

BusSoc 4041.6, Lecture for Week 18: Forms of Cooperation

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Outline of Seminar / Preliminary Comments

Seminars and reading

How to prepare for readings and seminars

Suggestions for How to Prepare this Week

Here are some suggestions for what you should be focusing on for this week's readings:

*Craig Ch. 3 - a) know what a "service cooperative" is; b) "Contributions to the Economy" section (pp. 93-101) and "Why is the Potential Not Realized" section (pp. 101-102).

*Craig Ch 4 - a) read quickly through pp. 107-115 (you should recognize some of this description from Melnyk); b) spend most of your time in the "Analysis" section (pp. 115-127).

*Quarter Ch 2 - make sure you understand Quarter's 7 "models of cooperative organization". This will be important for understanding where your coop/alt. org. fits into the social economy in Canada.

Lastly, a general reading tip for this course: Read the examples quickly (but DO read these sections too...) and focus on, underline, and think hard about the theories and concepts and analysis put forward by the authors; these will be invaluable for your semester research work on your firms.

How to link readings and seminars to your semester projects

Craig, Chapter 3: Cooperatives in the World Today

What is a segmental cooperative? Why are service cooperatives more segmental in orientation than comprehensive cooperatives?

Service coops are Craig's model for chapter. Parallel's Melnyk's discussion of "the liberal democratic tradition": Do you recall Melnyk's description of the ideology of Lib Dem coops?

Risk of service coops regarding values of cooperation (i.e., deviations from cooperative

values of democracy, user-centric, self-reliance/self-help, mutual aid):

Bureaucratization and reduced democratic dimension, i.e., less participative, more vertical structure, as the cooperative matures.

Four Important Points to Keep in Mind from Chapter:

- 1) Chapter is rooted in a history of Consumer and User Coops in general
What coops do they include in Canada (see Quarter Ch. 2)?
- 2) Service cooperatives have the “potential to change economic order” (p. 115), and have done so: Wheat Pools and United Grain Growers in Prairies, farmers’ markets throughout Canada (eg ONFC in Ontario), marketing cooperatives (dairy marketing coops, second tier coops), and even Rochdale and improving consumer-goods quality standards, etc.
- 3) After this type of cooperative is established, the goals that drove members to found it tend to get overridden by the pressures of the marketplace and growth. This types of cooperatives tend to aspire to large scale growth, especially when they affect vertically integrated markets.
- 4) **TENSIONS** with segmental/service coops: influencing economy/economic change vs. member participation. Specifically, there are internal contradictions in such cooperatives, between: a) achieving their stated goals and mandate effectively, b) efficient use of resources, and c) responsiveness to member needs (p. 92).

THIS IS IMPORTANT IN CHAPTER: See graph on p. 91: The bigger and more complex the cooperative gets, the greater the need for economic rationalization, results in increased bureaucratization.

This process usually linked to the maturing of coop: I.e., more mature service coops tends to be less participative, more market-driven.

As these types of coops mature, they tend to get more centralized (especially management), and participation tends to go down, affecting democratic potential of firm.

This process is linked to “*dynamics*” of firm, growth and crisis, and level of member involvement. Coops are changing and balancing the needs of members/stakeholders and environmental conditions (p. 90).

IMPORTANT POINT NUMER ONE FROM CHAPTER: Notice how Craig links the development of service/segmental coops (its history) to the tensions and pressures of early capitalism/industrial revolution in Europe. They were responses by the working class to the **CRISES** inherent to capital (see pp. 85-93). These immediate and specific crises, in turn, shaped the **FORM** of cooperative to emerge: E.g.: bad products in England = rise of consumer coops; inefficient farming technology and marketing methods in Ireland = Irish Coop Aid

Association; Difficulty with working conditions and high unemployment in Scandinavia and France = rise of workers coops. THE POINT IS: Crisis is initial impetus for these coops. To be an alternative outlet for meeting the needs of the working class.

IMPORTANT POINT NUMBER TWO FROM CHAPTER: On pp. 90-93: *On the internal dynamics of these coops* (i.e., how is it organized internally): Notice that these historical events that map out the rise of coops in Europe also help us understand why service/segmental coops evolve ORGANIZATIONALLY the way they do:

Crisis and desire for member participation are founding values...
Unifunctional/segmental aspect to them and desire to survive and do well in market lead them to bureaucratize (i.e., verticalize) in their internal business structures...
Bureaucratization leads to less member participation, which might perpetuate a new crisis internally in firm...
New crisis might precipitate new reorganization...
Etc.

