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INDUSTRIAL CO-OPERATIVES: A ROLE IN THE INDUSTRIALIZATION PROCESS
IN DEVELOPING COUNTRIES*

Prepared by
the International Labour Organisation (ILO)

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* The views expressed in this paper are those of the author and do not necessarily reflect the views of the Secretariat of UNIDO. This document has not been edited.

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How Are Co-operatives Different?

The term "co-operative" although frequently in use in economic literature, is not generally understood in all its socio-economic and development aspects. The term therefore, needs to be carefully defined so as to highlight the role of co-operatives in development, especially amongst segments of the population which are frequently marginalised in the development process.

When applied to participatory economic organisations the term sometimes is applied to organisations which would be in contrast to those conceived by the founders of "modern" co-operation. At the time of the "founders" of the co-operative movement there were no national laws under which co-operatives could be incorporated. Co-operatives were distinguished from other types of organisations by certain characteristics, such as voluntary membership, democratic control, equitable contribution to share capital and sharing the risks, and the sharing by members of the benefits obtained by the organisation in relation to the use made of the organisation..

The ILO Recommendation concerning The Role of Co-operatives, 127, defines Co-operatives as "an association of persons, who have voluntarily joined together to achieve a common end through the formation of a democratically controlled organisation, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in which the members actively participate".¹ Thus, co-operatives may be described as self governing institutions, set up on

1. International Labour Organisation, Recommendation 127 Concerning the Role of Co-operatives in the Economic and Social Development of Developing Countries, June 1966.

the initiative of the members themselves, with the minimum of outside interference in decision making. "Incorporation" is of unquestionable importance but this fact does not make an organisation a true co-operative.

Such a broad-based definition of the co-operative form includes organisations which may not presently be classified as "co-operatives" under national laws, but having all the characteristics required by the co-operative form of organisation. This is particularly true of a number of developing countries with organisations which are "co-operative" in form although they have not been registered under the co-operative law and are very often classified as "pre-" and "para-" co-operatives. Clearly therefore, the term "co-operative" as used in this paper includes reference to organisations which have the characteristics of the co-operative form of organisation, without necessarily being registered under the co-operative law of the country.

An essential aim of co-operatives is to ensure that all segments of the population benefit from economic development and could therefore help to ensure that development is not lop-sided and that the weaker members are not exploited in the name of development. This does manifest itself in the fact that special attention is paid to co-operatives by persons coming from the weaker segments of the population, in order to raise their social and economic level. Co-operatives are acknowledged as providing the means to the development of models of equality, self-help and mutual assistance.

Co-operatives do not function merely as mutual benefit societies. They have in addition certain social obligations which are clearly spelt out in their principles of operation. The six basic principles of co-operatives are : voluntary membership, democratic control, limited interest on share capital, equitable division of the surplus earned,

membership and technical education, and co-operation amongst co-operatives. The objectives of the co-operative movement are not limited to securing economic benefits for its members, but is also expected to inculcate a sense of participation by building democratic institutions of equal partners. A co-operative exists in order to place the average person in effective control of his own life and that of the institution for which he is working. In effect, at its best, a co-operative aims at something beyond the promotion of the individual interests of its members, its objective being to promote the progress and welfare of humanity.

Industrial Co-operatives and How They Operate

In the world over, co-operatives are classified by their main activities. One such group, and the one with which this Consultation would be mainly concerned, is the Industrial Co-operatives. The industrial co-operatives, like other types, are seen as increasing the economic well-being of the members, whilst at the same time effectively contributing to the development of the country's economy, leading in the direction of self reliance. An "industrial" co-operative is therefore not just another workplace but an organisational form providing opportunities for workers to actually control their own work environment and to participate in decision making through democratically elected executive bodies. It is considered to be both a way of life as well as a system of business. It is a form of voluntary association where individuals unite on principles of equity, reason and the common good as well as an economic institution.

The term "industrial co-operatives" is considered to be somewhat imprecise, in as much as it is used as a generic term, bringing together all types of co-operative organisations which happen to exist outside the agricultural production sector. For the purpose of this paper the term "industrial co-operative" is used to cover co-operatives engaged in all types of manufacturing activities including handicrafts, together with the provision of services within this sector.

