

REDISCOVERING WORKER COOPERATIVES IN A CHANGING WORLD OF WORK¹

Simel Esim & Waltteri Katajamaki
Cooperatives Unit, International Labour Organization

Abstract

Worker cooperatives are emerging as an organizational model responding to the changes within the world of work. They have a specific democratic governance structure of member-worker-owners, where decisions are made by those directly involved in the enterprise. Any type of business can be worker-owned and controlled as a cooperative, and worker cooperatives can provide ways for organizing new forms of work with less dependence on the employer and increased flexibility and collaboration among workers. This work looks into the different ways in which worker cooperatives are being used as a response strategy, including through union engagement, worker buyouts, cooperatives of freelancers, as well as cooperatives using online platforms.

Las Cooperativas de trabajadores están surgiendo como un modelo de organización que responde a los cambios dentro del mundo del trabajo. Éstas poseen una estructura democrática específica de miembros-trabajadores-propietarios, en la que, las decisiones son tomadas por aquellos directamente involucrados en la empresa. Cualquier tipo de negocio puede ser propiedad de los trabajadores y controlado como una cooperativa, además este tipo de organizaciones pueden proporcionar formas alternativas de organización del trabajo con menos dependencia en el empleador y mayor flexibilidad y colaboración entre los trabajadores. Este trabajo analiza las diferentes formas en las que las cooperativas de trabajadores están siendo usadas como una estrategia de respuesta a través de participación de los sindicatos, compra de empresa de los trabajadores (worker buyout), cooperativas de freelancers, así como el uso de plataformas on-line por parte de éstas.

Key words: Cooperatives, social economy, worker ownership, future of work

Palabras clave: Cooperativas, economía social, trabajo asociado, futuro del trabajo

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1. Introduction

Workers around the globe are looking to responding to the changes within the world of work, ranging from economic and demographic changes to technological and environmental ones. As a consequence, new trends are emerging in the world of work: the standard employment relationship, where an employee performs work in the framework of full-time, formal and open-ended arrangement, is eroding.² This is replaced by non-standard forms of work, where temporary and part-time work is increasing, in addition to the disguised employment and dependent, “false” self-employment.³ Common characteristics of these new forms of work include working from a location other than premises of the employer; mobility of the employee, often working from multiple locations; and strong support of information technologies for conducting the work.⁴ While they bring about flexibility for both employers and employees, these new forms of employment are also associated with decent work deficits such as lower and irregular earnings, reduced social security coverage, and diminished working conditions.⁵ As workers are finding ways to respond to these changes, cooperatives are emerging as a viable organizational form. This article focuses on worker cooperatives, including under the form of worker buy-outs and cooperatives using online platforms, for instance among informal, freelancer, and gig economy workers, are among possible responses.

Around the world cooperatives exist in all sectors of the economy, and while they are businesses, they operate within a broader set of values and principles enshrined in the ICA statement on the cooperative identity and in the ILO Promotion of Cooperatives Recommendation, 2002 (No. 193), not focusing *per se* on generating profit, but on meeting the needs and aspirations of their members. Cooperatives and other forms of economic organizations, such as mutual benefit societies, social enterprises and associations, are part of the social and solidarity economy.⁶ These have emerged out of the need to provide employment and goods and services that are difficult to afford or access from the public sector and conventional businesses. In addition, cooperatives are membership-based enterprises, where members are also owners, with a right to decide democratically on the major issues affecting the enterprise. Due to these characteristics, cooperatives have seen a renaissance amongst the workers in different sectors who are engaged in new forms of employment.

² ILO. 2016a. *A challenging future for the employment relationship: Time for affirmation or alternatives?* The Future of Work Centenary Initiative Issue Note Series No. 3.

³ See for instance J. Berg (2016) “Non-Standard Employment: Challenges and Solutions” *IUSLabor* 3/2016.

⁴ Eurofound. 2015. *New forms of employment*. (Publications Office of the European Union, Luxembourg).

