**Sociology 929. The Social Economy**
**Reading Interrogations, Session 7, 10/6/2010**
**Cooperatives & the Emilia-Roma Cooperative belt**

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## 1. Nina Baron

The region of Emilia-Romagna is an example on how you actively can work with local development as a way to improve welfare. Matt Hancock argues how the focus on co-op's, local investments and innovation has changed the region of Emilia-Romagna from one of the poorest to one of the richest regions of Italia. But Hancock is also showing how during the last years there has been a shift in the way many of the regions co-ops are organised. Many of the co-ops have begun to buy up, or establish plants outside Italy. The companies that they own out in the world are often not managed in the same way as the main co-op. The reason for this, they argue, is that to be able to compete on the global marked this is necessary. It is a way to enable the company back home in Italy to keep growing and in that way secure and create new jobs in the region.

When you read about this development, you can't help but feel that there is a problem in this approach. But Hancock argues that to understand this you only have too look at the main goal for development in Emilia-Romagna – to secure the welfare now and in the future in the region. With this perspective, the global focus is a mean to an end, for reaching this goal.

But is this the only way? Are we at a point were we only can secure our welfare in the western world by taking advantages of the unequal distribution of wealth in the world? I know this is a very ideological question, but I think it could be interesting to discus this view on local development in a more global scale. Can we think about a situation were the whole world has this focus on local development? Would that work? Would this Emilia-Romagna policy work in local regions also outside the western world? If all regions it Italy has adopted the Emilia-Romagna approach to local development, would it still work then? Has the region of Emilia-Romagna found a way to <u>move</u> jobs to their regions or have they find a way to <u>create</u> more jobs?

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## 2. Matthew Kearney

Matt Hancock's descriptions of cooperatives in Imola and the broader Emilia-Romagna region are interesting and engaging. There seem to be a lot of details missing, though. For instance, the formal cooperative elements of the organizations are a bit opaque. At least some of the time, there are sizeable membership dividends, yet membership is seen as a sacrifice, adding to a collective "patrimony" across generations. This seems like a tension. What are the exact formal benefits and detractions of membership, and what are the informal benefits and detractions? Could the language around patrimony be a way to valorize a membership status that is in fact financially lucrative to the individual member?

The conditions for membership seem improbable: perhaps cost of living is different in Italy, but the equivalent of 2,000 euros per month (about $2,800) is a low standard of living for a family in the US. Yet somehow the workers have to save 100,000 euros before turning 40. A separate source of income would seem necessary, which implies a class difference between members and non-members, which alters the egalitarian image of these organizations.

The existence of active unions within the cooperatives is consistent with this possibility of strong intra-cooperative class dynamics. What is the relationship between unions and the boards of directors? If both represent the firm's workers, and management is closely controlled by the board, then what is the function of these unions? Are the union leaders and the board members the same people? If not, why not? If so, then how would contract negotiations between the union and management play out, especially if layoffs are never an option for management?

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3. **João Alexandre Peschanski**

According to Hancock, the Communist Party cadres have had an important role to drive Imola's social economy, through policies, leadership and social cohesiveness. In class so far, at least from what I remember, we have not looked at cases in which a political organization led to the emergence and consolidation of cooperatives. What was the agenda of the PCI? What was the role of the party cadres: were they mostly maintaining workers' cohesion or did they actually had some training and skills that contributed to the success of the cooperatives? What was the impact of the weakening of the PCI to the connections among coops?

What percentage of the workers in the coops are women? Do they have access to decisionmaking in the coops? How many women are nonmembers? How does that compare to men? I can imagine that the new coops -- that gear their activities toward social provisions -- might have a higher ratio of women among workers than the manufacturing companies. Is gender an issue in those new and old coops?

How do coops deal with immigrant workers?

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4. **Emanuel Ubert**

I have various questions regarding the Social Economy in the Emilia-Romagna ("ER") region, mainly regarding 1) the dimensions of the Social Economy in ER, 2) "high road" development, 3) the challenges to ER's economic model, and 4) its resilience:

**1) Dimensions of the Social Economy**
What exactly does it mean for a cooperative to part of the "local community patrimony" (e.g. in Imola)? Are the small firms' and cooperatives' participatory governance structures and non-profit-distribution constraints (especially in the latter cases) the main "social" dimension in the region's economy? Is there a tradition of social engagement and of the furthering of "social goals" of small businesses and/ or cooperatives in the region besides providing employment and "inter-generational mutuality"?

