

Worker buyouts, agent for successful co-ops

The *Labour Bulletin* publishes regular articles on the issue of job creation. It aims to explore alternatives to low wage jobs created through capitalist globalisation. Cooperatives may be a viable and creative alternative. Kally Forrest spoke to **Bruno Roelants** general secretary of CICOPA, the international alliance for worker cooperatives about co-op movements around the world and what lessons South Africa can learn from them.

Bruno Roelants is an international man with a long association with the cooperative movement. He started out life working in NGOs in Italy, Asia and Africa where he often worked with cooperatives. It was when he worked in China for eight years from 1986, however, that he became more interested in the cooperative sector.

In the 1930s and 1940s, after extensive bombing of Chinese industrial areas by the Japanese, cooperatives spread rapidly, reaching a peak of about 3 000 co-ops. In the 1950s the cooperative movement died back during the period of collectivisation. It grew again in the 1980s using the experience of people who had been involved in the earlier wave. It was at this point that an organisation representing Chinese co-ops affiliated to Cicopa (International Co-operative Alliance). By this time Roelants had developed a keen interest in cooperatives and he joined Cicopa.

Cicopa now has 53 cooperative affiliates worldwide in such places as Latin America, USA, China, Korea, Japan, Tanzania and Senegal. Most of its members come from Europe where the cooperative movement is according to Roelants "more organised, richer and institutionalised."

Cicopa played an important role in getting the Federation of US Worker cooperatives together in its early stages. "Helping embryonic co-op organisation is one of our main functions," explained Roelants. "We

help build institutions and we advise on the relationship between sectoral and intersectoral cooperatives. We try to help establish intersectoral institutions to allow for a stronger lobbying capacity. In Italy, for example, intersectoral cooperative institutions represent 7% of GDP although they still don't have the same lobbying power as employers."

Intersectoral cooperative institutions allow for unified political representation. They also develop common standards amongst co-ops and integration across sectors. They allow for resource transfer from older, richer and more established co-ops, for example, in the agricultural sector, to more fragile worker and service cooperatives. The biggest growth area at present is in worker and social service cooperatives especially in poorer countries such as small credit cooperatives in Africa and Latin America.

SIGNIFICANCE OF CO-OPS: MONDRAGON EXAMPLE

For South Africa, cooperatives point to the possibility of providing significant numbers of jobs. According to Roelants the cooperative movement has created over 100 000 million jobs across the world in all sectors. This figure represents people directly involved in cooperatives – it is impossible to calculate how many indirect jobs these co-ops have created.

Roelants believes that in the creation of cluster cooperatives there is huge potential. In Spain, for

example, in the Basque Mondragon Valley 200 people were involved in setting up cooperatives in 1936. Now co-ops extend across the Basque region and involve 7 000 people. Half of workers in the region are in cooperatives and the remainder are in jobs generated by these co-ops. Over 1 000 industrial and consumer cooperatives exist worth US\$2 billion. This cooperative cluster now runs university and research and development centres as well as its own cooperative banking system.

The Mondragon example demonstrates that co-ops have great potential to generate local development. It also shows that for co-ops to survive it is essential that they cooperate to support each other. "Otherwise," comments Roelants, "they will fare no better than any other enterprise and they will collapse."

CO-OPS IN ARGENTINA: WORKER TAKE-OVERS

"Argentina graphically shows the failure of neo-liberal policies," observes Roelants. In the 1950s, under the Peronistes, Argentina operated much like a European state which included social protection measures. But over time Argentina accumulated huge debt and descended into poverty. By 2000, 40% of the population was living in poverty. Argentinean entrepreneurs began to migrate to the booming Brazil and large numbers of jobs were lost. In 2001 the economic crisis came to a head. At least 50 fake currencies were in circulation and factories in industrial areas stood abandoned.

It was in one of these factories that retrenched workers sowed the seeds of new growth. About 300 former textile workers developed a cooperative business plan to run an abandoned factory. They then waited



Bruno Roelants at the COPAC (Cooperative Policy and Alternative Centre) Conference in South Africa this year

for over a year for a court decision on their offer. During this time they watched raw materials rotting in the factory. The court decision finally went in their favour, aided by new legislation, and the workers took over the running of the factory.

"In fact," says Roelants, "The period when the workers waited for the court's decision and put a business plan together was an educative process and enabled them to successfully take over the factory." Former managers (not owners) have remained in their positions but are now under supervision from the workforce. The managers are no longer answerable to shareholders, they are answerable to the workers alone. The whole workforce decides how profits should be distributed. If workers put in extra time they are compensated with 'dividends', which translates into bonuses.

