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A STATE ENTERPRISE AND COOPERATIVES*

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The Department of Sociology at the Institute of Economics (Siberian Branch of the Soviet Academy of Sciences, Novosibirsk) has been carrying out a study of various forms of entrepreneurship arising and growing in the USSR (cooperatives, self-employers, undertakings by public organisations etc.). Studied are the participants of these ventures, the processes at the labour market and the specific features of entrepreneurship in different economic branches (industry, science and technology, agriculture). One inquiry line is to explore the possibilities for organisation of a network of cooperatives as accessories of state enterprises, in particular through transformation into cooperatives of some enterprise subdivisions. Such cooperatives would take on themselves all functions previously performed by the transformed subdivision. Cooperative-enterprise interactions are built on a voluntary, commercial, compromise and obligatory basis. The present research has had behind it very serious reasons.

1. Without the aid from state enterprises the development of cooperatives may be problematic, because:

a) Cooperatives have no equipment or resources of their own and are facing enormous difficulties in getting them. Production assets, raw and other materials are rationed, it is difficult to buy them and the cooperatives are charged higher prices; at the same time, state enterprises possess them in abundance.

b) Those who wish to organise a cooperative are facing difficulty with the original capital. Most people are not rich, credits are often unavailable or seem hazardous, whereas state

enterprises can provide "their" cooperatives with original capital.

c) Cooperatives also suffer from staffing problems because they are not very much trusted and often ill reputed. In especially high demand is managerial manpower which is crucial for a cooperative's success. According to our data, about a quarter of our respondents look negatively on cooperators as on dishonest self-seeking people, 60 percent feel there are cooperators of different types and only 11 percent believe that cooperators are honest businessmen. Over 30 percent think that cooperators should not play an important role in the socialist economy; on the other hand, only 4 percent are sure that cooperatives must be abolished. The negatively disposed state enterprise managers put obstacles to the cooperatives' attempts at staffing but when a cooperative springs up from the enterprise subdivision it automatically inherits its steady team headed by a skilled supervisor and can benefit by the state enterprise management's favourable attitude.

d) The bureaucratic rigidity of the Soviet society is stifling for cooperatives as highly dynamic undertaking.

e) Because of the deeply non-market character of the Soviet society, its economic, ideological, social, psychological, legal and other spheres expel the cooperative as a strange body, but for the cooperative-subdivision it is easier to survive.

But state enterprises are part and particle of this system, very well adapted to it. And as one cannot expect instantaneous changes in a society, the state enterprises, for a long time ahead, will remain the chief business agents, holders and managers of various resources. If cooperatives fail to normally

interact with them, they would never be able to create a true market environment.

2. Further, there exists a highly urgent need to "introduce" market relations to the state economy sector, and one of the ways is to transform some state producer subdivisions into cooperatives.

3. Next, it is necessary to legalise the actually existing "semilegal" market within which the state enterprises are functioning today. The state producers possess all resources but under the conditions of the absurd logistical system they very often find themselves in a situation of shortage when they are allocated wrong materials in wrong quantities at wrong times. Under these conditions a very strange market of machines, equipment, materials, labour etc. arises. Acting mostly semilegally at this market the producers enter a large-scale exchange of material values, but suffer from lack of powers and flexibility. The cooperatives under state roof would become very sensitive "feelers" (or representatives) of state producers at this strange "market" helping to solve many problems.

Therefore, the assumption on the convenience of the "union" of state and cooperative producers arising on the basis of the transformation of their subdivisions seems very suitable for the study.

The testing of a series of hypotheses in this direction is the subject matter of this work. The study is under way on a large plant with powerful basic production and services some of which are fairly large (4 of them have over 200 workers each). The specific technology is such that the basic production shops

cannot be transformed into cooperatives but the shops in services can.

From this viewpoint the shops of services can be divided into two unequal parts.

The first part are those most closely connected with the main production: two repair shops, the shop of automatic technological control, electric shop and chemical shops.

The second group of service shops is not so closely connected with the technological process. They serve mainly the people and the plant as a whole (repair and building departments doing current repair of buildings and premises, the motor vehicle shop, canteen).

