

## THE CASE FOR WORKER CO-OPERATIVES:

# Our workplaces need democracy, co-operation, and equality

By David Wilson

**W**e are at a crossroads in history. Corporate business models seem to be inherently incapable of being responsible to people and to life on Earth in a long-term, sustainable way. Based on democracy, co-operation and equality, the worker co-operative is a model that can meet our most pressing needs.

### Early Struggles

Assaulted by the Industrial Revolution, but inspired by the ideas of Robert Owen, the Rochdale Pioneers, composed of 24 weavers in northern England, tried to create a self-sufficient community in 1844. By 1858 they had built a successful worker co-operative cotton mill, but, when they later tried to expand, the only financing they could find was from private investors. Soon the co-operative was privatized and that part of their Utopian experiment was ended in Rochdale. Because of a lack of capital, according to political economist Beatrice Potter-Webb, the Rochdale example was proof that "worker co-ops were doomed to fail."

The protection of workers' rights and the practice of democracy in the workplace has largely depended on the successful struggles of the labour movement. In the United States, self-managed businesses were being created by journeymen shoemakers in Philadelphia as early as 1806. By 1878, the creation of worker co-operatives became a central initiative of the Knights of Labor. Unfortunately, banks refused to lend worker co-operatives money in times of need. The depression of the mid-to-late 1880s bankrupted most of these worker co-operatives, reinforcing Potter-Webb's beliefs.

### Turning Point: Mondragon

Father Don José Arizmendiarieta opened a technical training school in Mondragon, Spain, in 1943. Along with the technical component, Arizmendiarieta blended the ideas of social justice and democracy in his classes. Graduates were initially unsuccessful in implementing these ideas in their places of work when they suggested them to their employer. Then, with the support of Arizmendiarieta, five engineering graduates purchased a bankrupt paraffin oven factory in 1956. This factory was owned and democratically controlled by its members. Mondragon's goal was not only to create business success, but also social success.

To get around the problem of capitalization, Mondragon created its own banking system. Each Mondragon co-op places 30% to 50% of its profits each year back into an indivisible reserve fund. If Mondragon or any single Mondragon co-op dissolves or is converted into a for-profit company, the indivisible reserve fund by law cannot be divided among its members. Instead, the fund would be donated to another co-operative. There is therefore significantly less incentive for workers to sell out to private investors.

As of 2009, the Mondragon Cooperative Corporation had grown to 92,773 workers with sales of 33 billion euros. Mondragon is the largest business group in the Basque region

and is the seventh largest business in Spain in terms of both sales and the number of workers.

Unlike the typical corporate approach, Mondragon's strategic plan includes job creation goals. Overall, Mondragon has outperformed most private business firms in Spain in almost all respects. Its slogan is "Humanity at Work." Mondragon is a shining example that worker co-operatives can indeed be successful, and its success has helped revive and strengthen the worker co-operative movement.

### What is a Worker Co-Op?

Worker co-operatives are businesses that are owned and democratically controlled by the worker-members. Multi-stakeholder co-operatives, also known as solidarity co-operatives, are a hybrid model where workers and community stakeholders share control of the board.

The main purpose of a worker co-operative is to provide employment for its members through operating an enterprise that follows the Co-operative Principles and Values. The worker co-op is, in principle, designed to provide benefits not just to the founding members, but also to all future employee/members.

As of 2006, there were about 345 worker co-operatives in Canada employing over 13,000 people, with revenues of \$470 million and assets of \$326 million. Revenue from the forestry sector alone, almost exclusively in Québec, was \$278 million. An estimated two-thirds of worker co-operatives in Canada are located in Québec, employing about 10,000 people. Outside of Québec, there are higher concentrations per population in Atlantic Canada, while concentrations numerically are in Ontario, Nova Scotia, and Winnipeg, with the rest widely spread.

### Worker Co-op Advantages

#### Living Your Values at Work

A labour market trend is that younger workers in particular are seeking to work for companies aligned with their values, while 60% of baby-boom workers are wanting more meaning in their work. Science has shown that, when humans are engaged in cognitive initiatives, we are motivated, not by more money, but by self-directed action that has a meaningful purpose. Workers are most productive if the work is autonomous, involves a sense of mastery (of getting better), and has such a meaningful purpose.

#### Democracy

Democracy is a value that many of us cherish. Amartya Sen believes that democracy adds value to our lives. Sen says that democracy "is a part of human freedom," and that "exercising civil and political rights is a crucial part of good lives of individuals as social beings." Democracy allows for citizens to express themselves to keep governments accountable. Sen also believes that democracy "gives citizens an opportunity to learn from one another, and helps society to form its values and priorities."