**2) High Road**
How did the 1990's decision to take the high-road and compete on quality & innovation instead on cost come about exactly? Who was involved (policy makers, businesses, labor leaders, etc.) in the

decision, what was the decision making process, was there any opposition, and what were the practical consequences on a firm and regional state level? Does Hancock view this”high-road” strategy as part of the endogenous economic development process of the 1970s and 1980s? If not, why not? Why did the “hard core” of red power break down in the 1990s? How has the strategy of “high road development” fared with respect to the ongoing economic crisis? Are there any viable strategic alternatives to the export-led cooperative growth model in Imola?

**3) Challenges**

How exactly does Hancock define the “crisis of maturity” of the economic model in ER? What have been the major practical impacts of globalization on the region's family firms and social economy networks (export reduction, etc.)? Is the cooperative's growth-focused strategy of reinvestment into the business viable within a globally stagnant economic environment? Is there enough export demand to render such growth strategies viable? Why and how did the crisis/ globalization impact the apparent breakdown in consensus among various actors in the region? To what degree was there ever such a consensus on the ground in the first place (large business and landowner conflicts exclusive to the 1960s)? Why is there a sense of crisis when foreign investors buy domestic companies and expand their production capacity in the region? Does the high integration of coops into global markets not render the ER cooperative sector highly dependent on global, capitalist markets and their fluctuations?

**4) Resilience of the local economy**

Historically, what have been the practical limits to the “consensus” model and the specific nature of the region's economy, what are the underlying drivers of those limits, and how have they changed since the 1990s? Apart from financing and succession issues, what are the critical factors that affect small companies' ability of survival among changing global circumstances and increasing competition? What, in the nature of the local economy, constrains it to adapt to or even profit from the changing circumstances? How sustainable is the cooperative growth-led business model?

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## 5. Trevor Young-Hyman

I have a bunch of questions this week. I have tried to organize them in order of clarity/specificity/my own interest…

*Are monthly assembly meetings sufficient to facilitate world-class advanced manufacturing, in the absence of team-based production processes?*

Hancock mentions that, while the Imolese cooperatives have implemented a number of ‘new’ human resource management practices, they have not switched over to team-based production techniques and that managers are hesitant to decentralize production decisions. Often, such team-based production practices serve two purposes: (1) reductions in costs, error rates, lead times, and (2) increased innovation, new product design, and problem-solving. Hancock implies, at least, that the lack of team-based production is addressed by the regular assembly meetings, in which workers participate and are able to critique the most minute details of the production process. Contemporary global advanced manufacturing standards, however, require very small error rates, detailed specifications to customer needs, and extremely short lead times (the time it takes from an order coming in to a shipment going out). These real-time adjustments demand a great deal of functional autonomy on the part of workers. This is less the case in less sophisticated or high-value areas of production, but one would expect that the Italian cooperatives are engaged at the higher-value end of production. It, therefore, seems that monthly meetings would not be sufficient to realize such production goals.

*The balance of workplace democracy and productive efficiency relies on the "authority and autonomy" of managers in the workplace. What was the nature of that "authority and autonomy"? At its foundation, was it formal and/or informal? Do managers and high-skill workers in cooperatives always have an informal, if not formal, authority?*

It seems that attraction and retention of high-skilled technicians and managers was an essential part of maintaining competitiveness and surviving in globalizing markets, yet this risked undermined the democratic character of the workplace. The conflict was seemingly resolved through a governance mechanism, in which managers controlled the shop floor but workers controlled the board of directors. But was sufficient?

Hancock claims that workers "attributed great trust and great responsibilities" (13) to management, treating them as "exemplary" "almost mythical" actors. Was it this informal hierarchy of technical knowledge that caused workers to subordinate to managers on the shop floor? Were workers less cautious in contexts where the changes in production were more drastic? At the same time, Hancock states that the workers initially resisted when managers and high-skill workers wanted to be members of the cooperative. The workers knew that the managers would be equal members, just like them, but they still feared and resisted their membership, until ultimately they were compelled by the risk of losing such valued skills. Where did this fear and resistance come from?

*What does the unique history of the Emilia-Romagna region and the strong role of state government suggest about the importance of civic traditions, political affiliations, and wealth as important facilitators of a vibrant social economy?*

The Italian state both shapes and subsidizes cooperative organization. The Italian state mandates that the boards of Type B cooperatives, which provide job placement services for disadvantaged people, include a fixed percentage of disadvantaged people. Italian law also mandates that cooperative boards must approve the budget and financial statements of cooperatives and elect the board of directors. Profits that are reinvested in "indivisible reserves" are not taxed, which accounts for most of the value of the Imolese cooperatives. The state government of Emilia-Romagna plays a coordinating role, providing a "shared vision for economic and social development that guided the region's policymakers, union, cooperators and small and medium sized owners." (5) Beyond this, the regional government provides a range of economic resources. These all seem to be essential components to the prominence of the cooperative model in this region.

