



Employee buyouts and cooperatives – a valid means to fight the crisis?

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In a very recent issue of the [World Economic Outlook](#), the IMF analyses the determinants of total factor productivity and admits frankly that ‘labour market regulation is not found to have statistically significant effects on total factor productivity.’ This admission actually represents a turning point in the IMF’s official position, since in the past it has strongly endorsed, together with the OECD, deregulation of the labour market and, more precisely, the reduction of the labour protection level. Certainly, the current times are hard times, and the tragic sight of reality requires an intellectual coherence economists sometimes miss.

However, in spite of the IMF’s change of mind, the reduction of labour rigidities actually represents one of the ‘greatest European successes’ if we consider that during the last twenty years, all European countries have recorded a reduction in their employment protection index. This policy has not only not stemmed the impact of the crisis on the employment level; it has in fact intensified it by increasing workers’ vulnerability and the precariousness of jobs. The honeymoon effect produced by the initial rise in employment level immediately vanished as the crisis exploded, with contracts not being renewed and conversion of previously standard long term occupations into temporary jobs.

The dramatic fall in employment level that is still struggling to recover is not the only element that we should consider when we talk about labour. Labour is not only a question of work opportunities and hiring and firing policies, it is also a matter of job overall conditions for the ones who work.

In fact, [as reported by ETUI](#), ‘the quality of jobs continues to deteriorate. Non-standard employment, largely involuntary, is on the rise, with negative consequences for labour market attachment, income, and career development, but also for productivity in the long run.’

Moreover, between 2000 and 2012, collective bargaining coverage decreased in the majority of European countries. This has important effects in terms of bargaining coverage, given that ‘coverage is usually much higher in countries with multi-employer bargaining arrangements than in those where bargaining takes place predominantly at company level.’

The countries that have recorded the highest drop in collective bargaining coverage are obviously the ‘Troika countries’ (1). Coinciding with this development, the level of unionisation has dropped. As explained by ETUC, ‘in almost all EU28 countries, union density has declined, although considerable divergence in unionisation rates remains, with all Nordic countries still recording the highest union density rates.’

Given the complex changes of the labour market, the introduction of several different job contracts and the consequent fragmentation and multiplication of the types of workers, trade unions have certainly encountered difficulties in both attracting new workers and most of all retaining them even in a period of transition from one job to another. Again, an interesting (and unexpected) point of view comes from a forthcoming paper of [two IMF analysts](#) according to which ‘the decline in unionisation is strongly associated with the rise of income shares at the top and reductions in minimum wages increase overall inequality considerably.’

Cooperative experiences

In this bleak outlook, it could be stimulating to search for different models of labour and plausible solutions, turning for instance to the cooperative experience.

The world of cooperatives, defined by ILO as ‘an autonomous association of persons united voluntarily to meet their common economic, social and cultural need and aspirations through a jointly owned and democratically controlled enterprise’, has roots which go back to the eighteenth century, when during the industrial revolution, influential philosophers were reflecting on models of productions different from the hierarchical factory system which was becoming dominant. There are many examples, like the Rochdale and the new Lanark communities where workers were actively involved in the economic activities, assuming all responsibilities dutifully and successfully.

Today, according to [CICOPA](#), the ‘total estimate for cooperative employment’ in the G20 is almost 234 million (5,496,373 in Europe) whereas the ‘employment in cooperatives’ is almost 20 million, including 10.7 million employees (1,582,846 in Europe) and 9.2 million worker-members (500,310 in Europe). Their economic and social role is officially celebrated during the International day of Cooperatives, proclaimed by the UN in 1992, but firstly celebrated in 1923. In 2013 UN secretary Ban Ki Moon underlined how cooperatives ‘could help to build resilience in all socio economic spheres in times of global uncertainty.’ And resilience is one of the features showed by many cooperatives in current times.

Take for instance the Basque region in Spain where the big Mondragon cooperative group is located and the Italian region Emilia Romagna, which records a higher percentage of employment in cooperative over the total employment. In the former case, as reported by CICOPA, during the crisis, ‘the reduction in employment in the group took place to a large extent through redeployment and early retirement schemes, without job losses’; in the latter case in 2012-2013, ‘although the absolute number of people employed in cooperatives declined, this decline was less pronounced than that compared to the total employed population of the region’, implying that ‘cooperatives as a whole in Emilia Romagna have shown more employment resilience to the economic crisis than employment in general.’ The reason for these results lies in the structural features of cooperatives that make them different from standard firms and which involve both a short term and a long term perspective. As [clearly underlined by Bajo](#) cooperatives are formed by members and not simply employees; they adopt democratic decision making mechanisms, foster active participation of members, put job security as a priority goal and prefer flexibility in terms of wages, time, place and type of work rather than flexible dismissal laws and they create financial reserves through saving from shared profits which can

be used to face economic distresses and downturns. In the long term, all these factors may result in a counter cyclical behaviour that preserves jobs and maintains a solidarity network inside the company. Obviously, there are also drawbacks which must be taken into account, in terms of costs of the democratic process, financing opportunities, possible lack of managerial abilities, but still according to recent empirical findings, firms which are managed by workers perform at least as good as standard firms and in some cases better.