Under the broad category of industrial co-operatives a distinction needs to be made between "production" and "service" co-operatives.

"Labour" or "workers" co-operatives, constitute one type of industrial co-operative wherein the members have both a financial and managerial stake (share capital) in the enterprise as well as work responsibilities for specific tasks. The members of such a co-operative are simultaneously workers and owners in the enterprise. Their income is usually composed partly of wages, incentive bonuses and returns on the share capital invested.

Instances exist of industrial co-operatives which have as their requirement that all workers in the enterprise must be members. Others have developed over a period of time to be composed of workers who are members and workers who are purely employees. The first type of industrial co-operative requiring all workers to be members is referred to as a "closed" co-operative, in contrast to an "open" co-operative which allows the entrance of non-members as workers.

In some of the "service" type industrial co-operatives the members retain their independence and self-employment status. Here the members have come together to form a co-operative with a view to channelising common services such as the supply of raw materials, provision of credit facilities, government aid and training, and the collective sale of finished products. In such a co-operative self-employed persons and independent artisans/craftsmen have joined together to take group action in certain respects, whilst retaining their overall independence.

Some illustrations of industrial co-operatives

Before discussing the role of industrial co-operatives in socio-economic development and particularly in the process of industrialisation in developing countries, it may be useful to give illustrations of some of the reasons behind industrial production and service co-operatives coming into existence. What is interesting is to understand the motivation which prompted individuals to come together to form co-operative enterprises, whether in respect of production or service

activities and the circumstances which prompted such action. It is similarly interesting to review Government policies creating the necessary climate in which individuals are encouraged to group together to form co-operatives.

A number of industrial co-operatives in both developed and developing countries have in fact been organised by workers around failed private enterprises, with several illustrations of workers succeeding in transforming a loss-making private concern into a successful industrial co-operative. Thus, the Saoqaon Tea and Allied Plantation Workers' Co-operative in West Bengal, India only came into existence as a co-operative when the private owners decided to close down the concern because of accumulated debt, abandoning the workers to their fate. The workers, who lacked alternative employment opportunities in the area, at first tried to persuade the management to restart the plantation, but later they decided to form a co-operative and take over both the plantation and its liabilities. Amongst the progressive measures taken by the workers was the decision to grant equal wages to male and female workers, in spite of the fact that in the tea industry generally, the wages of females are lower than those of males. This provided the necessary incentive to workers to make an increased production effort since the majority of them happened to be women. The co-operative further decided to double the money spent on medical facilities, the repairing of workers' houses, water supply and sanitation. In spite of increased expenditure on these and other social services, the co-operative was able to accumulate savings. The success of this workers' co-operative is all the more impressive given the fact that the co-operative has been managed without the assistance of professional managers and considering that plantation workers are generally illiterate and constitute the most backward section of workers in the organised sector in India.

The Lanka Steel Society, in Sri Lanka¹ is a workers' co-operative

1. Some of these and other illustrations have been drawn from the case studies sponsored by the MATCOM (Material and Techniques for Co-operative Management Training) Project of the International Labour Office, and from "Small Business Promotion" by Malcolm Harper and Kavi Ramachandran.

whose members came together in order to finance and manage the enterprise in which they work. They rely on it for their complete livelihood. Like most successful co-operatives, this co-operative was initiated principally by its members and not as a result of suggestions by outsiders. The

members were faced by a crisis when the owners decided to close down the factory and to dismiss the workers. Two leaders emerged from amongst the workers, who were willing to give their time and energy in organising a society to save their own and their friends' employment. The co-operative recruited powerful allies from amongst Government officials, bankers by offering them positions on the Board of Directors of the Co-operative. The members were also willing to recruit outsiders with the management skills they themselves did not possess, paying them an economic salary, and willingly taking instructions from them because they respected their expertise.

The co-operative was able to benefit initially from a protected market and did not have in its early stages to concern itself unduly with marketing problems. The problem of the shortage of raw materials which had partly contributed to the downfall of the previous owners was resolved by involving the main supplier in the management and financing of the society.