ER is wealthy, it is Socialist, and it is civil society rich. While the wealth is a more recent phenomenon, though I am not sure about this in the longer past, the PCI came to power in 1945 and the civil society tradition is thought to extend back centuries. How have cooperatives fared in other parts of Italy?

*What is the role of international outsourcing in "high road" competitiveness of Imola, and what are its effects on developing countries?*

The Imolese cooperatives outsource in order to reinforce its current position and penetrate new markets. The fact that this has occurred within the past two to three decades does suggest that it is at least linked to neo-liberalization and globalization. Is such behavior necessary for survival? Also, the Imolese cooperatives claim to outsource in a way that is consistent with their cooperative values but it is surely an empirical question as to whether they are "contributing to increasing productive capacity elsewhere and introducing new technology into developing economies" (23), while they are surely not empowering workers abroad in their labor environments.

*What is the significance of membership fees for the sustainability of the model and how does this limit the generalizability of the model?*

The high membership fees in Imolese cooperatives encourage commitment and investment of time and effort. Also, these high fees provide capital that can be used towards expansion or innovation. The combination of a dedicated workforce and an additional source of capital would seem to go a long way in explaining the ability of these firms to compete and survive in international markets, which is supported by the fact that more successful co-ops tend to have higher fees. Furthermore, in the 2005 piece, Hancock states how many of the region's cooperatives are "undercapitalized, with limited access to credit and almost no access to capital." (7) So, if this mechanis is so essential for firms that are to survive in global markets, does this then make the model less relevant for places where workers can not afford a 100,000 Euro membership fee?

*Employee Participation as a Source of Increased Competitive Advantage or as a Democratic Value?*

Was there ever evidence that employee participation made the cooperatives more competitive? What evidence did the stakeholders provide, to make this claim? It is presented as a "contradiction", as to why the Italian cooperatives did not extend ownership to the subsidiaries that they purchased, despite the fact that this would have supposedly increased competitiveness. Were cooperatives with more active assemblies more profitable?

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## 6. Nate Ela

Generally, I'm interested in Matt's (and others') take on the varieties of economic, social, political and cultural infrastructure necessary to fostering a cooperative economy that is both broad (including a large segment of the population in its activities) and deep (people are heavily involved through membership, decision making, investment, etc.), as is the case in these regions of Italy. I take from the pairing of the readings that the ETI proposal for Ohio is one possible piece of infrastructure that could support a cooperative economy. What are other pieces of an ideal infrastructure – coops of coops, cultural norms, tax credits (which seemed to connect the Italian, Quebecois and Ohio cases), support of political parties, etc.? Can we envision how (or if) those might translate to Ohio? (I don't know much about the Cleveland example that has been mentioned a few times in passing, and would be curious to hear more about it in regard to these questions.)
I was also interested in the use of coop membership – understood as "a responsibility and an 'expectation,' but not a right" in the Imola case – as a way to discipline non-member workers. The expectation is that potential members will be working to gather enough capital – social and economic – to someday become members. This process of self-disciplining is added to ways in

which members assist management in ensuring productivity. I understand from the readings how this could create a more efficient workplace than non-coop firms, but I guess I remain curious about how it feels for non-member workers, especially when they are in the majority and the bar to membership is set quite high because otherwise "there is the risk of too many differing views." How does that affect worker morale, and opinions towards members and management?

With respect to the ideas proposed for Ohio pension funds, I have a practical question as to how the current recession might have changed the calculus of how ETI funds might play out, economically and politically? It seems like there could be more need than ever for capital/credit for small worker-owned firms, but also that pension fund managers and policymakers would be more risk averse in the current climate. Does the current situation highlight the need for investment in small firms in regional economies – and make the realization of such funds more difficult?

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### 7. Taylan Acar

I found the piece on pension systems really interesting. Actually this is an issue, which always called my attention. Pensions are mostly the deferred income of the working people, and during their active years, they basically have no word over these sums. This should not miss the point that pension is a historical gain obtained by the working people as a result of class struggles with employers and state. In this sense, the responsibility of the capitalists and state regarding the pensions and other benefits should not be overlooked. The question I think here is to come up with a balance between the two. In the case of United States, the pensions are under the management of gigantic firms and mostly speculated in stock market. The proposition of Clem and Logue in this sense offers a rupture in this system. Despite, seemingly shy of breaking with the capitalist market economy; the idea anticipates a dramatic alteration of the mechanism of a very crucial topic. Why its crucial is two-fold: involves millions of people and the amount of money is enormous corresponding to 45% of the equity of American corporations. That's why, I think how the pension funds are managed and invested could provide an alternative to today's handling of this amount money under capitalism.