Moral of this story: Even segmental/service coops are evolving organizational creatures.

IMPORTANT POINT NUMBER THREE FROM CHAPTER: On the external dynamics of these coop (i.e., how do they respond to external social-political-cultural-economic environmental forces): You should endeavour to understand the six ways that these types of cooperatives contribute to, influence, and are influenced by the economy (that is, the capitalist economy). These coops, in other words, matter. How? Study and know the tensions between the cooperative and the market.

QUESTIONS YOU SHOULD BE ASKING FOR YOUR TERM PROJECTS: Is your coop a segmental cooperative? Then you should focus in on these factors to help you understand your firm. Even if your coop is more multifunctional or “comprehensive” (see below), these factors will play a part in your cooperative. How do the internal and external dynamics as I just mapped out for you above, as well as Craig’s “internal contradictions” he mentions on p. 92, play out in your cooperative?. What stage of this cycle is your cooperative in? How has your cooperative responded to these contradictions in its internal organization and its positioning within its market, with other firms in its market sector, or within the social economy?

ANOTHER QUESTION YOU SHOULD BE ASKING YOURSELF: These types of service cooperatives tend toward growth. As they mature and become more vertically integrated within its marketplace, they SOMETIMES become more depersonalized, less participative and democratic, large, and generally unwieldy for member participation, and less democratic the more mature they get and the more vertically integrated they become. So, how can they still be viewed as an alternative economic arrangement and a part of the

social economy? Can they? Why or why not....

Craig, Chapter 4: Comprehensive Cooperatives

What is a comprehensive cooperative?

More ideologically driven, deeper values of cooperation, more multifaceted, “multifunctional,” more about life, etc. Less liberal democratic and more radical in political/ideological orientation, although can be lib dem...

You should be able to differentiate such a cooperative form the service /segmental coop described in Ch. 3.

If you are still in doubt, make sure you understand Fig. 2.5 on p. 69 and the detailed discussion surrounding it offered by Craig starting on pp. 41 and going to the end of the Ch. 2.)

For Craig, rooted in *worker/producer coops as model*.

Risk of comprehensive coops regarding values of cooperation (i.e., deviations from cooperative values of democracy, user-centric, self-reliance/self-help, mutual aid): Self-exploitation between members as pressures of marketplace and need for financing (i.e., capitalization) brings the cooperative back to values of revenue/profits above other values. Risks “cooperative capitalist” situation, as Marx predicted (see “Gotha Program” and “Inaugural Address” pieces from Fall semester course kit).

Three Important Things You Should Keep in Mind from Chapter:

- 1) Comprehensive coops are rooted in history of workers’ societies, early workers’ cooperatives, social workshops, and workers associations in Europe in 19th century.

CONNECTION TO OTHER READING: See Quarter’s discussion of the tensions with and history of workers’ cooperatives in Canada in the reading for Week 18 for more details.

Recall especially the point of view of the Webbs and Quarter’s critique of their view of workers’ cooperatives on pp. 29-31 in Quarter Ch. 2.

Understanding this historical and analytical debate will help you understand what Craig is discussing on pp. 115-127.

2) TENSIONS:

- a. Between internal cohesion of cooperative and initial values that founded it (more egalitarian pay, more horizontal modes of organizing work, etc.) vs. longevity of the firm and the continual need to finance the firm. That is, between the values of cooperation and the need for capitalization of the firm.
- b. Also, such coops are vulnerable to the pulls and demands of the marketplace when competing with capitalist firms that have profit as guiding force.

- 3) **Craig’s 8 Features of Comprehensive Cooperatives (pp. 115-127): Their tensions** (NOTE: YOU SHOULD UNDERSTAND THESE REALLY WELL)... If it makes

you understand these features better, think of point “i” as a “pro” (or strength) for comprehensive coops, and point “ii” as a “con” or difficulty they tend to face.