Indeed, as [reported here](#): ‘more than a thousand cooperative enterprises from the CECOP network (representing around 50,000 cooperative enterprises in 17 European countries) are in fact the result of businesses that were going to close down and that have been transferred to, or bought out by the employees, and re-established under the worker cooperative form.’ There are essentially two cases of ‘business transfers to employees’: companies without successors and employee buyout. The latter is clearly dominant in times of crisis and today the list of firms recovered by their workers in Europe is extending as the crisis persists.

Among the others, we can cite the example [of almost 39 Italian cases of worker buyout](#), where employees have invested their capital (usually consisting of their pension funds) becoming the new owners of the firm, with the support of institutions like Legacoop and Cfi. The [New York Times](#) has recently reported this phenomenon, taking the example of Zanardi, a book printer in the Nordest.

In France, the Confédération Générale des Scop (CG Scop) and its regional bodies ‘have accompanied 76 successful business transfers to employees in 2010, and 52 in 2011: the transfer of sound enterprises without a successor and employee buyout of enterprises in crisis. More than one thousand jobs were saved in those enterprises in only two years, without mentioning all the upstream, downstream and surrounding local economic activities that have also been maintained.’ Among the cases we can cite also the Fralib, an occupied fabric which has recently reached an agreement with the previous owner Unilever, which will pay for damages caused by the forced stop of productive activities.

In Spain, a ‘successful example of a failed enterprise transformed into a worker cooperative is Celulosas y Papel in Mollina, a rural town of 5,000 inhabitants in Andalusia, where in February 2010, after the bankruptcy of the enterprise CEDEMOLL (active in the production of cellulose and paper for more than 25 years) four former workers decided to invest their unemployment benefits and buy out the enterprise under the worker cooperative form.’

Last year, there were also occupations of factories in Greece, as for instance the case of [VIOME](#) a factory for building materials.

The Argentinean experience

This phenomenon recalls in some way the Argentinean experience of ERT (Empresas Recuperadas por sus Trabajadores), which mushroomed in 2001-2003 during the Argentinean crisis. Today, there are more than 300 ERT and their number continues to increase. We have interviewed Andrés Ruggeri, anthropologist at the University of Buenos Aires, a notable expert on this topic, and author of the book “Que son las Empresas Recuperadas?”

Ruggeri recognises a similarity in the reasons for the processes described above, since both in Europe and Argentina, workers are developing forms of resistance against the loss of their jobs and against the adoption of neoliberal politics. However, he states, there are clearly differences, in terms of 'macroeconomic context, workers' mobilisation tradition, juridical and political framework.' Still, "the possibility of workers' self management, the focus on the social role of firms and the preservation of labour rather than profits, represent an alternative.'

ERT present a high rate of survival but they encounter many obstacles, especially in financial terms. In fact, Ruggeri points out, ERT 'suffer the absence of a clear juridical recognition of common property. There is an open dispute over ownership, which regards not only recuperated enterprises but also cooperatives which are excluded by the credit channel. Thus, the answer to this problem must necessarily come from the recognition of the workers' cooperative ownership and from the implementation of administrative mechanisms that transform this recognition in the practical possibility of funding, whether public or through banks' loans.'

All these aspects are part of a more complex process, which aims not only at a different internal organisation of enterprises but rather to a different view of society. In this sense, Ruggeri underlines that 'the creation of networks of solidarity around the self-managed economy is essential not only to broaden the spectrum of activity of the company, in terms of economic performance, but for what concerns their social functions. Argentina's experience of 'open factories' which includes cultural centres or schools in situ is a contribution in this regard. Deeper transformations able to generate interaction and strong links with communities are needed, as for example in Venezuela, where community councils participate to decisions about production with workers' councils of the same territory. Evidently, this is not just about self-management of enterprises, but it requires that the overall political process move toward it.'

What Ruggeri says here reminds us of John Stuart Mill, who in its 'Principles of Political Economy' (1848) recognised in 'the association of the labourers on terms of equality, collectively owning the capital with which they carry on their operations, and working under managers elected and removable by themselves' the form of association that will dominate at the end, determining the transformation of 'human life, from a conflict of classes struggling for opposite interests, to a friendly rivalry in the pursuit of a good common to all; the elevation of the dignity of labour; a new sense of security and independence in the labouring class; and the conversion of each human being's daily occupation into a school of the social sympathies'.

Is it really possible to achieve this? It's a long way from 1848 to 2015, but the jury is still out on this question.