⁵ ILO. 2016a. *op.cit.*

⁶ For resources on SSE from the ILO and partner organizations, see <http://www.sseacb.net/>

2. Worker cooperatives

Worker cooperatives are among the organizational models emerging as a response to these new forms of work with deficits in legal and social protection and substandard working conditions. They are enterprises run and managed by and for the workers who own the capital, vote as equal members on matters related to running the business and have the right to stand in for elections of the Board of Directors.⁷ A worker cooperative is a form of producer cooperative, where the input provided by the members is their labour.⁸ Any type of business can be worker-owned and controlled as a cooperative, from services and retail to education and manufacturing. Worker cooperatives have proven to be sustainable enterprises with similar and often higher survival rates than conventional enterprises. They also have a good record in terms of productivity and job preservation, as well as debt to equity ratio.⁹

Union engagement

Trade unions have historically been allies with the cooperative movement. They have supported the creation of new cooperatives, strengthened existing ones, and advocated services for their members through cooperatives.¹⁰ At the same time, however, the dual role of worker cooperatives as employers and workers has posed concerns among union leaders, particularly in relation to the ambiguity of workers' status, the concentration of risk for the workers, and working conditions.¹¹ In recent years, proven resilience of cooperatives in times of crisis has led trade unions to rediscover them for their members, or extend their support for cooperatives helping informal workers attain formal employment. The equal voting rights of cooperative enterprises, as membership based organizations, give them a legitimate representativeness as key actors in the social dialogue process especially for workers in rural and informal settings. Good governance characteristics such as transparency, responsibility, accountability, participation, responsiveness to the people's needs, and respect for the rule of law, are also common features among cooperatives.¹² Joint strategy development between trade unions and cooperatives can focus on a range of issues including curtailing the deterioration of worker rights, flexibilization of labour, loss of jobs and privatization, i.e. challenges related to the new forms of employment and erosion of the standard employment relationship.

⁷ Perotin, V. 2014. *What do we really know about worker co-operatives?* (Co-operatives UK).

⁸ Deller S. et. al. 2009. *Research on the impact of cooperatives.* (Wisconsin, University of Wisconsin Center for Cooperatives).

⁹ Ibid.

¹⁰ Van Slyke, B. 2016. 'Unions and Cooperatives: How workers can survive and thrive', *Truthout*, February 26, <http://www.truth-out.org/news/item/34944-unions-and-cooperatives-how-workers-can-survive-and-thrive> [6 February 2017].

¹¹ Laliberté, P. 2013. "Editorial", *International Journal of Labour Research* 5:2, 173-177.

¹² ILO.2014. *Cooperatives and the Sustainable development goals: A contribution to the post-2015 development debate.* (Geneva).

Worker buyouts

As part of the changing world of work and modes of production, many enterprises are failing, or in some cases removing the production to countries with lower labour costs, resulting in job losses. This has been particularly prevalent during financial and economic crises. While most of these enterprises cannot be salvaged, workers in firms with economic potential can in some cases buy out and transform these firms into worker cooperatives. A move towards worker ownership does not always stem from enterprise failure, but may be attributable to the retirement of ageing owners, particularly where there is no clear plan for the future of the enterprise.¹³

Empresas recuperadas (reconverted enterprises) in Argentina are one of the examples where workers were able to save their jobs by taking ownership of the companies where they worked. In the midst of the 2002 economic crisis, workers in numerous enterprises made use of the bankruptcy law which allowed workers to continue with production in a failed enterprise if the majority of the workers agreed. It is estimated that in 2014 there were more than 300 *empresas recuperadas* with 13,000 workers in Argentina.¹⁴ Similarly in Brazil, there are at least 25 worker-owned enterprises across six states that have been initially shut down and then relaunched as worker cooperatives.¹⁵ In Europe, worker buy-outs in countries such as France and Italy have demonstrated capacity to adapt to change while maintaining jobs and pursuing their social mission through services to the community, for instance.¹⁶

The growth of these converted enterprises continues, and while their productivity sometimes remains lower than their potential, the wages in these enterprises are competitive and their survival rates are generally higher than those of conventional enterprises.¹⁷ Projecting worker ownership in failed enterprises as a growing trend in the changing world of work, legislation putting financial and legal support systems in place to facilitate such enterprise restructuring has been approved in a number of countries, Italy, Spain, Portugal, France, Greece and Canada.¹⁸

¹³ Alperovitz, G. 2016. '6 ways we're already leading an economic revolution' *Yes! Magazine*, September 7, 2016, <http://www.yesmagazine.org/new-economy/6-ways-were-already-leading-an-economic-revolution-20160907> [6 February 2017].

¹⁴ Ruggeri, A. 2014. *Informe del IV relevamiento de empresas recuperadas in la Argentina*. (Buenos Aires).

