Worker Ownership, Democratic Management and Developmental Freedom in British Worker Co-operatives

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Abstract

This thesis examines whether worker co-operatives are able to construct institutions of work which improve the control and security of individuals in an otherwise insecure liberal capitalist environment, drawing together literature on the viability of co-operatives, work within co-operatives and the 'developmental freedom' approach. This would be manifest in an increase in members' control over working life, an increase in economic security for individuals, and more meaningful work. The thesis extends upon the established theoretical foundations of the 'developmental freedom' understanding of work, which values control over work and control over time, by applying it to the worker co-operative. The thesis engages in a review of the theoretical and empirical literature on such organisations from economic and political perspectives, and original qualitative empirical evidence is provided by interviews at four case study co-operatives from the UK. The thesis concludes firstly that co-operatives offer an experience of work governed by social bonds of reciprocity and solidarity; secondly that they are beneficial for control over time for individuals in both the short and long term; and finally such firms are able to survive and develop in liberal capitalist economies, in part due to the embedded relationships of control within them, but under strain due to the constraints of such a system which in turn inhibit control.
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Author's Declaration

The candidate confirms that the work submitted is his own and that appropriate credit has been given where reference has been made to the work of others. This work has not previously been presented for an award at this, or any other, University.

This work has been presented, in the form of various papers containing elements of all chapters at the following:

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1

Introduction

This research aims to establish whether worker co-operatives (sometimes known, especially in the US, as producer co-operatives\(^1\), labour managed firms/LMF or worker managed firms/WMF\(^2\)) can form an effective vehicle for advancing an individuals meaningful control over working life in liberal market economies through an empirical study of co-operative firms in the UK, thus generating a better experience of work.

The notion of a better experience of work, explored in more depth in the first chapter of this thesis, is a concept which establishes the primacy of control over one's working life with the ultimate objective of enriching the productive experience of individuals, allowing them to get more out of work and to reach long-term goals in their personal development. This is decided by a range of factors at the systemic level, in particular the mode of capitalism operating in the economy, which creates institutions governing economic behaviour. In my thesis I raise the possibility for co-operatives to act as an institution within the dominant liberal capitalist model which is able to create an environment of different institutions governing work within itself, whilst operating successfully in the wider system. In so doing, it is possible that such firms will be able to create a better experience of work by augmenting the existing institutions of control within the economy, principally those at the level of the state, with a set of sources of control at the firm.

Work under capitalism, it can be argued, is becoming increasingly casualised as more people enter into work which is neither secure, fulfilling or rewarding (Standing 2002:47). The increasing prevalence of casual and zero-hour contracts, employee benefits at a statutory minimum and minimal state support for the unemployed mean that many people are less equipped to make long-term decisions about their careers and establish control over their working life. It is due to the market logic of liberal

\(^1\) Although on occasion the term producer co-operatives refers to a collective which is designed to “enable self-employed people and family business [sic] to gain the strength in numbers they need to to survive in the market” (Wilson & Maclean 2012:532). These are not the same as worker co-operatives and are not the subject of this study.

\(^2\) See note on Vanek's LMF/WMF distinction in Jossa (2014:xx)
capitalism that this occurs – constraints exist as firms and workers compete for profits and employment respectively, and the institutional constraints created in the liberal capitalist system reinforce and consolidate one another. Co-operatives may act as a sanctuary from market logic, offering stable, long-term and fulfilling employment because it is the workers in the co-operative who control their working life.

However, it is very possible that the same liberal market logic may pervade co-operatives which, in the pursuit of profit and constrained by their operation in a competitive market, may be forced to mimic the operations of the capitalist firm. It is possible that the nature of co-operatives is not conducive to developmental freedom at all, for example due to low capitalisation or because the collective democratic control over the firm does not free the individual worker from authority structures.

The central research puzzle is twofold. Firstly there is the question of the theoretical paradox in which the 'free' market constrains behaviour by forcing people to operate in line with market norms, raising the issue of whether or not it is possible for co-operatives to act against this market logic. This is the broader aspect of the research question, but the more focused application of this is as to whether individual control can be enhanced in liberal market economies by the organisation of work into worker co-operatives, or will co-operatives fail to achieve this due to the constraints of the market? An alternative way to ask this question would be whether, in the current British economy, worker control can translate into control for the individual worker.

1.1 Defining Worker Co-operatives

Worker co-operatives share a number of features with small businesses (generally referred to as “conventional firms” throughout this thesis) as well as having some unique features which resemble social or community enterprises or even charities. The definition chosen here is similar to that of Thornley (1981:3) who employs a “loose definition of worker's co-operative” which includes “[A]ny venture which seriously tried to practise co-operative principles...”. These principles vary slightly but encompass a set of ideals that the co-operative firm attempts to pursue, as exemplified by the International Co-operative Alliance (ICA, n.d.):
“Voluntary and Open Membership”: The co-operatives in the study did not force workers to become members (although non-member workers were rare). After a time of probation workers could become members. Completely open membership is not viable (Fletcher, 1976:183) and there are debates to be had about what worker co-operatives can do in order to meet this principle. It is also difficult to extend the principle to casual workers (such as cleaners or drivers) who might also have employment elsewhere.

“Democratic Member Control”: The co-operatives were all managed through “direct employee participation in decision-making at all levels in the enterprise” (Thornley 1981:4). This may exclude firms such as the John Lewis Partnership where partners' participation is limited and day-to-day management is not carried out democratically.

“Member Economic Participation”: Although direct capital ownership by employees was rare at the co-operatives, all of the co-operatives survive through members work which in turn creates surpluses over the fixed costs of production. These surpluses are then managed by the members and distributed as wages, saved for the future, or reinvested (in effect an investment in the firm).

“Autonomy and Independence”: All the co-operatives studied were independent businesses with no higher authority than democratic members' decisions.

The ICA also discusses other co-operative principles including “education, training and information”, “co-operation among co-operatives” and “concern for the community”. These principles are less useful as definitional aspects of co-operatives and more as guides to their behaviour based on values of “self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.” (ICA, n.d.). However, Thornley (1981:4) suggests other definitional principles as including “the principle of ’one person one vote’ alongside limited returns to capital.

Perhaps the simplest version of the definition is that the co-operative is a firm in which the capital-labour relation is reversed – labour controls the firm and hires capital, rather than vice-versa. This means that the capital stock of the co-operative is “collectively owned” (Thornley, 1981:62) as opposed to being owned by capital and administered by
a manager. However, because returns to capital are generally limited to dividend payments or interest on loans, the motivation behind the firm is different and the profit motivation, beyond survival and wage payments, becomes one of many business concerns alongside democratic management, ethical functioning or job security (Thornley, 1981:63). However, it should be noted that all of the co-operatives in this study are for-profit enterprises which seek to generate their surpluses through a particular predefined means. Most co-operatives are not inherently anti-profit nor anti-growth. Fletcher (1976:178) marks a distinction drawn by the ICA in terms of the distribution of benefits – the co-operative is distinct from a private or conventional firms in that the benefits accrue to members/labour rather than to capital.

Although the ‘co-operative’ exists as a legal form in the UK, many co-operatives which fit the definition above exist as other legal forms also, including operating as private limited companies or other conventional business structures, or as charities in some cases. This creates a need for a wider definition so as to not exclude co-operatives which were not formed as such, or for whom there are financial or administrative advantages to using other legal forms. In this study, three of the four cases are registered as co-operatives, whilst one (Wholefoods A) is a limited company undergoing transition to co-operative status through buying back shares from “members”.

Co-operatives in the UK operate in a different way to conventional firms, and they can take a variety of legal forms depending on the nature of the company. They can be incorporated or unincorporated (Co-operatives UK 2011b). Incorporation, although protecting individuals from risk through limited liability, is an expensive procedure requiring expertise. Co-operatives can take the form of companies limited by shares or guarantee, as private rather than public companies. Forming as companies limited by guarantee has traditionally been the co-operative path but places limits of financing due to the lack of share capital. Alternatively, since 2001 a co-operative could be formed as a limited liability partnership (LLP) which would allow most of the advantages of forming a limited company. This has become increasingly popular for worker co-operatives, although none of the case studies of this thesis are LLPs. Historically, ‘bona-fide’ co-operatives could form as an industrial and provident society (IPS), which operate on a one-member-one-vote basis and can issue withdrawable shares although limited to £20,000 per investor (Co-operatives UK 2009). This has since been reviewed
with the share limit being raised to £50,000 and the term IPS being changed to 'Co-operative Society'. The legal form taken by the co-operative will govern how it operates, who owns the assets and what happens to the assets if the co-operative is wound up, and how it is financed. Raising finance is an issue commonly visited in the literature critiquing the co-operative model. Some co-operatives also exist as charities. Each form offers a particular set of characteristics on reporting of finances, restrictions on shareholding and distribution of surplus, and different requirements for control. Various forms of finance for co-operatives exist in the UK and are examined in the second chapter.

Because of the different legal forms that co-operatives can take, it is difficult to make an accurate measure of the number of co-operatives in the UK. Hobbs and Jefferis (1990) suggest that, historically at least, estimations from within the co-operative movement have been optimistic both in terms of the number of co-operatives and the rate of growth. Different measures of co-operatives include all forms of co-operative, including worker co-operatives but also consumer co-operatives and other membership organisations such as clubs. This also makes it difficult to construct statistics such as the average size of co-operatives or their collective or average turnover or surplus. Nonetheless, co-operatives by the definitions above do exist in the UK, with the largest employing several hundred members (e.g. Suma, n.d.) and the smallest below ten members (see Bakery Co-operative case study). Nolan et al. (2013:111) suggest that there are around “400 worker co-operatives in the UK (with 2000 members and 2000 employees)” although this figure is approximate and unqualified.

1.2 The Existing Literature

There is a clear divide in the literature between economic and more political or sociological perspectives, with the former mostly taking the form of theoretical work and the latter taking the form of empirical study, although exceptions to this tendency exist (e.g. Bonin et al. 1993 as an empirical study based on economic principles; Dahl 1985 as a largely theoretical approach from a political perspective). The economic literature tends towards competing theories either in favour of the co-operative firm (e.g. Bowles & Gintis 1993) on efficiency or fairness grounds, or against it, usually on grounds of the management of finance (e.g. Miller 1981). Much of these hypotheses are
based on assumptions about the behaviour of individuals in the firm and it should be noted that these models will be heavily context-dependent. This study engages with the economic literature but finds many of the predictions of the economic models are not borne out by empirical study and seem to miss the sociological and political aspects of co-operation.

