


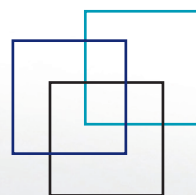


International  
Labour  
Office  
Geneva



# **Job preservation through worker cooperatives**

## **An overview of international experiences and strategies**



## **Job preservation through worker cooperatives:**

**An overview of international experiences  
and strategies**

**Job preservation through worker cooperatives:  
An overview of international experiences  
and strategies**

Copyright © International Labour Organization 2014

First Edition 2014

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to the ILO Publications (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: [pubdroit@ilo.org](mailto:pubdroit@ilo.org). The International Labour Office welcomes such applications.

Libraries, institutions and other users registered with reproduction rights organizations, may make copies in accordance with the licences issued to them for this purpose. Visit [www.ifrro.org](http://www.ifrro.org) to find the reproduction rights organization in your country.

---

Delgado, Natalia Dorian, Claude Laliberté, Pierre

Job preservation through worker cooperatives: An overview of international experiences and strategies

ISBN: 978-92-2-129159-6 (print)

ISBN: 978-92-2-129160-6 (web pdf)

International Labour Office

03.05

workers cooperative/trade union role/cooperative development/employment/developed countries/developing countries/enterprise recovery/worker buy-out.

*ILO Cataloguing in Publication Data*

---

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: [pubvente@ilo.org](mailto:pubvente@ilo.org).

Visit our website: [www.ilo.org/publns](http://www.ilo.org/publns)

---

Photocomposed in Switzerland

SCR

Printed in France

GON

## Preface

In an era where employment has become the main preoccupation of citizens and governments alike, a job preserved is often as good as a job created. And contrary to what is often implied by Schumpeter's famous metaphor on the "creative" aspect of enterprise destruction in a capitalist market economy, plant closures and job losses are not always redeemed by some positive outcome elsewhere. Sometimes they are simply a waste of human talent and a pure economic loss. As Stiglitz noted in his analysis of restructuring, it is much easier to destroy enterprises and jobs than to create them.

The recent financial crises in several parts of the world have been followed by a wave of bankruptcies that has taken a heavy toll on workers, business owners and communities. Financial crises and the credit crunch they provoke often lead to the closure of enterprises that are viable and have economic potential, but lack liquidity. This situation has led workers in various countries to respond to these situations by pooling their resources to recapitalize their failing workplaces and operate them in a cooperative mode. Known as *empresas recuperadas* ('recovered enterprises') in the southern cone of South America, this type of response is not new, but has acquired a new relevance in the post-crisis context.

A related phenomenon is that of enterprise closures caused by the retirement of business owners without succession. It is estimated that in the European Union this problem potentially concerns about 150,000 enterprises and some 600,000 workers every year (CECOP-CICOPA, 2013a). This explains why the French Government has recently voted new measures to improve and facilitate employees' ability to buy their own workplaces in the cooperative mode and keep them in operation.

Trade unions which are often on the frontline of the fight for job preservation, have traditionally responded to such situations in a piecemeal fashion, largely improvising in trying to find solutions. This is not surprising as this typically takes trade unions outside of their field of expertise.

However, given the growing success of enterprise recovery in a number of countries, it is probably fair to say that many opportunities to save enterprises have been lost due to a lack of experience or knowledge and preparedness. Because of their central role in monitoring the economic situation at workplaces and in organising workers' collective response, trade unions are uniquely placed to make a difference in a business recovery.

As the authors point out, this potential is all the greater when trade unions have access to the business and financial information of the enterprise and are able to achieve an honest dialogue with employers on the business situation. Information sharing and earnest discussions are not only the basis of trust and good industrial relations, but will often make the difference in periods of economic hardship.

This book has been written to fill a gap in the literature. At a basic level, it is meant to inform of successful cases of job preservation through the creation of worker cooperatives in different regions of the world. More importantly, it is meant to elucidate the conditions of success for such attempts at recovery and to draw the important lessons learned by workers and their organizations in dealing with them. In this regard, the authors show that while there is a great deal more space than commonly thought for trade union action to support successful enterprise recovery through the transition to cooperatives, this has to be done with a great deal of care and rigour.

It is our hope that this book will inspire workers and their organizations to explore new avenues and perspective in the area of trade union action for job preservation.

Maria Helena Andre  
*Director, ILO Bureau  
for Workers' Activities*

Peter Poschen, Director  
*Director, ILO Enterprise  
Department*

# Contents

<b>Preface</b> .....	v
<b>Acknowledgements</b> .....	ix
<b>Acronyms</b> .....	xi
<b>Introduction</b> .....	1
<b>Methodology</b> .....	5
<b>1. Economic transparency: Early identification of economic difficulties at the workplace</b> .....	7
Economic transparency: Level of effort and content.....	8
Information at the workplace.....	10
Information from the employer.....	10
Information outside the enterprise.....	13
Conclusion.....	13
<b>2 Recovery and conversion process</b> .....	15
Legal framework.....	16
Enterprise situation.....	20
Workers' response.....	23
Solving the financial equation.....	30
The building blocks of a successful conversion process.....	33
<b>3 Mobilizing support</b> .....	37
The trade union movement.....	37
The cooperative movement.....	42
Local (and international) community.....	44
The role of government.....	45
<b>4 Success factors for viable cooperatives</b> .....	51
<b>5 After the conversion: What role for trade unions?</b> .....	59

## **Annex I**

Glossary .....	63
----------------	----

## **Annex II**

Is the enterprise failing? A checklist .....	65
--	----

## **Annex III**

Cases reviewed for this publication .....	66
---	----

<b>Bibliography and further reading</b> .....	69
---	----

## **Tables**

1 Economic transparency: Targeted content .....	9
---	---

## **Figures**

1 The recovery process .....	17
2 Access to finance .....	32
3 Six stages in the cooperative project.....	35
4 Cooperatives and Government .....	46
5 Success factors for the associative elements and entrepreneurial commitment of a cooperative .....	55
6 Success factors for the business elements of a cooperative.....	56
7 Self-evaluation: The Mondragon model of excellence .....	57

## **Boxes**

1 Disclosure of information: Main elements.....	12
2 Insolvency: An ILO definition .....	19
3 What is a worker cooperative? .....	28
4 The seven cooperative principles of the International Co-operative Alliance .....	29
5 Trade union support for cooperatives in Brazil .....	38
6 The radio station cooperative in Granby, Quebec .....	39
7 Four lessons.....	58



## Acknowledgements

This overview has been written at the invitation of the International Labour Organization (ILO) and is the product of collaboration between Natalia Delgado, a lawyer residing in Geneva; Claude Dorion, general manager of MCE Conseils;<sup>1</sup> and Pierre Laliberté of the ILO Bureau for Workers' Activities (ACTRAV).

Ms Delgado carried out the survey of case studies mentioned in the overview, as well as offering her expertise on legal issues. Mr Dorion, who has over twenty-five years of field experience in enterprise recovery and conversion, is the main author responsible for the discussion of success factors in this area of work. Mr Laliberté provided background information as well as a contribution on the linkages between trade unions and worker cooperatives.

This publication would not have been possible without the time and dedication of numerous people. The original idea came from Ms Simel Esim, Chief of the ILO Cooperative Unit. Special thanks are due to the specialists from CECOP-CICOPA and ETUC in Brussels (Bruno Roelants, Claudia Menne and Marina Monaco). Nor can we forget the ILO Cooperative Unit team for their advice, suggestions and ideas (Guy Tchami, Waltteri Katajamaki, Igor Vocatch-Boldyrev and Roberto Di Meglio). We are also grateful for the interviews and material provided by the network of worker and cooperative organizations that took part in the research.

---

<sup>1</sup> MCE Conseils was founded in 1987 on the initiative of the Confederation of National Trade Unions (*Confédération des Syndicats Nationaux* – CSN) in Québec, Canada. Its mission is to provide expertise and advisory services in the fields of economics and marketing, finance and accounting, management and organizational development, training, and project planning and evaluation. MCE Conseils has contributed directly and in a sustained manner to the creation of more than 30 cooperatives and 1,300 jobs.

## Acronyms

ACTRAV	Bureau of Workers' Activities of the International Labour Organization
CAE	<i>coopératives d'activité et d'emploi</i> (France)
CECOP	European Confederation of Workers' Cooperatives, Social Cooperatives and Social and Participative Enterprises
CFI	<i>Cooperazione Finanza Impresa</i> (Italy)
CGSCOP	<i>Confédération générale des sociétés coopératives ouvrières de production</i> (France)
CICOPA	International Organisation of Industrial, Artisanal and Service Producers' Cooperatives
COCETA	<i>Confederación Española de Cooperativas de Trabajo Asociado</i> (Spain)
COOP	Cooperative Branch of the International Labour Organization
CQCM	<i>Conseil québécois de la coopération et de la mutualité</i> (Canada)
CSN	<i>Confédération des Syndicats Nationaux</i> (Confederation of National Trade Unions) (Quebec)
CTA	workers–shareholder cooperatives ( <i>coopératives de travailleurs actionnaire</i> ) (Quebec)
CTA	<i>Central de Trabajadores de la Argentina</i>
CTRE	corporate takeover and recovery by employees
CUT	<i>Central Unica dos Trabalhadores</i> (Brazil)
ERT	<i>empresas recuperadas por los trabajadores</i>
ESOP	employee stock ownership plan
ETUC	European Trade Union Confederation

EU	European Union
FSTQ	<i>Fonds de solidarité des travailleurs du Québec</i>
FTQ	<i>Fédération des travailleurs et travailleuses du Québec</i>
ILO	International Labour Office/Organization
IMF	International Monetary Fund
JWCU	Japan Workers' Cooperative Union
Legacoop	<i>Lega Nazionale delle Cooperative (Italy)</i>
NUMSA	National Union of Metalworkers of South Africa
SCOP	<i>Sociétés cooperatives et participatives (France)</i>
SOCODEN	<i>Société cooperative de developpement et d'entraide (France)</i>
TUC	Trades Union Congress (United Kingdom)
UN	United Nations
UNCITRAL	United Nations Commission on International Trade Law
UNISOL	<i>Central de cooperativas e empreendimentos solidários (Brazil)</i>
WB	World Bank
WCC	Wales Co-operative Centre
WTO	World Trade Organization

## Introduction

The trade union movement has been confronted throughout its history by the economic and social problems caused by workplace closures and job losses for its members. Much of this is part of the well-known “creative destruction” that prevails in a capitalist market economy; but while some closures are unavoidable, others are often the result of contextual factors and could be avoided.

The attention of trade unions has been traditionally devoted to ensuring an economic safety net to ensure that displaced workers have the ability to “weather the storm” and get access to new jobs and to training. In addition, in many countries trade unions have through their efforts obtained regulations to “civilize” the practice of mass layoffs by employers, thus ensuring that workers are not treated as merely a dispensable commodity.

In many instances, however, workers and their unions have also attempted to prevent workplace closures. This has been particularly marked in periods of crisis when the prospects of alternative employment are often limited or when the enterprise concerned is the main employer in the area. In general, initiatives to preserve jobs and salvage workplaces have taken trade union organizations into uncharted waters, into situations they were generally ill-prepared to deal with and for which they had limited internal resources and expertise. Not too surprisingly, some of these worthwhile and often well-publicized initiatives have ended in failure, compounding the economic damage to workers by reputational damage to their unions. In trade union circles, knowledge of these negative cases has unfortunately often created a chill and prevented necessary discussions about the potential of such initiatives as well as appropriate ways of carrying them out. Such discussions have become timely again.

In the last twenty years there has been a revival of interest and initiatives on the part of workers, with the support of their trade unions, to support job preservation as well as the creation of worker/producer cooperatives. Two strands of initiatives may be observed. The first can be described as a response to the havoc created by multiple economic crises, such as the phenomenon of the *empresas recuperadas* in the southern cone of Latin America. The second is linked with the growing desire of some trade unions to engage with workers in the informal economy by supporting the creation of worker/producer cooperatives. These two strands, while emerging out of different contexts, should not be seen as mutually exclusive as they rely largely on the same set of tools.

This revival of interest is also taking place in a context where the chronic crises and dysfunctions of the dominant corporate business paradigm have led many to

aspire for a new, more democratic, model of enterprise governance that would be genuinely sustainable and would aim at long-term viability while affording workers decent working conditions.

For many, this scenario seems likely only if workers themselves own a determinant stake in their enterprise, along with the control that comes with it. Trade unions, which have for some time been aware of the role played by workers' savings – often unwittingly – in supporting the financialization of corporate practices, can be agents of change in this area. For this to happen, however, there is a need to demystify worker ownership models.

In some countries, the issue of business transfers of small and medium-sized enterprises (SMEs) whose owners are about to retire has become of concern, as thousands of such enterprises might face closures in the absence of new proprietors. Employees, who are already familiar with the workings of the enterprise, can provide a natural succession path. Again, trade unions can be of help in facilitating the process.

This overview has been written to demonstrate examples of good practice in job preservation with trade union support. It is based on three premises:

- The first is that trade unions can engage successfully in job preservation for their members through enterprise recovery. This has been demonstrated by hundreds of cases around the world. Clearly, not every trade union will choose to venture down this path, but those that do should know that it is possible to do it right.
- The second is that success is rarely the result of improvisation. As will be shown in greater detail in this publication, sustainable transfer operations require a series of enabling conditions that can make or break a successful recovery.
- The third is that when workers come together to preserve their jobs, this is best done using the cooperative form. It is of course always possible and in some cases more expedient for workers to buy a block of shares in an ongoing business concern. However, the creation of worker cooperatives is fully in line with trade unions' own democratic aspiration of giving each worker a voice. Setting up a worker cooperative is helping to create a space for an alternative, more socially sustainable way of carrying on economic activities. And in so doing, trade unions can also usually rely on the support of cooperative federations that possess the knowledge and sometimes the means to help with the recovery and transition.

Considering these elements, this publication focuses on economic monitoring by workers' organizations and the transformations undertaken through the conversion of failing enterprises into workers' cooperatives. It is divided into five sections.

The first covers an important but often overlooked area, that of a trade union's capacity to monitor the economic situation of the enterprise. When it comes to job preservation, having detailed knowledge of the situation allows trade unions to be proactive with management, to be better equipped for collective bargaining, and if worst comes to worst, to be able to turn things around more quickly when they go wrong. As will be pointed out later, time and knowledge are critical factors in the potential success of a recovery. Accordingly, the first section discusses workers' information strategies to achieve economic transparency and the possibilities for an early identification of economic problems in the workplace.

The second section covers the different circumstances and phases of a recovery process, touching upon the legal framework as well as the technical and financial issues. It draws on concrete examples of actual recoveries and conversions into cooperatives around the world.

The third section looks at the role of the various actors in the process and the support available.

Section four discusses the success factors of collective entrepreneurship as well as the main lessons and challenges. It offers food for thought on what we might call the enabling conditions. It is clear that the great majority of trade unions currently operate in environments that are far from ideal to support and nurture job recovery through cooperatives. However, it should be kept in mind that almost all successful cases started out in such deficient environments, and slowly built, with allies, more supportive laws and institutions.

The concluding section offers a few considerations on the role of trade unions in worker-owned cooperatives. It is generally and wrongly assumed that, because of their ownership structure, worker cooperatives may dispense with the presence of trade unions. We shall see that the picture is far more complex.

We hope that this book will be a source of some inspiration and discussion among workers and their unions, and that it will inspire trade unionists around the world to further experiment and share practices and knowledge with each other.

## Methodology

The research for this overview started with a desk review of pre-existing material. These texts contributed to the identification of different approaches to the question: *How can jobs be preserved through the conversion of failing enterprises into cooperatives?* In order to answer this question it was important to clarify concepts through a glossary of terms (see Annex I). This clarification allowed us to frame our research to focus on concepts such as worker buyout and *empresas recuperadas*. We mainly left aside other scenarios (such as employee financial participation) that did not fulfil the second cooperative principle of *democratic members' control* included in the ILO Promotion of Cooperatives Recommendation, 2002 (No. 193).

Secondly, we sought a list of contacts to collect case studies and diagnostic tools developed by trades unions and the cooperative movement (see Annex III). In addition, we organized a meeting in Brussels in collaboration with colleagues from the European Trade Union Confederation (ETUC) and the European Confederation of Workers' Cooperatives, Social Cooperatives and Social and Participative Enterprises (CECOP). Follow-up communications were conducted upon receipt of responses when further clarifications were needed. Once the information was gathered, the interviews were completed with materials available online.

Finally, the information gathered on practical experiences around the world helped us to highlight strategies and means used to preserve jobs and their future potential as well as their limitations. This helped us also to examine the extent to which the option of the conversion of an enterprise into a worker cooperative is considered at present, and how it should be supported in order to maximize its probability of social and economic success.

# 1. Economic transparency: Early identification of economic difficulties at the workplace

This section offers an overview of the usefulness of information about the economic situation of the enterprise as a preventive tool in job retention. It also presents some advice on how to obtain such economic transparency, both indirectly outside the enterprise and in a direct negotiating approach with the employer. Having access to reliable information remains the best way for workers' organizations to anticipate future difficulties or in considering the acquisition of the employer's enterprise through a conversion into a worker cooperative.

By **economic transparency** we refer to the capacity of workers to negotiate access to the economic information central to their employer's recent past and near future. This should cover its legal and regulatory situation, its financial performance, its situation in its market, and the competitiveness of its technology. Moreover, constant monitoring of the employer's situation is a strategic starting block to prepare workers to prevent closures and, if not, increase their ability to convert failed private enterprises into successful workers' cooperatives.

The collection of information to assess business opportunities and threats is a basic and classic activity for investment or acquisition of a company in the private sector (see Swinney, 2002). But access to financial information is usually obtained through ownership or an offer of financial services or the expectation of an investment. In most regions of the world, workers are usually excluded from such access since they are neither lenders nor investors. Moreover, owners naturally assume that knowledge of the profit situation might trigger workers' expectations of pay rises.

Workers are not the only parties concerned by potential layoffs; local communities and governments faced with serious deindustrialization have often had to be proactive in this area. Early warning networks (Hansen, 2008) for job retention have been developed and used in many jurisdictions (see for example Steel Valley Authority, 2000) to identify and track firms and industrial sectors that may be in trouble, whether at the meso or macro level (states, regions, cities). This level of sector- or region-wide analysis requires investments in data, fact gathering and analytical capacity that are frequently beyond the capacity of individual workers' organizations.



Most frequently, trade unions have to organize themselves to gain access to a certain level of economic transparency. Consequently, this section concentrates on the identification of information at a micro level: the workplace, the individual enterprise. However, even microanalysis requires sector-wide monitoring and a minimum of market information. The inclusion of political, social and economic structures in an assessment of the workplace situation is essential to provide a complete analysis of the information gathered and a comprehensive vision of the company's situation regarding the future of jobs and working conditions.

There are many advantages deriving from precise knowledge of the economic and financial situation of the enterprise. It is essential:

- to establish a factual assessment of the financial capacity of the employer to meet the demands of the trade union;
- to plan and to have the capacity to act on the financial difficulties that can arise in the enterprise;
- to assess the impact of business decisions on employment and working conditions; and
- to analyse the company's decisions and to present, if appropriate, alternative proposals to ensure not only the preservation of jobs and the survival of the enterprise, but its development of the best long-term socio-economic conditions for the workers.

The use of such information can be a powerful tool for trade unions and workers, as it provides clear support for rational negotiation, reducing uncertainty and mistrust between the parties. Economic transparency helps the workers' organization to formulate a strategic position, aiming for the best working conditions possible that are economically sustainable in the long term. Whatever the situation, economic transparency reduces the energy wasted on speculation and allows the parties to concentrate instead on the real situation (positive or negative) and work toward a better agreement.