¹⁵ Patry, P. *et.al.* 2013. "Trade union support for labour cooperatives. An experiment in cooperation between Brazil and Canada", *International Journal of Labour Research* 5:2, 207-226.

¹⁶ CECOP. 2013. *Business transfers to employees under the form of a cooperative in Europe. Opportunities and challenges*. (Brussels, CECOP-CICOPA Europe).

¹⁷ *Ibid.*

¹⁸ ILO. 2014. *Job preservation through worker cooperatives: An overview of international experiences and strategies*. (Geneva).

Cooperatives among self-employed producers and freelancers

While workers in failed enterprises turn to cooperative model in response to immediate threat of losing their jobs, self-employed, including ‘gig economy’ workers such as freelancing and independent contract workers, often have a very different background. Those employed among these groups are among the lowest-paid workers, often falling outside standard employment relationships and related protection schemes. They are also likely to face additional challenges in form of transaction costs such as agency fees, timely payment, and the right to contract, among others.¹⁹ This type of employment is widespread among a majority of workers in the Global South, and is increasingly becoming more prevalent for workers in the Global North as well, especially among new entrants into the labour markets. Gig economy workers, who have been falsely identified as self-employed, set up cooperatives for instance to decrease costs in workplace rent or billing costs. Forming cooperatives allows them to reclaim some of their rights and benefits while giving them more voice over how their businesses are run.

In the Global South, work in the informal economy continues to persist and grow. Characterised by significant decent work deficits and the lack of labour and social protection, informal employment results in low and irregular incomes.²⁰ As a response to the ambiguity of employment relationships in the informal economy, cooperatives have been established by workers such as waste pickers, street vendors, home-based workers (mainly artisans) and domestic workers.²¹ Cooperatives provide an option for workers and enterprises in the informal economy to formalize by creating economies of scale and negotiation power with public and private sector actors. Among the most prominent examples of this is of Self-Employed Women’s Association (SEWA), India, whose model of supporting the organization of informal women workers into cooperatives has been successful and influential. Through SEWA, the workers have been able to access higher rates for their produce and improve access to markets, as well as access to care services, insurance, and financial services, among others.²²

Domestic workers are among the most vulnerable groups of workers, and they comprise a significant part of the women in the global workforce in informal employment. They work for private households, unregistered, often without clear terms of employment, and excluded from the scope of labour legislation. Through provision of services such as access to finance, education and job placements, including through online platforms, cooperatives among domestic workers support the organization of their members. These cooperatives are also

¹⁹ Conaty, P.; Bird, A.; Ross, P. 2016. *Not alone: Trade union and co-operative solutions for self-employed workers* (Co-operatives UK).

²⁰ ILO. 2016b. *Social contract and the future of work: Inequality, income security, labour relations and social dialogue*. The Future of Work Centenary Initiative Issue Note Series No. 4.

²¹ ILO. 2016a. *op.cit.*

²² ILO & WIEGO. Forthcoming. *Challenges and opportunities for cooperative and informal workers: Home-based workers and waste pickers*.

being used for social dialogue and collective bargaining to negotiate better conditions of employment, including maternity protection and paid leave days.²³

Cooperatives using online platforms

Tools used by cooperatives among self-employed include peer-to-peer exchanges of goods and services and activities that imply completing a series of tasks through online platforms or mobile apps. ‘Sharing’ or ‘online platform’ economy²⁴ is one of the areas identified for its dynamics of participation and growth for the future of work.²⁵ While some see the platform economy as an economic opportunity, there is also growing evidence that it creates unregulated marketplaces with non-standard forms of employment, eroding employment relationships and increased self-employment, resulting in worker insecurity, deteriorating working conditions, and suppressed social protection entitlements.²⁶ One potential response to the eroding employment relationship toward strengthening voice and representation of workers in the platform economy is through cooperatives.

Cooperatives using online platforms are a growing countertrend within the platform economy as organized by gig economy workers. They are digital platforms, which recognise and take inspiration from the legacy and ownership design of the “traditional” offline cooperative movement.²⁷ Platform cooperatives are collectively owned and governed by the workers who depend on, participate in, and, derive livelihoods from them.²⁸ They organize emerging technologies through online applications that support production, digital labour brokering, collectively-owned and democratically-controlled web-based marketplaces, and all those initiatives that directly support this economic model. Worker-owners of these cooperatives share risks and benefits and negotiate better contracts, while being in a position to impact decision-making on how the platform is organised and managed.

