financial cooperatives. One aim of trade unions is to take a greater share of national income for workers and this is generally regarded as being done through the instrument of increasing wages. But by organizing cooperatives providing services that workers use anyway, including transport, insurance, consumer goods and food, workers would retain more of their income. They are currently paying part of their wages back to shareholder-owned companies, when an alternative owned by workers themselves could be available.

At the moment, trade union interest in cooperatives is mainly confined to the question of worker cooperatives. This ignores a much wider scope for cooperatives in many other areas, including in particular farmer cooperatives, consumer cooperatives and financial cooperatives.

There is an urgent need for a properly structured dialogue between the trade unions and cooperative movements, to improve understanding on both sides. A good starting point would be examining Recommendation No. 193 and the issue of pseudo cooperatives.

Going beyond this important issue, trade unions and cooperatives could examine the scope for innovative forms of organization for workers in the informal economy, such as that set up by motorcycle taxi drivers in Kigali, Rwanda.

Cooperatives and trade unions have a common past; now is the time to develop a common future.

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