## **ECONOMIC TRANSPARENCY: LEVEL OF EFFORT AND CONTENT**

Monitoring an enterprise requires energy and organization on the part of workers and their union. Ideally, monitoring the economic state of the enterprise should be seen as much a trade union task as monitoring the health and safety situation. The person responsible for this task should coordinate the collection and assessment of information and also motivate the trade union members to contribute information. When there is trouble brewing, the warning signs are visible throughout the chain of production or service. No single person can see everything. Every department of the workplace can offer information on the general situation of the company. It is therefore a collective responsibility to ensure the collection and assessment of such information. Trade unions should offer outside technical sup-

## 1. Economic transparency: Early identification of economic difficulties at the workplace

Table 1 Economic transparency: Targeted content

The essential	The desirable	The ideal
The exact name of the company, the <b>parent company, subsidiaries, divisions and branches</b>	<b>Shareholders and the names of members of the Board of Directors</b>	Information on the company's markets (local markets, regional, national, international), the market share of the company and the evolution of these markets (decline, expansion)
<b>The nature of production and the production sites of the company</b>  The level of investment in training, equipment, research and development, as well as the quality of management over the last three years	Date and jurisdiction of incorporation, localization of head office	The company's past <b>development strategies</b> , present and future business expansion plans through the purchase of competitors or through vertical integration of the production process (production of raw materials, intermediaries and finished products), development of new products and services
The identification of competitors and working conditions prevailing there  <b>Accurate information about the financial situation of the company, preferably annual reports or audited financial statements for the last three or four years</b>	The enterprise's environmental performance: <ul style="list-style-type: none"> <li>• air and water quality</li> <li>• recycling</li> <li>• greenhouse gas reduction</li> <li>• re-use of residual raw materials</li> </ul>	Government subsidies or other aid received and the projects for which they were obtained
The <b>evolution of employment</b> : number of persons employed full-time and part-time, regular or occasional jobs, disappearance of certain types of jobs, creation of new jobs, use of overtime	Information to assess the level of production and development, overall and by department	The social responsibility balance sheet of the company: <ul style="list-style-type: none"> <li>• respect of established working conditions</li> <li>• socially responsible supplies</li> <li>• compliance with standards and regulations</li> </ul>
<b>The economic situation of the sector</b>	Knowledge of subcontractors and their conditions	
The main <b>production standards</b> in the sector	Development projects of the company, projects of partial closure.	

Source: CSN: *Mission possible*, 2010.

port to groups of workers to help organize the information and provide pertinent analysis that may be beyond their capacity (financial analysis, market studies and so on). This should be accompanied by training so that workers are increasingly able to understand the situation by themselves.

The information can be organized in three areas: information at the workplace, information from the employer and information from outside the enterprise (see Annex II for a checklist).<sup>1</sup>

## INFORMATION AT THE WORKPLACE

It is possible for a trade union, using its own tools, to create a relatively precise portrait of the economic health of the enterprise and its development strategy. It is important, however, to monitor not only the information available at one time on one particular element, but rather the evolution over time of all elements examined together. Two lines of comparison should be followed:

- first, the evolution of the enterprise on a multi-year timescale;
- second, its situation and performance relative to those of other enterprises in the same sector.

## INFORMATION FROM THE EMPLOYER

The employer normally possesses all the information required to assess the situation of its enterprise. An employer's obligation to inform workers about the economic situation of the enterprise is provided in several national legislations, such as in Argentina, Italy (obligation at the collective bargaining level), Spain and the United Kingdom, and in France above a certain level of employment. Point 17 of the European Community Charter of Fundamental Social Rights of Workers provides "inter alia, that information, consultation and participation for workers must be developed along appropriate lines, taking account of the practices in force in different Member States". Directive 2002/14/EC, which establishes a general framework for informing and consulting employees in the European Community, states in Article 4 point 2 that "the information and consultation shall cover: (a) information on the recent and probable development of the undertaking's or the establishment's activities and economic situation". But this right of access to information is infrequent in Asia, North America or Eastern Europe.

Even when law or regulation does not recognize the right to information, union representatives should not hesitate to ask the employer to share such information, as there is mutual benefit in having the representatives of workers understand the state of the company and the conditions for its development, to contribute to the

---

<sup>1</sup> The information presented in this section comes mainly from Confédération des Syndicats Nationaux (CSN): *Mission possible: Guide de suivi de l'entreprise* (Montreal, 2010).

## 1. Economic transparency: Early identification of economic difficulties at the workplace

achievement of these objectives. The two parties share a fundamental interest in the sustainable development of the enterprise, since jobs depend on it. The trade union must secure such information from the employer without relinquishing the search for better working conditions. It should, however, be well understood that with information come certain responsibilities. Once the economic situation is known, it is rather difficult to avoid recognition of the challenges and the responsibility to participate in their resolution.

To be in a position to propose changes before economic problems become insurmountable and in order to contribute to the strategic orientation of the enterprise, trade unions must establish their credibility with the employer through a solid knowledge of the economic situation of the enterprise and a responsible management of the information obtained. Negotiating a voluntary presentation of economic and financial information by the employer requires a strategy, as well as reassurances relative to the manner with which the information will be treated. These include:

- offering a guarantee of responsible use of the information and respect of confidentiality conditions on which both parties agree;
- offering a guarantee of the objectivity sought in the analysis;
- presenting the professional responsibility of the analyst;
- demonstrating the need for complete access to information;
- negotiating the right to show the maximum information to workers' representatives and directly to workers and under which conditions; and
- negotiating the right to present the results at a workers' general meeting;

The following sub-sections present strategies for trade unions to obtain the most concrete information possible from the employer and to negotiate the right to information.

### *Regularly request information*

An enterprise is not static; it constantly evolves with variable factors which include, among others, general economic conditions, state of competition, commodity prices, government regulations and quality of management. The trade union needs to have an assessment of the company's situation and its evolution. Therefore, monitoring should be constant and cannot be limited to a fixed period, for example, every six months or once a year. This is why trade unions should develop the habit of questioning the employer and its representatives at every opportunity. Such opportunities are numerous: grievance committees, health and safety committees, negotiation meetings between the executive committee and management, meetings between departmental delegates and line managers, collective agreements and others.

Trade unions can develop the habit of questioning the employer on various aspects of business life: the level of sales, the order book, new markets, competition, changes in production costs, effective management, and any problems in the supply of raw materials. Any occasion is good to ask the employer about its plans for investment, planned purchases of computer equipment or possible organizational changes, and the creation or demise of jobs. Generally, employers inform the workers' representative *after* taking such decisions; as a result it becomes more difficult, often impossible, for the trade union to intervene and persuade the employer to change a decision that goes against the interests of its members. The union has everything to gain by continually requesting information from the employer. Some employers will flatly refuse to transmit any information at all; others will simply communicate information that is vague or incomplete. But even such refusal must, nevertheless, be transformed into an asset for the trade union, at the very least by becoming a strategic argument in responding to the employer's own demands. Refusal from the employer to present internal data should be met by the workers' representative as an indication that the facts would not support or justify the employer's demand for a limitation in wage increases or even concession. Stating this could help create some openness.

### *Negotiate the right to information*

Employers usually believe that information about their operating costs, level of sales, financial capacity, changes in productivity, profits or losses and investment projects, for example, are important components of the balance of power in their relationships with trade unions. It is the responsibility of the trade union to initiate a dialogue with the employer in order to share all relevant information available and assess the economic and financial health of the enterprise. In an

#### **Box 1 Disclosure of information: Main elements**

The collective agreement must specify that the employer agrees to provide information at specified regular intervals and that the result of the analysis can be transmitted to trade union representatives or the workers' general assembly. The main elements of such information should include:

- financial results and balance sheets of the company
- budgetary forecast, production costs, sales and shipments
- figures establishing the unit productivity
- employer strategic directions for the coming years and months
- investment projects, closures, layoffs or cuts
- research and development in progress

## 1. Economic transparency: Early identification of economic difficulties at the workplace

ideal state, the employer would recognize, within the collective agreement, this right to information and would be willing to discuss the conditions to implement it (frequency, manner, guarantee of content on one hand, limit of use and divulgation on the other).

It is reasonable for the employer to request confidentiality of such information or the delay in disclosure after a presentation at the meeting of shareholders. The union can and must ensure total confidentiality outside its members and respect the agreed limits of divulgation inside the union. Given the complexity of the information by which the union analyses and assesses the financial situation, market data and strategic directions of the enterprise, this process will sometimes require a call by the trade union for specialized services or experts.

## INFORMATION OUTSIDE THE ENTERPRISE

In addition to what the employer agrees to provide, there is a considerable amount of information available outside the company and in the public domain, and thus also within the scope of any trade union. The amount and quality of this information varies from one sector to another, but it is important to know it and consult it. In addition to the information gathered by the union from the employer, there are diverse sources of information easily accessible from government and private sources via the internet that can be used to develop a profile of the company and industry activity.

## CONCLUSION

Workers and their trade unions must explicitly realize their right to information, and use it. The state of economic and financial health of an enterprise, its choices and strategic decisions, have a significant influence on the level and quality of jobs. These decisions are important not only for working conditions in the enterprise, but also for the quality of life in the local community.

It is possible, from the information available both within and outside the company, to draw up a relatively complete picture of the economic situation of the enterprise. Such information should be used as a tool by trade unions with the aim of saving jobs.

## 2. Recovery and conversion process

This section analyses the recovery by workers of enterprises in difficulty and their conversion into cooperatives, identifying strategies and means that can be used for the preservation of jobs.

The legal framework that covers the recovery process is principally centred around business transfer regulations, insolvency law and cooperative law. Countries should regulate the possibility of business transfers and facilitate institutions that support this path in the community. The insolvency proceedings should privilege workers as preferential creditors, as established in the ILO Protection of Workers' Claims (Employer's Insolvency) Convention, 1992 (No. 173) – although this is rarely what actually happens. Finally, national legislation should institutionalize the cooperative model by means of a cooperative law /cooperative act according to ILO Recommendation No. 193.

The situation of the enterprise will vary; it can be owner retirement, closure or abandonment, real or “strategic” bankruptcy. A collaborative attitude on the part of the employer, whether in the case of a business succession where a business transfer to workers is considered, or in the case of insolvency procedures, is an important element for the success of the conversion into a cooperative. This involves, first and foremost, advance notice of the potential closure or sale, as well as an honest sharing of the information. The attitude of the employer will determine to a large part that of the workers.

The workers' response depends of course also on the specificities of the enterprise situation and the economic context in general. In the first stage of a business transfer, the strategies typically start with an assessment and a valuation of the enterprise. However, in cases where there is a high level of conflict engendered by labour debts, layoffs and poor working conditions, the workers' strategy often involves the occupation of the enterprise's premises in order to protect the machines and infrastructure as a guarantee of their claims. The strategy in the second phase is to plan the worker buyout.

Of course, nothing prevents workers from helping to save their employers by buying equity in the existing company. Partial or complete purchase of the company's shares is one avenue. However, cultural context, collective ownership, participative management expectations and the values of democratic governance

all militate in favour of founding a cooperative. Moreover, workers rarely have the equity to organize a traditional financial architecture for the buyout. Cooperative entrepreneurship favours collective access to ownership as well as more influence on the enterprise's strategic decisions. But it is to be hoped that workers will choose the cooperative model not only because there is no alternative, but because it embodies a more socially responsible way of owning and managing an economic operation, a fairer way of taking decisions and of distributing the results. It will be argued that it should also be a more efficient manner of governing and managing the enterprise, for while cooperatives are collective enterprises, they are still enterprises.

The recovery of the enterprise through the cooperative model implies the transition from a private enterprise to a new legal form, the cooperative. First, this section examines the legal framework of such a transformation. Secondly, it offers a structure, in chronological order, of the enterprise situation and the workers' possible responses. Third, the section will present the financial aspects and support that may, or should be, available to workers. The conversion of a private enterprise into a cooperative is a complex endeavour that can rarely be completed with success by the workers alone. Legal, financial, management and collective governance, as well as financial partners, can all play a part in maximizing the project's chances of success.

Section 3 will discuss the various networks (the trade union, the cooperative movement, the local community) that can support such projects; there is also a central role for government, which may be negative or positive, but is rarely neutral.

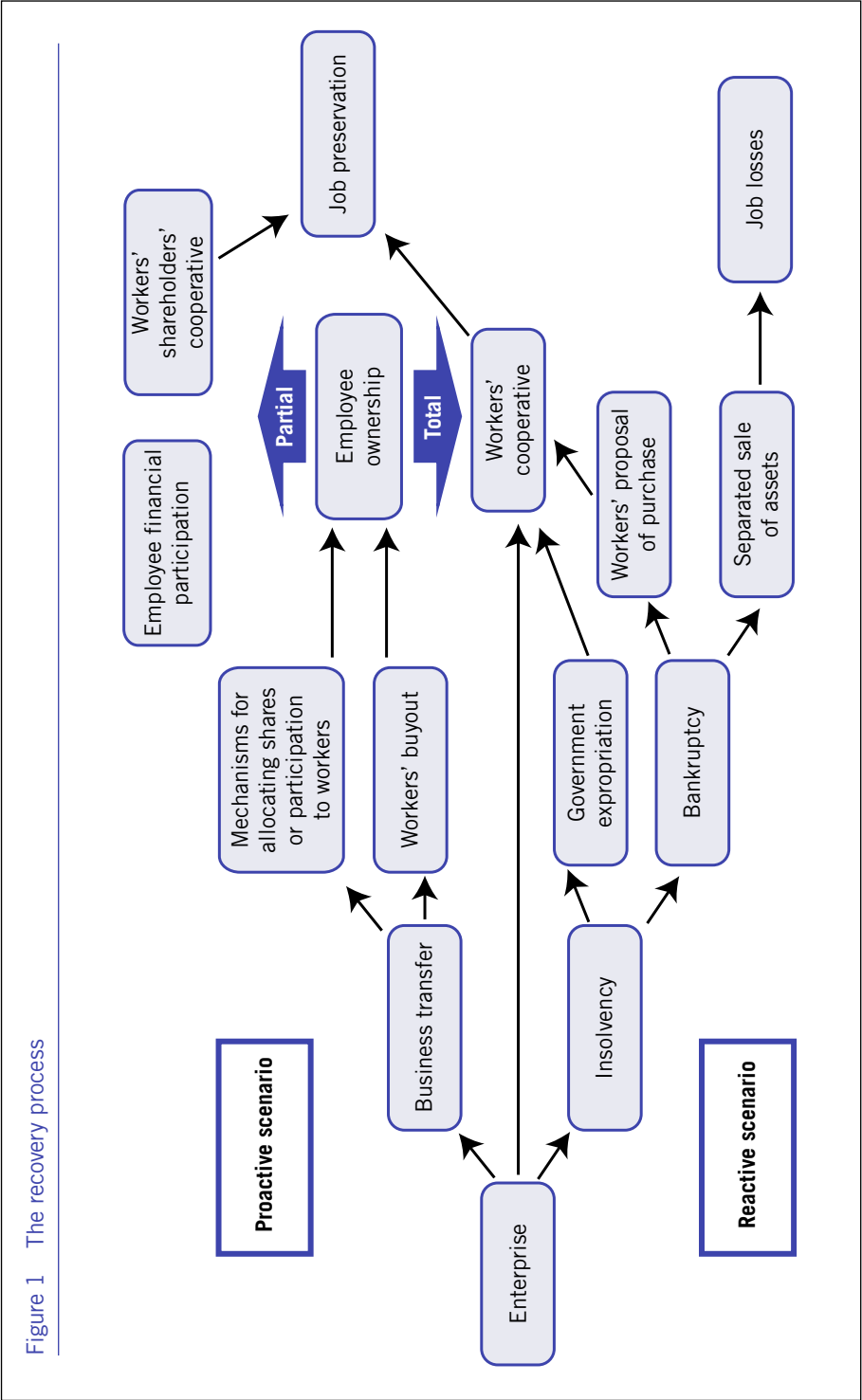
This integrative and international overview of the recovery process has limits that will certainly not offer an overall and detailed understanding of its complexity. The company's situation and the business plan to correct it may vary in numerous ways. Context, constraints, opportunities and support structures will vary from one country to another. Be that as it may, the aim of this second part of the guide is to describe potential avenues for the preservation of jobs by workers.

## **LEGAL FRAMEWORK**

The legal framework that covers the recovery process encompasses business transfer regulation (commercial law), insolvency and cooperative law. It may also involve the labour code, depending on the country. However, providing a legal framework to this process implies a high level of complexity because the notions of cooperative law and business transfer reflect a wide range of understandings, comprising not merely one general rule but a diversity of legal areas that include labour law, taxation, competition law and audit, among others.

The scope of our analysis of the legal framework will be limited to the recovery process leading to the establishment of a cooperative. Intermediate scenarios or





grey zones such as an employee stock ownership plan (ESOP), employee financial participation and employee ownership are excluded from this analysis because they raise all sorts of strategic considerations. This does not mean that they may not be more appropriate in certain situations.

There exists, for instance, a hybrid system in Quebec (since 1985), the worker–shareholder cooperative (*coopératives de travailleurs actionnaire*, CTA). In this approach, which is included in the cooperative law of the province, the workers may collectively acquire equity in their company through a cooperative whose sole purpose is to own such equity in the company’s capital and participate in its governance. The employees hold voting shares only indirectly: the cooperative is the actual shareholder and names one or more members to the Board of Directors to represent the workers. This scheme has been used for cases of owner retirement, management buyout or failing enterprises. For example, when a radio station in Quebec was in a process of failing, its 13 workers with the support of the trade union progressively acquired the shares of the station, becoming 100 per cent owners and creating a cooperative in 2007. This collective ownership of shares allows the workers to negotiate better terms of control (through a shareholders’ convention) than a separate ownership of shares on an individual basis. There are some 50 such worker–shareholder cooperatives in Quebec, employing 3,300 members with CAN50 million worth of assets.

As illustrated in figure 1, there are two possible broad scenarios:

**Proactive scenario:** In a controlled situation a transfer may be planned, depending on the will of the employer to transfer the enterprise and workers’ willingness to accept to collectively finance the continuation of activities. The legal process covering this scenario is the business transfer/ business succession scenario. It may be implemented in case of a retiring owner without a successor or in case of a common understanding of the business’s difficulties and the formulation of a new business recovery plan to redress the situation through a change of ownership.

**Reactive scenario:** After the insolvency of the enterprise is declared (see box 2), the union tries to respond with a purchase proposal to the sale of assets by a trustee. Outside help will usually be necessary to answer the financial needs to support the offer and to respond within the usually short timeframe of such an operation. This context makes it much harder to proceed. As a cooperative is a democratic structure, the process should not be hurried through the workers. They need to be informed of their rights and obligations, the rules of operation and so on. It is essential that they enter into the project with the best possible information and knowledge of their risks and opportunities. A business plan has to be written to attract external financing. Government may intervene to slow down the sale process, in order to allow the time necessary for the workers to react. Government may even take temporary control of the assets if there is a strategic interest in them. But the complexity of such deals underlines the importance of preventive

### Box 2 Insolvency: An ILO definition

The term insolvency is defined in Article 1 of the ILO Protection of Workers' Claims (Employer's Insolvency) Convention, 1992 (No. 173 ): "the term insolvency refers to situations in which, in accordance with national law and practice, proceedings have been opened relating to an employer's assets with a view to the collective reimbursement of its creditors. 2. For the purposes of this Convention, a Member may extend the term "insolvency" to other situations in which workers' claims cannot be paid by reason of the financial situation of the employer, for example where the amount of the employer's assets is recognised as being insufficient to justify the opening of insolvency proceedings."

information, as presented in section 1 of this overview, allowing to plan for and maximize the likelihood of success in taking control before it is too late.