In the case of cooperatives in Emilio-Romagna, what are the feasible ways to promote worker's participation into the management and decision-process making at the cooperatives? Or is there any way to make these cooperatives more pro-labor? Matt's question to a manager what is the position of the cooperative movement in Italy within the labor movement.

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### 8. Ayca Zayim

Matt Hancock presents a detailed account of the cooperative based Emilian economy and its role in bringing employment and prosperity to its local community. Accordingly, the worker-owned cooperatives constitute the 'high road' under globalization; they bring participation and involvement of their worker-members and maintain their long term interests in the firm. Membership in the Imola cooperatives fluctuates from 15 to 90 percent of their total workforce. Firstly, I would like to highlight the differentiation between members and non-members and the relationship of this differentiation to the contradiction experienced by cooperatives between their business and participation goals. Hancock underlines that membership is quite exclusionary as membership fees are very high (up to 100,000 €). Furthermore, this is a policy favored among the cooperatives in order to ensure ‘homogeneity’ and promote real participation in decision-making. On the one hand, this exclusion is argued to be imperative from a business perspective as very high membership fees create a tight bond among members; yet on the other, it obviously limits the goal of participation. I am curious whether there are possibilities for this contradiction to be resolved in different ways under globalization and what the constraints are surrounding these two goals. Is restricted membership the only way to success and survival under global competition? Is it the case for some sectors but not others? From an extreme standpoint, can we argue that exclusive membership policy creates a new ‘’labor’ aristocracy’, i.e. those ‘workers’ who are able to pay very high membership fees. What kind of ‘workers’ are they (engineers, high-skilled technicians)? How is this differentiation reflected into the relations between non-members and members on the work floor?

Secondly, this brings us to private subsidiaries of some Imola cooperatives in many developing countries where participation and ownership are not extended to the workers there. While I think this exclusion obviously raises “the question of values” a cooperative should hold, Hancock notes that cooperators see their holding companies overseas as “instrumental to the mission of the cooperative”. If mission of the cooperative is defined as fulfilling ‘a social mission’ in the local community, parallel to the way the Imola cooperators understand it, then ‘the question of values’ becomes irrelevant. As part of “the local community’s patrimony”, cooperatives have private subsidiaries in developing countries so they can maintain employment and productive capacity in the local community. Sidestepping this problem is dependent on defining the cooperative movement in terms of local community (a class-neutral term) rather than what one would normally expect: as part of the labor movement. In this regard, does not this redefinition of the ‘cooperative movement’ and its mission totally dispense with even its smallest transformative potential?

Thirdly, we should ask what the role of the developing countries is in this picture. Hancock notes that “while aspects of production are frequently decentralized to the subsidiaries, the ‘brains’ remain with the cooperative”. What is exactly the relationship between the Imola cooperative and their private subsidiaries? If “brains” remain with the Imola cooperatives, does not this relationship reproduce the existing inequalities between the developed and developing world? We know that the value added of the production process is greater for that component that requires the ‘brains’. Does this technically mean that the workers of the developing world ‘finance’ local development in the developed world? Also, Hancock notes that in the sectors the Imola cooperatives operate in, “people are important”: this increases success. What does this say about the cooperative movement(s) in developing countries that are more likely to operate in relatively low-tech sectors –where people are not that important-?

Lastly, I would like to discuss the relationship between management, skilled workers and unskilled workers in Imola cooperatives. Although all the members can participate in the decision-making process, Hancock notes that management is “jealous of the authority and autonomy it’s won”. How is the tension resolved on the work floor? More importantly, how does the relationship between blue collar workers and skilled workers (and technicians) change as the cooperatives become more ‘skill and management dominated’?

**9. Joo-hee Park**

1.
Logue & Clem (2006) shows that Economically Targeted Investment (ETI), or double bottom-line investing, of pension funds can be an important way to redirect economic development. They explain that ETI is both to secure competitive rate of return and to create “collateral economic benefit for a targeted geographic area, group of people, or sector of the economy” (p14).

Examples are various and inspiring: creating and maintaining jobs by investing small and medium-sized companies in the regional area; safeguarding against job flight; improving work place conditions by collaborating with the invested companies; investing community development projects such as affordable housing construction; and investing a specific industry in which pension fund participants work.

