

Instructor's manual

Chapter 5 – Democracy in the workplace I: worker co-operatives

This chapter begins a two-part analysis of employee-owned enterprises by looking at worker co-operatives. Considered to be one of the purest forms of employee ownership, the worker co-operative model places ownership, control, and beneficiary rights in the hands of workers. By the end of this chapter you will be able to:

- understand the economic reasoning behind the worker co-operative model;
- analyse key operational aspects of worker co-operatives;
- assess the ownership, governance and beneficiary arrangements of worker co-operatives in relation to other forms of co-operative.

The key arguments that will be developed in this chapter are:

Worker co-operatives must ensure they balance the needs of democracy and operations in order to create and sustain a viable co-operative enterprise.

Profit maximisation is a poor theory for the economic analysis of a worker co-operative.

The relationship between labour and capital in a worker co-operative is based on the primacy of labour, with capital as the subordinate ('labour hires capital').

There are specific management theories that are applicable to worker co-operatives but a new concept of the role of management is necessary for the implementation of these theories in practice.

Access to capital is crucial to the sustainability and growth of worker co-operatives; the importance of member contributions and retained earnings cannot be overstated in this regard.



Chapter cases and seminar exercises

Case 5.1 The Worker Co-operative Code of Governance

Case 5.2 GreenCity Wholefoods

Case 5.3 Edinburgh Bicycle Co-operative

Extended Case Mondragon Corporation

Summary of Learning

This chapter has argued that:

- Worker co-operative are businesses that are owned and democratically controlled by their employee members using co-operative principles.
- The theory of the conventional firm (profit maximisation) is ill-suited to worker co-operatives.
- While they are founded on the seven internationally recognised co-operative principles, worker co-operatives have a number of specific practices that form part of their code of governance.
- Worker co-operatives must balance the democratic and operational needs of the business to achieve their objectives.
- Management must be conceptualised in a different manner in worker co-operatives, based on functionality rather than power.



Possible Essay/Discussion Questions

- 'Worker co-operatives are the purest form of employee ownership.' Drawing on material from this chapter and your own research, argue either for or against this statement.
- Why do you think there is so little worker ownership in the UK? What factors (economic, social or political) affect the development of the worker co-operative sector?

Useful resources

Co-operative and Community Finance

<http://www.coopfinance.coop/>.

Campaign for Sustainable Employment

<http://www.sustainableemployment.eu/?lang=en>.

Co-operatives UK Worker Co-operatives group

<http://www.uk.coop/groups/worker-co-operatives>.

Worker cooperative, Wikipedia article

http://en.wikipedia.org/wiki/Worker_cooperative#An_economic_model:_The_labor-managed_firm.

The European Confederation of Workers' Cooperatives, Social Cooperatives and Social and Participative Enterprises

<http://www.cecop.coop/?lang=en>.

The International Organisation of Industrial, Artisanal and Service Producers' Cooperatives

<http://www.cicopa.coop/?lang=en>.

US Federation of Worker Cooperatives

<http://www.usworker.coop/education>.

Mondragon Corporation

<http://www.mondragon-corporation.com/ENG.aspx>.

American Worker Co-operative

<http://american.coop/>.

International Labour Organisation

<http://www.ilo.org/>.