Industrial service co-operatives for the self-employed have developed in several developing countries to combat exploitation by shopkeepers, moneylenders and traders generally. Such co-operatives have fulfilled a real need in the informal sector in particular, where small scale enterprises predominate amongst artisans and craftspeople, where they find themselves financially squeezed between paying the high cost of raw materials, heavy interest charges on borrowed capital, whilst obtaining low prices for the end product. Thus, unorganised individual small scale operators, especially women, are forced to work on very narrow profit margins. For example, it is common practice in many parts of the developing world to charge traders interest at the rate of 10% per day on the initial borrowed working capital. Self employed home-based workers especially lead a particularly precarious existence in spite of their high

levels of technical skill. They are often secluded women who are not allowed, by tradition to take employment outside the home, being thereby additionally vulnerable to exploitation by traders and money lenders who frequently happen to be men.

In India, in Ahmedabad, the Self-Employed Womens' Association, SEWA, which is a registered trade union, is assisting self-employed women to organise industrial service co-operatives. This is an example of a trade union working through the medium of co-operatives to successfully protect women, especially home-based women workers, against exploitation by traders, money lenders and middle-men generally. Aside from giving the women confidence, the co-operatives have provided increased security in employment, higher earnings, economic visibility and worker status to women working in the home who were previously seen only as housewives. In India, for example, co-operatives have been set up amongst garment workers, those who make quilts, weavers, rag and waste paper collectors, dyers, and many others engaged in producing cheap handicrafts for the local market. At first SEWA tried to procure credit for these operations through commercial banks, with limited success. They have since set up a SEWA Co-operative Bank for the provision of credit, as well as a number of training programmes to modernise the techniques of production and to spread knowledge of co-operative principles. In some of these co-operatives the women come together at a work-site where handlooms and other machines have been put at their disposal, but in the majority of cases production is still done in the home, joint action being mainly concerned with the supply of raw materials, provision of credit facilities, government aid in finance and training and the establishment of co-operative marketing outlets.

In contrast to the successful co-operatives organised under the SEWA umbrella in India, an example may be quoted of a women's tailoring co-operative in Nepal, The Bhaktapur Women's Tailoring Co-operative, which failed to take off principally because it was promoted by a well-intentioned outsider who persuaded a group of women to form a co-operative, although this was not an expression of their own felt needs. The unexpected departure of the initiator and the chaos which

followed illustrates the danger of reliance on outsiders. The society rapidly became wholly dependent on a series of external advisers, the members (women) themselves becoming ever-increasingly less able to take over the affairs of the society in their own hands.

Over many years in both developed and developing countries governments have been called upon to aid artisans and other weaker segments of the population through the formation of co-operative societies. Governments also attempt at the revival of dying handicrafts through co-operatives in many countries. In the Peoples Democratic Republic of the Yemen weavers societies have been encouraged by providing interest-free credit through banks and arranging for skilled training. The Al-Roadhah Weavers Co-operative, for example, is now satisfying the community's need for higher incomes and is also providing education (literacy classes), skill training and even entertainment.

In Africa, in certain countries, like Botswana, co-operative initiatives have been associated with the revival of traditional crafts, as for example, the Oodi Weavers Co-operative. It is said that each tapestry woven by the Oodi weaver depicts a traditional folk story or local history or narrates contemporary events with a social content. The tapestry thus woven constitutes a unique piece of art since the weavers do not work from prepared sketches. Such traditional skills were in danger of disappearing before the revival of industrial co-operatives. Thus, in Botswana co-operatives have been responsible for both increased employment and the revitalisation and revival of traditional crafts which are frequently in danger of extinction.

In contrast to the example provided for Botswana, the handicraft co-operative in Zimbabwe, the Canon Paterson Craft Centre Co-operative, is reported to have failed because of the passing away of the charismatic leader who started it and because of a radical change in the market situation. The produce of the co-operative depended on the demand by expatriates and tourists, many of whom withdrew from the country after independence, the local people who remained having little interest in traditional crafts. Here, as in the case of many other co-operatives, the

lack of success was due to excessive dependence on advice from outside which did not take into account the peoples' own requirements for local products.