Most empirical study of co-operatives to date has been centred on their operations as businesses and the experiences of work within them (see for example Welford 1990, on company structures, motivation and democracy; Cornforth et al. 1988, on business development in co-operatives and successful co-operatives; Russell 1985, on different forms of worker ownership; Dow 2003, and Elster 1989, on the rarity of workers control; Miller 1981 on comparative investment levels in co-operatives and capitalist firms). Although there have been a number of studies of co-operatives, the focus has tended to be on the firm rather than on the impact on the workers' self-development.

Theoretical work (for example Bowles & Gintis 1987; Dow 2003; Archer 1995; Dahl 1985 among many others) has often sustained a heavy focus on democracy and justice as intrinsic goods without a focus on their instrumental value in providing for self-development. Empirical research on the effects of co-operative work in terms of security and control for the individual is lacking. Although there are theoretical perspectives on co-operatives from a range of perspectives on work, consideration of individual control in terms of Haagh's (2011b, 2012) analysis of dynamic and static control is, due to the originality of these ideas, not present in the co-operative literature.

This thesis applies Haagh's (2007, 2011a, 2011b, 2012) concepts of control and freedom to the firm level alongside the pre-established systemic level, and enhancing the literature on co-operatives with empirical research into their long-term effects on working life. This requires a blending of three sets of literature – the economic perspectives on firm behaviour and the viability and sustainability of co-operative firms, the political and sociological literature on work in co-operatives, including observations from previous empirical study, and literature on the nature of work and how control over working life is governed by institutions.
1.3 Synopsis of Chapters

This introduction forms the first chapter. The second chapter introduces some of the normative concepts used in this thesis. It explains the ideas of the quality of work through analysis of Marxist conceptions of alienation, the labour process literature and Pagano's (1990) and Macpherson's (1973) analyses of work and institutions, finding that there is a sound normative argument for the institutions of capitalism creating a poor environment for work. An approach to transforming work is then suggested in terms of Haagh's (2011b, 2012) concepts of static, dynamic and constant control and these are considered in terms of the institutions which can act as sources of control.

The third chapter reviews the theoretical and empirical literature on co-operatives, making the normative case for their existence in terms of workers control, but also examining theoretical perspectives on their failings with particular reference to the degeneration of co-operatives into capitalist firms. It also explores an institutional analysis, which is largely advanced through Pagano's (1990) approach to property rights within the firm, with a focus on the systemic institutionalist approach (Haagh 2011b) which demonstrates the role of a wide set of institutions governing behaviour across an economy. The potential problems of institutional change are also considered, with the complementary nature of institutions raised in Hall and Soskice (2001) as well as Pagano (1990) bringing into question the possibility of operating a different set of institutions in a potentially hostile environment. This literature review helps to form the theoretical foundation and starting points of the qualitative inquiry described in Chapter 5.

The fourth chapter examines studies of co-operatives in the UK, Argentina, Spain and the US. It details sets of literature focusing on specific areas of co-operative research, examining co-operatives in the UK in the 1970s and 1980s; rescue co-operatives, both in the UK in the 1970s and more recently in Argentina in the form of occupied factories; co-operatives in the US, including plywood co-operatives; large wholefoods co-operatives including Suma, one of the largest worker co-operatives in the UK; and the Mondragón Federation in Spain. The chapter summarises their key findings in regard to both the viability of co-operatives as businesses, and the experience of work within the co-operative in order to illuminate the methodology of the next chapter.
The fifth chapter describes the research methodology used in this study. The empirical research is focused on qualitative research in co-operatives across the UK in order to investigate how the co-operative mode of organisation has, or has not, created institutions which are sources of control, and the barriers faced by co-operatives in so doing. The multiple case study design is both described and justified with reference to the overall model of research, the sampling and interview techniques used, and ethical considerations.

There then follow four chapters which present the empirical findings of case study visits, discussing the outcomes of interviews in a narrative form which seeks to describe each case study in depth. They also summarise the data collected and seek to highlight points of particular interest at each co-operative in order to locate them in relation to one another for analysis. These results are then analysed in Chapter 9 in terms of the concepts of static and dynamic control in order to begin to answer the central research questions and puzzles given above.

Four case studies are examined in this research, all of which are worker co-operatives in the UK. The first, Wholefoods A, is a successful wholefoods wholesaler and retailer, which at the time of the research was converting its legal form from a private limited company to a 'bona-fide' co-operative. It demonstrates some of the challenges of running a medium-sized co-operative but also exemplifies many of the values of solidarity and fellowship which seem to define co-operative working relationships. The second case study is the Printing Co-operative, which was set up in the 1970s to serve the co-operative and alternative community as a printer, as well as being a successful high-quality commercial printer in its own right. It has undergone a series of transitions over its long life and demonstrates some of the problems faced by co-operatives in a declining sector, highlighting some of the structural tendencies of co-operatives facing crisis and demonstrating the resilience of the co-operative form. The third co-operative, the Bakery Co-operative, is a very recently formed company which produces very high quality artisan bread. It is currently undergoing a process of accumulation where wages are kept low in order to keep the company afloat and generate surpluses to be invested for the future. It is expanding and has been able to take on additional members from outside its founding circles, and demonstrates the problems faced by start-up co-operatives, especially in the aftermath of recession. The final case study, Wholefoods B,
is a very large wholefoods co-operative which, like Wholefoods A, has both retail and wholesale departments, as well as being an importer of wholefoods. At between 80 and 120 members, it demonstrates some of the problems faced by radical co-operatives as they grow, including issues of management and working practices. It is, however, a successful enterprise which has been able to fund itself through accumulated surpluses.

Finally, the thesis concludes by directly addressing the key research questions using the discussion of the preceding chapter. Conclusions are drawn of the possibility of the worker co-operative acting as a viable means of advancing individual control in work, the usefulness of such an idea and the scope for further research into the issues. The primary conclusion is that the worker co-operative can act as a source of security in the liberal system due to the institutions within, on three interrelated levels: firstly, through control over work in the short term allowing for members to pursue work in which they find value; secondly, through allowing flexibility over time allowing for more control over how members are able to manage their working life; and thirdly, because co-operatives can offer stable employment, even in a system where they are an exception, rather than a norm. These conclusions are qualified by other findings: that the co-operative, especially early in its life-cycle, may require significant sacrifices from its members in the short to medium term if its potential is to be realised; and that to some extent these advantages in the UK system come from the fact that co-operatives operate differently from the rest of the economy producing a culture of co-operation which allows for a solidaristic approach to work. The thesis draws to a close by evaluating the research and suggesting avenues of further research.
2

Work and Control

This chapter examines alternative perspectives on work, drawing on sources both from the labour process and institutional political economy literature. It argues for a shift away from the neoclassical conception of work as a materialist endeavour with a compensatory objective of working to finance individual consumption (Spencer 2009), and suggests work as an arena for personal development and the engagement of human capacities. The work of Haagh (2011a, 2011b, 2012) highlights control over time through the freedom to make long-term strategic decisions regarding personal development as an important element of welfare and freedom. This “occupational model” allows us to “observe how institutional sources of security furnish a sense of stability and personal control” (Haagh 2011a:450). On the other hand the labour process literature, with its genesis in Marxist accounts of work, highlights the potentially alienating and dissatisfying elements of work under capitalism (Braverman 1975, Burawoy 1985, Thomson 1989). Following Haagh's (2011b, 2012) analysis, the key aspect here is control over time, and it is this control in a range of time-frames which allows for fulfilling work and the potential for personal development through work.

I suggest that the worker co-operative represents a set of institutions which are in principle ideally situated to deliver this better version of work. These institutions include the common ownership of property, consensus-based decision making, norms of non-hierarchy, and norms around the purpose of the firm, which in co-operatives is seen as of social value as well as being a source of profit. The institutional analyses of Pagano (1991) and Haagh (2012) demonstrate the importance of property rights of individuals: for Pagano (1991) through the institutional effects of division of labour, and for Haagh (2012) through the 'property rights in stability' offered by social democratic 'horizontal capitalism' which allow for planning and control.

It is important to build a framework of what we are trying achieve in seeing working life as an institution for personal development. Neoclassical perspectives on work have often emphasised a division between work and leisure and have underestimated the value of work as an institution for freedom and development (Haagh 2011a:450,
I aim to integrate various alternative perspectives on work in order to develop criteria for satisfying and emancipated work in which the opportunity for more self-development and free choice can be realised in the workplace. Work makes up the majority of most people’s lives, and to view it as a source of mere income for subsistence and pleasure outside of work is to miss an opportunity for self-development and meaningful engagement of human capacities. Work has both intrinsic and extrinsic motivations, and realising the former is crucial to promoting well-being in work. Work, argues Haagh (2007:132), is central to life due to its:

- intimate association with our creative capacities, and its core function in shaping both monetary and non-monetary economic rewards...renders its structure central to other domains of life, and hence to our ability to exercise autonomy in each and all of these.

This chapter begins by looking at critiques in work based on conventional capitalist property and employment relations, drawing significantly on Marxist critique and the labour process literature. The chapter argues that work under capitalism has elements which are inherently alienating and that there is a tendency towards deskilling and mechanisation of work which reduces the ability of the individual to value the working experience as more than just a means to leisure. The chapter then introduces a different way of examining work through the developmental freedom approach of Haagh (2007, 2011a, 2011b, 2012) whereby work is seen as a multifaceted element of human life in both the formal and informal, paid and unpaid spheres, and that working life can be seen as an experience shaped by institutions of individual control over time. The individual can, with the aid of institutions providing security, be made freer to shape their own working life through control over the type of work they perform and how it is performed allowing them to see work as a good in itself rather than as a means to leisure, and that the more control they have over time the freer they are to balance formal, paid work with informal and unpaid work. However, individuals are rarely, if ever, in a position to realise this “developmental freedom” (Haagh 2007, 2011a, 2011b, 2012) alone, and require various “sources of security” (Haagh 2011a:450) at the systemic level (Haagh 2011a, 2011b). It is these institutions, such as basic income and social democracy (Haagh 2011b, 2012) and employment security, education and income support (Haagh 2011a:450) which allow the individual to exercise control over working
life. This thesis argues that the co-operative may be in a position to act as source of security in itself by changing the rights individuals have over their jobs. In debating the merits of basic income, Haagh (2011b:50) argues that “in this [Walrasian] market, individuals may be free to leave, but not necessarily to stay in, jobs”. If employment and income stability is, among others, a source of security, then the co-operative, by changing property rights at the level of the firm, may provide institutional support for the individual to exercise control.

2.1 Work in Capitalism

There is some agreement in both the classical and Marxist perspectives on the impact of work upon the individual. Both Smith (1976:302-304) and Marx (1975:274) discussed the effects of rigid routine in the workplace and the effects it may have on the worker. The mindless repetition of simple tasks, for Smith, degraded the capacities of the individual; for Marx, the sale of labour to the capitalist leads to a dissociation of the producer from the product.

