



Cooperatives Can Create Jobs for All

extract from the Manual:

OUR SOCIAL REALITY AND TOOLS TO CHANGE THE WORLD

by Acarya Maheshvarananda Avadhuta

Sharing: Would anyone like to read from your journal or share what happened in the activities you did?

Objectives of Module 6:

1. To understand the nature of unemployment and how it impacts people.
2. To understand how cooperatives work.
3. To understand how to start a cooperative.

The Social Reality Discussion: Unemployment

Economists have an odd way of defining unemployment. The unemployed are defined as people who are without jobs and who have actively looked for work within the past four weeks. Economists do not count the chronically unemployed who have given up hope and stopped looking. Some poor people who are unemployed are trying to take care of relatives, are ill, or are attending school.

Economists also do not count people who are underemployed, for example, those who only have part-time or temporary work. Finally, they do not consider whether the wages paid for work are enough to survive—many low-paid employees need two or even three jobs to support their families.

In the United States, unemployment among African Americans is higher than in the general public (in five states the official rates exceed 20 percent) and among the Lakota people on the Pine Ridge Indian Reservation, unemployment nears 80 percent. Many communities, regions and even countries are suffering economic depression.

Every person in the world who wants to work but cannot find a full time job that pays a living wage is experiencing economic depression. The loss of a job is not merely the loss of a paycheck, but it is also the loss of a routine, security, and connection to other people. Those who have been looking for work for six months or longer are more than three times as likely to be suffering from depression as those who are employed in steady jobs. Feelings of shame, embarrassment, and strains in family relations are common.

Many people feel it's their fault if they cannot find a job. Why? Meaningful work is a human right. It is society's duty to provide an honest, meaningful job with an adequate wage for every person who wants it. We should fight to demand jobs for all.

Our question now is: What is your opinion about unemployment? How does it impact you? How does it make you feel?

We will go around the room, and ask everyone to say your name, and then say briefly what your opinion is about unemployment, and how it makes you feel. Please speak for just one minute each.

[After everyone has spoken, 10-15 minutes] Now let's shift our attention, because in this course we want to focus on the solutions.

Cooperative Game: [team building exercise]

Cooperatives

Throughout the twentieth century and until today, cooperatives have been mostly invisible, ignored by the mass media and political leaders who are more

interested in power, fame and control. Yet more than one billion people, a sixth of our global population, are members of co-ops. The world's largest non-governmental organization is the International Cooperative Alliance (ICA), representing 246 national and international organizations.

The ICA offers this definition: "A cooperative 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."

Cooperatives employ almost 10 percent of the world's employed population. In 156 countries, at least 279.4 million people are employed in or within the scope of cooperatives. This is considerably more than the 80 million employed by multinational corporations. Cooperatives are also more likely to succeed than privately-owned enterprises. In the United States, 60-80 percent of companies fail in their first year, while only 10 percent of cooperatives fail during that period. After five years, only three to five percent of new U.S. corporations are still in business, while nearly 90 percent of co-ops remain viable.

It is a basic right of workers in an economic democracy to own and manage their enterprises through collective management. Industry, trade, agriculture and banking should all be organized through producer and consumer cooperatives. These will produce the minimum necessities and most other products and services, forming the largest sector of a Prout economy. Smaller satellite cooperatives can serve larger cooperatives. For example, an automotive cooperative could produce components that are then shipped to nearby car manufacturing plants for final assembly.

There are three requirements for cooperatives to be successful. The first is honest, trustworthy management. A high degree of integrity is essential to the administration's effectiveness. The second requirement is strict administration with transparent accounting and organizational standards to build confidence among the cooperative members and the community. The third requirement is the sincere acceptance of the cooperative system by the local public. This requires popular education and constant promotion to create integrated networks of community cooperatives.

Global capitalism, which wipes out local businesses around the world, also puts

unfair pressure on cooperatives. Decentralized economic democracy, however, ensures that everyone in the community has employment and a voice in the decision-making processes.