Co-operatives societies started as a result of government promotion do risk a lack of sufficient interest on the part of the members themselves which is an essential ingredient for building a truly independent and viable organisation. There are, however, instances where co-operative enterprises which owe their origin to official suggestions, do succeed. This is the case of the Dukawa Leather Workers Society of Nigeria. In spite of initial set-backs, the efforts of the co-operative officer assigned to assisting the society, met with success. This was due to the long term policy of the Government of Nigeria to support co-operatives as a means of enabling small operators to improve their livelihood; the practical aid provided by the Kano Co-operative Federation in the marketing of the goods produced; the financial, training and other services made available by the State and, finally the crucial role played by the co-operative officer in introducing the society to modern tanneries, as well as helping them overcome difficulties in forming business relationships with private firms, including large-scale modern supply units.

The apparent success of this particular endeavour, does not, however, lessen the danger from the temptation faced by the co-operative officer and his superiors in the Department to completely take over the management of the society, with a view to creating a "model" of co-operative success. It may prove difficult for the Government and the Co-operative Department to provide this same high degree of supervision and assistance on a large scale for all the industrial co-operatives operating in the country as a whole. However, some experiences in developed countries also support the need for proper dosage of managerial support.

The Gambian Artisans' Marketing Co-operatives is yet another example of a co-operative which came into being as a consequence of Government initiative and leadership. The society was assisted by the Government in opening a modern retail outlet in the main tourist area of the country.

Assistance was provided in product design, quality control, advertising and the organisation of courses in production techniques and management skills. Thus, the membership and profits of the society increased between 1980 and 1982 as a direct consequence of Government assistance. This does not point to a solid basis for continuing growth based on the members capacity. However, a gradual planned withdrawal accompanied by the necessary training could redress the earlier years of "encouraged" dependence.

In Kenya the teachers of the Starehe Boys Vocational School were the initiators of action to set up an industrial co-operative, the Starehe General Engineering Society, with a view to providing employment for the newly-trained boys from the school. The members of the co-operative (the students) contributed to the initial capital and the school granted a small piece of land within their compound. The Starehe General Engineering Society was put together by an outsider who even selected the members rather than their coming together as the result of shared interest or adversity. During the four years of its life the society was almost continuously dependent on grants from voluntary organisations and on contracts from external agencies which were not necessarily procured on purely commercial basis. In addition, the most important single resource, namely management, was not provided by the members themselves but was given on a part-time basis by the initiator of the enterprise. Consequently, it could be said that the co-operative was a "sheltered business" which did not have to withstand the full force of competition. This could hardly be termed a genuine industrial co-operative and in fact presents a high cost (in terms of money and services) for maintaining a limited group of people, (precisely twelve in number), in employment.

In sharp contrast to this experience is the example of a furniture co-operative in Tanzania which illustrates the working of a successful industrial co-operative set up on the initiative of the members themselves. The Stadi Furniture Co-operative Society Ltd. came into existence in 1978 on the decision of 15 carpenters who worked in furniture factories and who decided to leave their jobs and to start a co-operative society in order to improve their incomes and working situation. In

setting themselves up as a co-operative, they made it a condition that every member must be a carpenter and must work full time at the society's workshop. Although none of the members had any training in management or administration, they all recognized the importance of using good raw materials, producing quality work and delivering goods on time.

From the outset a number of private furniture companies did their best to sabotage the working of this society. However, a number of large buyers, such as the local Department of Co-operatives, gave the society some trial business. Being agreeably surprised by the quality and price, they continued to provide new orders and private individuals observing the quality of the furniture supplied by the co-operative also started to place orders for furniture for their own personal use. The original members soon realised that the workload during the year varied and rather than taking on new members who might not be fully employed throughout the year, decided to employ part-time non-member carpenters to provide extra labour at peak periods.

Since its inception, the society has grown at an average of nearly ten per cent per year. The members have earned a reasonable living, as well as given employment to large numbers of part-time workers. They have saved funds for setting up a co-operative shop for the display of their goods. The members are all personally involved in the day to day management of the business. Reasons for the success of this enterprise is attributed to a number of factors: that, the members all come from a similar background and have formed a society as a consequence of the genuine hardship experienced in their work as employees; the membership remains small in number and closely involved in management decisions; their success has been founded entirely on their good performance rather than any special preference granted to them as a co-operative enterprise.

