

# Worker co-ops: a way to create jobs that's good business

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**J**OB-CREATION has been a major topic in the federal election campaign: John Turner, Brian Mulroney and Ed Broadbent will agree on that much.

But in the shadow of the \$20-million Macdonald Royal Commission on the economy and its yet-to-be-seen recommendations to reduce unemployment is the less-pricy report of the National Task Force on Co-operative Development. Among its proposals recently submitted to the Cabinet are a series of initiatives to help develop worker co-operatives to create jobs.

Worker co-ops are businesses owned by their workforce on a one-worker/one-vote basis.

There are three major ways worker co-operatives can increase the number of jobs in Canada: having workers as owners increases productivity, commitment and the chances of a company's survival; among plants slated for closure — shut-downs being a major source of job loss in Canada — some can be made viable through worker buy-outs; with sound advice and financial support, it is possible for unemployed workers to create new enterprises (one such example being the Big Carrot, a successful natural food market in Toronto).

An inspiration for worker co-ops in Canada has been their astonishing success at Mondragon in the Basque region of Spain. In one generation, a large network of industrial worker co-ops has evolved, which includes Spain's largest manufacturer of appliances and other related industries. About 22,000 worker-owners have jobs in the 100 industrial firms in the Mondragon group. Unemployment is less than 0.5 per cent, there has been only one strike and one business failure since 1956, absenteeism is low and productivity is 12 per cent higher than in comparable Spanish industries.

The Mondragon group is completely self-sufficient, with financing generated by its own bank and ideas by its own research and development operations. It even has its own social-security system, including medicare, unemployment insurance and family allowance.

Turning to other countries, France has about 500 worker-owned firms, Italy has about 2,500, Israel has a large worker co-op sector (which includes the 5,000-member Egged transportation co-op — a highly efficient bus company), and more recently there has been rapid growth of worker co-ops in the United States and Britain.

By comparison, worker co-ops are relatively untried in Canada. There are about 100 such companies, mostly small, with the greatest number in Quebec, where 35 have started in the past three years.

If worker co-operatives are to spread throughout the rest of Canada, the experience in Quebec, the United States and



Globe and Mail, James Lewcun

The Big Carrot food market on Danforth Avenue in Toronto is an example of successful co-op project.

Western Europe indicates that at least two ingredients are needed: specialized, regionally based development agencies such as the Société de développement coopératif in Quebec, and a venture capital pool for start-up financing.

A special pool for start-up financing is important because many banks are cautious about unfamiliar ways of organizing business. To overcome the difficulties of obtaining money, some companies structured as worker co-operatives incorporate themselves as share-capital corporations, disguising their co-operative structure in dealings with the bank. The temptation to do this is reinforced by the lack of a specific statute for worker co-ops in all provinces except Saskatchewan and Quebec.

The support of organized labor is also needed if worker co-ops are to develop in Canada. But organized labor has been cool to the worker concept, supporting instead investment funds for ownership by the union rather than direct ownership by workers.

Organized labor has opposed the decision by the Quebec Government to convert its retail liquor outlets to worker co-operatives, apparently viewing this as a threat to the union.

In part, labor's ambivalence about worker co-ops is due to the uncertain role of the union in a company owned by its workers. Generally, organized labor has served the interests of workers by bargaining against owners. For companies in which workers are the owners, the role of the union requires redefinition.

There are many examples of unionized worker co-ops in Western Europe. An innovative model in the United States that organized labor in Canada might study is the role of the United Food and Commercial Workers in the recent conversion to worker co-ops of two Philadelphia supermarkets from the failing A & P (O & O) stores.

Also of interest is legislation in Pennsylvania that will create a revolving loan fund to finance feasibility studies when employees are considering a buy-out of a closing business. Significantly, this legislation has involved the co-operation of labor, government and co-operatives.

In spite of these recent developments in Pennsylvania, the labor movement in the United States also has been cool to worker co-ops. But worker buy-outs in that country have been spurred by changes in the federal law in 1974 that have given em-

ployees substantial tax advantages for buying their companies.

Canada's National Task Force on Co-operative Development refers to worker co-ops as "an idea whose time has come," because Canadian history indicates that other forms of co-ops have evolved when conventional economic institutions have failed to satisfy major social needs.

The grain marketing co-ops in the West developed because individual farmers were getting fleeced by buyers; today the Saskatchewan Wheat Pool is among Canada's 40 largest companies. Credit Unions (financial co-operatives) evolved because consumer credit was unavailable; today, credit unions serve about nine million members and have assets of almost \$34-billion. Similarly, non-profit housing co-operatives have burgeoned during the past 10 years — now serving about 100,000 Canadians — because housing costs are excessive for many people.

In response to high unemployment, the initial steps for building a worker co-operative sector in Canada are being taken. With the participation of government and organized labor, the growth of this sector and its job-creating potential will be greatly enhanced.