How worker cooperatives can impact development

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Introduction

- > 250,000 worker-owned and -managed businesses in the world: 12.5 million jobs incl. 11.3 million members (CICOPA, 2016)

- range of industries, some worker co-op contract labour agencies

- 5,300 worker-run businesses in Africa, providing about 2.5 million jobs (2.3 million members)

Introduction (continued)

- A small number of countries have detailed data on worker cooperatives, used in statistical studies in last 40 years
- Most are high-income industrialised economies (I, F, Spain,US,UK, P). Exception: Uruguay
- Recent studies use data on thousands of worker cooperatives and tens of thousands of other firms
- Remarkably consistent findings despite differences in the way worker co-ops are set up, time periods, firm samples and methodologies
- Suggesting worker cooperatives can provide valuable contributions to development

Basics

Characteristics of the firms included in the studies:

- Most of the people working in the business own it (members)
- And own most of the capital
- They share profit
- And elect management and vote on key issues w/ 1 member, 1 vote
- All are for-profit businesses

Found in most industries

Differences with industry distributions of conventional firms vary across countries

Productivity

Does more democracy affect productivity?

- mostly increases it (never decreases productivity)
- Sharing more profit increases productivity

Are worker cooperatives as productive as other firms?

- they organise work differently
- and are at least as productive as other businesses

Capital & Investment

Where worker cooperatives are required to retain some profit by law,

- they choose to retain much more than required,
- and keep more profit in the firm than conventional businesses.

- No reliable evidence of undercapitalisation or low investment (higher investment and same capital intensity as other firms in France)

Redistribution

- Worker co-ops have much narrower pay differentials than conventional businesses
- Pay is higher at the bottom, lower at the top

- Also fewer managers and supervisors
- Worker co-ops seem to provide more training

Employment Stability

- When demand goes down, conventional firms cut jobs;

  worker cooperatives cut pay before jobs (workers get the profit when demand recovers)

  (Employment stability keeps skills and $$ in the community, and limits social and health issues associated with unemployment)

- When demand grows, worker cooperatives increase employment less fast than other firms (not a problem if other firms are hiring)

Survival

- Same or lower closure rates among worker cooperatives compared with other firms
- Best study (Uruguay) finds worker co-ops 29% more likely to survive, *all else being equal*, than conventional businesses in the period studied
- Reason for survival is higher productivity

Conclusions

Statistical studies on large numbers of worker cooperatives and other businesses in several countries suggest that worker cooperatives can be assets for development

Consistent findings show that worker cooperatives

- Are at least as productive, the more so the more democratic they are
- Keep more profit in the firm (and thus in the community)
- Are not necessarily undercapitalised, and may actually invest more

Conclusions (continued)

- Redistribute profit and are more egalitarian (they also seem to offer more training, and have fewer supervisory staff)
- Have more stable employment (and may be better equipped to weather recessions)
- And survive at least as well as conventional firms