Over time at least 150 enterprises developed into cooperatives in Argentina and at least 10 000 jobs were saved.

SETTING UP CO-OPS: SOME LESSONS

According to Roelants, an economic crisis resulting in companies closing down is good ground for the formation of co-ops. Bank loans to

cooperatives are rare so potential worker owners need to develop a solid business plan to justify taking over the enterprise.

"Autonomy is crucial right from the beginning," Roelants declares. "In Venezuela where large state resources were put into cooperatives it was problematic. Workers have to be accountable to the cooperative and not anyone else. The whole thing is a question of control. If you have too many outside resources workers won't develop their own strategies to make it work."

"Worker buyouts are often the most successful co-ops," believes Roelants. "About 300 000 jobs are lost in Europe every year because the employer has no family heir to take over the business. So these small businesses close down. These are possible co-ops and where possible the cooperative movement needs to intervene in these cases."

CO-OPS, THE STATE AND TRADE UNIONS

Roelants believes the state has to be educated on the question of cooperatives. "The state often wants to patronise co-ops. Civil servants do not understand the essence of co-

ops which is autonomy. The state needs to understand that the same set of policies that apply to business do not apply to co-ops.”

Roelants sees the state assisting co-ops in the following ways. The state should promote cooperatives and encourage a cooperative movement to develop its own institutions. The state in Costa Rica is a good example. It has helped to establish co-op institutions, such as training bodies, and representatives from the state sit on these institutions’ boards. “This is advantageous as it ensures that co-op issues are directly pulled into state policies.”

According to Roelants the relationship with co-ops and trade unions is often not constructive. Trade unions operate in a situation of wage labour and seek to reduce workers’ exploitation by employers. Unions often believe that co-ops encourage self-exploitation and do not always observe good labour standards. “They are two different cultures and they do not always engage in useful discussion. We try to explain that this ‘self exploitation’ is the price we pay to maintain our enterprises and it is temporary,” observes Roelants.

Roelants believes it is important for cooperatives to engage on the developmental aspect of co-ops with trade union bodies at an international level, say with the ICFTU, and at a national level in each country. Trade unions should help persuade managements to hand over failing enterprises and come to an understanding.

Concludes Roelants, “Africa has been severely affected by capitalist globalisation and neo-liberal policies. Trade unions should look at every alternative and see cooperatives as one viable response.”

TRADE UNIONS AND COOPERATIVES CAN BE BEDFELLOWS...

Bruno Roelants talks of the antagonism between worker cooperatives and trade unions. But in the service sector unions have often initiated service co-ops which consistently offer lower prices than similar services in the commercial sector. This is something that South African trade unions could think about. Below is an example of cooperatives set up by Singapore trade unions, which provide some exciting possibilities.

In 1973, the National Trades Union Congress launched a supermarket cooperative called NTUC Welcome in Toa Payoh. At about the same time, other unions such as the Singapore Industrial Labour Organisation (SILO) and Pioneer Industries Employees Union (PIEU) also set up cooperatives to run supermarkets to keep prices low. In May 1983, amidst growing competition the supermarkets merged resulting in the NTUC Fairprice Co-operative Limited, the largest retail chain in Singapore.

NTUC Income is a cooperative insurance society which has become a leader in life and general insurance with total assets of S\$16 billion. It provides special benefits to policy holders such as competitive loans, will writing services and home services such as plumbing and renovation. It also realises its wider responsibilities to communities and gives generous support to the arts, sports, education, healthy lifestyle, charity, trade unions and the environment.

NTUC Childcare, also a cooperative, is the largest provider of quality and affordable childcare in Singapore with more than 40 centres. The centres offer full-day early childhood care and education and an excellent bilingual pre-school programme in English and Mandarin for children from 18 months to 6 years of age. It has also become a leading training agency and consultancy in early childhood care and education.

Finally NTUC Healthcare Co-operative was established in 1992 in response to workers’ concerns over rising healthcare costs. Today, it operates 36 Unity pharmacies, 11 dental surgeries and 3 medical clinics.

NTUC Healthcare’s mission is to moderate the cost of healthcare in Singapore through promoting, and providing, quality healthcare services at affordable rates. Unity pharmacies continue to ensure that commonly used products are the lowest-priced. NTUC Denticare and NTUC Medicare fees are also lower than the guidelines set by the Singapore Dental Association and the Singapore Medical Council.