A cooperative market economy has many benefits: it keeps consumer prices low, minimizes inflation, ensures low prices for raw materials, facilitates the equitable distribution of wealth, fosters closer ties among people, and builds community spirit.

Worker Cooperatives

Successful cooperatives grow from the energy and commitment of local people. The foundation of the cooperative system lies in “coordinated cooperation”, in which free human beings with equal rights and mutual respect work together to fulfill a common need, for their mutual benefit.

Co-ops are different than both traditional capitalist enterprises and socialist communes formed through forced collectivization. Both of these systems are administered through “subordinated cooperation,” in which managers supervise and give orders to the workers. Cooperatives, on the other hand, integrate economic and social objectives, spreading wealth and power to each member equally.

Cooperatives hold a competitive advantage over both private and public enterprises because members have a personal interest in their co-op’s success. The members own the co-op, so are more likely to buy its goods and use its services. Shares in cooperatives are not publicly traded because the members own the shares. They themselves decide how to spend the co-op’s profits.

Today many cooperatives in capitalist countries involve pooling investment money and then sharing the profit; in Prout, only cooperative banks and consumer co-ops function like this. In all other cooperatives, every member actively works for the enterprise. This leads to a better working environment and enhanced productivity. In such cooperatives, labor employs capital instead of the reverse, as in capitalism. With labor at the helm and no longer subject to the dictates of capital, a sense of self-worth is restored to people and the community is strengthened.

Also in contrast to capitalism, cooperative productivity is measured not only in

terms of output and income, but also in terms of job security and happiness.

How Worker Cooperatives Function

Membership in a worker cooperative is open only to those who work there. New workers enter the cooperative on a trial basis before they become full members. The control of the firm and the right to any residual assets and profits are based on labor contribution rather than the value of capital or property holdings.

Control rests on the principle of one member, one vote, and not on the number of shares or amount of a person's investment in the cooperative. If non-worker shareholders were allowed to become members, it would introduce conflicts of interest that could dilute the worker incentive system. Capital financing can be accepted only if it does not have the power to influence decision-making.

The incentive system for pay and profit-sharing must be both fair and attractive, so that competent people will join. While some cooperatives pay all workers the same, others reward workers' performances according to their skill and contribution, but within a minimum and maximum income range. The ratio between the lowest-paid and highest-paid workers is determined according to the time and place, but the difference will naturally decrease as the overall standard of living rises. Rewards may also be given in other forms that boost productivity and worker satisfaction, such as better equipment, education and training, assigning more workers to a unit, and work-related travel subsidies.

In traditional private enterprise, financial incentives are used to demand high standards of training and development of personnel. Yet in cooperatives, even higher levels of resourcefulness, communication skills and interpersonal discipline are needed. The importance of investing in continual worker education to foster interpersonal skills as well as business management expertise cannot be overemphasized. Each member should be encouraged to further his or her education, keep abreast of technological developments in the field, and share knowledge with others. The members' ability to contribute to the enterprise will increase, and along with it, their self-esteem. In this way cooperation and working conditions will improve for everyone.

Sharing of cooperative values and the sincere attempt to practice them allows people to integrate their social and economic lives with their beliefs. This can lead to a deeper sense of worker satisfaction, loyalty, and commitment to economic

democracy.

The degree of collective decision-making depends on the size of the cooperative. In small collectives, all members jointly make key decisions. Larger cooperatives generally elect boards to make policy decisions. Boards select a manager who is a member of the cooperative to be in charge of day-to-day operations. Each cooperative, according to the realities of its business, must decide which decisions the manager, the board, and the entire membership respectively will make. Guidelines are based on other cooperatives' experience.

Coordinated cooperation requires members and management to have mutual respect and trust for one another. Experience has shown the importance of teaching cooperative ethics to workers so that they can develop their ability to participate in and manage their firms. Where cooperatives have been most successful, the managers are also teachers, awakening in the workers an understanding of the cooperative and how it functions.

Experience shows that in addition to wages, workers must participate in the growth or decline of the firm itself in order to have sufficient incentive for long-term investment. They do not necessarily need total ownership or control over the assets.