What I would like to discuss is the concept of local. I remember that we discussed the power and trap (mostly trap) of embracing the local in a few weeks ago. For example, exclusivity (e.g. “advocating local can mean banishing non-local”), lack of reflexiveness (e.g. “advocating local obscures the different interests within the local people), and obscurity of definition (e.g “the local doesn’t embody anything other than geographic meaning”) was discussed. While other positive aspect (e.g. “regarding social movement, local interactions, in which dense network and reciprocity are easy to be formed, have privileged standing with respect to other strategies”) was also discussed, I was not sure how to reconcile critiques on locality with practice of using the term.

Many of the ETI examples emphasize local/regional investment. So, I am confused again. If one accepts the critiques on locality, she might recommend to clarify what kind of specific values ETI emphases (e.g. good jobs at good wages, affordable housing, a cleaner environment), refraining from using the term, local. But do you think this is a satisfying reconcilement? How can we reconcile emphasizing local economy and critiques on locality?

2.
Logue & Clem (2006) explain several reasons that adequate capital is not available for small and medium sized companies: the concentration in banking; the promotion of secondary market for private placement; SEC’s Rule 114A which encouraged international investment; the increase in speculative investments; and the rise of pension funds themselves.

Among these, the last explanation was impressive to me. I initially thought that the low return rate for small private companies is the reason that pension funds focus public stock market. But, the authors explain that lack of investment in small companies result from pension funds’ practices. They say that the gab between price to earning (PE) ratio for small and medium sized companies and the PE ratio for the publically traded corporations is much larger in the US than in Europe. This is because; unlike in Europe, in the US the primary source of savings is pension funds. Since pension funds mainly invest in public stock market, this increases the gab of PE ratio between private and public companies.

So, I am wondering what are the other sources of savings in the US and Europe. Are the other sources of savings less susceptible to earning-maximization practice than pension funds? Why?

**10. Michael Billeaux**

One of the main things I'm curious about with respect to the Italian cooperatives is their continued adherence or non-adherence to cooperative principles. Specifically, there is a quote in the article that may be paraphrased as: adopting a strategy of non-cooperative expansion (i.e., expanding the cooperative firm to include more non-owning employees and/or non-participating entities) is instrumental to the cooperative the upholding of cooperative principles. I am skeptical; it seems as though this expansion, especially if carried too far, is to too great an extent contradictory to cooperative principles and practices that it undermines them rather than reproduces them (or else it reproduces them for a shrinking proportion of the workforce, and so becomes decreasingly non-cooperative). One question I have is, what opposition is there, if any, within coop membership as well as the broader community to this process? Do most people seem to agree that the compromise is not simply a necessary evil, but instrumental to cooperative goals?

A number of issues arose in the article that, for me, begged a lot of questions about the distinction between cooperative and capitalist firms. There are clear differences, of course: meetings consisting of a membership mostly made up of non-managerial workers wherein important firm-level decisions are made; election of the board of directors who oversee management; and collection of dividends by workers (potentially increasing their total income to a level higher than the market wage, unless the membership fee is large enough to offset the gain) are two important examples. But other characteristics fail to set it apart: the lack of power on a day-to-day basis, the increasing ratio of non-owners to owners, and the rise of a stark managerial/non-managerial division of labor come to mind. Even though the human relations improvements suggested by Pfeffer tend to be reinforced by the cooperative structure itself, they were (as the other suggests) meant to win the hearts and minds of workers within non-cooperative firms and do not differentiate worker cooperatives per se. The heated discussions which serve as critical feedback about decisions made by management are important, but constitute a grievance mechanism against more powerful managers rather than a debate among equals; a similar mechanism is present in typical firms where there is a strong labor union. The author even makes the point that, in some respects, the private sector is outpacing cooperatives in encouraging the direct participation of workers. The author puts it well in describing the "two souls" of the cooperative; I wonder if one has begun to dominate the other.

-Ohio pensions. This reading was a useful introduction to pensions in the US. I have a few questions and comments.
1)The authors make the point that the lion's share of economically targeted investment (ETI) is in housing and real estate. This was written in 2006, of course, when many people thought that housing and real estate prices would be going up forever; what happened to those investments after the onset of the housing crisis? What was the effect on returns on funds' investments? 2) Why do ETI and socially responsible investment (SRI) funds often outperform typical funds? The authors elaborate on this some in a footnote, but this is really crucial, both because it is academically interesting and because it is politically and strategically useful. 3) Is the proposal here to encourage investment practices similar to those of the Quebec Solidarity Fund, wherein investment decisions are not based primarily on positive returns? Or is this proposal more modest? Should positive returns be sought under all circumstances? 4) I think that it is worth it to take care when we discuss investment in local businesses, since local labor arrangements need not be favorable or worth reproducing. The authors also place emphasis on "good jobs;" i.e., high wage, high benefit, union jobs. This is probably a better guarantee that investments are good from a social perspective. 5) The

last page is very interesting. The argument seems to suggest that since workers' pensions occupy such a large proportion of investment capital and equity, they should have control over the economy that is proportional to their capital contributions. However, pensions are presumably unequally distributed, with some workers having large pensions, others having smaller ones, and a great many having none at all; hopefully there would be some strategy (such as investment of pension funds into the creation of “good jobs,” say) to extend and level access and participation.