As against the experience of the Stadi Furniture Co-operative, the Building Brigade Co-operative, also of Tanzania, failed. It was initiated by a number of well intentioned external persons to take advantage of the Government's bias favouring the co-operative form of organisation. The co-operative was started by the Government providing building materials

free of charge. It is reported that soon after the society was started, its initiators lost interest. Nobody, including the members seemed unduly concerned with the survival of the society and nobody seemed to care very much when it virtually ceased to exist.

As in Africa and Asia, in the Caribbean region also, industrial service co-operatives have been encouraged by the authorities as a means of creating more self employment and new income, with the ultimate aim of reducing the high levels of unemployment in rural and urban areas. This sometimes also lead to the revival of long-since-dead traditional crafts and the transfer of traditional skills from one region of the country to another.

The Sugar Worker Co-operatives in Jamaica offer a unique example of the Government's role in setting up industrial, worker-operated co-operatives¹. Thus, between June 1974 and December 1975 the three largest sugar estates in Jamaica were almost fully transformed into sugar worker co-operatives. To manage them a heavily centralised multitiered structure was instituted, for the provision of services such as finance, planning and central purchase. At the grassroots level, primary co-operatives were set up as collective farms, the members owning all the land, machinery and buildings. Members were required to purchase shares and invest their savings in the co-operative. A system of co-operative management was devised which in principle was supposed to reflect the inter-action between the members, the Committee of Management and the professional managers, but which did not work in practice.

From the start the primary co-operatives were affected by the cleavages and social contradictions that had traditionally existed in Jamaican society between workers and estate staff. Thus, the establishment of the co-operatives did not materially change the

1. The material for the example has been taken from Carl Henry Feuer's book, Jamaica, and the Sugar Worker Co-operatives, the Politics of Reform, 1984.

hierarchical structure which had prevailed in the foreign-owned plantations. In the new co-operative structure the worker members still continued to work for wages as before, under the supervision and direction of "overseers and headmen", who continued to exercise their power in the same manner as before. The old work structures and patterns were retained. Outside labour (non-members) were hired for certain tasks, like manual weeding, for which they were paid a minimum wage. In effect, the co-operatives were legally and in other respects, set up primarily as business organisations. It was frankly admitted all along that real co-operative development (i.e. membership education, the provision of social services, etc.) would need to proceed separately and only where it supported the business objectives.

Because of poor communication channels between management and workers most of the decisions taken at the estate and central levels were rarely known by the mass membership, except as rumours. Moreover, because of the precarious financial situation of the co-operatives, a number of member education programmes, which could have assisted in this regard, were dissolved.

The pattern of income distribution within the co-operatives became even more skewed than when the estates functioned as plantations. This unequal distribution of co-operative earnings manifested itself not only in terms of cash remuneration, but also as concerns levels of housing, education opportunities and recreational facilities. The colour-class stratification system characteristic of Jamaica is most manifest and strongly rooted in the sugar estates.

Without taking into account the many contradictions which hampered the proper management of the sugar co-operatives, there is a general tendency to condemn them for their poor performance both as co-operatives and as business enterprises. It is unfortunate that the existence of strong workers unions which had actively participated in the initial organisation of workers co-operatives, lost their strength through internal squabbles after the co-operatives came into existence, and could

not therefore aid in the proper democratic management of the co-operatives.

The present world situation clearly reveals that many experiences are equally relevant to both developed and developing countries, with not necessarily a clear-cut dicotomy between North and South experiences. Evidently, the large majority of co-operative principles are common to both, with similar problems encountered, especially as between the more depressed areas of developed countries and developing countries.

Even a brief paper concerning the role of co-operatives in the industrialisation process would be incomplete without reference to the Mondragon Experience which took place in a then poor area of Spain. It is well-chronicled so that there is no need to recount its history here. What is probably most important is for this paper to mention what may be some of the main reasons for the success of the Mondragon co-operatives. The first Mondragon factory to make cookers was started as a co-operative concern by a small group of young graduates from a professional training establishment. Encouraged by its success, other industrial co-operatives together with a Bank, have been formed in the Mondragon area, providing employment to eighty thousand members cum workers.