Smith in *The Wealth of Nations* (1976:302-303) whilst writing on the role of the state in providing education notes that industrial work generally forces the individual towards performing a small number of tasks repeatedly. In so doing, there was no capacity for creation or innovation and the work becomes increasingly monotonous and mindless. Smith (1976:303-304) contrasts this with non-industrialised societies in which each individual performs a range of tasks and is constantly learning and experimenting with how to perform them more adeptly and efficiently, thus constantly engaging their creative and intellectual capacities. Smith does, however, identify that the division of labour also allows for innovation and creativity - famously, he advocates division of labour in part due to the learning-by-doing gains of performing a particular task repeatedly which lead to gains in efficiency through innovations in the method of working and invention of new tools. Sennett (1998) discusses Smith’s perspective and links it to control over work time, noting that “at a certain point, routine becomes self-destructive, because human beings lose control over their own efforts; lack of control over work time means people go dead mentally” (1998:37). This identifies the tension between economic efficiency and the human dimensions of work.
In *Estranged Labour* (1975), Marx writes of the problems created by the separation of the worker from the product of labour – that the product becomes independent of the producer and, in so doing, labour becomes objectified and materialised in the product itself. Labour is therefore a commodity, an input no different from a machine or raw material. Work becomes a means to satisfy external needs through payment, not through voluntary choice. In Marx's (1975) terms, it becomes forced labour since the worker:

> does not develop freely his physical and spiritual energy but mortifies his body and ruins his mind. The worker...only feels himself outside his work, and in his work feels outside himself. He feels at home when he is not working, and when he is working he does not feel at home. His labor [sic] is therefore not voluntary, but coerced; it is *forced labor*...the worker's activity...belongs to another; it is the loss of his self. (Marx 1975:274)

What Marx writes demonstrates the extractive nature of the capitalist working relationship. As the worker does not own the product of their labour and works for the benefit of an employer, the control that they have over the means to live their own lives as they see fit is degraded. The human creative capacities of the individual are turned against them as they produce for the benefit of another. This demonstrates that the problem extends beyond the simple material extraction of labour power from the worker – if the wages were increased and the profit of labour went to the worker, this would simply amount to “better payment for the slave” (Marx, 1975:280) and would not emancipate the worker. The worker benefits from neither the process of work nor from the product as both are extracted from the worker by the capitalist (Novack, 1959: online). As a result, people develop an aversion to work rather than a willingness to participate in it. The division of work and leisure exists only because people are alienated from their work and wish to escape it – in Marx's (1975:274) words the idea of undertaking labour without coercion is “shunned like the plague”. It could be argued that all work is, to some degree, forced if it is necessary for income required to live, but this would detract from the idea that work is in itself a source of satisfaction and value for individuals through the exercising of creative capacities and the perceived value added to society.

Marx also has much to contribute to the discussion of the value of work for the
expansion of human capacities. For Marx, work represents the very basis of human social existence and differs from mere labour present in animals due to the engagement of the creative and human faculties of the mind. People work to exercise and develop their capabilities as well as for material gain (Spencer 2009:60). This is quite clearly seen in the ‘work’ undertaken voluntarily such as hobbies and interests pursued not for their material gain but for the enjoyment they provide even though others may be paid to perform them as labour – gardening and computer programming being two examples. Work is central to the identity and individuality of each human. Alienation therefore comes from two sources – non-ownership of the means of production and the separation of the skill of the productive process from the worker (Thomson 1989:42-43, Marx 1975)

Macpherson (1973) constructs the idea of developmental liberty in his defence of positive freedom against the laissez-faire negative freedom approaches of Berlin. Macpherson argues that there is a relationship between freedom and power, specifically the power to decide how to deploy and develop one's own human capacities. In terms of labour, he conceptualises two forms of power. Firstly, he sees extractive power, the power to expropriate the labour power of another through the renting of their services as a worker. He also sees developmental power – the power of the individual to decide how to work and how to develop themselves. This analysis takes the idea of developmental power far beyond work, choosing to view it as the power to undertake those capacities which make the individual a human, ranging from abstract concepts such as the ability to think for oneself and enjoy nature and life, to the “capacity for materially productive labour” (Macpherson 1973:54).

The transfer of productive power to an employer entails a transfer of extra-productive powers and therefore a transfer of the power of the individual to use their abilities for their own pleasure and enjoyment. We could conceptualise this in part as control over time. In Macpherson's own words:

A man whose productive labour is out of his own control, whose work is in that sense mindless, may be expected to be somewhat mindless in the rest of his activities. He cannot even be said to retain automatically the control of whatever energies he has left over from his working time, if his control centre, so to
speak, is impaired by the use that is made of him during his working time (Macpherson 1973: 67)

In arguing this, Macpherson is suggesting that the individual's ability to enjoy work and perceive a sense of value from it is degraded by the fact that he is working for another, having his productive capacities extracted from him, and this has an impact on how the individual is able to enjoy the rest of their non-working life. Macpherson therefore proposes that the inability of the individual to exercise their productive power is directly related to an inability to exercise their extra-productive power. The energy and time spent working in a mindless fashion during working hours have a significant impact on the ability of the individual to make use of their abilities during what could be traditionally conceived of as their leisure time. This represents a false dichotomy of time in the neoclassical assumptions about work – the working time and the leisure time of the individual are inevitably interrelated and the idea that dull or unpleasant work can be recompensed by material means to enjoy leisure has the effect of denying the individual the free use of that leisure time since they are not in a position to enjoy it.

To refer back to the idea of developmental liberty, Macpherson postulates that a materialist position which sees human beings as “no more than consumers of utilities” is incorrect, and instead should be replaced by an understanding of humans as “active exereters and developers and enjoyers of their human capacities” (1973:51). The extractive relationship of capital to labour represents a diminishing of the ability of exercise and develop human capacities. Although employers may retain the capacity to exercise their own human capacities, those employed are, through the exercise of “mindless” labour, less able to do so in either their working or non-working hours as a result of their lack of access to the means of labour. The inherent exploitation of the worker through the wage relationship limits the possibility of personal development and control over one's human capacities in work, and thus limits those capabilities outside of work. As a result, there is a need to look at how work is controlled, and who it is who is responsible for the extraction of the individual's productive power. By these approaches, it is necessary for the individual to exercise more control over their work, both in terms of the firms they choose to work for and how their work within the firm is organised, if they are to be able to maximise the personal development available through work. In arguing that a work/leisure trade-off is problematic, it is required that we conceptualise
work as within the control of the individual and offering meaningful value to their lives outside of the material. The co-operative firm potentially provides this for its members through giving them control of the organisation of work at all levels, which in turn requires and provides a deeper understanding of the processes of work, as well as allowing them to appropriate their share of the surplus.

This approach to work assumes that all 'commodified' labour is inherently mindless, and both Macpherson and Marx generalise hugely in identifying all wage-labour in this way. Edwards and Wajcman (2005:23) suggest that “studies of work have traditionally been concerned to describe the conditions and experience of manual labour that was the result of industrialization”. Whilst wage-labour does involve working 'for another', this does not mean that the worker does not gain skills, life experience and pleasure from it.

It is self-evident that many workers in capitalist firms have a degree of autonomy and are able to progress through their careers in a manner which they deem to be successful, indicating that they are able to exercise control in the job market. However, the Marxist approach does not need to be taken in a pure or literal sense to have relevance. Although many people are successful in their chosen career paths, this is not a universal experience and many jobs exist which do still match the ‘mindless’ description, offering minimal satisfaction and few opportunities for learning. These jobs can be argued to be a product of the classical capitalist arrangement of property rights, in which jobs are monotonous and labour highly divided. The approach of this thesis is that the prevalence of such jobs acts as a barrier to realising the developmental potential of work, as they offer minimal opportunities for development in the workplace and the casual nature of employment in many of these roles makes them insecure, damaging long term planning. In terms of the types of control discussed below, these jobs limit static control, as the spaces and dimensions for control are small, whilst also giving minimal dynamic control due to the lack of static control and the instability of work.

The labour process literature is also concerned with the changing nature of work under capitalism, in particular with regards to the increasing use of technology in industrial production. Braverman, building on Marx's analysis (Edwards & Wajcman 2005), argues that “machinery also has in the capitalist system the function of divesting the mass of the workers of their control over their own labour” (1974:193) as machines take skilled work away from workers, leaving them as machine operators rather than
craftsmen. However, he also recognises the importance of developing individual skills and the satisfaction gained by workers when working together to maximise productivity – a gain not just realised through increased pay (Burawoy 1979; as cited in Edwards & Wajcman 2005:25). Burawoy (1985:53) also recognises the potential of the appropriate use of machinery in increasing efficiency and argues that it is the division of labour and the distribution of tasks in the firm due to capitalist relations which lead to this alienation rather than machines themselves. It is also argued by Hodson (2001; as cited in Edwards & Wajcman 2005:31) that divided production-line labour is undignified since it restricts “freedom of movement, skill, and autonomy as they perform a limited and repetitive range of activities”. This raises the question of how the division of labour within the firm can be managed in order to balance the efficiency of the firm against the degrading effects of routine, unskilled work.

The labour process literature, with its roots in industrial capitalism in the mid to late 20th century, demonstrates issues around alienation and autonomy through division of labour and the use of machines. However, service work also accounts for a large section of low-skilled work in the UK economy (although fairly recently manual work still accounts for 40% of total employment, according to Nolan and Wood (2003:170; as cited in Edwards and Wajcman 2005:31). Service work, whilst sharing some features with manual work including limited autonomy and a high degree of division of labour, also involves more emotional, psychological and mental labour (Edwards & Wajcman 2005:33-37). In such jobs there is more scope for individual workers to choose how to interact with customers, but there is also a conflict in the sense that they have to “act” in order to put across the correct image, in a way which may not correspond with their personal feelings. However, to suggest this is a totally alienating experience neglects the fact that there is some satisfaction and pleasure for the worker when they interact and help customers, particularly if they build up long relationships with them and feel that their work matters (Edwards & Wajcman 2005). Both within and without the workplace, an important source of enjoyment and satisfaction is the building of social relationships and “the workplace...remains a central location for the realization of employee's personal identity, their sense of autonomy and their will to connect with society” (Edwards & Wajcman 2005:42-43). It is therefore key to consider how the structure of the workplace changes the way that work is organised and controlled, in particular with regards to how tasks are broken up, how labour is allocated to these
tasks and how much freedom there is for the individual worker to control any of these dimensions of organisation.