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**11. Eunhee Han.**

Some facts: Emilia Romagna has 8.5% of the population of Italy; A per capita income 50% higher than the national average; It’s the third Italian region by GDP per capita and among the 10 richest of the European Union’s 122 regions; Unemployment is an enviable 3%; These factors are quite surprising.

Emilia Romagna might have received much attention since it moved from among the poorest region in Italy to the richest and the most developed industrial regions today. Worker owned cooperatives have been important actors in local economy development by combining profitability and solidarity. However, in order to understand the whole picture of local economy development, we should appreciate the history, social and political factors (e.g., the communist party) that led the development of worker-owned co-ops in Emilia Romagna. As Hancock pointed out, Emilia Romagna (not just worker-owned co-ops) is “a model of sustainable local development, one that combines the market, participatory planning and economic democracy” (Hancock, 2005).

I wonder if the Emilia Romagna model could be replicable in other regions/countries, especially where there is no strong leftist party power (hegemonic power); probably, many policy makers, local activists, or social entrepreneurs in other countries/regions have tried to copy the model. What is the implication for them?

Although it is not covered by the readings, I wonder how the current recession affects Emilia Romagna, and how worker-owned co-ops react to the current economic recession.

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**12. Lindsey Twin**

Hancock illustrates how skill and technology within production interact with the development of membership and governance structures within cooperatives in a manner which poses tensions for the normative ideals that cooperatives are trying to encapsulate. I hypothesize that the means by which skill acts as an intervening variable between ownership relations and relations within production are different in cooperatives and regular firms (more or less depending on the ownership structure within the cooperative), but that they produce similar outcomes. I hypothesize that the means by which personal ties act as an intervening variables between ownership relations and relations within production are different in cooperatives and regular firms (more or less depending on the degree of formal hierarchy within the cooperative) and that they can produce different outcomes.

Skill shapes worker leverage and the development of organization and technology in regular capitalist firms. Hancock shows how skilled workers in cooperatives have increasing leverage in negotiating wages, working conditions and control over the production process. In both regular firms and cooperatives, workers in more capital and skill-intensive sectors attain higher wages for technological and employer relations reasons. Capital intensive firms are more vulnerable to worker resistance within the production process because they have higher sunk costs (Dickens 1986). Employers/cooperatives create many rules and incentives to ensure high utilization of capital equipment (Mitchell, 1986; Duncan and Stanford, 1980). Employers/cooperatives want a higher pace and longer hours to spread the costs of fixed capital over more labor input (Leamer, 1999). These production conditions give firms an incentive to pay “efficiency wages” and promote worker participation to reduce turnover costs (Stiglitz, 1974), minimize shirking (Akerlof, 1982; Shapiro and Stiglitz, 1984), and attract a higher-quality pool of applicants (Katz, 1986).

Many traditional firms that produce high-tech, custom goods utilize a lot of High Performance Work Organization (HPWO) practices: self-directed production teams, off-line problem-solving committees, and multi-skilling. They view worker participation as a means enhancing efficiency and adaptability within the production process and innovativeness in product development. Cooperatives have a channel by which workers can express their grievances. It is unclear how much substantive input different workers can actually have in these channels. I think that in organizations where skilled and unskilled workers are formally “equal,” the leverage of skilled workers results from their access to information and non-standard skills.

Flexibility – the ease of switching between products or processes, or shifting output upward or downward – can be achieved through internal or external strategies. Firms can maintain flexibility internally through compressing the division of labor – workers with broad job categories utilize general purpose machinery and develop polyvalent skills. Firms can maintain flexibility externally by employing temporary and part-time workers. Hancock shows that cooperatives are less likely to use external strategies, even with non-members. However, they may push it on subsidiaries. Are cooperative-owned subsidiaries different from those owned by traditional firms?

Workers in cooperatives tend to have higher wages. In Italy, it looks like much of this wage premium results from the way that they specialize in high-value, customized commodities. Increasingly, cooperatives offer less promise for non-skilled workers (or workers without 100,000 Euro!). The kinds of high-tech, custom producer or craft good firms cannot be generalized to everywhere. The world, and these flexible producers, still needs mass production. Do these cooperatives enable or promote the degradation of wages and working conditions for workers employed in mass production? These cooperatives are typically spinned off from regular firms and in turn create subsidiaries as regular firms. What is the nature of relations between cooperatives and their antecedent and descendent organizations?