A number of reasons have been put forward by different analysts for the success of the Mondragon experience and it would be useful to mention a few since they are relevant to the success of such ventures across the north-south divide. The first reason would clearly be that the conditions were right, with a solid base for people to work together. The second, concerns the unconditional acceptance of professional management. Thirdly, the provision of ample finance including mobilisation of "owned" capital together with the institution of generally solid financial policies. Finally, an acceptance by the population of dedicated hard work in the interest of the experiment.

The significance of Mondragon is that it began as a successful co-operative and has continued to function as such, in fact gaining in strength, over a thirty-year period. This is in sharp contrast to the

experience of a number of production co-operatives which have not been able to withstand the ravages of time and the shock of bringing in new members, who may or may not be in total agreement with the founder members. The underlying the continued success of Mondragon is the accent placed on training and education of members in co-operative principles.

Challenges Faced by Industrial Co-operatives

It was a deliberate decision to highlight in this paper both the successful and the not-so-successful experiences, the purpose being to illustrate that the road to the formation of industrial co-operatives is fraught with even greater difficulties and hurdles than those encountered in the formation of other types of co-operatives. Innumerable examples can be found not only of mismanagement and misappropriation of co-operative funds, but inefficiency leading to reduced production, profitability and declining benefits to co-operative members. There is undoubtedly a need for greater awareness of these pitfalls which stand in the way of success, whilst at the same time under-pinning the advantages offered by co-operatives in the industrial sector. Whilst quoting a variety of reasons why industrial co-operatives have run up against difficulties, it is clear that direct involvement by the members in the day to day activities plays a central role in their successful operation. At the same time the problems experienced by industrial co-operatives and even their rate of failure have not been greater than those in businesses of similar size.

Advantages Offered:

From the examples quoted above, it is evident that industrial co-operatives do offer a variety of advantages, especially to those who enter the industrial and service sectors of the economy with a limited capital base. For those who are operating on a small scale and in the informal sector there are clear economies of scale to be obtained from the joint purchase of materials and combined sale of finished products. The advantages of the co-operative form of take-over is equally evident when private enterprise fails and workers are at a risk of losing their

employment. The co-operative form of organisation is further ideally suited for governments and aid organisations who desire to channel assistance to the lower economic segments of the population, whilst being careful to avoid welfare types of action which may lead to high levels of dependency. It is recognised by aid givers that members of industrial co-operative societies have in principle a personal stake in the efficient management of their business, their profits or earnings being directly proportional to the profitability or commercial viability of the project. The danger of growing dependency and a paternalistic attitude on the part of those providing aid, declines once it is understood that the performance of industrial co-operatives must be evaluated in the light of their commercial success. It is clearly important that an industrial co-operative is viewed as a commercial enterprise with a social conscience.

In developing countries the establishment of industrial co-operatives is of special importance in situations of high levels of unemployment and where private enterprise may be inclined, in the interest of greater profitability, to substitute machines for manpower. Generally speaking, therefore, it has been found that the co-operative form of organisation offers greater flexibility in arriving at a mix between "machine" and "manpower" and clearly allows workers to have personal involvement in quality production.

Industrial co-operatives aside from providing opportunities for employment/self-employment, a certain amount of savings in costs can be achieved because of reduction in numbers and costs of supervisory levels of management. Democratisation is achieved as a consequence of self-management and mutual control and surveillance. It has been claimed that a co-operative provides the means for an ordinary worker to exercise control of the production process, giving individual workers (only too often reduced to the role of a "cog in a machine") a chance to express himself, as well as the scope to exercise his own judgement in the management of the undertaking in which he/she works.

Problems Encountered:

From the actual operation of industrial co-operative societies a number of practical lessons have been drawn which are briefly outlined below with a view to providing guidance for future development. One reason why there are so many failures amongst artisans and labourers who set themselves up under the co-operative banner, is that they are used to working under orders from above instead of using their own judgement in making managerial decisions. This is true not only in respect of labourers but even independent craftsmen who work on orders received from intermediaries. Before an industrial co-operative is set up, therefore, a preparatory stage of intensive training of members in management and skill development can prove invaluable. In certain instances a feasibility study of the market situation undertaken by the members themselves can provide good guidance for the future operations of the society, especially as concerns the particular items to be produced which have an actual demand in the local market place.