The Mondragon Corporation is the largest federation of worker cooperatives based in the Basque region of Spain with 75,000 cooperative worker-members. Their model of collective ownership relies on a balance of incentives. The innovative system of internal capital accounts spreads gains or losses in the net worth of the cooperative to individual workers' accounts. The cooperative restricts workers from taking out their balances at will, so that it can use the assets for reinvestment in the cooperative. Yearly interest is paid on each account. The balances on each member's account are eventually paid out after a designated period of time, such as five years, or when a worker leaves the cooperative.

Without good leadership and a wise cooperative structure, workers sometimes choose poorly. For example, in the Vakhrusheva coal mine in the Khabarovsk region of the Russian Far East, workers preferred immediate dividends, high wages and access to imported goods as opposed to reinvesting their profits back into the development and long-term future of the cooperative. Today this mine is

being worked by a privately-owned company.

Cooperatives provide greater job security than do private enterprises, which are not answerable to the community and whose boards might choose to relocate to where labor costs are lower. Cooperatives consider labor a fixed rather than a variable cost over the short run. This means that workers are not immediately laid off if production is cut back. Viable alternatives to layoffs include decreasing the work hours of all members, opening new lines of production or services, retraining workers, and transferring members to other cooperatives.

A Supportive Infrastructure

It is difficult in a capitalist economy for a cooperative to survive as an isolated enterprise. As Sarkar has noted, sincere acceptance of the cooperative system by the public is a requirement for success.

The vast majority of cooperatives are relatively small. The only way they can afford certain services is through mutual support. Together, several cooperatives may form a supportive infrastructure to provide financing, technical and management assistance, joint marketing and purchasing of supplies and services, research and development of new products, cooperative education and training, and lobbying and public relations services. When co-ops have access to these types of support, they often outperform conventional private firms.

Access to funding from a sympathetic credit union or bank is crucial to success. In the Mondragón group of cooperatives, the Caja Laboral cooperative bank has provided the capital financing needed to grow and overcome various difficulties. The Stiga independent consulting report for 2009 rated Caja Laboral first among 105 financial institutions in Spain in terms of excellence of service.

Credit unions are cooperative banks, owned and democratically-managed by their members, which give loans at lower interest rates than commercial banks. In the United States, there are 7,339 federally insured credit unions, with 90.5 million members and total assets of \$914.5 billion. Credit unions have fared far better than other financial institutions in recent years, with only 1.74 percent delinquency ratio on US\$564 billion in loans. In 2010, only 28 retail credit unions failed, resulting in US\$221 million in NCUSIF losses, but no loss to any deposit holder.

There are several reasons why credit unions are more successful than corporate banks. First, because they are legally incorporated as not-for-profit cooperatives, earnings are not given away to stockholder investors. Second, credit unions do not speculate with their money on risky financial investments because their goal is not amassing profits. Third, credit unions in the United States have been exempt from taxes since 1937, because they are member-owned, democratically operated, with the specific mission of meeting the credit and savings needs of consumers of modest means. Fourth, the members of the board of directors of each credit union are volunteers. Finally, credit unions are people helping people, working hard through education and community service to benefit everyone.

Worker and community takeovers of failed capitalist enterprises have tremendous potential. Argentina has the largest number of these takeovers; in response to the country's 2001 economic crisis, workers occupied bankrupt factories and collectively managed them. Called the Fábricas Recuperadas Movement, which means "reclaimed or recovered factories", this tactic expanded to other enterprises, such as the Hotel Bauen in Buenos Aires. The communities came out to defend these initiatives whenever the police tried to evict the workers.

The reclaimed businesses are run cooperatively, with important management decisions taken democratically by a general assembly of the workers; in most, all workers receive the same wage. By 2016, about 16,000 Argentine workers were running 367 recovered businesses. In the first year since conservative president Mauricio Macri took office in December 2015, six recovered enterprises have failed. In Brazil in 2005, there were a total of 174 enterprises that had been taken over and were being managed by the workers as part of the solidarity economy.