In my team’s project, I think that our case study, IEM, incurs less sunk costs than the Italian cooperatives because IEM’s workers received much of their training before entering the organization and the organization began as a partnership of skilled workers. Less skilled workers are being incorporated into a highly skilled workforce. In Italy, the cooperatives are incorporating skilled workers into an unskilled workforce and up-skilling the unskilled workers through multi-skilling practices and job rotation.

Social relations shape the development of organization and technology in regular capitalist firms. Workers have the ability to consciously regulate their work effort. Production cannot be reduced to technology because workers interact in social, non-technical ways within production (Granovetter, 1985). These social relations within the production process affect the way that workers regulate the intensity, continuity and quality of their work. The unity or division of management, the unity or division of workers, and the relationship between management and workers shape what kinds of organization and technology within the production process will be efficient/socially acceptable. It appears that in Italy, day-to-day operations in cooperatives are run by managers in a similar fashion as regular firms. In these cooperatives, I believe that the way that social relations intervene and feedback into the material conditions of production will be similar to that of a traditional firm. I think that in cooperatives with less formal hierarchy, these social relations will be more salient because they define the ease or difficulty by which "equals" can actively build commitment to reproduce or change the organization of production amongst their co-workers.

The "Putting Labor's Capital to Work" needs to include more information about how pension funds work and the incentives and constraints which define how they operate. It is unclear how exactly these ETIs select targets for long-term prosperity. The AFL-CIO's trust invests a lot in construction because that is where its members work. Is that the most strategic place to invest?

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**EOW: A meandering set of questions on the two Hancock papers on Italian cooperatives**

I found both of Matt Hancock's papers on Italian cooperatives very interesting and useful, especially the more detailed paper on the cooperatives in Imola. What follows here is not the agenda of issues for the seminar – this will evolve out of the memos prepared by students – but a range of issues about which I am especially interested in learning more. Most of the questions were stimulated by the Imola paper, but the first three came from the paper prepared for the Dakar workshop.

1. **Participation indicators.** Is there any systematic data on the degree of active participation in governance by worker owners? Does this vary significantly by: technology, size, exit options, etc.? What is the level of participation of different forms of workers in noncooperative firms in Italy, so that we would have a comparison?

2. **Economic structure of the region.** It would be good to have some more precise figures of the overall economic structure in the region. On p2 (Dakar workshop paper) the figure cited is 10% of workforce in 7500 cooperatives – 5000 of which are worker-owned cooperatives. This 10% of the labor force produces 6% of GDP, indicating that it has below average productivity. 94% of GDP is produced by noncooperatives. I do not have a really clear idea of the basis for the claim that the cooperatives are the pivotal – or a pivotal – driving force for the regional economy, They can still be dynamic, of course, and robustly sustainable. But what is the real basis for the claim f the importance for development? On p.6 you speak of "..a peculiar process of accumulation, driven by the cooperatives", but if they only produce 6% of the GDP, and with lower than average productivity (if the above figures are correct), how can this drive the overall accumulation process?

3. **Financial instruments.** COOPFOND is very interesting. It is funded by a 3% "tax" on cooperatives. The word tax is in quotes – so the mechanism isn't entirely clear. Is this mandated by law or is it voluntary? I very much like the idea of this kind of financial institution. And the idea that it can be used to buy out firms in danger of closing because of succession problems is also excellent: this really is a basis for a potential long-term transformation trajectory. But the financial basis for the fund is important here. I would also like more details on the financial arrangement for buy-outs that is mentioned at the end of the Dakar workshop paper: "The regional government is

already moving in this direction, by providing access to lower-cost credit for workers looking to buyout their firm and turn it into a cooperative".

4. **Institutional environment of individual cooperatives.** Imola compared to Mondragon: I am especially interested in the difference in the institutional environment of cooperatives in Mondragon and Imola: both are compact community-based, localized cooperative clusters, but one is organized as a "district" and the other as a Meta-corporation or cooperative conglomerate. I would really like to have a systematic grasp of the differences between these institutional designs for unblocking or relieving the constraints of robust cooperatives.

5. **The mechanics of membership fees in Imola:** How are membership fees accumulated and paid in those capital-intensity firms where the fee is ~100,000 euros? In Mondragon the capital-stakes are much lower -- ~15,000 euros – and there are mechanisms in place in which admitted worker-members can borrow the capital stake from the caja laboral at a lower interest rate than the dividend they get from their capital stake. What are the rules of the game in the Imola cooperatives?