The study is still underway, its following stages have been already carried out:

- familiarisation with the structure of the plant (technological, economical, social, organisational etc.);
- a not very structured interview with the plant leaders;
- a questionnaire survey of 128 supervisors on the plant (80 items on conditions and opportunities for the formation of a network of cooperatives).

For 1989 and early 1990 it is planned to carry out the following stages of the study:

- analysis of the economic ties between the plant subdivisions, including those to be transformed into cooperatives);
- questionnaire surveys of the plant workers and members of the cooperatives functioning on the plant;
- a deep-reaching structured interview of cooperators, plant workers and supervisors;

- the analysis of the obtained information, detection of different social groups' interests with respect to cooperatives, favourable and unfavourable factors; the development of practical recommendations on how to create an effective network of cooperatives and check-up of their creation and growth.

The notion of interests is defined here as the most effective ways of the distribution of needed satisfactions: economic (incomes, goods, services), social (working conditions and opportunities for growth in one's trade, education, statuses, human rights and social security), political (power). In this article it is attempted to state some hypotheses on the interests of different groups in the transformation of service subdivisions into cooperatives.

Our tentative results show that this transformation is in the interests of the state and society because it allows:

- a more efficient use of all production factors;
- considerably higher outputs, productivity and quality;
- the reduction in the number of employees thus abating labour deficit;
- a higher safety of the equipment.

This assumption has been supported by the supervisors themselves: 37 percent indicated that financial incentives would be much higher; 14 percent said that it would be possible to solve the problem of the manpower deficit, 16 percent, to improve the quality of work, 19 percent, to cut down the time inputs. And only 11 percent did not find any advantages from this transformation.

However it is not quite in the interests of the plant top managers (director, vice-director, chief engineer and his assistant). On the one hand, they can be interested in higher efficiency and outputs because in this case:

- a) they are more likely to get money premia;
- b) they will be in a higher esteem by their superiors;
- c) they will have more opportunities for further promotions;
- d) it would be easier to manage the service shops, because many problems will be solved by the cooperatives themselves.

However there are extremely strong counter factors:

a) a more efficient consumption of resources may diminish their allocation from top, so that it would be necessary to carry out a tight containment policy;

b) higher performance may automatically lead to higher plan quotas, to higher labour inputs without appropriate rewards:

c) economizing on pay budget may lead to its "cutback" while keeping production quotas unchangeable;

d) the sacking of extra manpower involves a risk that it will be needed but not found, especially when demands are made that a certain number of people be sent from the enterprise to work on farms or building sites etc.;

e) the "cooperativation" is unlikely to find enthusiasm in the superiors or local Party leaders, such has already been their response;

f) as many plant workers are opposing the transformation, they may refuse to support the plant leaders in the situation of elections.

These interests of top management of the enterprise are associated mainly with the fundamental traits of the existing system of management. In addition to them, some specific "co-operative" events occur which are forming anti-cooperative attitude of the managers:

- having secondary jobs in cooperatives, many employees become time-wasters on their main job;

- "cooperators" sometimes deliberately ignore their primary job in order to get this assignment as the order for the cooperative;

- conflict situations may arise between the enterprise employees having secondary jobs in cooperatives and the employees without such jobs;

- quits from the enterprise of the best performers who prefer to have job self-control they find in the cooperative;

- high earnings in cooperatives lead to the devaluation of wages and benefits on primary jobs, and no stimulation system would be effective.

Weighing these motives we can assume that on the whole co-operation of enterprises would be counter the interests of the enterprise management, though a certain motivation remains.

A similar but somewhat different structure of interests was found among middle supervisors. They are frightened by possible pressure on them to economise all resources and by tight work loads due to increased plan quotas, though they are not very much concerned about plan failure because it is not their personal responsibility. The middle supervisors are however

frightened with impending interpersonal conflicts they will have to settle. The opposition to cooperativation of this group is also motivated by:

a) greatly reduced chances to steal state tangible values, do business on the side to the benefit of "right" people thus making "good" connections to be used for personal or business purposes;

b) great status deterioration when the supervisor becomes the cooperative chairman which is typically the case;

c) worse provision of resources;

d) fear to lose employees who may refuse to enter the cooperative;

e) lack of welfare security, because no one knows what will become of the cooperative sector in two or three years whereas high-paid and dignified office of the shop supervisor provides a comfortable well-to-do in the future.