A related problem is the disparity in skills amongst the members, which can eventually lead to conflicts and frustrations, hindering unity and the establishment of smooth decision-making procedures. For this reason an industrial co-operative consisting of a group of persons coming from a similar background has a greater chance of succeeding. An awareness needs to be generated amongst the members that while the element of exploitation by outsiders may be reduced through the formation of a co-operative, competition between workers as to the quality of goods produced still needs to be maintained so as to raise their general level of proficiency and dedication to hard work. It is crucial at organisational support through co-operative action does not eventually lead to complacency.

In the majority of industrial co-operatives, failures are due to a lack of active participation by the members in arriving at management decisions. It is not uncommon for the rank and file members of the co-operative to leave its management to a professional manager who issues instructions from the top, along similar lines to the working of a private

concern. At the same time, there are undoubted difficulties associated with the role of a Manager in a production co-operative, where the representatives of the staff sit on the Management Committee and have the power to critically review the decisions of the Manager. The challenge for an industrial co-operative is to develop new procedures, structures and rules so that those with management responsibilities can carry out their functions effectively, while trying to safeguard against "managerial domination". In any case, it is of crucial importance that Managers of industrial co-operatives, aside from their business skills, also have a strong commitment to co-operative principles as well as democratic consciousness, so that from the start a real effort is made by the Manager to involve the rank and file workers in decision making.

If workers are to participate effectively or hold management accountable, they must have the knowledge and skills to understand management information provided to them and to act on it. In this connection, the sharing of confidential information (which if disclosed to competitors can be harmful to the business concern) with worker members, may pose a difficult but not unsurmountable management problem. To overcome this difficulty several partial solutions have been discussed among co-operatives, but no definite solution has as yet been worked out that would be applicable to all situations. Members can of course be informed only after the event, which defeats the aim of democratisation and above all "confidence".

It is evident that co-operative ownership by itself does not generate added worker allegiance or satisfaction. In fact, in certain circumstances ownership appears to raise workers' expectations in that they will have more to say in the affairs of the co-operative or that they will be treated differently when under private ownership. Where ownership by workers does not deliver on such promises, there is disappointment. Moreover, discipline can often be a difficult issue in the running of co-operatives. The spirit of co-operation, self-reliance and self-management on the part of the rank and file members is frequently at an optimal level during the starting phase of the co-operative, but results in disappointment and indiscipline if concrete changes in the

style of management or methods of decision-making are not instituted at an early stage. Clearly, the fuller potential of an industrial production co-operative is realised only when ownership is coupled with added opportunities for members' involvement in decision making and control.

A frequent difficulty encountered by industrial co-operatives is in obtaining loans from commercial banks since the workers themselves possess limited assets and other capital. For these and other reasons the financial base of the large majority of co-operatives is weak. This inadequacy of financial resources has also been a limiting factor for the recruitment of technically qualified staff as well as for the purchase of modern, often expensive machinery. It has been reported, for example, by construction co-operatives that they are unable to bid for, and procure public works contracts because of non-availability of adequate capital resources. This problem of access to capital, both short and long term from the "banking sector", has been solved in certain instances through the organisation of co-operative credit-cum-banking institutions, a decision which was eventually forced on SEWA, before they could move ahead and plan more industrial co-operatives amongst self-employed women. A similar problem of credit had to be overcome in the Mondragon area.

Experience has proven that industrial co-operatives have a greater chance of succeeding if developed as a consequence of the felt needs of the members, based on local initiative and support. Outside assistance very often may be necessary to define the problem and provide other guidance but only as required by members themselves in support of their mutual self-help. Undue external interference and a high degree of assistance by outsiders, however well-meaning, can prove damaging to the long-term development of co-operatives. As is evident from some of the examples given above, instances can be found of industrial co-operatives which have come into existence on the initiative of committed outsiders, and which have eventually failed when outside assistance (in the form of funds or know-how) comes to its period of termination. This need for self-reliance does not of course, imply that assistance to industrial co-operatives should not be forthcoming from governments and aid agencies. Outside support can prove extremely important to the success of

industrial co-operatives, so long as the members themselves are equipped and trained to play the central role in decision making and in the control of future direction and the external support does not substitute to suffocate their initiative.