There are two trends in insolvency legislation throughout the world,<sup>1</sup> one favouring procedures for a quick liquidation (this is related to competition policy and exit from the market) and the other, pro-rehabilitation/reorganization of the enterprise.<sup>2</sup> Notwithstanding its good intent, the latter approach usually takes longer to implement. The majority of domestic insolvency systems today include both possibilities (reorganization and liquidation). Although trends towards debtor-friendly or creditor-friendly insolvency laws have been generally observed, a general protection of workers as preferential and first-priority creditors in insolvency procedures (as established in ILO Convention No. 173) could play a fundamental role in the recovery process, enabling financing for workers who could then purchase the enterprise in the form of a cooperative. But more often than not, workers do not benefit from such preferential creditor status.

When it comes to the legislative framework for the establishment of a cooperative, the reference is ILO Recommendation No. 193: "an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise". The formation of a cooperative generally starts in domestic law with the registration "of their name and all other information in a public or at least publicly recognized register" (Hagen, 2012, p. 67). However, depending on the country,

---

<sup>1</sup> After the Asian financial crisis of 1997, domestic insolvency laws were particularly influenced by global standards established by the International Monetary Fund (IMF), the World Bank and the United Nations Commission on International Trade Law (UNCITRAL) created in response to a G22 demand. In 1999, the IMF's legal department developed a broader policy product through a publication called *Orderly and effective insolvency procedures*. In 2001 the World Bank published *The principles and guidelines for effective insolvency and creditor rights systems*. Lastly, UNCITRAL published in 2004 parts 1 and 2 of a *Legislative guide on insolvency law*, with part 3 published in 2010, about the treatment of enterprise groups in insolvency.

<sup>2</sup> The Thirteenth Meeting of European Labour Court Judges, organized by the ILO, took place in Italy in 2005. The first theme of this meeting was "Insolvency Procedures and Workers' Rights" and concluded that "the trend is towards maintaining the enterprise (and not favouring its liquidation)".

the cooperative model is not always legislated; its legal recognition varies in countries from being statutory to having no legal basis at all. For example, in Italy the cooperative society gained recognition for the first time in the commercial code of 1882. Moreover, the Italian Constitution recognizes cooperatives in Article 45: “The Republic recognizes the social function of the cooperative with a mutual purpose that is not driven by private profit” (quoted in Zevi et al., 2011, p. 22). Spain regulates the *sociedades laborales*, a corporate entity with majority participation of workers adhering to the cooperative principles.

In many countries, the absence of a legal framework for cooperatives means that they are not legal entities and consequently cannot possess assets or obtain financing. In some cases, workers organize cooperative governance that dictates rules to a private capital company that they individually own. This may involve giving personal guarantees to obtain financing, putting workers at an important disadvantage in comparison with the limited-liability system. In South America, we observe cases where workers’ cooperatives operate assets that they do not own, limiting the possibility to invest in modernization and efficiency gains and therefore also limiting the strategies available to ensure the sustainability of jobs.

It should be noted that in recent years, many jurisdictions have begun to provide comprehensive legal frameworks to support the development of the social economy, of which cooperatives are a key component. Recent cases include France, Mexico, Spain and the province of Quebec, to name a few. These laws generally describe the social economy, its collective nature and its not-for-profit objectives, and they clearly include cooperatives. Furthermore, such laws stipulate the State’s role in supporting the social economy. For instance, in Bolivia the Supreme Decree No. 1754 on social enterprise establishes, in Article No. 3, three causes for the of constitution of a social enterprise: existing bankruptcy proceedings under the Commercial Code, concluded bankruptcy proceedings under the Commercial Code, and closed or abandoned enterprises without justification. Moreover, Article No. 7 covers the following case: “when the company is subject to sale, preferably the employer will offer the company to workers, who by voluntary agreement may constitute a social enterprise”.<sup>3</sup>

## ENTERPRISE SITUATION

As illustrated in figure 1, many different enterprise situations can be the starting points for the recovery process. Due to this huge variability in context, regulatory environment and financial situations, a comprehensive approach is difficult to present. Nevertheless, a review of some case studies may at least help to identify relevant strategies.

---

<sup>3</sup> The decree is available at: <http://comunicacion.presidencia.gob.bo/docprensa/pdf/20131007-15-31-25.pdf>.

### *Owner retirement, sale or transfer*

Owner retirement, sale and transfer are the easiest cases in planning a workers' takeover in a well-ordered way. These cases offer time to plan and organize. They usually offer full transparency on the company's situation, although this does not exclude the existence of "skeletons in the closet" or unplanned difficulties. Nevertheless, such cases allow workers to analyse the situation and ponder their options. Sometimes the workers may take the initiative themselves and present a proposal.

**Besné Mécanique**, an active French company in precision engineering, was created in 1980. In 2004 the owner, then aged 55, was forced to retire for medical reasons. He began to look for a buyer but could not find anyone. A mergers and acquisitions advisory firm suggested that he contact the Regional Union of Worker Cooperatives (URSCOP) for a business transfer to the employees. The employees were invited by the owner to consider the transfer plan and 80 per cent of them voted in favour of it. A sophisticated legal and financial project had to be developed by URSCOP and the financial assistance unit of the national Confederation of Worker Cooperatives, CG Scop, together with the employees. The retiring owner also decided to take a minority financial share in the newly established worker cooperative. Today Besné Mécanique employs 76 persons compared to 54 employees in 2005 (CECOP–CICOPA, 2013a).

In Australia, the retiring owner of a manufacturing company called **C-Mac Industries** took the option of allowing workers to buy the company, rather than close it. The owner had been wrestling with the problem of succession planning for his family-owned engineering firm for the previous five years. C-Mac had not made a profit in three years, and the owner's three children were not interested in inheriting the business. Despite the fact that it was a viable business, employing 40 people, with AUD 3 million worth of machinery, it was valued for sale at AUD 0. With the help of the Australian Employee Buyout Centre, he effectively sold the business to his workers. The Sydney-based company has been put into a trust, where half the profits made over budget targets will go towards paying the owner, who intends to retain a 25 per cent share. The transfer of ownership is expected to take about 10 years (see <http://www.employeeownership.com.au>).

### *Closure*

Closures are much harder to manage, since workers may lack time and capital to react promptly. Several strategies may be available. In Latin America, such cases have often led to workers' occupying the production plants to call attention to their situation and protect the assets of the enterprise. At the other end of the spectrum, worker cooperatives are created from scratch to replace the old equipment of the closed enterprise with new equipment, since the workers will not have had sufficient time to purchase the existing assets before their liquidation. This process clearly takes longer and may be riskier, since business competitors may

take advantage of the period without any activity to increase their market share and perhaps take over the market altogether.

In Maharashtra's Ahmednagar district in India, **Garware Nylons** closed down in 1996, leaving more than 300 workers at the unit jobless. The workers moved the Bombay High Court to resolve their settlement issues, following which the Court directed that an auction be held in February 2008 for both the unit and the nine acres of land where it is located. A group of over 200 workers successfully bid for the unit and immediately after winning the auction deposited INR 90 lakh with the Court. Through support from contributions and socio-political groups, and represented by the Pune-based NGO **Common People's Front**, the workers were able to deposit the remaining amount by the November deadline stated by the Court and successfully completed the auction process (Trivedi, 2008).

In 2005, when a Dutch-owned packaging company in the United Kingdom closed down, 19 staff members decided to invest their redundancy payments into setting up a worker cooperative, **PrimePac Solutions**. The Wales Co-operative Centre provided legal and business planning advice and has helped the newly established enterprise to access funding from Co-operative and Community Finance, Finance Wales and the Welsh Assembly Government. PrimePac Solutions makes bottles, sachets and tubes for clients that include leading brands in the health and personal care sector. Since 2005, PrimePac Solutions has doubled the number of jobs and today 22 of the employees are members of the cooperative (CECOP-CICOPA, 2013a).

### *Insolvency, bankruptcy or liquidation*

In Spain, after the bankruptcy in 2010 of CEDEMOLL – an enterprise active in the production of cellulose and paper for more than 25 years – four former workers decided to invest their unemployment benefits into buying the enterprise and giving it worker cooperative status. Today **Celulosas y Papel** has nine permanent employees and the turnover has doubled in two years. The support of CADE Estrategias – the Andalusian centre for enterprise development promoted by the Federation of Worker Cooperatives of Andalusia (FAECTA) – and of the Andalusian government has been essential in the successful transformation of the enterprise into a cooperative (CECOP-CICOPA, 2013a).

In Italy, a company went bankrupt after being placed in administration. Workers were initially placed into a programme designed to support workers in crisis-hit companies, under which they were entitled to early retirement by taking up social security payments in advance for a period of up to ten years. It was during this difficult period that a synergy between Legacoop (the Italian cooperative federation), the trade union and the workers led to a solution through the creation of a cooperative, **Trafilcoop**, in 1985, with 49 working members (Roelants et al., 2011). In 1977 in Japan, the Paramount Shoe Company faced bankruptcy due to problems in the parent company. The workers, together with the trade union, rebuilt

the business as a customized orthopaedic shoe manufacturer. Paramount is now reorganized as a worker-owned business with the active support of the local trade union. According to the Japan Workers' Co-operative Union, the company was registered in 1998 as **Incorporated Paramount Workers Coop**. In 2010, it opened its fourth shop.

The Italian cooperative **Nuova Bulleri Brevetti**, established in 2010, took over the running of Bulleri Brevetti SRL after an 18-month trade-union-led struggle. Bulleri Brevetti was a long-standing Italian enterprise that had reached a leading position in the manufacturing of machine tools for the wood industry. In 1996 it became part of the Sicar group, which decided to close the Bulleri Brevetti plant in 2009 in order to concentrate its activities in two other plants belonging to the group. The employees then initiated trade union action in order to prevent the closure of the plant and achieved their objective through the creation of the new cooperative (CECOP–CICOPA, 2013a).

A year after being taken over by its employees through a worker cooperative (*société cooperative et participative* – SCOP) **Smart Equipment Technology (SET)** achieved €10 million in turnover in 2013. This satisfying result was the end of a long and difficult path to maintain this high-tech production enterprise. Initially a family business, SET had been acquired by property groups and then saw its strategy dictated by shareholders which precipitated it into receivership, filing for bankruptcy in 2012. The workers decided to persevere, and submitted a draft cooperative recovery project to the Annecy Commercial Court. A competing offer had been made by a NASDAQ multinational, which spoke straightforwardly of tax optimization, with no long-term project or consideration for jobs. After several twists and turns, it took a court challenge, the constant support of the regional union of the SCOP, and support from the then Social Economy Minister Benoît Hamon, for SET to be able to restart as a SCOP. This was a huge victory for all the workers. Today, the members look forward to the future with optimism and their customers have confidence in the cooperative, knowing exactly with whom they work.

## WORKERS' RESPONSE

There are many different ways for workers to challenge a plant closure. A general analysis of cases studied shows that workers' responses will vary according to the level of tension of the situation which is brought about by both the state of labour relations and the level of urgency to react to a possible closure. The following description of some case studies may help to identify four phases in workers' responses and strategies.

### **Phase 1: Assessing the situation**

**Low level of tension.** Generally, in a continuing-business transfer, the first phase in the recovery process by workers is marked by the following questions: is the current owner willing to sell or transfer to employees, and do the workers want to

buy? Is it in their interest to do so and is it feasible? In this first step, the workers' executive meets with the union membership and then with the owner.

### **High level of tension: Occupation of premises.**

- ▶ During Argentina's economic crisis of 1998–2002, workers in 73 per cent of some 200 *empresas recuperadas* occupied their enterprise at the beginning of the crisis in response to closure announcements. In most of the successful cases, workers gained legal control against liabilities associated with unpaid salaries.
- ▶ In Italy in 2012, a group of workers who had lost their jobs at an automobile components factory based in Trezzano, near Milan, occupied it and eventually reorganized it around the concept of workers' self-management. The factory was part of the Maflow Corporation, a multinational with 23 factories spread across the world. In the Trezzano plant, 350 workers produced pipes for air conditioning systems for large car manufacturing companies, with 85 per cent of their production going to BMW. In 2004, Maflow was sold to a private equity company for what some estimated at ten times its real price. This firm then proceeded to acquire €300 million worth of debt by 2009, and the plant was then bought by a Polish industrial group which reduced the number of workers at Trezzano to 80. After a series of financial difficulties, the company closed down its main Italian branches at the end of 2012. Workers started to organize themselves and camped in front of the factory. Once the factory was finally closed, the workers decided to occupy it. Eventually, the **Cooperative Ri-Maflow** was born. But knowing that it was now impossible to regain their traditional market, the cooperative opted for a new sector with the aim of using the factory to repair and sell recycled electric and electronic components. In parallel, they are working with the Solidarity Economy circuit in Milan.
- ▶ Another case is the Mine-Line factory, an engineering and production company located in the West Rand of Gauteng, South Africa. In August 2010 three workers were killed when a boiler machine exploded. The tragedy revealed that the owner had not contributed to the pension fund or to social security and had stolen the workers' unemployment benefits. As a result, the union representing the workers, the Metal Electrical Workers Union of South Africa (MEWUSA) threatened to sue the company, which led the owner to file for bankruptcy and unilaterally close the factory. In response, the union brought in a liquidator to wind down the company and use the resulting liquidity to secure the wage and non-wage benefits owed to the workers. At the same time, the union and workers began to discuss the possibility of taking over the company and forming a worker cooperative. Events quickened in October–November 2010, when the workers discovered that the liquidator had sold off finished products and allowed the employer to remove machinery from the factory without consulting the union and the



workers. Their only potential compensation (i.e. the machines and the finished products) was quickly evaporating under the collusion of the owner and the liquidator. As a result, the workers decided that the only way to secure their dues and future jobs was to occupy the factory, following which they collectively set up the **Mine-Line Tap Engineering Worker Cooperative** (Satgar and Williams, 2011).

- ▶ In 2008, after many decades of operation Republic Windows and Doors in Chicago, United States, went bankrupt and was shut down. This seemed odd as the windows business appeared profitable. Meanwhile, members of the family owning the business opened new windows factories in Chicago, hiring workers through temporary work agencies. They were also investigated by authorities over irregularities in their bankruptcy and were sued by banks over outstanding debts. When the announcement of the plant closure was made, the workers were told that their jobs would be terminated immediately. The workers decided to occupy the factory in protest, and the community came out in extraordinary numbers to support them. Five years later, the workers called in help in the form of the United Electrical Workers Union and the NGO Working World, which provided funds for these workers when no other lender would and raised the necessary funds for them to buy their factory. With tremendous support from the community, in 2012 the **New Era Windows** cooperative officially opened under worker control (see <http://www.newerawindows.com/about-us/our-story>).

### ***Phase 2: Planning the worker buyout***

In response to a closure announcement, a purchase opportunity opens up and workers have to react quickly. However, a number of questions need to be answered and many steps taken. After getting over the feeling of being cheated out of their source of income, workers must realistically appraise their capacity to better manage the enterprise, reconquer lost market share and run an operation that will be socially, environmentally and economically sustainable. This triple bottom line analysis will answer the following question: if it was in the owner's interest to close or to sell, how could it be in the workers' interest to buy this operation?

There are many contexts where a worker cooperative opportunity may arise:

- rapid growth of the company, requiring a call for fresh capital where the workers would be asked to participate;
- taking over from an owner who wishes to retire and sell the business;
- sale to workers in a context of continued operations;
- a company in difficulty or facing the threat of closure, where workers should consider buying all or part of the enterprise from their employer to inject cash into the company in the context of recovery; or

- the creation of a cooperative on a new and independent basis following the closure of a company in order to provide new employment for workers and for workers who have become unemployed.

In all cases, the workers should always focus on three issues:

- maintaining and creating jobs for themselves and others;
- attaining at least participatory management, if not collective; and
- the financial return on their investment.

These issues are always present, but with very different relative weights depending on the situation. Irrespective of the context, workers must reflect on all three. If there is an economic cost to saving one's job, it should be assessed clearly and communicated to the group. This cost may be a lower salary in order to help the cooperative reach profitability, or it may take the form of investing a substantial amount of personal money. Expected returns and risks have to be appraised.

As mentioned previously, it must be remembered that the cooperative model is a tool and a means of choice to achieve these goals. However, it remains a means and not an end in itself. Every opportunity to create a cooperative should be judged on its probabilities of lasting success, with working conditions close to optimal in terms of alternative opportunities for workers.

Workers need to look at the issues from three perspectives:

**Environmental project.** Will the workers behave more responsibly as owners concerning the eventual environmental cost of the operation? Can they reduce waste and pollution? Is the environmental cost of saving jobs bearable?

**Social project.** Will the workers fully participate in the collective project as owners, members of governance and producers? Will they set up efficient and ethical rules between them to protect collective and individual rights concerning all these roles, helping the organization to globally perform and fairly distributing the political and economic results?

**Economic project.** Above all, a cooperative is an economic project, implying owning and operating an enterprise, with a social mission – that of supplying work to its members. The economic project has to be efficient and able to perform, in order to fulfil its mission on a long-term basis. This question therefore requires:

- ▶ ***An economic assessment of the project.*** A complete pre-feasibility analysis that identifies whether or not the cooperative can succeed as a buyout and what critical conditions are necessary for success. A full diagnosis of the business must be completed – both its internal conditions, i.e. its strengths

and weaknesses, and its external conditions, i.e. its position and opportunities in its markets. The economic assessment will also be needed in any insolvency procedures, as the court may ask for an assessment and sustainability plan. Get expert advice. All this analysis should be presented in a business plan which will support the financial analysis described below.

- ▶ **Financial analysis.** The preliminary financing plan includes: initial valuation of the enterprise, a precise estimate of what all workers will be able to provide to finance the buyout, a description of outside financing options, making initial contacts with cooperative funds and others. This analysis should demonstrate:
  - the fair value of the assets to be acquired and their current state;
  - an equilibrium between the financial needs and the resources available;
  - an equilibrium between the workers' investment and external finance;
  - a realistic assessment of the operation's financial forecast for at least three years; and
  - a realistic demonstration that the operation will produce sufficient earnings to repay external financial partners, and also – if not more important – workers' initial investments as well as their share of the economic results when they leave the cooperative on retirement or for any other reason.
- ▶ **Agreement.** This includes a final determination of the value of the business and the payment arrangements, whether with the owner in a written offer subject to contract, the court in insolvency proceedings, or the State in cases of expropriation. The valuation should be based on comparable ventures and should demonstrate that the revenues forecast will allow the workers to “live with the price”, meaning that the enterprise will be able to produce sufficient revenues to repay the financial partners (as described above). After the price has been agreed, the agreement has to be made in a legal context that takes into consideration the purchaser's interests, the financial partners' conditions and the fiscal aspects.
- ▶ **Finalization of the worker buyout.** Conclusion of negotiations on terms of sale, transfer of shares, finalization of finance arrangements.

### **Phase 3: Conversion into a worker cooperative**

In cases of conversion of failed enterprises, the cooperative form is most frequently the option chosen by workers (see box 3). For instance, in Argentina, 94 per cent of the 200 *empresas recuperadas* are cooperatives, while in Brazil, of 67 such enterprises 85 per cent are cooperatives.