The benefits of worker-management include a higher level of loyalty and commitment by the workers, greater support from the community and less financial responsibility and stress on the shoulders of a single owner or CEO. The greatest obstacles faced are sometimes internal disagreements and often difficulty getting credit for operations, because commercial banks are wary of lending to new cooperatively-managed enterprises, especially those with a history of financial troubles. In Argentina, recovered factories found it easier to collaborate with other worker-managed enterprises to reach a critical size and power enabling them to negotiate successfully with the banks.

Cooperatives have tremendous potential to expand economic opportunity and

wealth building for impoverished communities. In 2008 a group of community organizers in predominantly Afro-American neighborhoods of Cleveland, Ohio, started the Evergreen Cooperative Initiative to create jobs and wealth building through a network of ecologically-friendly, community-based co-ops. In an area known as Greater University Circle where 43,000 residents have a median household income below US\$18,500 and where over 25 percent of the working population is unemployed, they used the Mondragón Cooperative Experience as a model to create a network of worker-owned enterprises. A non-profit corporation ties them together, with a revolving fund so that 10 percent of the income generated is used to start new cooperatives.

The Green City Growers Cooperative is a year-round, hydroponic food production greenhouse. On just two hectares of land (5.5 acres), 40 employee-owners are producing three million heads of healthy, organic lettuce per year, and 300,000 pounds of herbs annually for local markets. The Evergreen Cooperative Laundry is an industrial-scale, high-tech laundry with 50 workers that uses only a third of the water and heat of traditional laundries to service the hospitals and the nursing homes in the area. Ohio Cooperative Solar employs workers who “face barriers to employment” to install solar panels on Cleveland-area institutional, governmental, and commercial buildings. The enterprise became profitable within its first five months in operation; in the off-season the co-op helps weatherize low-income housing in the area. These and many other small, quickly-growing cooperatives focus on economic inclusion and building a local economy from the ground up.

Cooperatives benefit the community at large by creating jobs, retaining wealth and increasing social connections among the inhabitants. The practice of economic democracy in co-ops raises awareness of democratic issues among the workers as well as in the wider community.

Co-ops, much more than corporations, closely reflect the lives and thoughts of the member-owners. If the common interests of the members and the interests of the co-op move apart, the co-op dies.

Community Benefits

Full employment is possible by starting cooperatives. This is especially important for women, who have been exploited by men throughout history because they

were not economically independent. Jobless people everywhere can create cooperatives that will earn them a decent income.

Cooperative enterprises benefit a community in many ways. They bring people together, encourage them to use their diverse skills and talents, and provide them with an opportunity to develop new capabilities. They strengthen the community by creating a sense of belonging, fostering close relationships among different types of people, and empowering people to make decisions to develop their community.

All this fosters community spirit. Working together, a community is able to accomplish much more than when individuals go their separate ways.

On an economic level, cooperatives foster regional economic self-reliance and independence from outside control, empowering local people. They create employment, circulate money within the community, and offer a wide range of goods and services. Because cooperative enterprises are owned by the members themselves, profits stay in the local area. Cooperatives thus increase the wealth and build the strength of the community.

In essence, successful cooperative enterprises transform a community by establishing economic democracy.

Cooperative enterprise is the socio-economic system of the future. With global capitalism terminally ill, developing cooperatives as independent alternatives makes a lot of sense.

Discussion Questions:

“Cooperatives are the businesses of the future.” Do you agree with this? Why or why not?

Have you ever visited or worked in a cooperative? What impressed you most?

What factors do you think are most important for a cooperative to be successful? Why?

If there was a credit union where you could keep your money instead of a commercial bank, would you use it?

Do you think your community would benefit if it had more cooperatives? Why or why not?