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## Co-ops enhance life on Earth, not just life in workplaces

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Most workplaces are undemocratic. We are told that democracy in the workplace is inefficient and that workers are not "fit" to make responsible and accountable decisions. Aren't these the same arguments that were made against political democracy? Remember when women, Aboriginals, blacks, and those without property were deemed unfit for democracy? Workers today are similarly thought to be unqualified to participate in workplace democracy.

Stefano Zamagni, an economist from the University of Bologna in Italy, notes that worker co-operatives are about "extending democracy from the political sphere to the economic sphere." Many worker co-operatives are governed by consensus, while others are based on a one-member one-vote majority rule. Democracy in the workplace better ensures that businesses are more responsible and accountable to their workers, their customers, their community, and to the planet. Worker co-operatives are able to do this by providing incentives for workers to be productive, accountable, flexible, and innovative.

Alain Bridault, president of the Canadian Worker Co-operative Federation and member of the Coopérative de travail Orion, adds that, "The success of businesses in the new economy is now based on the skills of their human resources. Today's businesses, and more in the future, will be smart companies offering products and services with high intelligence added... The management of human resources is now more important than other aspects of management, because the competitiveness of enterprises depends on their capacity to mobilize the intelligence of their employees. This means developing their sense of belonging, implementing participatory management practices, leaving ample room for innovation, and increasingly involving them in company performance. But all this is the very paradigm of a worker co-operative as the only form of business which, by nature, is intelligent, which has the potential of mobilizing understanding of its human resources through its purpose and its way of being."

One of the problems of many for-profit and not-for-profit organizations is that front-line workers have no way of holding upper management accountable. In worker co-operatives, accountability is a two-way street. In a multi-stakeholder co-operative, accountability also comes from community stakeholders. Worker and multi-stakeholder co-operatives are models that can be used to deliver renewable energy, health care, food, and a range of other goods and services in a way that meets the needs of workers and the community.

### Co-operation

The cost of competition is enormous. As noted by Alfie Kohn in his book *No Contest: The Case Against Competition* (1986), there are "business failures, copious litigation, idle equipment, a reduction in quality, unsafe working conditions, and the need to regulate the private sector in order to keep all of these problems under control." Competition is constantly adversarial, increases anxiety, and can undermine relationships.

We are constantly told that competition is in our nature and therefore is the best way to operate an economy and to run a business. However, even one of the leading evolutionary

biologists, Stephen Jay Gould, has disputed this claim. "The equation of competition with success in natural selection," said Gould, "is merely a cultural prejudice." He noted that success can be achieved through a number of strategies, including co-operation.

Humans have co-operated throughout our history to survive. Many Indigenous cultures around the world are centred around the values of co-operation and sharing of resources for the common good. Early European settlers in North America had to co-operate with their neighbours to survive a new environment and often harsh winters. These settlers were not the rugged individualists we have been led to believe.

Studies of children show that they are the most receptive to co-operative games and initiatives. Contrary to our dominant ideology, competition is not inevitable.

### Equality

In 2005, CEOs of corporations in the United States with over \$1 billion in annual sales were paid an average of \$10.9 million a year, compared to the average worker who made \$41,861, a ratio of 262:1. At Mondragon, despite sales of 33 billion euros, the difference in pay between the lowest and highest paid worker is only 6:1. Many worker co-operatives in Canada have a flat pay scale, with every member earning the same rate of pay. Those worker co-operatives that have collectively adopted a tiered pay scale typically have pay scale ratios much lower than is seen at Mondragon.

A great feature about co-operatives is that they are as a rule set up so no single person or elite group gets all the profits. No great amassing of wealth can occur. Profits can instead be re-invested into the co-operative to create more jobs, increase workers' wages, decrease working hours, be given to other fledgling co-operatives or those in need, etc.

Ed Broadbent, in a paper published by the CCPA, said that, "There has never been a better time in recent history when the core democratic value of equality can be seen as both an ethical and practical option." The more equal a society is, the healthier, the more stable, the more civically engaged and just it is. As Stefano Zamagni says, "Inequality is not only unethical. By the time government redistributes income, it is too late. The moment you produce income in a co-operative, you redistribute it."

### Conclusion

The dominant business ideology is steeped in competition, authoritarian decision-making, and inequality. It does not have to be this way. Worker co-operatives, on the other hand, create meaningful work and allow workers to live their values at work. To meet the needs of people and life on Earth, it is imperative that we create democratic, co-operative, and equal workplaces.

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