The cooperative form is therefore generally the norm, regardless of the sector involved: whether production, social care services for the elderly, renewable energy,

### **Box 3 What is a worker cooperative?**

A worker cooperative's key mission is to create and maintain sustainable jobs, in a strong local development and wealth generation perspective. Its members are the employees of the enterprise, who thus jointly decide on the major entrepreneurial decisions and elect and appoint their own leaders (boards of directors, managers, etc.). They also decide on how to share the profit with a twofold aim: a) to provide a fair remuneration in the form of returns based on the work done (in fact an adjustment of the price of remuneration); and b) to consolidate the enterprise and its jobs over the long term by building reserves. Finally, the cooperative spirit promotes employees' information and training, a prerequisite to develop the autonomy, motivation, responsibility and accountability required in an economic world which has become increasingly insecure.

*Source: CICOPA, 2013.*

or rural to financial cooperatives. However, it is observed that it is usually easier to achieve in sectors where the capital cost per job is lower, such as in services. In the manufacturing sector, the more expensive the production equipment per job saved, the harder it is to organize an accessible financial architecture for the project. Size is another issue. Above 100 workers, a worker cooperative may be more difficult to set up for business as well as for governance reasons. A larger enterprise will need higher-level management and may need an international marketing and distribution network, both of which are more difficult to achieve alone than within an industrial group. A larger membership brings strength but also a more remote democratic system, leaving greater challenges of communication among workers and the maintaining of collective responsibility.

Worker cooperatives may of course be born of collective will, without the passage through the conversion of private enterprises in difficulty. The Mondragon Corporation in Spain stands as a clear and spectacular example of such a development, even if it has experienced some economic difficulties related to the national economic crisis. Notwithstanding these elements, Mondragon remains a powerful demonstration of the size and strength a cooperative movement may achieve.

The preparation of the legal documentation to create a cooperative is stipulated in each legislation. However, the founding of a cooperative is identified with a self-management structure characterized by the seven cooperative principles developed by the international cooperative movement to include: voluntary and open membership; democratic control by members; economic participation of members; autonomy and independence; education, training and information; cooperation among cooperatives; and concern for community (see box 4).

## Box 4 The seven cooperative principles of the International Co-operative Alliance

### Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

### Values

Co-operatives are based on the values of **self-help, self-responsibility, democracy, equality, equity** and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

### Principles

The co-operative principles are guidelines by which co-operatives put their values into practice.

#### 1. **Voluntary and open membership**

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

#### 2. **Democratic member control**

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

#### 3. **Member economic participation**

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

#### 4. **Autonomy and independence**

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

#### 5. **Education, training and information**

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of co-operation.

#### 6. **Co-operation among co-operatives**

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

#### 7. **Concern for community**

Co-operatives work for the sustainable development of their communities through policies approved by their members.

Source: International Co-operative Alliance, available at: <http://ica.coop/fr/node/1625>.

#### ***Phase 4: Restarting production and training for sustainability***

The cessation of production for any period while waiting for liquidation proceedings can be disastrous to the enterprise; there is a serious risk of losing clients and suppliers, resulting in a lack of reintegration into productive activities and the commercialization of products in the market. In some countries, a continuation of production activities during liquidation proceedings is possible. Whenever this is the case, it is better to convert the failed enterprise into a cooperative without stopping production, as for instance in France in the **Reprotechnique** cooperative. After several years during which the Reprotechnique company was in judicial liquidation, 66 workers recovered the enterprise and decided to create a SCOP. With technical and financial support from the SCOP movement, workers funded the collective project, investing their own money to save jobs, making especial use of the income of three workers and the support of the local government (see <http://www.les-scop-idf.coop/>).

Since cooperatives are also a social project, developing an education and training plan is crucial to ensuring ongoing success. This training should teach worker cooperative management, governance and administration, and should integrate all worker members into the educational programme. The areas of training should include new collective skills such as management and accounting administration, as well as technical and professional skills. Training is also essential on governance and the functioning of the cooperative.

Many economically viable cooperatives run into problems when the governance structure is poorly designed or not well understood by workers. Given the personal financial stakes involved for each worker, it is imperative that great attention be dedicated to this issue from the very moment when creating a cooperative begins to be considered.

### **SOLVING THE FINANCIAL EQUATION**

To state the obvious, securing access to financial resources (liquid capital) is essential for the buyout of an enterprise by workers (through the development of a preliminary financing plan), for the success of the cooperative start-up phase (acquisition of raw materials enabling production) and for the sustainability of the project (purchasing new machines and equipment to continue production).

Typically, workers bring their own personal savings and severance pay to the project. In cases of insolvency, unpaid wages and benefits can also be brought into the equation, provided the law prioritizes workers' claims over other debtors. And in some countries, such as France and Spain, unemployment benefits can be paid as a lump sum to help displaced workers gather the funding to start a business. These funds can clearly be put to use in a recovery project, but are rarely sufficient for the task at hand. In fact, it is clearly inadvisable, even if possible, for workers to put all their savings into the venture.

Pulling together the financial resources needed, and furthermore, obtaining them quickly enough to secure the company's assets before they are sold, is therefore a universal challenge in such a project. The challenge is all the more important due to the limited borrowing capacity of workers. Hence, a balance between the expectations of the financial sector institutions and the capacity of a group of workers is usually difficult to attain without outside help. It is usual to rely on a diversified base constituted of members' own savings together with contributions from the community, government, and financial stakeholders (see figure 2).

To start with, the cooperative may face difficulties in raising capital for the following reasons:

- The recent history of the enterprise may demonstrate important weaknesses.
- It may have a business plan that could be improved.
- There may be a lack of recognition of the fair value of the assets.

On the supply side of the financing question, worker cooperatives generally face unfavourable attitudes from banking institutions, including very demanding requirements and access conditions when they apply for credit and loans. Financial institutions often have a cultural resistance towards collective enterprises: they will wonder about the capacity of the enterprise to repay the loans; they will question the limited equity held by workers; and they may wonder about the administrative cost of overseeing such a loan.

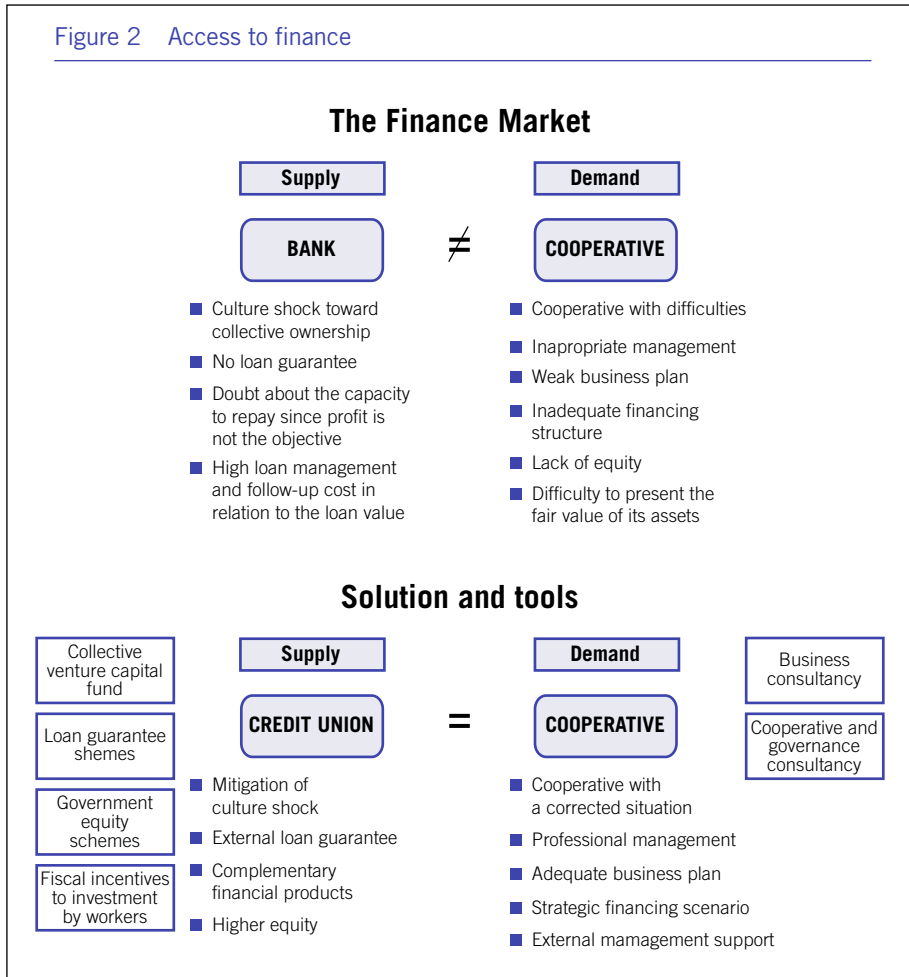
It has to be granted that worker cooperatives are different from conventional firms in their profit distribution system, which gives priority to returns to members (calculated on the basis of the type of relation between the members and the cooperative, not on the remuneration of capital); and in their control system, which accords very limited power, if any, to external shareholders.

Outside support will usually be necessary to help both sides of the equation reach an equilibrium. For example, external experts may help the cooperative with the business aspects of the project and may help the financial institutions better appreciate the special nature of worker cooperatives.

Complementary financial institutions and products are usually needed to help secure proper financing with venture capital funds, loan guarantee schemes and solidarity investments, making the bank position more comfortable. When possible, it is advisable to solicit credit unions instead of private banks for the financing, since their own collective history will help in their understanding of the project.

Indeed, as we shall see, one of the tasks of the cooperative movement and of public policy has been to help create dedicated institutions that fill the existing gaps in financing. Needless to say, the existence of such institutions can make an enormous difference to a worker cooperative's capacity to access the necessary funding, with financing instruments that are adapted to their needs.

Figure 2 Access to finance



Since financing a conversion is always a central challenge, it may be helpful to bear in mind the following three main messages:

1. Conversion requires a legal and regulation context that allows the cooperative to offer its assets as collateral to banks and other financial institutions. The government has both a regulatory and facilitatory role to play in providing solutions to improve the capacities and incentives of actors on both sides of the supply and demand equation in the financial market.
2. A first step is to build a general understanding between the financial actors, be they private, public or belonging to the social and solidarity sector. Finding financial solutions is at bottom a problem to be shared. Institutions have to be developed or adapted to respond appropriately to sound, collective entrepreneurship proposals. The best scenario is to involve all three of the above sectors in organizing a rational and fair partnership, sharing risks and returns.



3. The lack of financing may be structural, due to the deficiencies of the financial market, but it may also be simply the absence of quality conversion projects. It is during the financing phase that the global feasibility of each project is analysed, tested and debated. It is important to distinguish structural financing problems from individual feasibility difficulties. This calls for support to budgeting to help cooperatives present the best possible case to financial institutions.

### THE BUILDING BLOCKS OF A SUCCESSFUL CONVERSION PROCESS

To sum up, there are several facets to a successful conversion exercise and each requires attention (see figure 3). It begins with the completion of market research and feasibility studies to ensure that the cooperative project offers serious opportunities for success, with the objective of improving the economic and social conditions of its members. If the findings are positive, the process continues with the legal setting up of the cooperative, the financial arrangements, the establishment of an efficient administrative structure, the search for and the negotiation of financing and managerial support. In parallel, extended training to future members of the cooperative is essential, in order to ensure that they are well aware of the benefits, risks and conditions of success of the project in which they invest. The content of such training should include:

- **Training prior to creation:** Present all workers with the company's economic situation, the cooperative strategy, the legal and financial responsibilities of the members, the decision-making structure, the cooperative's democratic structure and its impact on the internal workings of the business. Present the distribution of surplus and the limited financial liabilities in case of bankruptcy. Training must also present the balance between collective democratic ownership and the efficiency required of a competitive business in the market economy. Present the business plan so that everyone can understand the risks and benefits. Present the direct links between the efforts and contributions of members on one hand, and the success of the business as projected by financial forecasts on the other.
- **Training the cooperative's Board of Directors:** Overview of roles and responsibilities, the running of a Board, the decision-making and communication processes. Selection and supervision process of the operational managers, with a clear formulation of a mandate that is to be validated or redefined at least once a year.
- **Refresher training:** Following a short period of operations in the cooperative, refresher training about cooperative principles and review of the organization's experience. Presentation of problem-solving mechanisms and approaches for understanding financial statements. Discussion of the cooperative's situation, its main goals and the individual inputs required for their completion.

In the very first cooperative experiments, it was too often (wrongly) believed that workers' enthusiasm could make up for production and management expertise. While there is no doubt that workers do possess an intimate knowledge of the production process that is very often neglected by conventional management, there is nonetheless a need to identify the gaps and seek the range of expertise needed to make the venture a success. A democratic cooperative must be efficient to remain competitive in the market. The range of expertise required for its management should ideally be located in the cooperative or operate in close partnership with it.

### *Technical aspects*

There are several key technical elements that workers have to possess in order to control, manage and develop their new cooperative. The presence of expert support throughout the conversion process should allow founders and managers of cooperatives to benefit from:

- multidisciplinary expertise to evaluate the overall project, its feasibility and the appropriate funding method (sales and marketing analyses, administration and management, human resources, production, finance);
- an extended knowledge of the cooperative model through the training of members and the sharing of tangible experiences in dozens of other cooperatives;
- a process of continuous training directly related to their business plan. This process should cover both the business and cooperative aspects of the project;
- an approach of inspiring and supporting the interim committee (during the start-up phase) or the Board of Directors (in existing cooperatives) so as to promote the inclusion of members into the project;
- a strategy of regularly communicating on the cooperative's progress for the benefit of all members;
- support in negotiating financing with various creditors, both institutional and governmental; and
- the availability of managerial support to monitor the project as it starts and to adapt it to new circumstances.

### *Values*

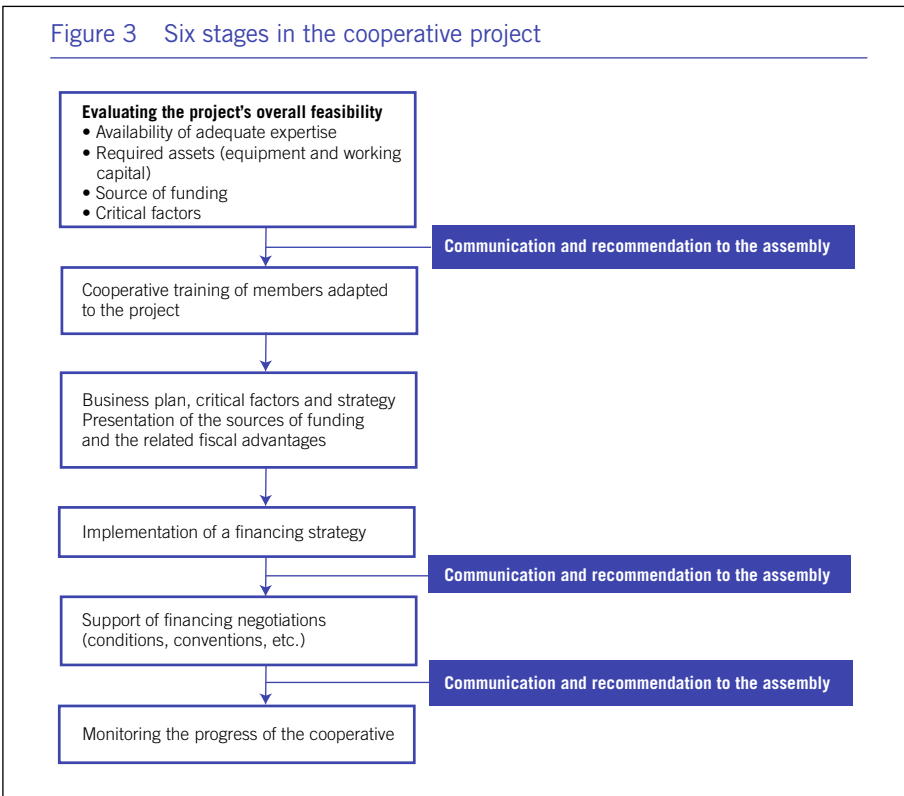
The conversion process is not only technical but also strategic. It is about the transmission of values. Groups venturing into the path of cooperation must indeed share a project, but also some values that define their relations with each other and their partners. Without knowledge of these values, the cooperative can become a nest of hazardous conflicts between members of the cooperative. With this knowledge, cooperatives provide collective access to entrepreneurship, effective democratic management and equitable sharing of profits.

## Strategy

Ensuring that the proposals submitted are administratively permissible or legally feasible is not sufficient. The workers and their technical resources must ensure equilibrium at the following four levels:

- A balance between financial resources and business needs. The cooperative must have the necessary flexibility to deal with unpredictable events without unnecessarily inflating its financing fees.
- A balance in the involvement of members through adequate capitalization, limited by their financial capacity. The cooperative is a business platform that allows individuals to provide themselves with the means to meet common economic and social goals. Collective access to entrepreneurship is one of the values of the cooperative model, which tends to limit the financial efforts required of individuals. In addition, a financial link between the cooperative and its members is necessary to ensure the continued involvement and dedication of members and their daily investment in its development. This effort is also a sign of confidence and interest that helps to convince external financial backers to participate in funding the cooperative.

Figure 3 Six stages in the cooperative project



- A balance between internal financing through workers' funds and external financing through loans and additional required capitalization. The combination of different financial tools produces leverage, facilitates access to capital and may reduce financial fees. A financing strategy should allow a balance between interest expense and repayment flexibility, the possibility of additional funding and the adjustment of funding to business cycles.
- A balance between different forms of capitalization with appropriate regulations on issuing various types of preferred shares, in order to fairly protect participants in the cooperative's capitalization.

### 3. Mobilizing support

As we have seen, it is quite a challenge to recover a failing enterprise and convert it into a stable, viable, job-creating cooperative. There is a need for effective and consistent advisory support mechanisms and financial support for workers in such complex transactions. Such support can come from the trade unions, the cooperative movement, the local and even the international community, and the government.

#### THE TRADE UNION MOVEMENT

Trade union representatives have a central role in a recovery process. They are typically on the front line in trying to find solutions to prevent job losses in the first place. As we saw in the previous section, many successful recovery cases have been the result of a lengthy fight led by the trade unions. If they are not themselves the instigators of all recovery proposals, it is rarely the case that they are completely absent from the process.

In Argentina, where because of the scale and depth of the crisis the takeover process around the *empresas recuperadas* was largely spontaneous, trade union centres such as the Workers' Confederation of Argentina (*Central de Trabajadores de la Argentina – CTA*) still played an important role in providing financial resources to mobilize political support for the workers and to provide legal advice and educational tools (Dobrusin, 2013). This should come as no surprise, as 87 per cent of workers at the failed enterprises were members of trade unions before starting the recovery process, and 43 per cent of worker's trade union delegates had an active role either in organizing workers' activities or in participating in the founding of the cooperative (Ruggeri, 2010).

It is therefore important that trade unions be basically equipped to handle such difficult situations. As we saw in the first section, in expanding their roles to anticipate insolvencies, trade unions can provide their members with tools to facilitate the gathering and analysis of useful information. Having the right information in “real time” is a huge advantage in establishing a strategy for the next steps.

Trade union organizations would also be well-advised to familiarize themselves with the laws and regulations regarding insolvencies, business transfers and the creation of cooperatives ahead of a crisis, so as to be able to quickly assess a recovery sce-

### Box 5 Trade union support for cooperatives in Brazil

In the early 1990s, Brazilian domestic production began to suffer the negative effects of an open policy towards foreign trade and a wave of privatization of public enterprises. The most developed industrial districts of that time, mostly located in the urban areas of São Paulo, were deeply affected: unemployment, bankruptcies and inflation rates increased. This conjuncture contributed to the development of a new paradigm for the trade union movement. Looking for solutions and improvements for working people, the Metalworkers Union of ABC (*Sindicato dos Metalúrgicos do ABC – SMABC*), affiliated to the main Brazilian trade union confederation, the *Central Unica dos Trabalhadores* (CUT), together with other trade unions, intensified their relations with trade unions abroad, notably in Italy. In the case of SMABC, this exchange resulted in a better understanding of alternative models in the organization of labour, in particular the role of the worker cooperative as an opportunity to deal with the crisis and widen the scope of action of the trade union movement.