Standing (1999, 2002, 2009) also suggests that labour insecurity is increasing and that there is less control over time in modern capitalist economies. It is suggested that this is predominantly the result of globalisation, and Standing argues that institutions of employment security have steadily been eroded, citing a decline in collective bargaining and regulation and a shift away from “labour contracts” to “commercial contracts” (2002:45) in order to create a more “flexible” workforce which expects workers to adapt to the needs of firms, rather than firms adapting to the needs of workers (2002:46). It is suggested that employment security has been replaced by flexibility for firms (Standing 1999:174) and has become less important for policy makers whilst workers no longer expect it (1999:183). In terms of control over time, it is suggested that protection of working time has become weaker as demands for increased flexibility grow, resulting in organisation of work-time based on the needs of the firm, weakening control over time for the worker (2002:50). This is particularly important for part-time workers who are expected to work flexibly on the employer's terms (Standing 2009:228). The “squeeze on time” which is part of the “intensified labour market, work and skill insecurities” brought about by economic liberalisation “can be a major source of social and economic insecurity” (Standing 2002:67).

Standing (2002:47) suggests that lower-skilled workers are increasingly marginalised in flexible labour markets, and that “part timers are often ‘dead-ended’ in jobs with little access to training or promotion” (Standing 1999:186). Sennett (1998), who discusses at length the challenges that modern, flexible working presents for personal life, notes that skill sets have become more general as production is increasingly computerised, with the main requirement for working being basic computer skills rather than a knowledge of the product being produced, using a case study of a bakery (Sennett 1998:68-70). This leads to a weakening of occupational identity - the worker does not see themselves as a baker, and has no real association with the finished product nor an understanding of the manufacturing process. Sennett notes however that almost all of the workers do not feel a sense of alienation or anger at this detachment, but instead treat the job with indifference - most workers do not stay at the firm for more than a few years, are not unionised and do not seek to advance their skills in the industry (1998:70). The
technology in these firms obfuscates the manufacturing process, and in so doing does not challenge the worker or allow them to learn skills. However, it could be said that this still represents a form of alienation in that the work is not offering the full potential to the individual – they are alienated from the skills and control over work even if they do not identify this alienation themselves. Echoing Smith’s observations of the mindlessness of repetitive, simple work, Sennett also notes that when there are problems with the machines, there is a genuine drive to innovate to work around the problem (1998:70), indicating that the drive to become involved with work and to take some ownership of the productive process exists but is smothered by the automated nature of modern production.

Pagano (1991) suggests that the division of labour within the firm is governed by the property rights within the firm and the technologies and corresponding institutions which develop around this. Pagano outlines three perspectives on the idea of division of labour. The first, the Gioia-Babbage (1991:317) principle, states that work should be divided according to the comparative advantage of each individual in order to maximise productivity and minimise learning time, since the worker has to learn how to perform fewer tasks. It entails a division of labour between production and management. The Smithian (Pagano 1991: 319) principle advocates division of labour for the reasons of efficiency from a different perspective, taking the view that task repetition aids efficiency through learning-by-doing. If the worker performs many tasks, they do not become expert at any, but through performing fewer they can become better at them. This represents efficiency as a consequence of division, rather than as a cause of it by focussing on gained, rather than inherent, skills – the inverse of the Gioia-Babbage principle. The principle is likely to advocate less division of labour than the Gioia-Babbage, since there are some benefits to learning-by-doing in the long term of a wider set of jobs for the worker, and of understanding of the production process as a whole (1991:319). Finally, the labour can be divided on the workers preference principle which allocates work according to the wishes of the workers. The enjoyment of learning, and of performing tasks competently, suggests less division of labour in order to maximise the amount of learning-by-doing, whilst the desire for variety of work, rather than monotony, would lead to less division of labour also. The 'optimum' division of labour which Pagano advocates attempts to balance productivity against the 'disutility' of division of labour, and it is noted that property rights within the firm
characterise the impact of each of these factors (1991:320).

Pagano (1991) argues that it is the property rights inherent in capitalism which govern the nature of the division of labour in favour of the Goia-Babbage principle, in order to minimise training as much as possible, which creates “an undesirably hierarchical and detailed division of labour” (1991:321). Under the system Pagano identifies as 'classical capitalism', property rights to the human capital of an individual are owned by that individual and can be hired and fired by others (a simplistic model of a liberal firm) which creates an asset specificity problem. There is nothing to safeguard either the firm or the employee should they invest in firm-specific assets. The worker can be fired, and therefore left with assets with limited applicability in other firms, or can leave the firm voluntarily, which removes those assets from the firm. There is no incentive for the firm to encourage learning or divide labour by any other system than that which minimises learning because institutions do not exist to protect the investment on the part of the firm or the worker. We would therefore expect employment under these poorly defined property rights to minimise firm-specific learning through very high division of labour which focusses on general skills (such as computer skills). Learning by doing, for example, is likely to lead to the creation of firm-specific knowledge, as does workers involvement in the management and organisation of production (1991:322). Furthermore, workers' or management's incentives to spend time or money on improving their employment conditions are diminished as they cannot guarantee their continued employment or that the expenditure on these assets will offer the same benefits to future workers (1991:322-333). It is suggested that this will also lead to a stronger incentive to invest in firm-specific capital, particularly specialised machines requiring minimal user input, rather than skilled labour, as these capital assets can be owned by the firm (Pagano 1991, Pagano & Rowthorn 1996). The property rights of classical capitalism, in Pagano's words, may well generate:

Hierarchical firms, characterised by an inefficient quantity and quality of machines, a detailed and authoritarian organisation of work and an unpleasant working environment” (Pagano 1991:325).

Pagano’s primary focus in the first two sections of his paper is on the provision of training within the firm and the relationship between skills and division of labour, and
emphasises the institutional barriers to high degrees of skill specialisation in firms under particular property rights regimes. There are limits as to how far this analysis can be extrapolated to look at the division of labour more generally – for example, in firms where training costs are actually fairly low or where there most learning is not firm-specific.

Bringing together these strands of thinking on the degrading effects of routine wage-work, we can identify key points. Firstly, the impact of routine can be destructive, as the worker is not able to contribute their own human capacities for creation and independence to change their patterns or modes of work in a rigid routine. Secondly, working in the capitalist firm is likely to accentuate this by creating an unsatisfying working experience in which the individual is detached from the productive process to the point at which their work becomes mindless. Division of labour therefore needs to balance economic viability with an approach to work which maximises learning and allows space for control, creativity and innovation. Finally, it is argued that it is the property rights of traditional capitalist firms that create a high division of labour which overuses machinery, leading to an alienating experience of work.

2.2 Motivation, Security and Control Over Time

It is suggested that “contemporary debates about work-life balance are, in large measure, about how to manage time – time for work, time for caring for family members, and sufficient leisure time” (Edwards & Wajcman, 2005:44). The general perspective on work is one which involves a trade-off between work and leisure, suggesting that ultimately work has a very limited non-material value to individuals and exists mostly as an instrumental means to subsistence and leisure. Obviously this creates something of a straw-man since most work will involve some degree of what could loosely be called job satisfaction, and people find intrinsic value in the work that they perform, thinking that what they do matters in some way, or find pleasure in aspects of work such as building social relationships. This section argues that motivation to work is important as work itself is made up of institutions which govern how people live their lives. People's “working life” involves both their paid employment, and control over working life allows them to perform other labour outside of employment including care, volunteer work and family life (Haagh 2011a), encompassing a wide scope of activities
in which the “uniquely human capabilities” described by Macpherson (1973:53) are employed.

Haagh (2011a) examines how strategic behaviour on the part of individuals is affected by their sense of security and motivation through a study in Brazil. She emphasises the importance of security and control. Through a refutation of the neoclassical approach, the research demonstrates the weaknesses of the leisure/work trade off assumption which is key to this approach to work. The assumption based on this trade off is that when income is available without work, such as through income support, individuals will prefer leisure to work (2011a:451). This neoclassical approach highlights the disincentive effect towards work of alternative income streams. Instead, the role of income support in providing a base for choice and strategic behaviour, thus providing an incentive to work, is put forward. As Haagh (2011a:451) notes, both of these perspectives focus on one variable - income support and the security of a stable income and do not examine the intrinsic motivation behind work. Examining motivation to work requires us to look beyond income security and to examine the institutions within work itself. The neoclassical approach does not recognise this, and only recognises intrinsic motivation in relation to leisure time (2011a:453). Haagh (2011a:450) engages in a “multi-factorial” analysis including “schooling, employment stability...and income support” in order to model motivation in a way which goes beyond a single focus on the morality of individuals shaped by various incentives, and moves towards an approach based on how control is attained through institutions. Haagh suggests that “individuals are motivated by the prospect of attaining control, a motivation that grows in turn with the level of security or actual control acquired” (2011a:466), demonstrating that control over working life, which comes from “institutional sources of security” (2011a:450), is key to the realisation of well-being and the realisation of individual preferences.

It can be argued that there is an intrinsic sense of well-being from performing meaningful work (Haagh 2011a, Rawls 1999, Sennett 1998). However, meaningful work need not require that the work fulfils a particularly noble social function, but instead highlights the relationship between motivation and control over “working life” (Haagh 2011a). Work performs a function of providing the basis for the planning of future life – Rawl's principle being that the best way to improve individual welfare is to realise the long-term rational plans of the individual concerned, coupled with the
principle that one enjoys more complex work which allows development and employment of creative and intellectual capacities (Rawls 1999, Haagh 2007). Haagh (2011a) summarises this approach and adds insight into the role of supporting institutions:

First, intrinsic motivation, the enjoyment of work for its own sake, is a key source of well-being that tends to increase as uncertainty falls and the sense of stability grows. Second, individuals are likely, for this reason, to strategize [sic] to reduce uncertainty through attaining control over work - over time. However, and thirdly, individuals cannot attain an overall framework of stability on their own. They need institutions (Haagh 2011a:452)

This approach suggests that enjoyment of work rises with stability, and also that it is this stability and control which allows individuals to further their personal development and therefore presents an intrinsic motivation for work (Haagh 2011a). Further then, to the enjoyment of work which is stable and challenging, there is also a case for work which provides the stability and means to construct and execute strategic decisions in both the short and long term in order to plan a career alongside the other various aspects of life such as care and self-development.