Cooperatives using online platforms are attracting interest from segments of the population who may not have had previous exposure to the model. They are still at early stages of development, with a number of interrelated legal, financial and organizational challenges to

²³ ILO. 2014. *Cooperating out of isolation: Domestic workers’ cooperatives*. Issue Note No. 2, Cooperatives and the World of Work Series.

²⁴ As the terminology around this platform-based economy is relatively new, there are different terms used to imply similar topic. Other terms that are overlapping, and indeed often interchangeably used, include collaborative, on-demand, and gig economy (see Martin, 2015).

²⁵ De Stefano, V. 2016. *The rise of the ‘just-in-time workforce’: On-demand work, crowdwork and labour protection in the ‘gig-economy’* (Geneva, ILO).

²⁶ ILO. 2016a. *op.cit.*

²⁷ Schneider. Forthcoming. “An internet of ownership: Democratic design for the online economy”, in ICA/ILO/CICOPA eds. *Cooperatives and the World of Work*.

²⁸ Sutton, M. 2016. *A Shareable explainer: What is a platform co-op?*, <http://www.shareable.net/blog/a-shareable-explainer-what-is-a-platform-co-op#What-is-a-platform-co-op> [6 February 2017].

overcome.²⁹ Taxi drivers are among the groups of workers that are designing their own application-based platforms through worker cooperatives to secure a better share of their earnings. There are a growing number of examples of taxi driver cooperatives that set up their own online applications to eliminate the intermediation of ride-hailing companies which withhold rights and benefits from the drivers.³⁰ The Green Taxi Cooperative is a unionized worker cooperative that dominates the taxi marketplace in Denver, USA, through its successful use of a smartphone taxi hailing service collectively owned by its members.³¹

3. Conclusions

While the cooperative model should not be seen as a stand-alone response to the challenges in the changing world of work, cooperatives and other social and solidarity economy enterprises are emerging as alternative ways of both conducting business and organizing workers in a number of sectors in responding to the changes within the world of work. The worker cooperative model, with its specific governance structure of member-worker-owners, as well as cooperatives of self-employed producers or freelancers, is a particularly interesting approach for organizing new forms of work with less dependence on the employer and increased flexibility and collaboration among workers. Cooperative enterprises are based on a set of values and principles promoting democracy, solidarity, equality and participation, and as such are well-positioned to provide for a mutualistic and solidarity based ownership and management structure.

Despite a number of advances made in the regulatory environment for cooperatives in general and worker cooperatives in particular, it still remains inadequate in many countries, either due to restrictive laws stemming from a legacy of state control, or from the absence of an up-to-date cooperative legal framework that reflects the changing realities in the world of work. These frameworks need to be sensitive to the rights and protection of workers, members and users of cooperatives. In some countries, especially in Latin America, cooperative form has been abused by unscrupulous employers to circumvent labour legislation. In case of cooperatives using online platforms, regulations need also be inclusive of those forms of organization whose members might be scattered across countries.

In addition to regulatory frameworks, worker cooperatives need access to both advisory services as well as financial tools and intermediaries that are best suited to support the expansion and replication of good worker and platform cooperative practices. Finance is

²⁹ Gorenflo, N. 2015. 'How platform coops can beat death stars like Uber to create a real sharing economy', <http://www.shareable.net/blog/how-platform-coops-can-beat-death-stars-like-uber-to-create-a-real-sharing-economy> [6 February 2017].

³⁰ Scholz, T. 2014. *Platform cooperativism vs. the sharing economy*, <https://medium.com/@trebors/platform-cooperativism-vs-the-sharing-economy-2ea737f1b5ad#bydrs7l39> [6 February 2017].

³¹ Peck, M. 2016. 'Building the people's ownership economy through union co-ops', in Scholz & Schneider (eds.) *Ours to hack and to own: The rise of platform cooperativism, a new vision for the future of work and a fairer internet*. (New York, OR Books), pp. 208-212.

among the most pressing challenge for many particularly start-up worker cooperative, and mechanisms to support them will need to be developed. Finally, the evidence base of the successes and challenges of worker cooperatives, particularly in relation to the wider future of work discussion, is still limited. While worker cooperatives present an interesting alternative for employment relationship, more knowledge will need to be created on their role in addressing decent work deficits and the sustainability of the business model, particularly in case of cooperatives using online platforms and other new forms of worker cooperatives.