- Are capital stakes refunded at face-value when a person retires or leaves the cooperative?
- Are there variable capital stakes – can a person "invest" more in the firm?
- Are dividends paid out to members on an equal basis or proportional to capital stakes?
- Reference was made to "patronage dividends" as well as "dividends on capital invested" – I wasn't sure what a patronage-dividend meant as a source of income for members "over the salary of non-members"
- How are capital stakes/membership fees financed?

**6. Membership procedures, exclusions, etc.** This is, of course, a major issue in discussion of cooperatives – the problem of creating insider/outsider cleavages. Mention was made on p.11 that "many workers simply aren't interested in making the kind of commitment, in terms of investment, risk and responsibility, that is expected of a member." Are there any data about the queue for membership? For example, it would be nice to know what % of non-member employees would like to become members but cannot. The order of magnitude of the exclusionary practices would be good to know.

**7. Ownership structure**. The nature of the ownership structures was not entirely clear. On p11 there was mention of "supporting members (essentially outside shareholders)". What is an "outside shareholder"? It also wasn't clear if some cooperatives might have the status of nonprofit associations – for example, is this the case in the type-B social cooperatives, which are governed by stakeholder boards? Who owns the assets of such firms?

**8. The relation of Coops to unions**. I would like more information about the role of the union. It is striking that in Imola wage structures are bargained with the union for all employees, members and nonmembers alike, and that the income differential between members and nonmembers comes from dividends only, not wage structure. Is this right? Given the insider/outsider issues in cooperatives, how does the union span this divide? You indicate that one union official was "generally critical of cooperatives in Imola". Given this, exactly how is this relation organized and navigated?

**9. Layoffs: "…**in the worker-owned cooperatives, numerical flexibility (hiring and firing workers as demand rises and falls) is nearly impossible. In Imola layoffs, for members and non-members alike, are unheard of. It's simply unthinkable – except in times of extreme crisis – for an assembly of worker-members to vote to layoff a fellow member. And labor-law in Italy combined with the strength of the unions makes layoffs very difficult, both technically and politically." I understand the argument for members, but not for non-members. What is the obstacle to laying off non-members? That is one of the advantages of having non-member employees – that they can more easily be dismissed. Is this really unheard of? What happened in the recent crisis?

**10. Authority/power**. The combination of worker assemblies and shop-floor discipline is very interesting. In those firms with only 15% of workers being members the meaning of participation and the role of the assembly viz-a-viz the social relations of the firm are quite different from the situation in a firm with 85% membership. I can see in those cases where members are located throughout much of the managerial hierarchy, and the membership is a majority of workers, that the combination of authoritarianism within the labor process + democracy in the assemblies can still constitute democratic empowerment. It is less clear in the cases where only 15% are members.

**11. The profit/competition constraint**. "… turning a profit means competing on markets (increasingly on world markets) dominated by private firms, guided by the logic of profit maximization and not maximization of value for worker-members or the local community. As almost all cooperators are likely to remind you, ignoring this reality, and prioritizing social goals over competitiveness, would endanger the long-term survival of the cooperative" (p20). This is an issue constantly raised in the discussions of cooperatives as a potential pathway beyond capitalism rather than simply a niche within: how limiting is the profit constraint or the competition constraint? Does this enforce a logic of profit-*maximization* or merely a logic of profit-*making*?

**12. Indivisible reserves.** Is this available only for cooperatives or for all firms? What precisely is the legal standing f this concept? Is it like the assets of a non-profit foundation?

**13. Global subsidiaries. "**As many of the managers and cooperators I've met with have stressed, any firms that are acquired and operated by the cooperatives through their holding companies are "instrumental" to the mission of the cooperative, and not a betrayal of the principles of the cooperative movement. The networks of subsidiaries owned by the cooperative allow the cooperative to continue to grow its productive capacity and create new jobs at home, while frequently creating new jobs in other parts of the world, contributing to increasing productive capacity elsewhere and introducing new technology into developing economies. The industrial cooperatives, with SACMI in the lead, have successfully integrated themselves with the global economy in ways that are consistent with their values, that increase employment and productive capacity at home, while safeguarding and increasing that patrimony that has accumulated over the last century, and that will benefit future generations." (p.23) This sounds pretty much like what any multi-national will claim. Is there anything distinctive about the treatment of employees in the subsidiaries? Are the subsidiary plants especially pro-union or solidarity-enhancing? Is there any discussion around the issue of globalizing the cooperative form itself—as Mondragon is experimenting with?

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