Tools to Change the World #7: How to Start a Cooperative

In 1844, in the mill town of Rochdale near Manchester, England, 26 poor workers started the modern cooperative movement with a food co-op. Here are five principles as to how the lives of ordinary people could be improved:

1. **Start with the most essential products:** When the first cooperative shop opened in Rochdale on December 21, 1844, there were only four items on sale: flour, butter, sugar and oatmeal. As the business grew, they gradually added other foods, books, and magazines.
2. **Produce and sell things within your own community:** This means making things that low-income people need and use. Consider basic foods, furniture, shoes, a taxi service, housing, and banking services.
3. **Allow people of all religious or political views:** The co-operators agreed to let people discuss any question at their meetings, but the organization itself would be neutral.
4. **Use some resources for education:** From the very start, the pioneers put a proportion of their profits into an educational fund. In Rochdale, the first co-op started a library, while Mondragon group of cooperatives, which began in Spain about 100 years later, started with a technical engineering school.
5. **Share the profits:** Members of the coop paid in a weekly sum of two pence, which later rose to three. However these payments made them the owners of the shop and they received money back, five percent interest on the money plus their share of any profit the shop made.

Laws concerning cooperatives are different in every country; in fact some laws were written to hinder and block cooperatives. Those who wish to start a cooperative should first consult their national association of cooperatives and visit successful co-ops, ideally those which operate in the same sector, to learn as much as possible from the experience of others. These experienced cooperative workers can also advise about psychological ways to win the support of the local people.

Here are suggestions on how to start a cooperative:

1. Fulfill a need. People have to come together in order to fulfill a genuine need in the community. No matter how good the idea, if there is not a community need, the enterprise will not succeed.
2. Establish a founding group. A few committed people have to take on the responsibility of developing the initial idea through to inception. Usually, however, one person will need to provide the leadership.
3. Commit to a vision. Commit to the ideals and values implicit in cooperative enterprises, and try to ensure that both the members and the management are honest, dedicated and competent.
4. Conduct a feasibility study. Objectively evaluate the perceived need, and determine whether the proposed enterprise can fulfill that need by conducting a feasibility study.
5. Set out clear aims and objectives. The members of each enterprise must formulate clear aims and objectives through consensus. These will help direct everything from the founding group's initial focus to promotional strategies and budgetary processes in the years to come.
6. Develop a sound business plan. The enterprise will require capital, have to manage its finances efficiently, and at some point will have to make effective decisions about loan repayments and profit allocation.
7. Ensure the support and involvement of the members. The members own the enterprise—at every step their support and involvement are essential.
8. Establish a location. Secure adequate operational premises for the enterprise, in the best possible location in the community.
9. Get skilled management. From within the community, bring into the enterprise people who have the necessary management, business, financial, legal and accounting skills.
10. Continue education and training. Ideally, the members will have the skills—particularly the communication and interpersonal skills—necessary to run the enterprise successfully. If not, they will either have to develop such skills or bring in new members who have them.

Exercise: Brainstorm together and make a list of goods and services that are needed in your community that a cooperative might provide. Consider basic necessities, transportation, agriculture and agricultural products, expensive imported goods that could be produced locally, cleaning, consulting, computer

services, pest control, etc.

Next, choose any product or service from your list to collectively consider. How many members would ideally begin this co-op? What kind of location would be needed to start? What materials and inventory would be needed to start? What competitive advantages would your product or service have in the market? How much money would be needed at the beginning, and when could you expect to start making a profit? What is your plan for growth? What sources might provide the funding you need? How many jobs could your co-op eventually provide?

Activities—Do as many as you can:

What is the official unemployment level as defined by the government? What is the real unemployment level? How many people are unemployed? Are some demographic groups experiencing more unemployment than others?

Interview an unemployed person. How long have they been without a job? How do they survive? How do they feel about being unemployed?

Visit a cooperative and interview one of the workers. Ask about their history, the problems they face, the mistakes they have made, and their successes. Ask how many workers are members, how much they are paid, and any other monetary, social, and personal benefits they receive.

Contact the national associations of cooperatives in your country. What is the total number of cooperatives in your country? How many people are members of cooperatives? What percentage of the population? Over time, is this percentage increasing or decreasing? Are the laws relating to cooperatives favorable? Do cooperatives receive tax breaks or other support from the government?