According to the above said, the full "cooperativation" is not in the management's interests. Thus, of seven shop supervisors only one directly supported a full transformation into the cooperative. But five of seven were in favour of a cooperative attached to the plant shop where the plant shop workers can have secondary jobs. This shows that cooperatives really have some attractive features for the shop supervisors, which include:

a) a possible considerable increase of personal earnings;

b) liberty from constraints, higher self-control;

c) prospects for increased physical, technological and financial resources as well as satisfaction of social needs;

d) greater possibilities to manipulate the pays by encouraging better performers and punishing poor performers, to fire and hire workers etc.

These attractions are very strong, so in creating cooperatives attached to plant shops this group of supervisors is likely to support them.

During the study two interesting points were revealed which should be taken as assumptions for subsequent testing.

First, the interest in the transformation into a cooperative directly correlates with the degree to which the subdivision is related with the main production. The closer the relationship, the more loyal attitude toward cooperativation. And, conversely, the lower this relationship, the more apprehensive are shop supervisors of the transformation. All five supervisors of closely related shops supported the idea of a cooperative attached to the shop. The supervisors of less related shops did not support the idea or even resisted it.

The reasons include:

- a) fear that guaranteed logistics may be threatened;
- b) fear to lose guaranteed wages as these shops are more often than not unprofitable;
- c) fear to lose their current loose work load and be enforced to higher work pressure without guaranteed wages;
- d) fear to lose their chances for thefts, state property abuse, making "right connections" etc. (these subdivisions are mainly canteens, building and transport shops). In case they are transformed into cooperatives many of these "advantages" will be forfeited.

These fears have been by now unknown to the shops closely connected with the technological process (electrical shop, repair shops etc.). Their supervisors know that they are in demand and feel sure.

A certain role is played that discipline in such shops is more strict, they have less business on the side, their work load is tighter. On the other hand, the work in a cooperative will give them extra earnings (doing orders from outside organisations which otherwise are inaccessible for them).

Another typical point is that in most shops people are interested not to liquidate the shop completely but to organise a cooperative attached to it. In favour of the complete transformation of the shop into a cooperative the following arguments have been stated:

a) The absence of conflict between the workers participating and non-participating in cooperative earnings - all workers of the shop become members of the cooperative.

b) The absence of the problem of "time-wasters" on the primary job and "brilliant performer" on the secondary job in the cooperative.

c) No problem of holding two managing positions - supervisor of the shop and chairman of the cooperative.

However there are rather strong counter arguments.

a) Many workers want to retain their wages on the primary job, guaranteed social benefits from the enterprise and, at the same time, to have extra earnings from the cooperative (two wages are better than one).

b) Some people do not trust cooperatives and do not want to enter them.

c) Some understand that in cooperatives their mediocrity will become obvious.

Our working assumptions concern the problems faced on the way of organisation of cooperatives attached to the state enterprise.

1. Problems of logistics include:

1.1 Difficulties of provision of materials.

1.2 Disruption of current material and manpower links among subdivisions and enterprise which are performed now without accounts or pays and which in case of transformation into the cooperative will have to be carefully detected, counted, made a stock of and paid for. This may lead to cancellation of some of such ties because the existing rules either do not provide pays for such services at all, or charge too low prices.

1.3. The danger of cooperative unprofitability and fall of earnings.

2. Management flaws. They were noted earlier in this text (increased plan quotas, low consumption norms etc.).

3.3. A lot of bureaucratic barriers, absence of definite clear-cut procedures for the transformation of a shop into a cooperative; for interactions of the cooperative with other enterprise subdivisions, for ways of resolving the arising conflicts, the absence of the legal basis in general.

4. Social problems such as:

4.1 People are uncertain about the future of the cooperatives.

4.2 The realisation of the fact that many people would be redundant in the cooperative.

4.3 The absence of social security for cooperatives (absence

of dwellings, places in kindergartens, health resort accommodations etc.)

4.4 Possible conflicts between enterprise employees and cooperative members.

4.5 The fear of too high work pressure in the cooperative.

4.6 Negative attitude of superiors, Party bodies etc. with regard to "cooperativisation".

All this confirms the assumption that the process of "cooperativisation" needs further deep research to be done and recommendations and conditions developed.