In 1997, SMABC, in partnership with CUT, supported the workers of Conforja in São Paulo, one of the biggest foundries in Latin America with more than five hundred unionized workers, in salvaging the bankrupt enterprise as a cooperative called **UNIFORJA**. Other similar experiences repeated over the period led the CUT to create its own dedicated solidarity economy development department (*Agência de Desenvolvimento Solidário –ADS-CUT*) in 1999 as well as to promote the founding of a worker cooperative federation, UNISOL, to represent those cooperatives in 2000.

Today UNISOL is present in all states in Brazil, representing more than 800 cooperatives in a wide range of economic sectors with more than 70,000 workers. Among UNISOL's affiliated cooperatives are small-scale handicraft associations, agriculture and fisheries cooperatives and a number of former private enterprises that were in crisis and have been turned into cooperatives. In 2011, the consolidated turnover of member cooperatives and social economy enterprises of UNISOL was over US\$ 1.25 billion.

Source: CECOP.

nario. Often, this scenario is only considered after all other resources are exhausted, and it is often too late to respond. This knowledge also improves a trade union's bargaining capacity vis-à-vis the employer, no matter what happens in the end.

Some trade union centres have gone a step further, by establishing – whether within or outside their own structure – service agencies that explicitly deal with these functions.<sup>1</sup> A case in point is that of the *Agência de Desenvolvimento*

---

<sup>1</sup> It is interesting to note here that in the early part of the twentieth century, many trade union centers in Northern Europe had stronger internal capacity when it came to establishing cooperatives of all types. It was then regarded as one of the “legs” of the workers movement (along with trade union and political action). This was notably true of Germany, Austria and Scandinavian countries. See for instance Stettner (1979), Hesselbach (1971) or Book and Johanson (1988). Another important case in point is that of Histadrut in Israel, where until the early 1990s, there was an important trade union-supported cooperative sector.

### Box 6 The radio station cooperative in Granby, Quebec

For decades, the small town of Granby, QC (population 77,000) benefited from the presence of a private regional radio station owned by a large media group. In 1996, the parent company decided to shut it down, resulting in the loss of all 15 jobs at the station. Faced with this situation, the company's workers refused to abdicate and asked their labour union to assist them in creating a worker cooperative that would resume operations.

As members of the Confederation of National Trade Unions (CSN), the workers at Granby's radio station were entitled to financial support from their union to draw upon the services of MCE Conseils. Workers attended several training courses on the economic feasibility of the cooperative, the conditions required for success and the democratic functioning of a worker cooperative. These training activities confirmed the willingness of workers to proceed with the conversion.

MCE Conseils subsequently conducted market research, produced a business plan, searched for funding opportunities, took steps to incorporate the cooperative and accompanied workers in the process of obtaining the broadcast licence required by the regulatory authorities. Workers actively participated in this process by organizing a petition with the population to confirm their desire to keep a radio station, as well as a survey of businesses in the region to confirm their interest in buying advertising minutes on the cooperative's airwaves. They were very active in the strategic thinking process related to the project and their collective management culture.

Financing for the cooperative amounted to CAN 800,000. There were several sources of funding, including members' financial input, a loan guarantee granted by a Crown corporation, investments from local financial institutions and support from the Caisse d'Économie Solidaire Desjardins, also founded at the initiative of the CSN. Support from the CSN also allowed workers to draw upon the services of a communications equipment engineer and a telecommunications attorney to complete their business plan and obtain the broadcast licence.

The worker cooperative was inaugurated in November 1997 to resume operations of the radio station. It has been profitable from the start and distributes a significant share of surplus to its members on an annual basis. For 18 years it has provided employment to its members with competitive conditions and constant involvement in the management of their business. It remains an important communication medium in the community for information, culture and entertainment.

*Solidário* (ADS-CUT) created by the CUT in the late 1990s in the wake of the economic crisis (see box 5). With the broad mandate to educate and promote the social and solidarity economy, ADS-CUT supports among other things the creation of viable solidarity enterprises, facilitates and expands workers' access to credit, provides training for staff in building the solidarity economy, conducts research on the development of solidarity economy, and expands workers' access to information on public policy, legislation and market.<sup>2</sup>

<sup>2</sup> See <http://www.cutceara.org.br/conteudo/52/agencia-de-desenvolvimento-solidario>.

Another example is that of the Confederation of National Trade Unions (*Confédération des Syndicats Nationaux* – CSN) in Quebec, which developed its own professional consultancy service, MCE Conseils, in 1987. The consultancy service provides expertise and advisory services to workers, cooperatives, companies and networks, in the fields of economics and marketing, finance and accounting, management and organizational development, training, and project planning and evaluation. Through its support offered to business start-ups, MCE Conseils has contributed directly and in a sustained manner to the creation of some 30 cooperatives and 1,300 jobs (see box 6).

One recent instance of a proactive approach in this area is that of United Steelworkers (USW), which established in 2009 a collaboration agreement with the Mondragon Corporation and the Ohio Employee Ownership Center to help develop unionized, worker-owned cooperative businesses in Canada and the United States. This collaboration has so far supported a handful of projects (Witherell, 2013) and was supported again at the last Convention of the USW in 2014.<sup>3</sup>

Another example is that of the Wales TUC (Trades Union Congress) which set up the Wales Co-operatives Centre (WCC) in the early 1980s. Inspired by the example of Mondragon in Spain, and dealing with a serious deindustrialization problem, the Wales TUC sought to fill the technical support gap through the creation of the WCC. Over time, the Centre has become a publicly supported cooperative development agency aimed at promoting social, financial and digital inclusion through the creation of new cooperatives or business succession to employees (see <http://www.walescooperative.org>). The Wales TUC and the WCC have maintained throughout the period an evolving collaborative relationship.

It is important to note in the case of the trade unions involved here that the development of tools for intervention was the outcome of sometimes lengthy internal debates and reflects an evolution of thinking relative to the support of worker cooperatives specifically and the social and solidarity economy in general.

In 2002, at its 7th National Congress, the CUT of Brazil explicitly endorsed a policy of support for the solidarity economy. The resolution called for “the construction of a solidarity economy as a strategy of political action. The solidarity economy is considered a class project organized around the historical claims of the Central. For the CUT, the solidarity economy is a social project to consolidate self-managed enterprises and represent an alternative employment and source of income for workers. These are concrete experiences of new working relationships which break with the subordination of the worker to capital, and which promote the development of democratic relations in the management of labour and production. Self-management of production is a key to building democracy in society

---

<sup>3</sup> See <http://www.usw.org/convention/resolutions/resolution-no-27-worker-ownership-and-workers-capital>.



educational process. The solidarity economy is an important strategy for social inclusion and promoting a model of sustainable development” (CUT, 2002).

Financing is another area where trade unions can make a contribution. For instance, the trade union network is the natural place for workers to solicit emergency donations from other workers. Federations can also lend a hand, particularly in the initial phases by providing temporary “bridge” financing to help prevent the closure of the enterprise. However, this sort of informal support cannot be relied upon (nor should it) as a source of ongoing financial support.

A few trade unions have gone a step beyond by creating their own investment funds as vehicles for workers’ savings. Such funds can be put to use in viable recovery and conversion projects.

An example of financial support is the **Sihlahla Muri Recycling Worker Cooperative**, which emerged through the buyout of a distressed recycling plant in the inner city of Johannesburg. The National Union of Metalworkers of South Africa (NUMSA) supported this initiative in an attempt to break new ground in union strategy. In 2009, the union had an opportunity to take over Split Rock, a waste collection and recycling business, through a buyout. The company was badly mismanaged and the workers were keen to save their jobs by taking over the company and converting it into a worker cooperative. After several months of preparation, the cooperative formally registered with and leveraged a grant from NUMSA to capitalize the cooperative. NUMSA has provided tremendous support to this initiative. With union support, the workers have continued waste collection in the city from affiliated union offices. The cooperative was given office space at the regional union office (including secure parking for the van and trailer), equipment has been procured through an incentive scheme, and the cooperative’s assets are insured through the union, which also offers political support and strategic advice (Satgar and Williams, 2011).

In another example, after the crisis of the early 1980s the *Fédération des travailleurs et travailleuses du Québec* (FTQ) created the *Fonds de solidarité des travailleurs du Québec* (FSTQ) for the express purpose of creating and preserving local jobs in small and medium-sized enterprises. The FSTQ relies on the strength of a vast network of nearly 2,400 individual partner-representatives (usually union shop stewards or elected executives) across the province and on the solidarity of more than 615,000 shareholder-savers (out of a population of eight million) and has by now reached a capitalization of over CAN 10 billion. The FSTQ provides entrepreneurs with “patient” long-term capital that helps them grow and offer quality jobs. It also seeks to encourage workers to save for retirement and to offer its shareholder-savers a reasonable return over and above the outstanding tax benefits they receive by purchasing FSTQ shares. The CSN established its own fund, the Fondation Development Fund, in 1996. In contrast to the FSTQ, this fund focused more on enterprises with a participatory manage-

ment process, i.e. cooperatives or other companies including equal distribution of voting rights among shareholders or members.

The key role of trade unions is to protect workers' rights and enhance their working conditions. Notwithstanding the wide ideological spectrum of unions, the preservation of jobs is their basic central activity. While some unions may limit themselves to enjoining appropriate behaviour on the part of employers and/or demanding government action to stop a closure process, other unions will support the conversion process as a part of the social struggle, changing society's unequal economic system. Hence, attaining collective ownership and managerial control through a cooperative is entirely coherent with a union's values and objectives, as recognized and supported by international bodies.

## THE COOPERATIVE MOVEMENT

Cooperative networks play a fundamental role in the recovery and conversion process. National or regional worker cooperative organizations are often called upon to help workers convert enterprises into cooperatives. Their expertise includes providing financial and legal knowledge to prepare the bid to take over the enterprise, developing a preliminary financing plan, providing training programmes, drafting the statutes, validating the working capital requirements, providing advice on obtaining the necessary financing, and follow-up services in different fields such as training.

Moreover, the cooperative movement and its national federations are the guardians of the values of cooperation and are best equipped to transmit these to new groups of workers considering a conversion into a cooperative. They are centres of expertise on governance, financing and technical support. Furthermore, being part of a cooperative federation helps individual cooperatives to have contacts with others, benefiting knowledge exchange, benchmarking, development strategy and governance training, all measures helping to achieve the best practices in the field and to maintain the cooperative spirit despite the daily challenge of running a business.

Needless to say, the strength of these networks is key for advocacy purposes and making representations to governments for the implementation of regulatory, as well as for fiscal, financial and training measures in support to new and existing cooperatives as part of a national industrial or economic development strategy.

In Europe, workers can benefit from the support of many well-established worker cooperative federations such as Legacoop-ANCPL and Legacoopservizi which are arms of Legacoop (*Lega Nazionale delle Cooperative*), created in 1886 in Italy; Coceta (*Confederación Española de Cooperativas de Trabajo Asociado*) in Spain; and CGSCOP (*Confédération générale des sociétés coopératives ouvrières de production*) in France, which have been a fundamental element in the success of hundreds of recovery and conversion processes. CECOP-CICOPA

(the European Confederation of Workers' Cooperatives, Social Cooperatives and Social and Participative Enterprises) shares European experiences, its practical knowledge and its own expertise in order to inspire regional actors. Other examples of supportive organizations relevant in the case studies reported in this publication are the Canadian Worker cooperative Federation and the CQCM (*Conseil québécois de la coopération et de la mutualité*) in Canada, UNISOL (*Central de cooperativas e empreendimentos solidários*) in Brazil, and the Japan Workers' Cooperative Union (JWCU) in Japan, to name a few.

One crucial area where cooperatives federations have made a difference is in pushing for the creation of specific financial instruments to respond to the needs of worker cooperatives. In some countries, national laws compel cooperatives that have positive returns to transfer a percentage of their surplus to solidarity funds. These funds are then managed by the cooperative federations, which provide financial and advisory support to facilitate business transfers to employees through various financial instruments such as subordinated loans, risk capital, participatory certificates or guarantee funds.

Some federations are entirely dedicated to cooperatives active in industry and services (such as the *Cooperazione Finanza Impresa* (CFI) in Italy or the Cooperative Association for Development and Mutual Aid (*Société cooperative de développement et d'entraide*, SOCODEN) in France, while others are also involved in other cooperative sectors (such as Coopfond and Fondosviluppo in Italy).

For example, in Italy, Coopfond, the institution that manages the mutual fund created through annual contributions of 3 per cent of the profits of all Legacoop cooperatives, has provided over the past 21 years financing to 644 cooperatives, many of them in recovery situations. Cooperative funds, banks, or financial institutions and instruments can provide financial services that may not be found elsewhere. Through its mutualized capital, the cooperative movement can participate in the takeover of failing enterprises, often accepting a higher level of risk than a traditional investor, in part because they have a different appraisal of such risk.

In France, SOCODEN is the main financing instrument created by the worker cooperative movement. It is financed by a part of the turnover of all affiliated worker cooperatives which have positive results. These funds are earmarked to support the development needs of worker cooperatives, generally in the form of loans or participatory certificates. About 150 enterprise development projects are implemented every year by SOCODEN and its subsidiaries. Start-ups and worker buyouts of enterprises in crisis represent 35 per cent of the total, development projects 37 per cent, salvage 19 per cent and transmission of healthy enterprises to their workers 10 per cent (CICOPA, 2013).

Also in France, the Regional Union of SCOP in Rhône-Alpes has placed corporate takeover and recovery by employees (CTRE) at the heart of its development

policy since 2006. This orientation, conducted in partnership with the Rhône-Alpes regional government and co-financed by the European Social Fund, led in 2008 to the first venture capital fund dedicated to CTRE: Transméa. This financial tool, which has succeeded in involving banking partners (Credit Cooperative, La Nef), mutuals (Churchill) and public funds (*Caisse des Dépôts et Consignations*, Rhône-Alpes Region) has committed more than €2 million in five years to 36 recovery projects by employees. There are 106 CTRE projects in all, which have saved 1,186 jobs with a survival rate of nearly 70 per cent after five years (compared with 50 per cent for traditional private businesses).

In Quebec, the *Réseau d'investissement social du Québec* (RISQ) has been capitalized on donations from private banks and government grants to finance social and solidarity enterprises, including cooperatives, with unguaranteed loans. Over fifteen years the RISQ has invested CAN18 million in some 400 projects.

The importance of dedicated cooperative financial and business support institutions cannot be over-estimated. They help create a supportive “ecosystem” for unconventional enterprises which can make the difference not only between success and failure for individual ventures, but in the emergence of a new business culture. In their absence, it is doubtful that the Basque Region in Spain or Emilia-Romagna in Italy would have emerged as cooperative success stories.

## LOCAL (AND INTERNATIONAL) COMMUNITY

The preservation of jobs is a fundamental element in the shared prosperity of a local community. In their efforts to recover an enterprise, workers and their unions should always have an eye to the potential of support from various actors of the local community: workers’ families, neighbourhood residents, students, political parties and the local business community. Such support can be found in most cases when it is solicited. It is certainly easier in smaller communities, but can also be found in large cities. In the United States, for instance, when the workers of the **New Era Windows** cooperative in Chicago (described earlier in this overview) decided to occupy their factory before taking it over, the community came out in great numbers to support them.

In France, hundreds of ordinary people from the local community spontaneously donated money to help the workers of **Ceralep** cooperative. Two other fledgling French enterprises, **Fontanille** and **Helio Corbeil**, have with the help of the local unions CGT and CFDT recently made successful appeals for funds through crowdfunding (Monaco and Pastorelli, 2013).

Workers can sometimes find support in unlikely places, such as the clients and suppliers of the enterprise itself. In Italy, for example, the **Greslab** cooperative workers received part of their financial support from the principal clients of the enterprise.

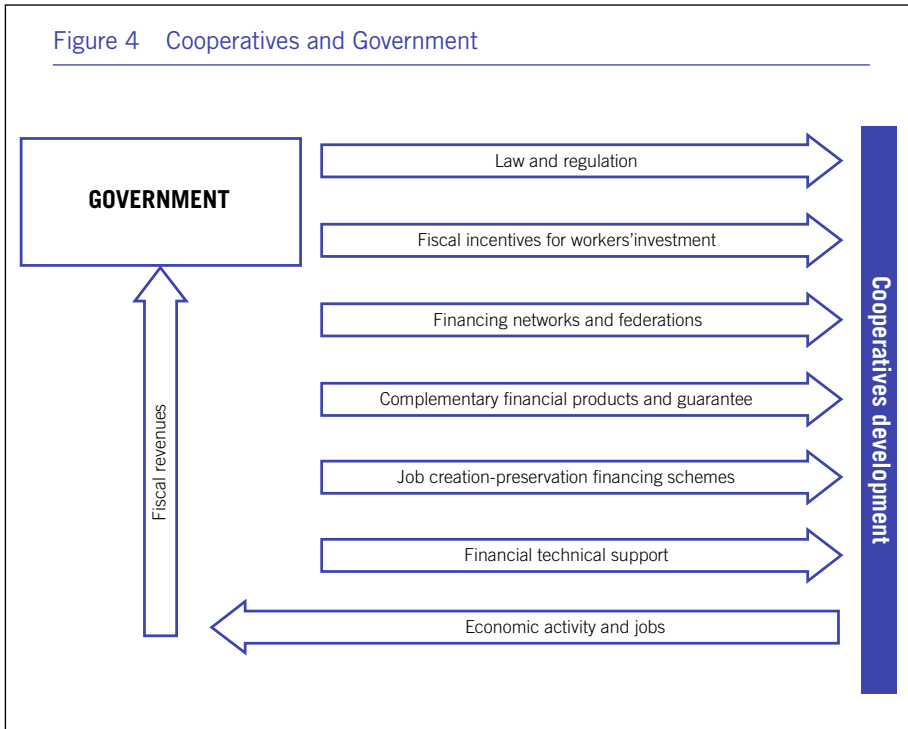
In 2002 in Argentina, the University of Buenos Aires (UBA) created an Open Faculty Program focusing on *empresas recuperadas por los trabajadores* (ERT) aimed at creating a space to support the growing ERT movement after the economic crisis. A significant number of students actively participated in the struggles of the workers. The UBA Program undertook a number of initiatives, including surveys of all the ERTs in the country, advice and support to ERTs, and the creation of an ERT documentation centre located in the cooperative **Chilavert**, as well as the publication of research, the organization of seminars, and an international meeting.

Some international non-profit organizations also provide funding. A case in point is the non-governmental organization The Working World, which has supported worker cooperatives in Argentina, Nicaragua and the United States, and incidentally the New Era Windows project cited above (see <http://www.theworkingworld.org/us/>).