Haagh's (2007) conception of developmental freedom conforms to ideas of positive freedom in giving the individual choices in their working life through the provision of an institutional basis of security, highlighting the importance of enabling institutions. This, as Archer (1995:18) notes, requires us to define freedom of choice as a prerequisite for freedom of action. Alongside this we require the individual to be free from positive constraints on action, but also to have the means to perform chosen actions. The means to act is essential for freedom to exist (Archer, 1995:18). The ability to act without constraint is meaningless if it is still not possible to act in accordance with one's choice. Furthermore, as Haagh (2007) notes, it is crucial that this positive freedom translates to self-direction and autonomy rather than simply a set of free choices. It must be “shaped by the freedom to connect choices and to build on previous experience” (2007:124). There must, therefore, be a set of institutions which can generate and sustain an environment of free choice if developmental freedom is to be realised, as put forward by Haagh (2011b, 2012).
We can now seek to identify from the existing literature some of the elements which comprise stability and control within the firm. Standing (1997:332) advocates seven forms of security, which are employment security, work security, job security, skill reproduction security, income security and work representation security which are needed to ensure human development. However, the key focus for a developmental perspective on work is a focus on “connect[ing] the realm of formal production with control of time for other (non-formal) activities” (Haagh 2011b:44) allowing for control over one's own productive existence, which takes the debate beyond simple employment and income security and towards the ability of the worker to enjoy control of their working life (Haagh 2007, 2011a, 2011b, 2012). It is therefore necessary in order to develop the understanding of developmental freedom to see how these securities can be realised through the creation, consolidation and reinforcement of structural and systemic institutions of work.

Haagh (2011b, 2012) divides the concept of control in three ways, identifying constant, static and dynamic control over time. Constant control can be seen as forming a foundation for developmental progress. It entails control over the basic requirements needed for an individual to be able to enjoy working life, such as income stability (Haagh 2012:548). Without constant control, it is impossible for the individual to plan strategically for the future, and therefore to be able to pursue any long-term developmental objectives. Haagh (2012:548-549) places constant control in terms of security of housing and health, but places stable employment under the category of dynamic control, highlighting constant control as a set of institutions separate from production.

From a firm basis on constant control comes static control, the control over short time-frames such as over working time, particularly in terms of allowing the individual to perform more than one role (Haagh 2011b:44, 2012:548). This allows the worker to make use of their human capacities to their own ends outside of the workplace and in so doing limits the inevitable consequences of working life having an impact on non-working life (Haagh 2012:548). This allows the worker the maximum possible developmental freedom through the ability to fit work around the demands of personal life and, in particular, in skills development and the enjoyment of personal capacities outside of the workplace (Haagh 2011b:44). Control over time is especially important in
cases where the worker may have two jobs, for example an internship or volunteer position in a valued occupation combined with a job for economic necessity in another sector. Another form of static control, control over the variety and timing of tasks performed, removes some of the alienating effects of authority. Self-management is a particularly important issue here. Not only does this prevent work from becoming mindless, due to variation in work, but also allows the worker the freedom to perform their work in the ways which they feel most comfortable and hence to experience greater learning-by-doing through taking ownership of their personal productive process.

Finally we see dynamic control, which can be defined as long-term control to achieve strategic objectives (Haagh 2011b:44, 2012:248). An example of this would be the ability to learn and develop skills in the workplace. Although static control could allow for changes in work practices to maximise learning by doing, dynamic control is needed in order for this to be most effective as it is the combined focus of many individual areas of static control in order to utilise learning and development in the long-term. Dynamic control can be seen as the result of many different static controls (Haagh 2012:548). Employment stability is the foundation for all other elements of security and control as it ensures a predictable continuity of the status quo for the worker, removing uncertainty and allowing for investments of time and effort in training and in improving the existing workplace (Haagh 2012:548). However, it is also worthwhile to address the potential consequences of firm failure or redundancy for the worker, and therefore under this heading we need to address the role of the firm in managing the transition for the worker to a new firm or sector, for example through redundancy packages which allow the worker the real freedom to choose their next employment, and through the firm facilitating training in transferable as well as firm-specific skills.

Standing (2002:37-69) argues that labour markets have become increasingly flexible, primarily due to liberalisation and globalisation, through a relative increase in part-time employment, a decline in union power and membership and less formal labour contracting. He suggests that the emphasis on “employability”, rather than building a sense of occupation, leads to: a reduced emphasis specialised skills, being replaced with more general skills; a sense that employers must work overtime and not take leave in order to demonstrate commitment; less emphasis on workplace safety, partly due to
lower union density and higher levels of stress. Again, we see here less static control in over work, more long-term insecurity and therefore a decrease in the opportunities to be created in the workplace for personal development.

Co-operatives potentially provide a firm in which the property rights over work are re-organised and the idea that an individual is free to leave a job but not free to keep it (Haagh 2011a:50) does not apply strongly, assuming co-operative members do not make themselves redundant short of exceptional circumstances. Haagh's (2012:543) approach of “property rights in stability” is based on the idea that the individual enjoys control over their life more when they have multiple sources of security in different time-scales and over various activities. Co-operatives may be able to provide direct control of working life through ownership of the workplace, and therefore rights to jobs, as well as the freedom from hierarchical management providing for the control of work within the firm. If motivation and control are linked (Haagh 2011a), then co-operative work should be an activity providing high levels of motivation and satisfaction. The additional control that they offer within working life may enhance developmental freedom through the control over time to pursue other valuable activities.

2.3 Conclusion

This chapter raises the argument that there needs to be work which is meaningful both in terms of the enjoyment of the tasks performed and in the wider sense that the work has a role to play in the development of the individual. It has highlighted the features of the developmental freedom approach to work: the focus on formal, informal, paid and unpaid aspects of work, the principle of work itself providing value to individuals rather than simply being a means to leisure, and the role of institutions in providing security and control in working life. There are two dimensions to be considered here – the freedom of the individual to make choices about their working life, principally through control over time; and the means to do this which is granted by economic security through secure employment based both on control over when they leave the firm, and also on the firm's survival. These are inter-related – the individual can exercise their freedom to make choices in order to secure their employment, and it is the co-operative through its democratic functioning which allows a set of institutions to develop which allow the individual to consolidate a sense of security whilst also granting them the
freedom and autonomy to shape their own working life. Questions are therefore raised about how institutions in co-operatives are able to increase control over time in the static and dynamic senses, and how they can balance job security against economic survival as firms.

In order to apply these ideas to co-operatives, the next chapter examines the theoretical potential of co-operatives to create institutions of control for individuals within formal work, and the extent to which the operation of these institutions might be limited by the systemic environment of capitalism in which co-operatives in the UK find themselves. This is then followed by a review of empirical studies of co-operatives in order to ascertain how previous theorists have understood the stability, security and control of co-operatives in different contexts.
3

Theoretical Perspectives on Co-operatives in Capitalism

The discussion from the previous chapter has suggested that there is a strong case, put forward in the labour process literature, that workers who lack control over how their tasks and work are designed face an alienating experience of work. It is also suggested that control over work has benefits in terms of improving the experience of work whilst offering the potential for static and dynamic control in order to plan working life in the longer term in accordance with Haagh's (2007) conceptions of developmental freedom.

This chapter puts forward the argument that the worker co-operative can “return the locus of control to the individual” (Rothschild & Whitt 1986:145). The central puzzle of this research which is framed by this chapter is whether the worker co-operative is able to realise this theoretical potential in the liberal market such as that in the UK. It is suggested that an alternative institutional arrangement such as the worker co-operative will struggle to survive in a capitalist systemic environment (e.g. Miller 1981). Drawing on the varieties of capitalism approach of Hall and Soskice (2001) and the institutional analyses of Pagano (1991) it is suggested that the co-operative may not realise its potential in an environment of liberal capitalism.

This chapter explores the theoretical position of the co-operative as a means to maximise developmental freedom in capitalist economies from a number of perspectives. The first part of the chapter examines questions of ownership and control in co-operatives, looking at types of ownership in firms and how these are associated, theoretically, with the rights to manage the firm and organise work, concluding that ownership and control are “mutually inclusive” (Gupta 2014:101). Some arguments from political and economic perspectives in favour of co-operative organisation are then examined.

The analysis then examines the property rights of individuals and firms relating to work, and suggests that these property rights can be endogenously created within different capitalisms, creating a self-sustaining system. This suggests that the co-operative system of organising property rights in the firm is unlikely to emerge spontaneously in capitalism and is threatened by a lack of appropriate technologies of production. These
conclusions are applied to Hall and Soskice's (2002) 'Varieties of Capitalism' approach which suggests that the institutions governing work in liberal economic systems will create complementarities which inhibit the performance of rival institutions. In terms of co-operatives, this suggests that co-operative forms of organisation will not develop alongside supportive external institutions such as sympathetic financial systems in an otherwise liberal environment.

The chapter then looks at issues and problems with co-operative firms, with a particular focus on how they raise capital and the problems that they face in doing so. One of the major aspects of the literature on co-operatives (e.g. Dickstein 1991:23-35, Miller 1981, Williamson 1985:266-267) in terms of barriers to co-operation is access to finance, so it is important to understand how their finance and organisation works in the UK economy. Later in this section there is an analysis of the potential for co-operatives to fail in markets through degeneration (becoming non-co-operative firms), which would be a significant barrier to the establishment of any kind of worker control.

The chapter concludes with some questions to be examined in the next chapter, which reviews a set of empirical studies of co-operatives from the literature.

3.1 Ownership and Control

Ownership refers to a “bundle of rights that an economic agent is entitled to exercise over an asset” (Putterman 1993:245). In terms of owning a firm this refers to the right to hire, and fire, employees, to make and sign contracts, to claim all earnings and also to be liable (where legally applicable) for the costs of the firm, and the right to sell or otherwise transfer these rights (Putterman 1993). In terms of the co-operative being owned, we can consider the different legal forms of co-operatives as affording slightly different sets of rights (for example, the right to sell shares) and the ownership being individual or collective (Clarke 1984:105).

Pencavel (2001:15-17) identifies a range of co-operative forms of enterprise based on two variables. The first is the management participation of the workers, and relates to the control that workers have over their working conditions. The second is the ownership of the firm, in terms of the rights to the surplus of the firm. A workers co-
operative, in which decisions are made democratically, is the ideal type which maximises worker participation and all profit is allocated to the workers according to a democratically decided rule such as the numbers of hours worked, or the level of personal risk each job poses. Other forms of worker ownership could be employee stock ownership (such as Employee Stock Ownership Plans - ESOPs), in which workers receive a share of the profits but have limited, if any, decision making power (Pencavel, 2001). Alternatively, worker control to some degree can be provided in a highly unionised firm in which workers participate in a traditional capitalist wage relationship but have some control of the management of the firm, particularly in a highly co-ordinated, corporatist economy.