- a. Internal Dynamics:
 - i. The “advantages of community”; “delicate social organization” (p. 115); greater sense of community, more “closed system” (p. 115);
 - ii. “more vulnerable to adverse change than segmental forms” (p. 116).
- b. Superordinate Goal:
 - i. Unlike segmental coops, which start with a higher goal and then focus on one or a few goals (hence, their segmentality or, as Melnyk calls it, unifunctionality), comprehensive coops are driven by member commitment to initial vision and higher goals that tend to be multifaceted or multifunctional in scope (p. 116): I.e., Planet Bean, Big Carrot, kibbutzim... Members in these types of coops all have shared beliefs...
 - ii. These intense and common member traits places limits on membership (how inclusive or exclusive is the coop?). Plus, members have to buy into goals and values and it may take longer to get find new members or to “conscientize” potential members to these goals and values.
- c. Commitment to Non-exploitation of Others:
 - i. Members tend not to be exploited. What does this mean? (See Marx and my essay on Marx for clarification). Coops must acquire new members from time to time as it matures or its needs change. Both the skills needed by the coop and its superordinate values need to be present in new members. Equal or more equitable pay is a good way to achieve this goal.
 - ii. Changes in technology in sector add to pressure for education and to upgrade skills. Such coops tend not to be able to find such new members at times, and search may be long. Just taking on new member without their goals and values being the same as the coop risks, at worst, the dissolution of comprehensive coop or, at best, its transformation into a more segmental coop or even traditional capitalist company. Hiring employees, contract workers, and managers to fill in brings in hierarchical organizations once again into firm.
- d. Commitment to Democratic Decision-Making:
 - i. Participation and self-criticism: “Workers’ assemblies” and regular, democratic meetings happen regularly.
 - ii. Tension here tend to be between the efficient running of the firm and democratic participation of all. Empowering knowledge of individual workers in each sector of coop vs . democratic decision making. These tensions mean that there are risks of bureaucratization and privileging certain skills over others.

- e. Commitment to Mutual Self Help:
 - i. Esprit de corps needed in coops. Ideologically driven ones tend to have this. Sacrifice and intense personal relationships
 - ii. Unmotivated worker owners, lack of discipline. The pursuit of discipline brings firm back to practices of capitalist-based businesses; the membership of then becomes the “collective foreman”, as self-exploitation and alienation increases within firm.

- f. Volunteerism:
 - i. “Balance between equality and personal liberty”; Voluntary membership as key: Can leave when want. Why is this important?
 - ii. Problems, again, may arise with new generation of workers do not have the same values of founding members. Need to balance the regeneration and continuance of coop to meet new demands of market with the values that established coop in first place.

- g. Organizational Skills and Economic Factors:
 - i. Can work together (within and between coops) to learn new skills. Emancipating. Not linking wage to hours or skills, important in recreating organization as non-exploitative.
 - ii. Not able to finance firm. Coop does not have all the skills it needs. Lack of funding bodies for comprehensive cooperatives and, if there are, means that cooperative might fall into a dependence situation with the state. More capital-intensive sectors = more vulnerable coops. Members might be led to withhold paying each other in financially difficult times, again leading to “self-exploitation”.

- h. External Environment
 - i. Cooperatives, like other “organizational technologies,” have inherent “interpretative flexibility” to them. All economic sectors can have comprehensive coops, workers CAN self-manage (see Seymour Mellman quote, p. 123).
 - 1. *You should understand section that begins with* “Clearly, the external environment is crucial in the development of cooperative communities” on p. 125 and to the end of the chapter.
 - ii. Comprehensive cooperatives are vulnerable to fluctuating economic conditions but, because of strong internal solidarity among members, and if they belong to strong “strong federation of local organizations”, can survive tough times with markets, economy, lack of sources of funding, and governments. This shapes the organizations they are and may transform into and prevent the comprehensive coop from segmentalizio.

QUESTIONS YOU SHOULD BE ASKING FOR YOUR TERM PROJECTS: Why,

according to Quarter and Craig, are workers' cooperatives and comprehensive cooperatives "fragile" and "more vulnerable to adverse change than segmental forms" of cooperatives (p. 116)? How can such cooperatives better survive fluctuating conditions with the external economy, competitive markets, and lack of funding? That is, what makes them vulnerable and what makes them strong in light of changing external factors? How do they compare to more segmented or service-oriented cooperatives? With regard to the capitalist market?

Things to Remember about Worker Co-operatives

Advantages

- 1) owned and controlled by members
- 2) democratic control: one member, one vote
- 3) limited liability
- 4) profit distribution (surplus earnings) to members in proportion to use of service; surplus may be allocated in shares or cash possibility of development of conflict between members

Disadvantages

- 1) longer decision making process
- 2) requires members to participate for success
- 3) extensive record keeping necessary
- 4) less incentive to invest additional capital