Conclusions Drawn for Future Action

It is obvious from the above, and specially the actual examples of the working of industrial co-operatives, that there are certain pre-conditions to their success. Thus, it is essential that individuals with similar or related skills come together to form a joint enterprise because they are firmly convinced that they could do better in manufacturing or business as a group rather than as individuals. That, the members who decide to form a co-operative industrial undertaking get together in response to a genuine felt need. The co-operative solution should not be seen as an easy way out of an unfavourable economic situation, and the co-operative concerned which emerges as a result of the decision of the members to work together should not be considered as a "sheltered" business, unable to stand up to the full impact of market forces. Co-operative is certainly not the easiest form to establish but its advantages extend beyond monetary gains.

For a variety of reasons it is evident that industrial co-operatives of both the production and service types have an important role to play in the balanced growth of the informal sector of the national economy. To begin with, it is in the informal sector that small artisans and crafts people operate. It is also the sector into which individuals handicapped by limited capital resources are driven and where the pooling of available capital resources can provide the maximum advantage. Furthermore it is the labour-intensive sector, and as such, the generator of the largest proportion of wage and self-employment. It is the sector of the economy with the highest level of vulnerability yet extremely sturdy and resilient. For many developing countries and poorer regions of developed countries, the development of the informal sector through co-operatives can provide the most logical direction for employment generation.

Industrial co-operatives offer an appropriate form of organisation for employment generation within this sector of the economy because co-operatives place the greatest emphasis on member/worker participation and because control of operations is maintained at the local or community level. For these very reasons, the initiative for co-operative action must emerge from the potential members themselves. A co-operative is not a solution which can be imposed from above but it can be encouraged. A number of outstandingly successful co-operative ventures have emerged around charismatic personalities. The final outcome depends on the early and full involvement of the members in all aspects of the working of the co-operative.

Whilst the leadership role is crucial to success, there is need for the parallel involvement of the rank and file membership. This assumes intensive practical training of the members in co-operatives and management principles, to the point that each member feels personally involved in the running of his co-operative. Special training programmes for essentially illiterate men and women have been successfully developed by management specialists in a number of countries. Illiteracy is not a sufficient excuse for not involving members in arriving at management decisions. The purpose of such training is two-fold: to increase member participation but also to ensure efficient management and control of operations generally and avoiding corruption and the misappropriation of funds.

It has some times been incorrectly assumed that because members of an industrial co-operative may be individually poor they need not contribute financially to the share and working capital of the concern, or need do so only to a limited extent. This is a false notion. In effect, the involvement of the members in the day to day operations of the co-operative is seen to increase in proportion to their financial commitment. The Mondragon Co-operative provides an excellent illustration, where success is closely linked to the members' tradition of accumulating savings and investing it in the enterprise.

The Mondragon experience, in fact, also provides guidelines on the importance of regional development on co-operative lines and to the co-operative management of a number of related activities, so that they link-up and support each other. A single industrial co-operative society, even if operated efficiently, finds that it encounters a number of problems when working in totally capitalistic surroundings. Concrete support by sister organisations is essential. This is self evident in respect of credit and banking, where because of misconception amongst the general public concerning the methods of operation of an industrial co-operative, private banks may be reluctant to advance funds to co-operatives. The establishment of a Co-operative Bank with industrial co-operatives as members can be a crucial factor leading to increased efficiency and modernisation of operations. This need for support from other co-operatives is important not only in respect of finance, but is equally pertinent in respect of the purchase of inputs and the sale of finished products. The existence and support of a variety of co-operative enterprises, which have established business and promotioned links between them, can play a major role in increased efficiency all around.

The need for the development of solidarity and support systems amongst co-operatives exists also between countries and regions. Co-operative consumer stores in developed countries, for example can and do play a central role in the development of artisanal industrial co-operatives in developing countries as a result of their policies to favour the import of Third World products.

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