Ellerman (1990:10) identifies two forms of 'ownership' within the firm. These are the capital-owner role of the firm, which signifies ownership of the capital assets of the firm, and the residual claimant role which describes ownership of the inputs of the production process and hence the ownership of the output. The legal owner of the firm plays both of these roles, but the residual claimant's role is not part of the ownership of the means of production since the capital assets can be rented out, with the leaser owning the product and funding the inputs whilst not owning the assets. The role of residual claimant is therefore generated by contracts – the residual claimant is the party which hires inputs, and is typically the owner of the assets due to the contractual power that this gives.

The output of the firm is the legal right of the residual claimant, regardless of whether or not they own the capital assets. Ellerman (1990:29) argues normatively that through ownership of labour power, the worker should become the residual claimant to their output in accordance with the labour theory of property. This does not necessarily mean that labour needs to own the capital assets of the firm, simply that they are responsible for using the services of capital assets. However, if the workers do not control the capital assets of the firm, it cannot be a workers co-operative since the owner of the assets would want to employ them in such a way as to separate the returns to capital and labour. This does not mean the workers must own the capital assets provided they could exercise property rights over them through a contractual rental, in much the same way that a tenant controls a flat through renting it, but does not literally own the flat. One would not expect the property owner who actually owns an office block to appropriate
the profits of the company that works within it, but that the offices would be leased for rent which remains constant regardless of the profit made by the company.

In terms of ownership, rather than purely control, Ellerman (1990:11) makes the case that the bargaining power of capital asset owners is such that they tend to remain the residual claimant, raising the question of whether or not it is also possible to have a firm in which there can be meaningful worker control, where workers have the right to the residual, without worker ownership. There is a lack of incentives on the part of the employer to implement such a design as it is hard to see the benefits for profit generation or distribution. A major exception to this exists in partly employee-owned firms such as the John Lewis partnership, in which assets are held in trust but democratic worker control is subject to a parallel hierarchical model, or to employee share ownership programmes where many workers enjoy the rights of both worker and shareholder and, collectively, might have a controlling share in the firm, although their individual shareholding is likely to be quite small. In an ESOP, the property rights system remains fundamentally capitalist (Pencavel, 2013) and without “significant changes in control” (Dahl 1985:93), since “such a scheme does not include provisions for workers to actively exercise influence and control” (Gupta 2014:100). In both cases the worker becomes a residual claimant due to either their right to a share of the profits in the case of the former, or to a shareholders' dividend in the case of a firm with employee share ownership. The motivation behind such conversions seems to be philanthropy when the original owners choose to retire and, rather than find a successor, they choose instead to gift the firm to its members.

The property rights analysis of Pagano (1991), introduced in the previous chapter, indicates that firms will generally seek to divide labour as much as possible, whilst workplace democracy requires, and creates, wider knowledge of the firm's operation. Control without ownership does not transfer the property rights over employment to the worker since the form that the firm takes has to be decided by those with property rights over the assets of the firm at its start-up or restructuring. In some co-operatives, the assets are held in trust and owned by the co-operative collectively, so no individual worker has rights to them, but neither does anybody else – depending on the legal form chosen and the use of asset locks, in the event of the co-operative being wound up the assets might not be distributed amongst the members but would instead have to be
passed on to another asset-locked collectively-owned organisation (Co-operatives UK 2011a). However, it is through the initial ownership of the assets by the worker and a commitment to setting up a worker co-operative that they can be voluntarily placed in this state. Therefore it is not worker ownership itself which is important for creating an environment of control, but the absence of any other sources of control through capital ownership as exemplified through the co-operative principle of autonomy (ICA, n.d.). Furthermore, Pencavel (2001:5-8) argues that voice mechanisms such as employee consultations and suggestions boxes within capitalist firms are inadequate. The chief purpose of the firm is to provide a profit for the owner, and therefore employers will always treat employee organisations with some degree of suspicion as they would expect them to attempt to redistribute rents towards the labour force rather than towards the owners. There is also a potential free-rider problem in capitalist firms, since better working conditions such as more flexible hours represent a public good within the workplace, and therefore workers would rely on one another to campaign for better conditions, especially when the potential costs of such a campaign are high – nobody wants to be a troublesome employee. Therefore opportunities for employees to control their workplace are likely to be only provided at the discretion of management and will not be seized upon by workers. As a result, it is only by owning the firm, whether directly or collectively, that members are able to exercise control – ownership and control are “mutually inclusive” (Gupta 2014:101), although Clarke (1984:106) is more tentative and suggests that “although the transfer of ownership to the collective of workers is a necessary conditions for the transfer of control, it is by no means a sufficient condition”.

It should also be said that not all non-worker owned organisations will operate in the same way. Publicly-owned workplaces, for example, might tend towards a different organisation of work and generally could be said to offer greater stability for employees, partly due to the influence of public sector unions, in turn strengthened by comparatively long job tenure which might encourage high membership. However, such workplaces are not directly considered in this thesis since they are not usually set up with the objective of producing profits, thus do not compare to most worker co-operatives which exist in the same markets as conventional firms.
3.2 Political and Economic Cases for Worker Control

The extent of an individual's static or dynamic control within the firm will be dependent on the level of control of the firm that workers, both individually and collectively, can exercise. A share in the profits, although likely to boost worker income assuming the firm is running at a profit, is not necessarily sufficient to improve control, although the financial security it offers would be likely to increase control. There is a distinction between the democratic aspect of the co-operative firm and its ownership such that ownership does not mean that there is participatory democratic control and vice versa, although it would be expected that worker control necessitates worker ownership (Bowles & Gintis 1996: 65).

The theoretical case put forward by Bowles and Gintis (1993, 1996) approaches the issue from the premise that the employment relationship is inherently authoritarian, they argue that remedying this with workplace democracy is necessary for four reasons – preventing the arbitrary exercise of power, producing better decisions, improving human capacities through participation and membership in a democratic community and in terms of protecting human dignity by dissolving the “master-servant relationships” (Bowles & Gintis 1993:89) of the capitalist firm. Democratic control then can be seen to have an intrinsic as well as instrumental value – it has value for employees in terms of what it can allow them to do, but also in terms of the way it affects the meaning of the relationship between workers and the firm. It is argued that there is a case for democracy in the firm since if the employer is to wield power over the employee, the employer needs to be accountable for this power (Bowles & Gintis 1993:85). For example, in the interests of profit maximisation, a firm might employ a particular policy of searching workers as they leave the premises, which workers may see as an affront to their dignity, despite the fact the objective is precisely in line with that of any other profit-maximising policy, as opposed to other examples of indignity cited by Bowles and Gintis (1993) such as sexual harassment.

Dahl (1985) is one of the most famous proponents of economic democracy, proposing that if there is a case for democracy at the level of the state, then there is an equal case for democracy in the economy also; and conversely, if the arguments for democratic control of the economy were flawed, then so were those for democracy in government.
The decisions of a firm are as binding, perhaps more so, than decisions made by government because the firm controls the livelihood of the worker, and exit is a risky, expensive or otherwise impractical response to an unwanted decision by a manager in just the same way that it is an undesirable response to an unwanted government (Dahl 1985:114). We could consider Marx’s (1996a) double freedom here – the worker is free to leave the firm, but in so doing risks everything; especially as, in a competitive market, we might expect to see firms making very similar decisions, for example long working days or zero-hours contracts. Membership of the firm is not voluntary, but almost compulsory, since without an alternative source of livelihood, exit is not a useful option. Archer (1995:42-47) argues for worker control on the basis that those subject to the decision of the firm should have the right to exercise voice, regardless of exit costs. Hansmann (1990) suggests that in conventional firms workers are put in a position where they are 'locked in' to continued employment since they will have financial and social links with the area near the workplace (such as owning a house), and therefore the firm can take advantage of this safe in the knowledge that it is very unlikely that the worker will actually leave. Dahl also suggests that there is no case for a “guardianship” (1985:117), where managers control firms because they are the best placed people to do so, based on principles of equality. It is argued that workers in control of a firm will be competent enough to either make decisions themselves, or will be competent enough to know that it is best to democratically elect some kind of representative management. Workers are, Dahl argues, at least as well-informed as shareholders (1985:119).

Dahl (1985:91) posited “a system of economic enterprises collectively owned and democratically governed by all the people who work in them” which would be a superior system on the grounds of justice and equality in a wider sense than just work within the firm. It is suggested that such a system could socialise individuals towards co-operative values, creating solidarity and a sense of public spirit (Dahl 1985:95, Jossa 2014:140; see also Carter 2006, Rothschild 2009). It also has the potential to create and reinforce norms of moral responsibility, since “actions adverse to the performance of the firm would be harmful to all” (Dahl 1985:100) and would reduce the duality of workers and consumers, aligning their interests more closely since workers might have to bear the costs of management decisions in their role as citizens. There is also an appeal to fairness and equality as a democratically owned enterprise would distribute the returns to property ownership between more people, and the “adversarial and
conflictive relations inherent to the very structure of the private firm would be greatly attenuated in self-governing enterprises”. From a Marxist perspective, we can revisit the alienation critique of work in capitalism explored in the last chapter. Jossa (2014) argues that worker co-operatives are able to decrease alienation. From a fairly tautological perspective, if alienation is the product of wage-labour, then a system which reverses the capitalist employment relationship, as in a co-operative, will by definition reduce or eliminate alienation. Furthermore, the increased control over how work is to be performed, what products are to be produced, and the right to the worker to the surplus-value from their production all serve to reduce alienation. It is also argued that the social effects of co-operation will be such that members will begin to work together as their characters are changed through economic activity (Marshall 1925:228, Mill 1871; both as cited in Jossa 2014:109). Daudi and Sotto (1986:70) suggest that members of the co-operative movement argue a moral case for their actions in which “capital accumulation...is not the end...[of] cooperative economic activities. The goal...is, according to its discourses, the service of Man” suggesting that the goals of a co-operative differ from a conventional firm in the sense that the objective is social benefit.

It has been suggested that there is no need for a worker co-operative to be non-hierarchical (Bowles & Gintis 1993:177, Oliver & Thomas 1990:357), and several cases of hierarchy in such firms exists, most notably the plywood co-operatives in the US (Greenberg, 1986). However, such a model is potentially problematic, since the worker ownership without a non-hierarchical, democratic and participatory mode of governance loses some of its normative appeal and in an arena in which ownership is shared, it would be difficult to fairly allocate power. One solution might be for members of the firm to elect officers (Bowles & Gintis 1993), although this risks creating an elite who become de facto managers due to their knowledge or experience, or might lead to a situation of division and rivalry within the firm. Another means which avoids creating a hierarchy of members involves hiring external managers who are not owners and are there for supervision (Greenberg, 1986), especially since significant issues of discipline could arise in the absence of appropriate management, especially if the worker's role as an owner of the company is used in order to grant exemption from regulation (Elster 1989:105). Managers could be hired for their expertise but the construction of power relationships in a horizontal environment is difficult, with some co-operatives such as
Mondragón placing great emphasis on the role of constitutions as a tool of self-binding, preventing interference from members (Thomas & Logan 1982, Elster 1989:106).