## THE ROLE OF GOVERNMENT

Recovery processes usually appear on the public agenda in times of crisis. Several countries have adopted a series of measures to support such business transfers and/or conversions from failed enterprises to cooperatives. The role of the government is multi-layered, as shown in figure 4:

- It must offer a law and regulation system that is fair to cooperatives on fiscal and financial matters. It can also support the conversion process with liquidation and bankruptcy laws that give workers time and means to react.
- It can offer fiscal incentives to workers to help them invest in their cooperatives, lowering the financial cost while increasing the cooperatives' capitalization. Such fiscal investment on the part of governments is usually cost-effective for them because of the savings in social (unemployment) expenses and of the higher tax income generated by the workers themselves.
- Cooperatives need technical support and representation. Their federations and networks can offer such services, but their own operation costs can be too high for cooperatives alone to finance these. It may be a shrewd investment for the State to participate in building expertise in these areas. As we have seen, direct financial investment from public agencies or ministries, or a partnership to support social economy financial products, may be worthwhile and bring a financial return to the State.
- Many countries offer job creation schemes and financing programmes for foreign investors or large corporations. These kinds of fiscal advantages (grants per job, lower taxes, etc.) should be available to small social economy enterprises as well as to large investors. The visibility of small enterprises may be lower, bringing less political influence to such measures, but it is well-documented that SMEs, like cooperatives, have a larger contribution to the labour market than multinationals. In addition, cooperatives are by definition rooted in the community for the long term.



- Temporary technical support may be quite important for the success of cooperatives, especially in the early phases. Support may be needed in a number of areas: marketing, general management, governance, production-process optimization, accounting, etc. Indeed, it happens quite regularly that worker cooperatives in the process of taking over a failed private enterprise see strategic personnel leave. Temporary technical support in the writing of feasibility studies, business and marketing plans and for pulling together the financial resources needed may be necessary. It can also be useful to help workers “climb the learning curve” in becoming responsible collective entrepreneurs. Such help has usually a marginal cost for the entire project, but workers may choose to “save” this money for concrete assets, thus missing an opportunity to obtain strategic advice which has the potential to reduce the total cost of the project, increase its revenues and probably pay for itself. Government should consider financing some part of such services.

All these measures will help to support the growth of cooperatives and thus the preservation and development of jobs bringing extra fiscal revenues to the State. This kind of strategic support should consequently not be seen as a government expense but rather as an investment in the country’s social and economic development that will pay for itself.

Public measures can take various forms, including the following:

- ▶ **Adapting the unemployment benefit system.** For example, the Spanish *Pago Unico* is a single unemployment benefit payment option that allows workers to receive three years of unemployment benefits in a lump sum. This provision enables them to transfer their unemployment benefits either to the capital of a cooperative, or to a *sociedad laboral*, or to the buyout of a closing enterprise with the aim of transforming it into a worker cooperative.
- ▶ **Tax advantages for workers.** In Quebec, workers' investment in cooperatives is tax-deductible through a dedicated programme with a premium rate of deduction, lowering the real net cost of the investment.
- ▶ **Creating dedicated assistance programmes.** In 2010, the Australian Government provided the Australian Employee Ownership Association (AEOA) with over AUD 1.8 million in federal government funding for a pilot project, known as the Employee Buyout Center, to convert a dozen salvageable businesses with 600 jobs at stake into viable firms. The centre would assist employees to buy the companies they work for, as an alternative response to deal with company insolvencies, closures and break-ups in South Western Sydney.
- ▶ **Surveying existing experiences.** As mentioned above, the University of Buenos Aires has implemented a programme that surveys the activity of more than 200 *empresas recuperadas* in the country. Likewise, in Uruguay, the Ministry of Labour and Social Security started a Support Unit for *empresas recuperadas* in 2008, which is responsible for monitoring and providing technical assistance to these projects. The first task of the Unit was to conduct a national census of *empresas recuperadas*.
- ▶ **Modifying insolvency law.** In 2002, Argentina modified its Insolvency Law, establishing in Article 190 that in any bankruptcy procedure the syndic must inform the judge about the possibility of continuing the activities of the enterprise. The judge must then consider accepting the preservation of the enterprise on the formal request from two-thirds of the enterprise's workers or labour creditors, who must act in the period of continuity as a worker cooperative. In addition, Article 203a provides the possibility for the worker cooperative to request the acquisition of the enterprise through a compensation of their labour credits.
- ▶ **Modifying cooperative law.** Inspired by the CTA model in Quebec, a new French law on the social and solidarity economy creates a status for a new type of worker cooperatives: *coopératives d'activité et d'emploi* (CAE). Articles 32–33 of the law foresee the constitution of a transitory status which will make the creation or transformation of an enterprise by its workers easier. It provides that employees progressively take majority control of their business a few years before they obtain full ownership. The workers con-

tribute cooperative shares to the cooperative, while the cooperative itself invests conventional shares in the company. This may allow employees to have a blocking minority and obtain inside business information through sitting on the Board, and this can lay the basis for a transition towards a worker buyout (CECOP–CICOPA, 2013a).

In the United States, retiring business owners have frequently transferred their ownership interests to an employee stock ownership plan (ESOP) in order to take advantage of the tax deferral. The laws governing cooperatives did not allow for such a “transition” period, so they could not take advantage of the rollover. Recent changes to the Ohio State Cooperative Code now allow a private business to transition into a worker cooperative, much as ESOPs have done in the past (Messing, 2011).

- ▶ **New legislation.** In 2004, Uruguay introduced a new law on worker cooperatives, whereby in the case of an enterprise in the process of liquidation Article 6 gives power to judges to confer the use of the enterprise infrastructure on a worker cooperative constituted by the whole or part of the staff presenting a sustainability and technical plan for the cooperative (Martí et al., 2013).
- ▶ **Other legislation.** Public procurement rules, particularly local governments, can be written in ways that give a small edge to local, socially responsible enterprises.
- ▶ **Funding programmes.** The Marcora Law (1985) adopted in Italy enabled the establishment of two funds to support conventional enterprises being transformed into cooperatives. The first, *Fondo Foncooper*, is a general fund for the promotion and development of all types of cooperative. The second, the *Cooperazione Finanza Impresa* (CFI) established in 1986, is an institutional investor that helps transform conventional enterprises into cooperatives. It also supports existing cooperatives with their entrepreneurial projects (CECOP–CICOPA, 2013a). The supervision of the CFI has been entrusted to the three cooperative confederations (Roelants et al., 2011).

In 2010, Uruguay created a Development Fund, financed with proceeds from the operations of the Central Bank, to finance productive, sustainable and self-managed projects, including the *empresas recuperadas*. A paradigmatic example is **Envidrio**, a glass factory with 110 workers, which resumed production in 2008 after receiving financial support from the Government of Venezuela. The agreement with Venezuela included self-managed workers’ exchanges between the countries and training. There is also a joint project between Uruguay and Brazil (Government of Rio Grande do Sul) related to the textile production of the *empresa recuperada* **Maragata Industrial Cooperative** (Roelants et al., 2011).



- ▶ **Expropriation.** After the economic crisis in Argentina between 2004 and 2009 the government of the city of Buenos Aires (acting through Law No. 1529) expropriated 17 enterprises based in the public utility sector, which were all in bankruptcy procedures and occupied by workers. The expropriation was used to defuse the social conflict and provide workers access to employment. The legal procedure used was a proprietary transfer through a sale (payable within 20 years), conditioned on continuing exploitation. The immovable property was mortgaged while the movable property was donated.

This non-exhaustive list of measures demonstrates the multi-faceted character of possible government roles in recovery and conversion operations. Giving a winning chance to workers' claims in cases of insolvency and establishing a level playing field for worker cooperatives is not done overnight, but recent reform processes in the countries mentioned above demonstrate that it is not impossible. Trade unions and cooperative federations can be useful allies in bringing about such changes in public policy.

## 4. Success factors for viable cooperatives

The first challenge is to find an enterprise that has a “winning chance”. Trying to save a lame duck at all costs will only lead to prolonged agony and frustration. This is why objective, realistic outside advice is important before a buyout and conversion.

Why should workers want to keep in operation an enterprise that the previous owners could not (or did not want to) save? The answer of course lies in the differing assessments of the potential of the project. Three possibilities exist:

- a difference in the assessment of the actual situation of the company or its potential once it is taken over by its workers;
- a difference in the expectations of returns: a small rate of return might be sufficient for workers (and some financial partners) who are more concerned about the maintenance of their jobs and wages; or
- a difference in the energy and enthusiasm for the project, which is itself often the result of differences in age, interest or values.

Another pre-condition for success that was mentioned earlier and which is linked to the last point is that of workers’ motivation to become cooperators/social entrepreneurs. The will to become an entrepreneur, the will to own and control the production plant or service company has to come from the workers themselves. It cannot be imposed from the outside. Trade unions and cooperative organizations can support and accompany workers who want to become collective entrepreneurs, but they cannot invent them. Hence, a real initiative gesture must emerge from the workers themselves or else the future of the cooperative project will probably be, at some point, synonymous with disappointment, disillusionment and conflict.

When it comes to the potential for success of different sectors of activities or features of the enterprise, there is, in principle, no sector to be excluded or privileged. However, some commonsensical rules of thumb may be kept in mind, such as:

- a labour-intensive production process or operation which keeps the cost per job saved sufficiently low to be financed at least in part by the workers’ own capacities;
- a market that is well-known or local;
- the presence of experienced managers willing to participate;
- a smaller workforce which makes for an easier implementation;

- stability in the workforce of the enterprise;
- widespread expertise available *within* the workers' group;
- harmonious relations between different groups of workers;
- harmonious relations between production workers and managers; and
- financial involvement of workers compatible with their personal capacity.

Once it is in activity, the long-term success of a cooperative involves not only all aspects of operating a traditional enterprise but also the extra challenge of having a collective ownership and governance structure. If its specificity brings benefits, it also requires extra efforts. A democratic enterprise has to nurture its political culture.

As mentioned earlier in the discussion of building blocks in section 2, there are several practices which can facilitate the success of cooperative projects. A few deserve to be mentioned here:

- governance and the separation of powers;
- the training of members;
- transparency with members;
- balance and complementarity between democracy of property and efficiency of management;
- belief in the mission, the degree of rootedness in the community, and the cooperative's associational life;
- technical and financial feasibility;
- relevance of market strategies and production choices;
- the suitability of the team and managerial organization; and
- the role of partners in the project (including financial partners).

As a social economy enterprise, the cooperative combines two entities in one:<sup>1</sup>

- It is an *association* of people brought together in a democratic framework, sharing values of solidarity and sustainable development in order to attain a common objective. It implies a *social mission* expressed in the preservation of the members' jobs. The cooperative is owned and governed in a *democratic manner*.
- It also develops *economic activities* within the framework of a competitive market by producing and selling goods and services; these activities must respect its social mission while being rigorously managed with efficiency and competitiveness.

---

<sup>1</sup> This part of the text is inspired by a publication of the Réseau d'investissement social du Québec (RISQ): *The guide for analysis of social economy enterprises* (Montreal, 2005).

From this dual nature, cooperatives face certain challenges:

- They must develop business practices that characterize and distinguish it. If the cooperative is content to follow traditional business practices – even though it has a different legal status – it will not fulfill its mission. Participatory management has to be included in the project from the start in order to become more than a collective ownership but also a democratic organization.
- Social economy enterprises take on the challenge of democratizing the economy. They work at changing organizational models and strive to innovate within management models.
- The cooperative can be an efficient form of collective entrepreneurship, if it builds an effective governance and a real democratic character.

A worker cooperative is always the product of collective will, the will to find satisfactory solutions to preserve jobs of a group of workers. However, like any business, its economic viability depends mainly on the revenues it receives from selling its products to private or public consumers.

The experience of many collective enterprises has taught us that the main key to success is the ability to create and *maintain a balance and a complementarity* between social profitability (the satisfaction of needs as driven by the association of workers) and the effectiveness of the business as an economic entity.

This means that, on one hand, market imperatives, pressure on prices, surpluses and cost reductions driven solely by the prospect of generating higher profits should not induce the cooperative to modify its organization or production strategies without prior reflection by the *association* on the effects and impacts of these changes on its social mission. In a worker cooperative, better financial results should imply more work available, not less.

On the other hand, it also means that the *association's* will to carry out its social mission will not jeopardize the situation of the *business* by imposing on it operating constraints (number of jobs, stringency of requirements for necessary expertise, pricing policies, etc.) that are incompatible with the enterprise's capacity, its obligations in terms of productivity, profitability and competitiveness. Not all jobs can be saved if they imperil the project.

The tradeoff between competition and working conditions will always be a source of debate among members. The cooperative will be aiming at the best working conditions of its members without risking its long-term capacity to supply work, which means being competitive in a market. The way to look for competitiveness may differ from a private enterprise, but the goal of competitiveness cannot be ignored.

The democratic foundation of the enterprise has to be nurtured. The members (workers) make the major decisions together (in a General Assembly) and appoint

to the Board representatives whom they mandate to oversee operations and make decisions on their behalf. It is important to assess whether the enterprise is governed by a true, functioning democracy.

These are pivotal assets in:

- facilitating mobilization of the technical and financial means needed for the enterprise's long-term viability;
- reinforcing the potential for economic success: users' purchasing preferences, service contracts with different levels of government, etc.; and
- helping to adequately resolve the sensitive situations that all enterprises encounter during their lifecycle.

To the factors specific to cooperatives must be added the traditional frames of reference used in analysing enterprises. Thus, a more complete list of success factors, whatever the sector and the areas of development identified by the enterprise and its promoters, will include:

- collective entrepreneurship
- the vitality of the association and the democratic management processes
- the mission
- territorial and sectoral rootedness
- the market
- operations
- human resources
- financial profile
- social benefit
- economic benefit

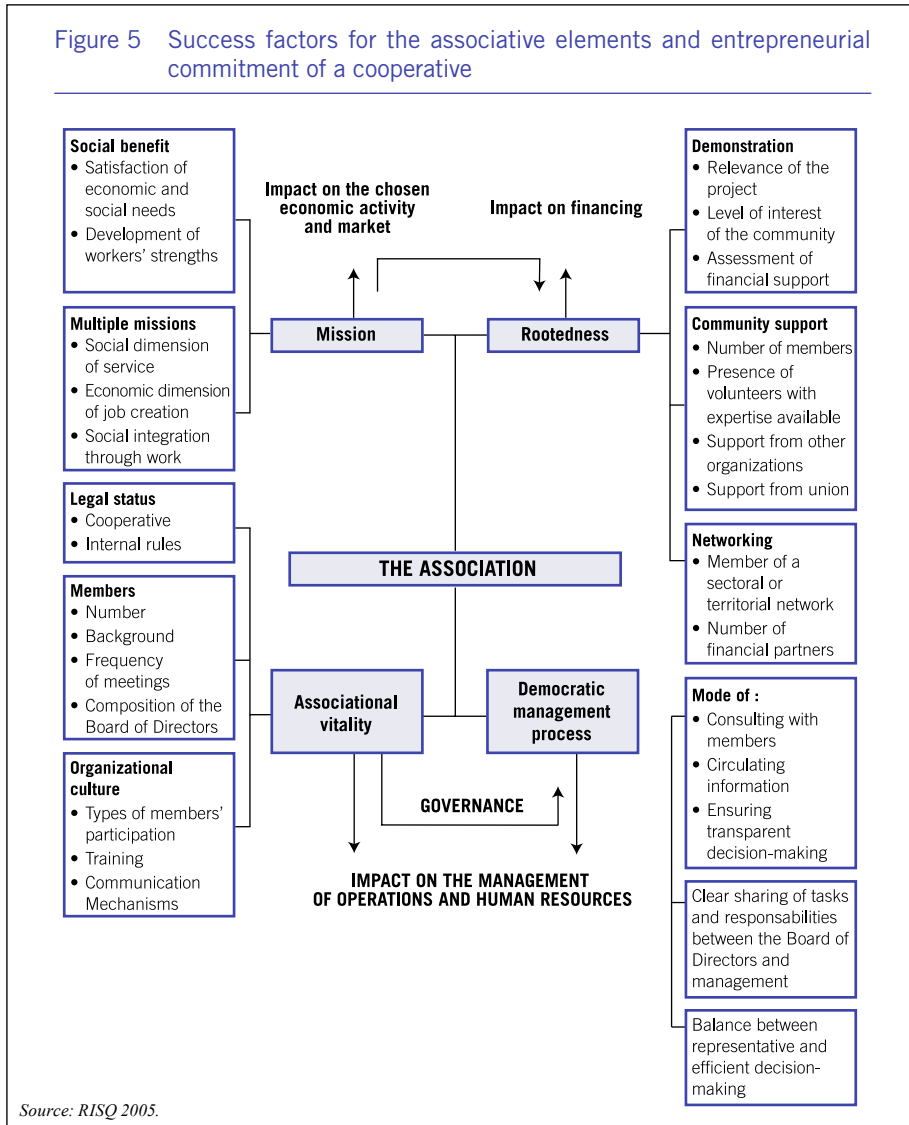
The following figures provide graphic illustrations of this reality:

- ▶ Figure 5 presents success factors for a cooperative in terms of its associative and entrepreneurial commitment. This schema displays the four associative objectives and provides a breakdown into a number of detailed operational issues which can act as a checklist of sorts.
- ▶ Figure 6 presents the traditional four components of an enterprise business plan, along with the success factors relevant to cooperatives. It provides elements for analysis and interpretation.

It is important that the associative objectives and the business components be equally present and fully integrated in the cooperative's strategy and that a viable balance be sought between the different goals.

The Mondragon consortium, the world's largest single worker cooperative structure, presents this equilibrium between people and business in a rather different way, as summarized in figure 7. Its assessment of success factors is split between collective elements such as leadership, people, alliances and resources on one hand, and business elements on the other to include worker and client satisfaction, process, and business (financial) results.

Figure 5 Success factors for the associative elements and entrepreneurial commitment of a cooperative



Source: RISQ 2005.

Figure 6 Success factors for the business elements of a cooperative

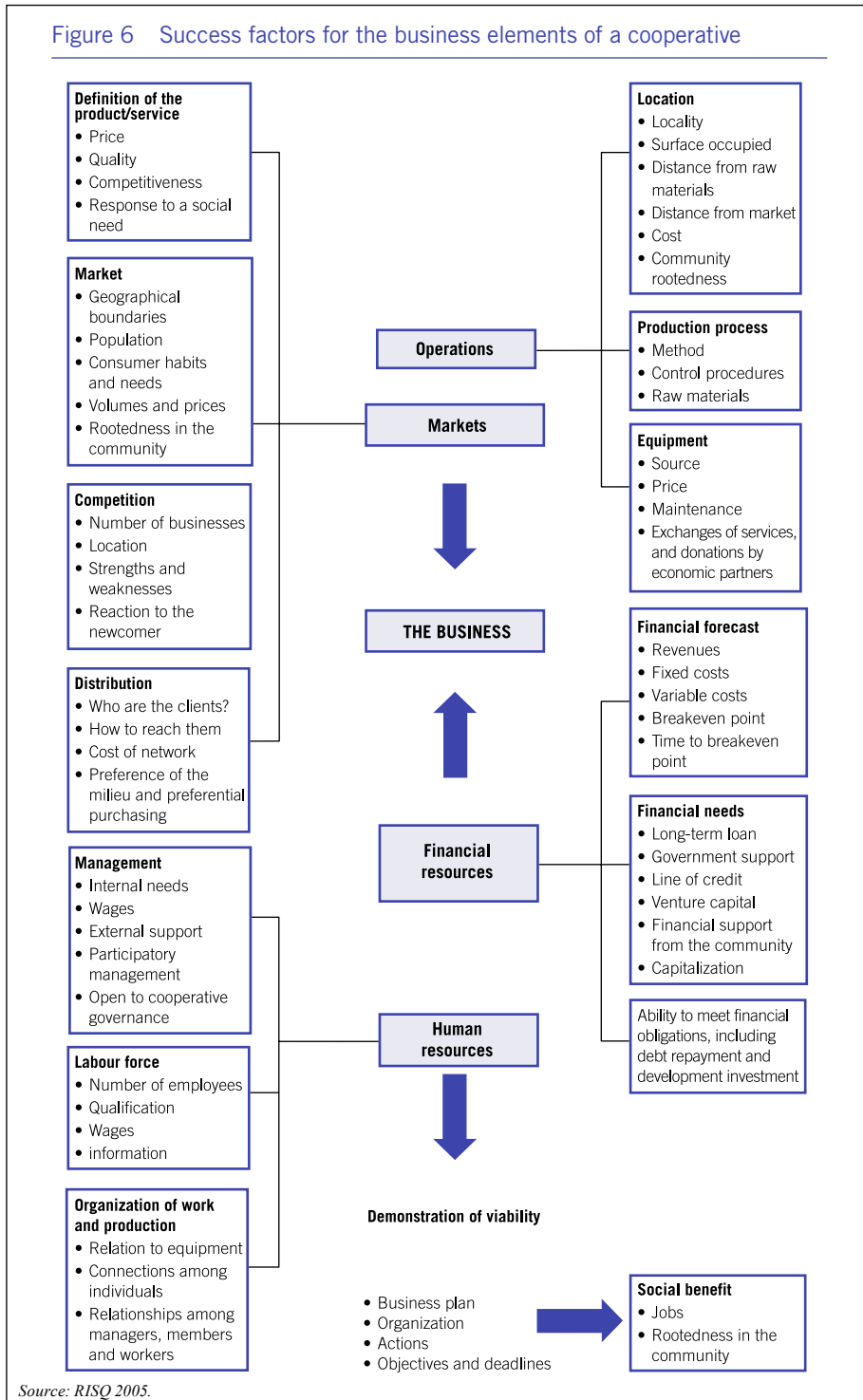
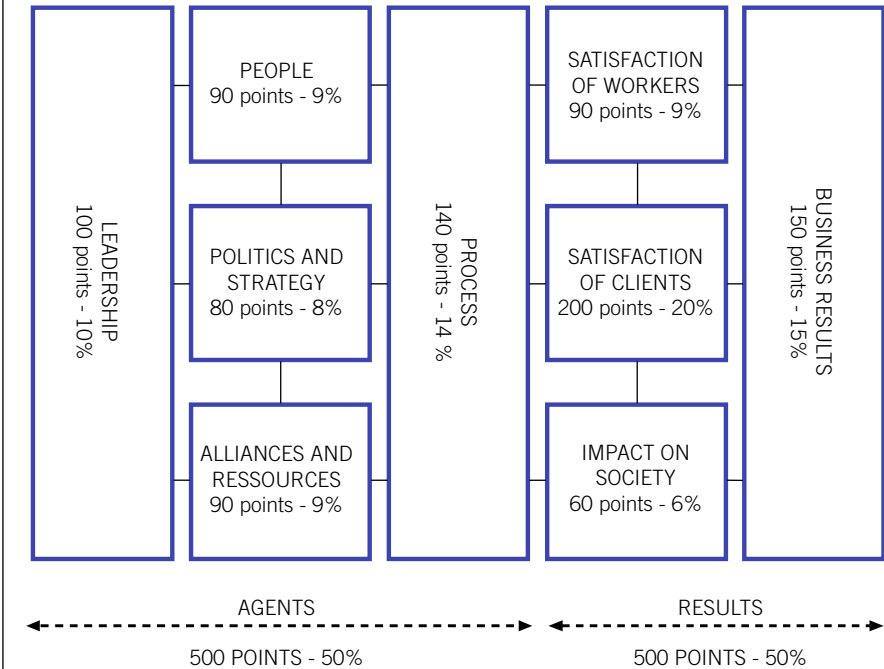


Figure 7 Self-evaluation: The Mondragon model of excellence



Source: Mondragon.

Finally, we might summarize the success factors discussed in this section in four lessons, as shown in box 7.



## Box 7 Four lessons

### LESSON 1

**We always ought to hold onto three concerns** in the analyses for qualification of a cooperative project:

1. Conservation and creation of jobs.
2. Participatory or collective management.
3. The return on the workers' investment through shares and the distribution of earnings.

These issues are always present, but with varying weights.

### LESSON 2

The cooperation model is both a tool and a means to reach those ends.

Each opportunity to create a new cooperative should be judged on its probabilities of sustainable success.

A cooperative is a form of ownership of a company, and accordingly **of an economic operation that has to be sustainable and cost effective**, in order to serve its long-term mission – which is to say, to provide work to its members in the best socio-economic conditions possible.

### LESSON 3

This kind of recovery project usually takes place in a very specific economic context where companies are in sufficient difficulties that the employer wishes to sell or close, but interesting enough for the workers to want to buy.

Three possibilities can be encountered:

1. A difference in the assessment of the company's real situation or of a strengthened management strategy.
2. A difference in the return expected, workers (and their financial backers) having possibly more modest expectations of returns.
3. A difference in the energy to be devoted to the project, resulting in differences in workers' ages, interest or values.

### LESSON 4

The cooperative is a form of collective entrepreneurship favoured by trade unions involved in economic recovery projects because they believe in its efficacy and its democratic character. However, one cannot force a group to become cooperators or entrepreneurs. One can stimulate, support and accompany workers in such a process, but the initiative needs to come from the workers themselves **or else the undertaking is likely to lead to disappointment, disillusionment and conflict.**

## 5. After the conversion: What role for trade unions?

What happens once the recovery process is complete and the workers have in effect become their own bosses?

A widespread misconception is to assume that because of their collective nature, there is no longer a need or a role for trade unions in worker cooperatives.

While this might be true in an abstract world, there are many reasons why in the real world it is neither true nor advisable. After all, worker cooperatives are employers – employers of a different nature perhaps, but employers all the same.

First, a worker cooperative does not operate in a vacuum, but in a market, with real competitive pressures put upon it. The role of trade unions is to ensure that workers' pay and working conditions in the enterprises of a given industry move up in parallel and that no one operator undercuts the standards. This of course applies to worker-owned cooperatives just as it does to other types of enterprise.

This is particularly true and greatly facilitated in countries with sectoral bargaining systems such as exist in many regions of the world. By belonging to trade unions, workers in worker cooperatives can help shape the conditions in a given sector and ensure that no enterprise survives artificially by maintaining lower compensation and undermining labour standards in the industry. The role of trade unions here is both to provide wage and benefit “signals” to all employers in a given sector, and to keep everyone (including cooperators) honest.

This being said, it should be noted that workers are generally better paid in worker cooperatives than they are in conventional firms, a finding that should reassure those who fear that worker ownership inevitably leads to widespread self-exploitation.

Secondly, a real-life worker cooperative has a division of labour and management structure just as any other type of enterprise. Even though managers must get approval for their plans and are liable for their performance at annual assemblies, one cannot take for granted that there will not be abuse of management prerogatives in the day-to-day operations of the cooperative. It is therefore important that the rights of workers be defended when necessary; and the fact that trade unions

can bring outside knowledge, support and perspective to bear on the internal matters of the cooperative is something that should be welcomed as adding strength to the checks and balances of the democratic system of the cooperative.

A related dimension is that of the majority rule which prevails in cooperatives; in some circumstances this could infringe on the rights of individual workers. This is particularly true in situations where workers who are members of the cooperative work alongside workers who are not yet member-owners and do not benefit from all the benefits and privileges (and one might add, responsibilities) of full membership. A role for the trade union here is to ensure that the treatment of non-members is not discriminatory and that the process of induction for new members is respected.

An additional caveat here concerns the problem of “false cooperatives” which exists in some countries, where enterprises use the cooperative form purely to evade social obligations such as social security payments or the right to collective bargaining. In countries such as Brazil, the labour and cooperative movements have joined forces to change cooperative laws in order to prevent such abuse. It is therefore important that legislation treats workers as employees and not as self-employed, so as to provide entitlement to social benefits and labour representation rights. Equally, rules need to be implemented to ensure that workers who work in worker-owned cooperatives are afforded membership rights.

Third, in many countries belonging to a union often opens up access to benefits plans for its members. This is notably the case for instance in Argentina, Canada and the United States. In jurisdictions with poor publicly-provided social benefits, this can make a substantial difference to workers.

When all is said and done, do workers in worker cooperatives actually join unions?

The answer is yes. Informal observations on the matter from various countries reveal that in labour representation systems where workers adhere to unions on an individual basis, workers in worker cooperatives typically join trade unions in greater proportions than workers in conventional enterprises.

In the “closed shop” system of representation where workers typically choose as a group whether or not to join a trade union, the tendency is for those who were already unionized, before the cooperative was created, to remain so. This overall finding supports the view that workers recognize the value of trade union representation.

What can be said of labour relations within worker cooperatives?

As stated above, the creation of a worker cooperative does not abolish the tension between the business imperatives and the workers’ desire for better working

conditions. However, although not without problems, relationships between trade unions and cooperatives in the context of collective bargaining and the handling of grievances generally appear to be less conflictual than in conventional enterprises. Overall, it appears that trade unions learn to adapt to the special circumstances of worker cooperatives, while remaining vigilant when they seem to be lowering industry standards (see Monaco and Pastorelli, 2013 and Michael, unpublished paper)

Along with collective bargaining, information sharing and training should be a fundamental part of labour union activities in the cooperative model. Through these activities, the union can act as a co-facilitator of democratic life in the workplace. The difference and superiority of the cooperative compared to the traditional enterprise will be demonstrated by the success of the democratic project – the opportunity for workers to experience direct democracy and self-determination as a producers' collective rather than reproducing the traditional division of labour inside the cooperative (see Ellerman, 1988).

# Annex I

## GLOSSARY

### *Business transfer, business succession*

Process where “all assets representing in their totality an enterprise as a going concern” are transferred to a new owner (sometimes referred to as an assets purchase). It may also take other forms to include the transfer of all or some of the business liabilities. “New owner” means a third party, including family members and workers (EC, 2011, p. 72). The usual scenario is that of a retiring owner with no successor, heir or family member willing to take over the enterprise, resulting in the enterprise being handed over to the employees, who then convert it into a worker cooperative (CECOP–CICOPA, 2013a).

### *Employee buyout*

Process where business owners sell their shareholding to the employees and, as may also occur, cases where business owners have gifted their ownership stake in the business to their employees (Co-operatives UK, 2013).

### *Employee ownership*

Employees owning the enterprise they work for or at least a controlling stake, and ensuring that it ultimately operates for the long-term benefit of employees now and in the future. The employee-owned business can take one of three forms (Co-operatives UK, 2013):

- **Direct employee ownership:** individual employees directly own shares (become shareholders) in the business they work for. Using one or more tax-advantaged share plans, employees become registered individual shareholders of a majority of the shares in their company. One compelling argument for direct ownership is that owning a tangible personal stake might make ownership “feel” real. However, such diffused share ownership does not typically translate into effective control by workers as they are not organized as a group;
- **Indirect employee ownership:** an **employee trust** owns shares in the business on behalf of beneficiaries. The beneficiaries of the trust are the existing employees, past employees and future employees. The employee trust holds these shares with no intention of ever selling them and any benefit derived from holding them is solely for the beneficiaries. One compelling argument for indirect ownership is that it ensures long-term stable employee ownership because the shares in the trust do not need to be sold again, whereas shares held directly by employees will be regularly sold when employees leave the business and this needs to be financed;

- **Combined direct and indirect ownership:** a combination of individual and collective share ownership. For example, 80 per cent of the shares could be held by the employees. There are no fixed proportions for this shareholding split.

### *Employee stock ownership plan (ESOP)*

An approach developed in the United States over 40 years ago, an employee stock ownership plan (ESOP) is a retirement plan in which the company contributes its stock (or money to buy its stock) to the plan for the benefit of the company's employees. The plan maintains an account for each employee participating in the plan. Shares of stock are invested over time before an employee is entitled to them. With an ESOP, you never buy or hold the stock directly while still employed with the company. If an employee leaves, retires, becomes disabled or dies, the plan will distribute the shares of stock into the employee's account. (For further information see US Department of Securities and Exchange Commission, <http://www.sec.gov/answers/esops.htm>). The ESOP scheme also exists in Australia and the United Kingdom.

### *Empresa recuperada, empresa recuperada por trabajadores*

After the economic crisis in Argentina of 2001, the *empresa recuperada* concept spread throughout Argentina, Brazil and Uruguay. It is an enterprise under collective workers' management originated from a previous privately managed enterprise. According to this definition the legal status (cooperative or not, expropriation law or not) under which the enterprise operates is irrelevant. The formation of an object of collective management is the main common denominator, in transit between a traditional private enterprise unit to a self-management enterprise (Ruggeri, 2010).

### *Sociedad Laboral*

Legal form of a limited company or limited liability company in which the majority of its capital is owned by workers, who provide services remunerated through a personal and direct form and whose employment relationship is for an indefinite period of time, according to Spain's Law No. 4 of 1997, Article 1§1: "*Las sociedades anónimas o de responsabilidad limitada en las que la mayoría del capital social sea propiedad de los trabajadores que presten en ellas servicios retribuidos en forma personal y directa, cuya relación laboral sea por tiempo indefinido, podrán obtener la clasificación de 'Sociedad Laboral' cuando concurren los requisitos establecidos en la presente ley.*" In Spain the *sociedades laborales* is a model that began in the 1970s and was later formalized through a first dedicated legislation in 1986. While in other countries there are conventional companies with worker participation, Spain is notable for its regulation of corporate entities with a majority participation of workers (Zevi et al., 2011).

## Annex II

### IS THE ENTERPRISE FAILING? A CHECKLIST

	YES	NO
Managers replaced frequently, high turnover in plant engineering and labour relations positions Mismanagement, management instability, weak management practices Change of ownership Enterprise bought out by a conglomerate or merged with another corporation Managers, skilled workers or machinery moved to new plant New plant in a low-wage country manufacturing identical product		
Lack of new investments at the workplace Obsolete physical plant Lack of equipment and building maintenance Equipment not up to quality standards Key equipment moved, sold or lost		
Losing product design and quality to other companies Increase of defective products Purchase of raw materials of poor quality Enterprise running at less than 85 per cent capacity		
Loss of major customers Company changes suppliers often Increased customer complaints Suppliers demand payment at the time of delivery The level of inventory increases for no apparent reason		
Management asking for shorter or longer contracts than usual Decrease in hiring or major layoffs in the past two years Irregular work or production schedules Lack of workforce training, upgrading or training cutbacks Increase in subcontractors, outsourcing work, temporary workers		

If there are a substantial number of checkmarks in the Yes column, it may be important to analyse information about the economic situation of the enterprise and plan a response to its possible failure. However, other factors may be behind any particular situation.

## Annex III

### CASES REVIEWED FOR THIS PUBLICATION

	Country	Case	Year	No. of workers	Sector
<b>AFRICA</b>	South Africa	Mine-Line factory	2010		
		Sihlahla Muri Recycling Worker Cooperative	2009		
<b>ASIA</b>	India	Indian Coffee Workers Co-Operative	1958		
		India, Garware Nylons	2008		
		Kamani Tubes	1985		
	Japan	The Heart Value care service cooperative	2013		
Paramount Workers Coop		1998			
<b>AUSTRALIA</b>	Australia	C-Mac Industries	2011		
<b>EUROPE</b>	France	Ceralep	2004	60	Ceramic Insulators
		Usis	2003	45	Machinery, manufacturing and foundry.
		M-Ry	1985	157	Public work
		Besné Mecanique	2005	76	Precision engineering
		Fonderie de l'Alsine	2009	22	
		Reprotechnique	2013	66	Reprographic
	Italy	Trafilcoop	1985	51	Electrical cables
		Al.Ma.Ri.Na.	2001	41	Naval engineering
		Greslab	2011	61	Ceramic production
		Coopfond	2008-2013		30 cases
	Spain	Celulosa y Papel	2010	9	
	Turkey	Kardemir	1995	6 000	Iron and steel industry
	United Kingdom	Prime Pac Solutions	2005	22	
UK coop				14 cases	
<b>NORTH AMERICA</b>	Canada	4 case studies			
United States	New Era Windows Coop	2008			
<b>SOUTH AMERICA</b>	Argentina	200 cases	2002-2009	44 per cent between 21 and 50	Ruggeri, 2010.
	Brazil	67 cases			Henriques et al., 2013.



	Link /Information
	<a href="http://www.afr.com/p/national/work_space/ownership_stake_improves_staff_performance_cVKsOzo3jMqXxOZycehp9N">http://www.afr.com/p/national/work_space/ownership_stake_improves_staff_performance_cVKsOzo3jMqXxOZycehp9N</a>
	<a href="http://www.socialtraders.com.au/news/2009/09/new-local-employee-buyout-centre-support-over-600-jobs">http://www.socialtraders.com.au/news/2009/09/new-local-employee-buyout-centre-support-over-600-jobs</a>
	<a href="http://ceralep.fr/fr/">http://ceralep.fr/fr/</a>
	<a href="http://www.usis.fr/">http://www.usis.fr/</a>
	<a href="http://www.les-scop-idf.coop/presse-urscop-scop/20130930,reprouvetechnique-presse.htm">http://www.les-scop-idf.coop/presse-urscop-scop/20130930,reprouvetechnique-presse.htm</a>
	<a href="http://www.trafilcoop.it/index.php">http://www.trafilcoop.it/index.php</a>
	<a href="http://www.almarina.it/">http://www.almarina.it/</a>
	<a href="http://www.farecooperativa.it/greslab_workers_buyout_da_manuale.html">http://www.farecooperativa.it/greslab_workers_buyout_da_manuale.html</a>
	<a href="http://www.coopfond.it/">http://www.coopfond.it/</a>
	<a href="http://www.kardemir.com/english/tarihce/index.html">http://www.kardemir.com/english/tarihce/index.html</a>
	<a href="http://www.uk.coop/start-co-op/case-studies?cat=All&amp;coop_type=Worker">http://www.uk.coop/start-co-op/case-studies?cat=All&amp;coop_type=Worker</a>
	<a href="http://coopzone.coop/files/4of4_-_Union-Led_Buy-Outs_-_success_0.pdf">http://coopzone.coop/files/4of4_-_Union-Led_Buy-Outs_-_success_0.pdf</a>
	<a href="http://coopzone.coop/files/Careforce_Home_Care_Worker_Co-op.pdf">http://coopzone.coop/files/Careforce_Home_Care_Worker_Co-op.pdf</a>
	<a href="http://coopzone.coop/files/The_Greenhouse_Co-op.pdf">http://coopzone.coop/files/The_Greenhouse_Co-op.pdf</a>
	<a href="http://coopzone.coop/files/Yellowknife_Glass_Recyclers_Co-op_per cent5B1_per cent5D.pdf">http://coopzone.coop/files/Yellowknife_Glass_Recyclers_Co-op_per cent5B1_per cent5D.pdf</a>
	<a href="http://www.newerawindows.com/about-us/our-story">http://www.newerawindows.com/about-us/our-story</a>

## Bibliography and further reading

- Ajay, A. et al. 2011. *Indian Coffee House Analysis Report*, Chitkara University (Baddi, India).
- American Worker Cooperative. Library website, various documents. Available at: <http://www.american.coop/library>.
- Atherton, A.; Birchall, J.; Mayo, E.; Simon, G. 2012. *Practical tools for defining co-operative and mutual enterprise* (Manchester, Co-operatives UK).
- Brandusa, B. 2011. *Employees' claims in the event of employer insolvency in Romania: A comparative review of national and international regulations* (Budapest, ILO).
- Bas, F. J. 2011. "Análisis crítico a la reforma de la ley concursal en materia de relaciones laborales, cooperativas de trabajo", in *Revista de Derecho Comercial del Consumidor y de la Empresa, La Ley*, Vol. II, No. 1 (Feb.).
- Bausset, M.; Feser, E. 2011. *Herramientas contables e impositivas para cooperativas de trabajo y empresas recuperadas* (Buenos Aires). Available at: <http://www.recuperadasdoc.com.ar/Herramientas.pdf>.
- Book, S.A. and Johanson, T. 1988. *The Cooperative Movement in Sweden*, The Swedish Society for Cooperative Studies, Stockholm.
- Center for Social and Economic Research (CASE). 2012. *Employee financial participation in companies' proceeds*, final report to the European Parliament (Warsaw).
- Central de Cooperativas e Empreendimentos Solidários (UNISOL Brasil). Website, available at: <http://www.unisolbrasil.org.br/empresas-recuperadas/>.
- Central Unica dos Trabalhadores (CUT). 2002. *Extratos das resoluções da CUT Nacional Plenário 10* (Buenos Aires).
- CECOP–CICOPA Europe (European Confederation of Workers' Cooperatives, Social Cooperatives and Social and Participative Enterprises/European Confederation of Cooperatives and worker-owned enterprises active in industries and services). 2012. *The resilience of the cooperative model* (Brussels). Available at: [http://www.cecop.coop/IMG/pdf/report\\_cecop\\_2012\\_en\\_web.pdf](http://www.cecop.coop/IMG/pdf/report_cecop_2012_en_web.pdf).
- 2013a. *Business transfers to employees under the form of a cooperative in Europe* (Brussels). Available at: [http://www.cecop.coop/IMG/pdf/bussiness\\_transfers\\_to\\_employees\\_under\\_the\\_form\\_of\\_a\\_cooperative\\_in\\_europe\\_cecop-2.pdf](http://www.cecop.coop/IMG/pdf/bussiness_transfers_to_employees_under_the_form_of_a_cooperative_in_europe_cecop-2.pdf).
- 2013b. *Together: How cooperatives show resilience to the crisis*, video documentary (Brussels). Available at: <http://vimeo.com/50813127>.
- Chedid, H. F. 2013. *Empresas recuperadas por trabalhadores no Brasil e na Argentina*, doctoral thesis, Universidade Federal do Rio de Janeiro.
- CICOPA. 2013. *Cooperatives and social economy for Greece*, Report to the ILO. See [http://www.cicopa.coop/IMG/pdf/Promoting\\_cooperatives\\_and\\_the\\_social\\_economy\\_in\\_Greece\\_Sep\\_2013.pdf](http://www.cicopa.coop/IMG/pdf/Promoting_cooperatives_and_the_social_economy_in_Greece_Sep_2013.pdf).