In terms of economic benefits, a workers co-operative should be able to overcome the potential inefficiencies created by hierarchical authority due to the fact that workers form the management of the firm and receive the returns to both capital and labour. Bowles and Gintis (1993:92-94) locate three efficiency advantages in worker-owned and managed firms. Firstly, the fact that workers participate in the firm's decision making process provides a motivation to work harder. Workers will put in more effort when they have control over their modes of work and are working towards mutually agreed goals (Oliver & Thomas 1990). Secondly, there is a case for what Bowles and Gintis (1993:93) refer to as a “mutual monitoring effect” whereby management can be performed by all members of the co-operative monitoring each other's work, since all have the same motivation of increasing their own income by increasing the productivity and profitability of the firm. This makes supervision far cheaper and less conflictual than in a capitalist firm since the moral hazard of monitoring workers is internalised (Hansmann 1990:246). The effect of the size of the enterprise on this is disputed – if the firm gets larger, the incentive for free-riding increases as the individual worker will only appropriate a small part of the extra surplus they produce (Jossa 2014:111) but on the other hand, if all workers can engage in collective action together, the size of the firm becomes irrelevant. Thirdly, it is also argued that there is an efficiency gain to be made by creating incentives for better work with higher wages linked directly to profits (a problem of distribution within the firm), whilst also reducing monitoring and supervision costs which are typically high in capitalist firms as a tool for enforcing hard work, whilst wages are kept low. It can also be argued that the costs of negotiating employment conditions are far lower when there is no information asymmetry between management and workers (Hansmann 1990). Whyman (2012:846) notes that the survival of co-operatives, if not demonstrating more efficient operation than conventional firms, does demonstrate that they are not so inefficient as to be completely impractical, and that there is “no unambiguous evidence to indicate any inherent weakness in the co-operative model”.

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3.3 Property Rights and Different Capitalisms

The division of labour leading to lack of control over work in conventional capitalist firms can be said to be due to the poorly defined property rights over work, which limit the stability of the individual's employment and therefore their ability to gain skills in work, as well as creating an alienating working environment. There is a need to change these relations if the individual is to realise more control over working life. Haagh (2012) notes the ability of 'horizontal capitalism' as a means to achieve this by increasing security for all through a 'bundle of property rights in stability', with no single institution being able to achieve full security alone. Extending this argument, I suggest that the worker co-operative could also provide a means to improve developmental freedom by providing property rights in stability within the firm. In the co-operative, we could see control and stability as two sides of the same coin. The worker has some control in the co-operative due to the democratic nature of such an organisation, and this would lead to a fairly stable position in the firm for the individual. This stability could change the division of labour in the firm, as well as enhancing control through the democratic process within the firm. However, it should be stressed that such control is likely to be influenced by other systemic variables outside of the firm such as access to public services and state support such as pensions or unemployment insurance.

Pagano (1991:330-337) suggests alternative methods of organising property rights. The first, 'company capitalism', gives workers property rights over jobs in the firm, although not necessarily a particular job, and are given priority for new jobs and promotions over workers from outside the firm. This removes the expropriation hazard of firm-specific skills as workers can depend upon staying within the firm and therefore their knowledge keeping its value. Alternatively, a 'unionised capitalism' could exist in which workers win property rights over a particular job, but not in a specific firm through unions of workers and employers. Setting uniform standards across sectors for particular jobs means that skills can be learned in one firm which are transferable to the same job in another firm. Both represent a more co-ordinated approach and allude to the employment regimes of Japan and Germany respectively. A model similar to social democracy, referred to as 'solidaristic corporatism', is also mentioned, which takes the 'unionised capitalism' approach further and suggests that property rights to jobs could be
socialised, giving everyone a right to a job at a particular level, but not in a particular firm or sector, but Pagano (1991:335) notes the difficulty in creating and sustaining a set of institutions to enable this to happen whilst also noting its advantages in institutional stability and employment conditions. In the modern economy, we see a blend of these ideal types. For example, the creation of nationally-recognised vocational qualifications means that there is some transferability of skills between firms within the same sector, although in poorly unionised economies this will not protect workers against redundancy from the entire sector, whilst social insurance goes some way to mitigating the loss to the worker should they find their skills cannot be redeployed following redundancy. These alternative methods of allocating property rights demonstrate the systemic nature of the capitalist system. Prevailing systems of property rights will be generated through the prevailing variety of capitalism in the economy.

Co-operatives display some similarities to the 'company workers capitalism' model, developed in Pagano (1991), by providing an environment in which workers can depend on the co-operative for the security of their employment and the co-operative can depend on the worker for their continued membership. This could be theorised as a very strong form of the company capitalism approach, although Pagano (1991) seems to assume in his analysis that the new property rights regime is prevalent across the economy rather than in a single firm. By allowing the development of firm-specific skills by removing expropriation hazards, we would see a change in the division of labour towards a more varied set of tasks and increased emphasis on improving employment conditions and encouraging learning-by-doing (1991:332). However, this structure may be institutionally unstable – if the firm is inefficient due to changes in demand or technology, it will struggle to adapt as taking on new members with new skills or making old members redundant will both be difficult, leading to a crisis within the firm and the potential move back towards classical capitalism (1991:333). This phenomenon has close similarities with theories of co-operative degeneration where both successful and failing co-operatives revert back to capitalist property rights, either due to the need for expansion in the first instance or efficiency in the latter instance. The complementaries between institutions make it extremely difficult for alternative forms of capitalist organisation to exist within a different systemic context. As a result, although the property rights of a co-operative form of economy, if applied across all firms, might yield preferable outcomes, those property rights may be unstable and prone
to failure if they exist only in a few firms.

The prevailing capitalist institutional arrangement is likely to be stable. Property rights will influence the technologies used within firms, such as the division of labour and use of machinery (Pagano 1991:327). Although 'classical capitalism' can be said to be a sub-optimal and inefficient method of allocating property rights, leading to poor employment conditions and a lack of firm-specific human capital, its prevalence will lead to the creation of a particular set of institutions which manage this division of labour. It can be argued that conventional management, and in particular the division of labour by task, is a form of control of the workforce rather than an argument for efficiency (Hill 1981:62), and actually costs money compared to a self-managed workplace due to the costs of supervision and direction (Hill 1981:64). Such a system, however, may not be seen to be sub-optimal, as generation of firm-specific human capital will be minimal and therefore not present a problem, and even if it is identified as such by managers, a transformation of property rights regimes will take time and may be difficult due to the mutual reinforcement of existing institutions. Pagano (1991:327-328) discusses worker-owned firms specifically, identifying them as solving these asset-specificity problems but states that they are unlikely to survive as the institutions needed to support a different mode of production (his emphasis being on a mode of production relying on human, rather than physical, capital) will be underdeveloped compared to those of the dominant 'classical capitalist' regime, even if at maturity, the co-operative mode of production would be more efficient. Pagano and Rowthorn (1996) argue that economic institutions are “self-sustaining” (Pagano & Rowthorn 1996:121) and that the two aspects of modes of production – property rights and productive forces such as technological change – are interdependent. In their own words “property rights 'regenerate' themselves via technology and technology 'regenerates' itself via property rights”. (Pagano & Rowthorn 1996:122).

This poses some questions for consideration. If the property rights within firms have an effect on the division of labour, a different configuration of property rights, principally with workers owning the firm, should alleviate the problems of asset specificity in principle (Pagano 1991:327). However, given the resistance of institutions to change due to the path-dependency of their development and the 'lock-in' of different complementary institutions, will an alternative property rights regime be able to change
dominant productive technologies, for example by changing the division of labour, or will the lack of supportive institutions mean that the co-operative enterprise fails due to inefficiency or degenerates back to classical capitalist property rights? This is something of an oversimplification as in different sectors of the economy, and in different markets, there will be slightly different constraints on the ability of firms to adopt different technologies and organisational structures, and it is possible for alternative technologies to exist in parallel with one another, and in competition, for various reasons – perhaps because each holds advantages which appeal to different consumers. Therefore the existence of some co-operatives does not demonstrate that the systemic environment has no impact at all, but that such firms are likely to be a minority and to struggle with the dominant sets of institutions in the economy.

Hall and Soskice (2001) argue that the defining difference between different forms of capitalism is the method of organisation in the economy and identify a range of typologies, mostly focused on OECD countries. The varieties of capitalism approach highlights the relationships which different actors in the economy, particularly firms, have with one another which controls their ability to make strategic decisions. Firms aim to produce at profit, and in order to do this need to solve a range of coordination problems – how to manage, for example, industrial relations, training, corporate governance, relationships with other firms and how to employ workers effectively.

The difference between types of economy, Hall and Soskice argue, is the method of resolving these coordination problems. Liberal market economies (LMEs), such as the UK and US, organise these relationships by means of the market system and, where this will not suffice, through hierarchical arrangements of control. Coordinated market economies (CMEs), such as Germany, make more use of non-market modes of organisation to solve these problems, such as agreeing wages through collective bargaining in the sector rather than through market institutions. These are 'fuzzy' typologies, and CMEs do make use of the market for many decisions whilst LMEs do not mediate all interactions via the market. Institutions will develop which support the dominant method of organisation, and firms will reinforce these institutions by conforming to them for support (Hall & Soskice 2001:8-9). A particular set of institutional arrangements will lead to a cycle of development of firms and further institutions that complement the existing arrangements. Institutional complementaries...
exist where the benefits of a particular arrangement increase the returns from another (Hall & Soskice 2001:17). This produces a clustering of economies around particular ideal types – an economy which has a liberal financial sector is likely to have a liberal labour market as well, whilst a more coordinated economy is likely to manage both using more non-market means (Hall & Soskice 2001:19).

An example of this is given in the case of skilled labour in Germany, a typical CME. The economy relies upon a skilled labour force, but firms which train their workers in specific skills make themselves vulnerable, as this gives power to the labour force and means that other firms could 'poach' skilled workers. Therefore, institutions have arisen to solve this, notably industry-wide employment arrangements using employers' organisations and trade unions which equalise pay for equally skilled workers across the sector therefore making the poaching of workers more difficult (Hall and Soskice 2001:24-25). In LMEs, on the other hand, it is difficult to coordinate wage levels as the institutions to organise them are much weaker, and therefore wages are typically controlled via market forces and are much more flexible. This means that production methods do not generally require a long-term specifically skilled workforce (Hall & Soskice 2001:29-30). Because institutions tend to develop which complement each other, we would expect to see a set of radically different institutions, such as those in the worker co-operative, fail to survive. Credit markets, employment law and training, for example, may not, in LMEs, be supportive of the co-operative structure. For example, co-operatives are unlikely to be able to receive equity financing due to the clash which this would represent with democratic principles, and therefore may be under-funded, or may not be able to pay skilled managers comparable wages compared with capitalist firms (Williamson 1985:267-268).