- Confederación Española de Cooperativas de Trabajo (COCETA). 2010. *De empresa en crisis a empresa cooperativa: Guía para la transformación de empresas mercantiles en cooperativas de trabajo* (Madrid). Available at: <http://www.coceta.coop/publicaciones/guia-transformacion-empresas.pdf>.
- Confédération des Syndicats Nationaux (CSN). 2010. *Mission possible: Guide de suivi de l'entreprise* (Montreal).
- Co-operatives UK. 2003. *Delivering on employee and community buyouts: A guide to the succession process* (Manchester). Available at: [http://www.uk.coop/sites/storage/public/downloads/succession\\_guide\\_0.pdf](http://www.uk.coop/sites/storage/public/downloads/succession_guide_0.pdf).
- 2013. *Simply buyout: A guide to employee buyouts and becoming an employee owned business* (Manchester). Available at: [http://www.uk.coop/sites/storage/public/downloads/8364\\_cuk\\_simply\\_buyout\\_prf4b.pdf](http://www.uk.coop/sites/storage/public/downloads/8364_cuk_simply_buyout_prf4b.pdf).
- Dasso, A. A. 2011. “La inmortalidad de la empresa por la vía de la cooperativa de los trabajadores de la empresa”, in *Revista de Doctrina Societaria y Concursal* (Buenos Aires).
- Dobrusin, B. 2013. “Workers’ cooperatives in Argentina: The Self-administered Workers Association”, in *International Journal of Labour Research*, Vol. 5, No. 2.
- Echaide, J. 2004. *Debate sobre empresas recuperadas: Un aporte desde lo legal, lo jurídico y lo político*, Cuadernos de trabajo No. 25, 2nd ed. (Buenos Aires, Centro Cultural de la Cooperación).
- Ellerman, David P. 1988. “The legitimate opposition at work: the union’s role in large democratic firms”, in *Economic and Industrial Democracy*, Vol. 9, pp. 437—53. Available at [http://www.ellerman.org/wp-content/uploads/2012/12/Legit-Opp.CV\\_.pdf](http://www.ellerman.org/wp-content/uploads/2012/12/Legit-Opp.CV_.pdf).
- Economic Adjustment Initiative, National Employment Law Project. 2010 *Rapid response and dislocated worker programs: What should states do? And what are they doing?* (New York).
- Employee Ownership Association. 2013. *Employee ownership: How to get started* (London). Available at: <http://employeeownership.co.uk/publications/new-publication-employee-ownership-how-to-get-started/>.
- Employee Ownership Australia and New Zealand (EOA). Website, available at: <http://www.employeeownership.com.au/>.
- European Commission (EC). 2002. *On a framework for the promotion of employee financial participation*, Com (2002) 364 final, Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions (Brussels).
- 2011. *Business dynamics: Start-ups, business transfers and bankruptcy*, final report (Jan.) (Brussels).
- European Federation of Employee Share Ownership. 1998—2000. Website, available at: <http://www.eole-efes.net/>.

- Feser, M. E. 2011. “La expropiación como solución para las empresas recuperadas: Análisis retrospectivo a seis años de la ley 1529”, in *Revista del Instituto de la Cooperación Fundación de Educación, Investigación y Asistencia Técnica*, Vol. 38, No. 202, pp. 46–60.
- Finch, V. 2002. *Corporate insolvency law* (Cambridge, Cambridge University Press).
- Global Equity Organization (GEO). 1999. Website, available at: <http://www.globalequity.org/geo/aboutgeo>.
- Hagen, H. 2012. *Guidelines for cooperative legislation*, 3rd ed. (Geneva, ILO).
- Halliday, T. C.; Carruthers, B. G. 2007. “The recursivity of law, global norm making and national lawmaking in the globalization of corporate insolvency regimes”, in *American Journal of Sociology*, Vol. 112, No. 4 (Jan.), pp. 1135–1202.
- Hansen, G. B. 2008. *A guide to worker displacement: Some tools for reducing the impact on workers, communities and enterprises* (Geneva, ILO).
- ; Coontz, E. K.; Malan, A. 1997. *Pasos para iniciar una cooperativa de trabajadores*, Center for Cooperatives, University of California, Northwest Cooperative Foundation (Davis, CA).
- Henriques, F. C.; Sígolo, V. M.; Rufino, S. et al. 2013. *Empresas recuperadas por trabalhadores no Brasil* (Rio de Janeiro, Multifoco).
- Hessellbach, W. 1971. *Public, Trade Union and Cooperative enterprise in Germany*, Frank Cass: London.
- Hough, P. 2005. *Succession planning using the worker co-op option* (Calgary, Canadian Worker Cooperative Federation). Available at: [http://canadianworker.coop/sites/live.cwcf.anarres.ca/files/CWCF\\_RetOwnersRep\\_0.pdf](http://canadianworker.coop/sites/live.cwcf.anarres.ca/files/CWCF_RetOwnersRep_0.pdf).
- Howarth, M. 2007. *Worker co-operatives and the phenomenon of empresas recuperadas in Argentina: An analysis of their potential for replication* (Manchester, Co-operative College).
- International Labour Office (ILO). 2005. *Insolvency procedures and workers' rights*, Theme 1, Thirteenth Meeting of European Labour Court Judges, Bologna, Italy, 19 September 2005 (Geneva).
- 2006. *InFocus Initiative on Corporate Social Responsibility (CSR)*, Governing Body, 295th Session, Geneva, Mar. 2006, GB295/MNE/2/1.
- 2009a. *Recovering from the crisis: A Global Jobs Pact* (Geneva).
- 2009b. *The ILO and corporate social responsibility (CSR)*, ILO Helpdesk Factsheet No. 1 (Geneva).
- 2013a. *Responding to worker displacement: A collection of case studies* (Geneva).
- 2013b. *Global employment trends: Recovering from a second jobs dip* (Geneva).
- International Monetary Fund (IMF). 1999. *Orderly and effective insolvency procedures: Key issues* (Washington DC).

- International Organisation of Industrial, Artisanal and Service Producers' Cooperatives (CICOPA). 2013. *Promoting cooperatives and the social economy in Greece*, Final report to the ILO. See [http://www.cicopa.coop/IMG/pdf/Promoting\\_cooperatives\\_and\\_the\\_social\\_economy\\_in\\_Greece\\_Sep\\_2013.pdf](http://www.cicopa.coop/IMG/pdf/Promoting_cooperatives_and_the_social_economy_in_Greece_Sep_2013.pdf).
- Jensen, A. 2006. *Insolvency, employee rights and employee buyout: A strategy for restructuring* (Northumberland, UK, The Common Cause Foundation).
- Johnston, B.; Hammond Ketilson, L. 2009. *Resilience of the cooperative business model in times of crisis* (Geneva, ILO).
- Long, R. J. 1995. "Employee buyouts: The Canadian experience", in *Canadian Business Economics* (Summer 1995), pp. 28–41. Available at: <https://www.cabe.ca/jmv3/index.php/documents?task=document.viewdoc&id=698>.
- Marshall, B. No date. "Japan's worker co-operative movement into the 21st Century", in *Asia-Pacific Journal: Japan Focus*. Available at: <http://www.japanfocus.org/-Bob-Marshall/1704#sthash.NBIUblPG.dpuf>.
- Martí, J. P.; Thul, F.; Cancela, V. 2013. *Las empresas recuperadas como cooperativas de trabajo en Uruguay: Entre la crisis y la oportunidad* (Montevideo, Universidad de la Republica).
- Messing, R. 2011. "Transitioning a private business to a worker cooperative: A viable community development tool", in *Grassroots Economic Organizing (GEO) Newsletter*, Vol. 2, Issue 8. Available at: <http://www.geo.coop/node/637>.
- Michael, Chris. Forthcoming, *Unionized Worker Cooperatives: A Global Comparison*.
- Monaco, M.; Pastorelli, L. 2013. "Trade unions and worker cooperatives in Europe: A win-win relationship. Maximizing social and economic potential in worker cooperatives", in *International Journal of Labour Research*, Vol. 5, No. 2.
- National Center for Employee Ownership (NCEO), Oakland, CA. Website, available at: <http://www.nceo.org/>.
- Ohio Employee Ownership Center (OEOC), Kent State University, Kent, OH. Website, available at: <http://dept.kent.edu/oec/abouttheoec/abouttheoec.htm>.
- Parnell, E. *Cooperative principles plus*. Website, available at: [www.co-oppundit.org](http://www.co-oppundit.org).
- Poutsma, E.; de Nijs, W.; Poole, M. 2003. "The global phenomenon of employee financial participation", in *International Journal of Human Resource Management*, Vol. 14, No. 6, pp. 855–62.
- Rebón, J. 2004. *Desobedeciendo al desempleo: La experiencia de las empresas recuperadas*, Cuadernos de trabajo No. 2 (Buenos Aires, Picaso/La Rosa Blindada).
- Réseau d'investissement social du Québec (RISQ). *The guide for analysis of social economy enterprises* (Montreal).
- Roelants, B.; Pellirossi, V.; Biron, O. (eds). 2011. *Cooperatives, territories and jobs* (Brussels, CECOP–CICOPA Europe).

- ; Dovgan, D.; Eum, H.; Terrasi, E. 2012. *The resilience of the cooperative model* (Brussels, CECOP–CICOPA Europe). Available at: [http://www.cecop.coop/IMG/pdf/report\\_cecop\\_2012\\_en\\_web.pdf](http://www.cecop.coop/IMG/pdf/report_cecop_2012_en_web.pdf).
- Ruggeri, A. (ed.) 2010. *Las empresas recuperadas en la Argentina, 2010*, Informe del Tercer Relevamiento de Empresas Recuperadas por sus trabajadores, Programa Facultad Abierta, Facultad de Filosofía y Letras Universidad de Buenos Aires (Buenos Aires). Available at: [http://www.recuperadasdoc.com.ar/Informes\\_relevamientos/informe\\_Tercer\\_Relevamiento\\_2010.pdf](http://www.recuperadasdoc.com.ar/Informes_relevamientos/informe_Tercer_Relevamiento_2010.pdf).
- Satgar, V.; Williams, M. 2011. “The worker cooperative alternative in South Africa”, in *New South African Review*, No. 2.
- Schoening, J. 2010. “The rise and fall of Burley Design Cooperative”, in *Oregon Historical Quarterly*, Vol. 111, Issue 3 (Fall).
- SindNova. 2009. *Employee financial participation for corporate governance and social dialogue*, European Union Conference, Rome, 10 December 2009, document No. C.E:VS/2009/0303 (Rome). Available at: <http://www.governancesindnova.eu/application/images/stories/finalreporten.pdf>.
- 2010. *Partecipazione finanziaria dei lavoratori, governo di impresa e dialogo sociale* (Rome, Edizione Lavori). Available at: [http://governancesindnova.eu/application/images/stories/partecipazione\\_finanziaria\\_lavoratori.pdf](http://governancesindnova.eu/application/images/stories/partecipazione_finanziaria_lavoratori.pdf).
- Sociétés coopératives et participatives (SCOP). 2013. *La transmission d'entreprise en Scop* (Paris). Available at: [http://www.les-scop.coop/export/sites/default/fr/\\_media/docs-outilscommunication/guide-transmission.pdf](http://www.les-scop.coop/export/sites/default/fr/_media/docs-outilscommunication/guide-transmission.pdf).
- de Souza, C. A. 2013. *A aplicação do princípio da função social da empresa nos empreendimentos recuperados por trabalhadores: Um estudo comparado entre Brasil e Argentina*, Dissertação (Mestrado em Direito), Universidade Estadual Paulista, Faculdade de Ciências Humanas e Sociais.
- Srinivas, B. 1993. *Worker takeover in industry: The Kamani Tubes Experiment* (New Delhi, Sage).
- Steel Valley Authority (SVA). 2000. *Rapid Response Layoff Aversion Guide* (Swissvale, PA). Available at: <http://www.steelvalley.org/policy-leadership/books/58-layoff-aversion-guide>.
- Stettner, L. 1979. “Trade Unions and Co-operatives in Partnership: The Danish Experience”, in *Review of International Co-operation*, Vol. 70, No. 2.
- Swinney, D. 2002. *Early warning systems: A proactive tool for labor in the regional economy*, paper presented to the Third International Congress of the Work and Labor network “Labour, Globalization and the New Economy”, Osnabrück, Germany, 22–25 May 2002 (Chicago, Center for Labor and Community Research). Available at: <http://www.mfgren.org/resources/key-documents/>.
- Trivedi, K. 2008. “Garware Nylons sick unit bought by 200 workers”, in *Deal Curry Journal*, 5 November. Available at: [http://dealcurry.com/article.php?blog\\_id=5148](http://dealcurry.com/article.php?blog_id=5148).
- Turner, C. 1995. *Japanese workers in protest: An ethnography of consciousness and experience* (Berkeley, University of California Press).

- United Kingdom, Department for Business, Innovation and Skills. 2013. *Moving to employee ownership: A brief guide for employees*, document No. BIS/13/939 (London). Available at: <https://www.gov.uk/government/publications/employee-ownership-guide-for-employees>.
- United Nations Commission on International Trade Law (UNCITRAL). 2004. *Legislative guide on insolvency law*, Parts 1 and 2 (Vienna).
- 2010. *Legislative guide on insolvency law*, Part 3 (Vienna).
- Universidad de Buenos Aires. 2001–2012. *Cuadernos para la Autogestión*, series, Programa Facultad Abierta, Facultad de Filosofía y Letras (Buenos Aires). Available at: [http://www.recuperadasdoc.com.ar/cuadernos\\_autogestion.html](http://www.recuperadasdoc.com.ar/cuadernos_autogestion.html).
- Vesely, A. 2011. “Theory and methodology of best practice research: A critical review of the current state”, in *Central European Journal of Public Policy*, Vol. 5, No. 2, pp. 98–117.
- Western Labour–Worker Cooperative Council. 2009. *Union-led buy-outs*, series of four guides (Coopzone, Calgary, AB). Available at: [http://www.coopzone.coop/buyout\\_guides](http://www.coopzone.coop/buyout_guides).
- Witherell, R. 2013. “An emerging solidarity: Worker cooperatives, unions, and the new union cooperative model in the United States”, in *International Journal of Labour Research*, Vol. 5, No. 2.
- World Bank. 2001. *Principles and guidelines for effective insolvency and creditor rights systems* (Washington DC).
- Yildirim, E. 1999. “Employee buyouts and industrial relations under employee ownership: A case study of Karabuk Steel Mill”, in *Economic and Industrial Democracy*, Vol. 20, No. 4 (Nov.), pp. 561–582.
- Zevi, A.; Zanotti, A.; Soulage, F.; Zelaia, A. 2011. *Beyond the crisis: Cooperatives, work, finance. Generating wealth for the long term* (Brussels, CECOP).
- Zhao, J., Tribe, J. P. 2010. “Corporate social responsibility in an insolvent environment: Directors’ continuing obligations in English law”, in *International Company and Commercial Law Review*, Vol. 21, No. 9, pp. 305–315.

## **Instruments of the International Labour Organization**

Protection of Wages Convention, 1949 (No. 95)

Workmen's Compensation (Accidents) Convention, 1925 (No. 17)

Termination of Employment Convention, 1982 (No. 158)

Promotion of Cooperatives Recommendation, 2002 (No. 193)

Termination of Employment Recommendation, 1982 (No. 166)

## **Legislation**

Agreement Establishing the World Trade Organization, Marrakech, 1994. Annex 3:  
Trade Policy Review Mechanism

Argentina, Insolvency Law No. 24522, last modification 2011.

Argentina, Law No. 1529/2005 on expropriation, Ciudad Autonoma de Buenos Aires

Bolivia, Decreto Supremo No.1754/2013 sobre empresas sociales

Brasil, Law No 11.101/ 2005 Regula a recuperação judicial, a extrajudicial e a falência do empresário e da sociedade empresária

EU Council Regulation 1346/2000 on insolvency proceedings

EC Directive 2008/94/EC on the protection of employees in the event of the insolvency of their employer

EC Directive 2002/14/EC

European Community Charter of Fundamental Social Rights of Workers

France, Projet de loi relatif à l'économie sociale et solidaire (ESSX1315311L), 2013

Spain, Law No. 4 / 1997 on sociedades laborales

Uruguay, Law No. 17.794/2004 on worker cooperatives





International Labour Office  
ILO Bureau for Workers' Activities  
(ACTRAV)  
Route des Morillons 4  
CH-1211 Geneva 22  
[www.ilo.org/actrav](http://www.ilo.org/actrav)  
[actrav@ilo.org](mailto:actrav@ilo.org)



International Labour Office  
Enterprises Department  
Cooperatives Unit  
Route des Morillons 4  
CH-1211 Geneva 22  
[coop@ilo.org](mailto:coop@ilo.org)  
[www.ilo.org/coop](http://www.ilo.org/coop)

ISBN 978-92-2-129159-6



9 789221 291596