The property rights within the firm are not the only set of institutions that can affect the stability and control that the individual has in their working life. The general systemic situation of the economy is likely to be as great an obstacle to or enabler of freedom. Because these types of relationships govern employment regimes, education and training and even the types of firms which develop in different types of economies, we would expect them to have a significant impact on developmental freedom. Control ultimately depends on institutions of support for the individual which enable them to make free long term strategic decisions about their careers. Haagh (2011b:45) describes
the 'systemic institutional' approach, working from the premise that the market is made up of property rights and institutions, and that it is the differences in the configurations of these which generate particular outcomes. Social democracies - highly coordinated economies – afford high levels of control over time at the society-wide level through subsidised childcare, social insurance, low components of means-tested benefits and generally high levels of welfare. This leads to a particularly solidaristic set of institutions, alongside high progressive taxation, allowing for increased control over time (Haagh 2011b, Haagh 2012). In the British case, however, we may see the potential benefits to the experience of work within the co-operative tempered by the external environment which may limit the capacity of the individual to make choices about their career regardless of the structure of the firm in which they work.

3.4 The Case Against Co-operatives

Although the case made for the impact of co-operative modes of work on the control enjoyed by the worker is strong, it operates in an ideal-case situation in which the co-operative is able to work in accordance with all its principles. The practical viability of co-operative businesses as islands of democratic organisation in a sea of competitive markets is a different issue entirely and has been questioned by theorists since the inception of modern co-operatives. Clarke (1984:100) suggests there is a trade-off between commercial viability and democratic control, and that co-operatives must attempt to strike a balance between these two poles. This section examines some of these problems in terms of both the impracticality of co-operative production (their tendency to fail as businesses) and the 'degeneration thesis' (their tendency to fail as co-operative ventures), which will now be examined together. These two factors are clearly interlinked since chasing economic success may lead to an abandonment of co-operative principles, and it is economic success which is necessary for their operation in a market. In his analysis, Horvat (1979:75-76) argues that “most producer co-operatives eventually fail”. We can assume he refers to eventually in the short to medium turn, as in the long term we might expect most firms to “eventually” fail. Three reasons are put forward – firstly, difficulties in accessing credit and negotiating with external capitalist organisations such as suppliers, secondly through difficulties in management, and thirdly through a tendency to degenerate when new members are treated as hired labour rather than full members. This chapter will draw on all three these of these critiques,
first examining issues around co-operative management, before moving on to look at issues around how co-operatives can access credit, and how they may theoretically manage their funds, before examining ideas around degeneration.

3.4.1 Management of Co-operatives

Management of co-operatives raises many potential problems. The first of these is the adverse selection of co-operative members, whereby co-operatives may be set up by people who explicitly reject many of the rules and norms of business (Elster, 1989:97), which could threaten the viability of co-operative enterprise in a competitive market. On a related note, it takes time to develop management skills, especially when attempting to reach decisions democratically, which could require exceptional organisational and social skills. Even experienced businesspeople could struggle to function effectively when attempting to manage a democratic workplace which does not reflect traditional approaches to business (Bowles & Gintis 1993:95). Dahl (1985:128) warns against ignoring the important role of managerial skills in running firms and assuming they will arise spontaneously, but later suggests these skills can be developed through hiring in external managers or through concentrating some resources into developing human capital. It could be argued also that managerial skills are less important in very small businesses, as co-operatives typically are, and that deliberative decision-making could lead to good decisions being made by drawing on the mixed expertise of several members.

Furthermore, in a large firm the profits could be split between so many people that the incentive to work harder for an increased return becomes negligible and a free-rider problem emerges, and the distribution of bonuses for high productivity raises issues of fairness, efficiency and equity (Elster, 1989:104). However, there is no evidence to suggest that workers in such companies put in less effort (Bonin et al. 1993) and some to suggest that the opposite is in fact the case (Welford 1990). This raises the problem of self-exploitation3 since, given the difficult conditions co-operatives might face when operating under capitalism, the co-operative rhetoric will actually lead to a more

3 There is some debate in the literature (see A. Carter 1989:196, O'Neill 1991) about whether the idea of 'self exploitation' is really appropriate in the Marxist sense of the term exploitation, with the possible term 'market exploitation' used instead to signify the systemic pressure in co-operatives.
exploitative system for workers, since workers in co-operatives tend to work longer
hours in order to generate enough income (Baldacchino 1990:464), and that in order to
invest and survive wages must be kept low (O'Neill 1991:234). This is a concern also
for Carter (1986:186) who suggests that start-up co-operatives in particular are
characterised by “low wages, long hours and poor working conditions”, and that real
benefits from co-operation must manifest fairly swiftly after the formation of a co-
operative if members are to be retained and the co-operative model is to retain credence
on the grounds of quality of life.

The free-rider problem may also cause issues in relation to participation in management
decisions (Putterman 1993:248) or, on the other hand, depending on firm size and the
institutions present, the workers input to the management process could be so small as
to feel like an authority relationship rather than a democratic process (Pencavel 2001:7).
Finally, the case could be made that the real control, especially for smaller co-
operatives, lies externally in larger firms or in markets more generally, and this would
limit the possibilities for internal control no matter how effective the democratic system

3.4.2 Finance in Co-operatives

This section will first examine the possible methods of capitalisation for co-operatives,
briefly describing 'sweat equity', loans and loan stocks (including loans specifically for
cooperaives), share ownership and surplus reinvestment. The section then engages
with the literature on the issues co-operatives may face in credit markets and the
problems they have choosing how to distribute their surpluses and borrowing for
investment.

‘Sweat Equity’ is formed through the workers in the co-operative deferring wage
payment during the start-up phase, thus lowering these costs and allowing the co-
operative to be financed by its own revenues from production. This can take the form of
either deferred wages or, as the name suggests, through giving shares in place of wages
(Co-operatives UK 2011a). This obviously has limited application as it relies on the
workers in the co-operative being able to live with limited salaries for perhaps an
unspecified amount of time. However, some co-operatives, such as Upstart Services
Limited have worked on this model (Co-operatives UK 2011a:25).

Loans represent another form of finance. Although co-operatives can approach commercial lenders for loans, there are also various community development finance initiatives (CDFIs) which lend with particular community benefits in mind. One such example is Co-operative and Community Finance (CCF, formerly the Industrial Common Ownership Fund or ICOF) which lends amounts of up to £50,000 (Co-operatives UK 2011a:34). Alternatively, members of the co-operative can be asked to lend money as a condition of membership, known as a qualification loan (2011a:37). In some cases, lenders can finance the co-operative through loan stocks or debentures, which allow for funding over a fixed period of time without giving out voting rights in the co-operative to lenders. This makes them especially useful for companies which cannot issue shares to lenders (2011a:38-39). However, such an approach could be risky - the interest on loans will need to be paid regardless of profit, and debenture holders have access to the assets before shareholders in the event that they force liquidation.

A further method of financing the co-operative is through issuing shares. Co-operatives can issue withdrawable shares, which are worth no more than their original selling price when the company is wound up, and can be withdrawn at any point for the same price. However, if they are withdrawn, the company runs the risk of decapitalisation if there are not other investors to take the place of withdrawing ones or if the company is not building up reserves from surplus. Most co-operatives also make use of membership shares, which “are neither withdrawable nor transferable, but are forfeited when the member leaves the organisation” (Co-operatives UK 2011a:46). They are not usually a mechanism for raising capital as there is no reason to hold more than one of these shares. Other options exist, such as transferable or preference shares, but these are not often used by co-operatives - the former because of uncertainty and the possibility of individual windfalls (Co-operatives UK 2011a). The shareholding of the member does not generally create a conflict of interest over returns to capital since “the most important property right is that of a worker in his job; his share holding is seen as a means to job security rather than a financial investment” (Fletcher 1976:190-91). Vanek (1975:34) suggests that workers should own no capital stake in the firm, as to do so would be to link income to ownership of capital rather than work, and instead co-operatives should depend on external financing, including state support.
Equity financing through selling shares is a possible method of financing, as there are limits on how much can be done using debt alone. However, a worker co-operative is hard to fund through this mechanism since selling shares to a wider community than its own workers could undermine worker control. Various mechanisms exist to separate ownership and control, and a multi-stakeholder co-operative could be formed which limits the voting rights of some forms of share ownership. There are also limits on how much can be held by individual shareholders in legally-formed co-operatives. It is also hard to see the motivation for investors, in the absence of some kind of community co-operative in which many stakeholders stand to benefit directly from the success of the firm (such as keeping a remote village shop open). There is little incentive, in a worker co-operative, for investment from outside since such investment may well not be linked to any control or supervision of the firm, as it would in a conventional capitalist firm. There is the possibility that there could be no particular reason for the workers to vote to leave any surplus for shareholders to take (Jensen & Meekling 1979:487; as cited in Jossa 2014:99).

Financing thorough reinvestment of surplus also represents a problem for co-operatives in comparison to capitalist firms. Miller (1981) suggests that co-operatives in free markets would tend towards underinvestment compared to an otherwise identical capitalist firm, which can result in firm failure or degeneration, since the individual incentives towards income maximisation may result in a collective outcome desired by no individuals (1981:312). Miller (1981:315-320) argues that co-operatives will only invest when the yield of investment is very high, since members may need to stay in the co-operative for a very long time to see the gains from their investment and therefore would be sacrificing income in the short term in order to invest. If assets in the co-operative are owned collectively, then the investment is impossible to withdraw and redeem should the worker choose to leave. In this case there is no incentive to add to these assets and instead members will wish to take as much away from the firm as possible, and then borrow to finance investment (Furubotn & Pejovich, 1970; as cited in Ellerman, 1986), although it is noted that if workers stay with the firm for long enough, these problems start to disappear. If the firm is owned individually through shareholding then the incentive to invest is low since the worker will not be spreading their risk, since if the co-operative fails, they lose both income and the investment, and cannot be withdrawn easily once the investment is spent. Furthermore, if people do leave the co-
operative when assets are owned individually, it will face decapitalisation unless it can find new members or investors (Miller 1981:316-317). Borrowing from a bank creates a similar problem, as the yield will have to outweigh the costs of borrowing and since the assets bought from the loan would be held collectively, the yield needs to be substantial in order to justify the investment in light of time horizons (Miller 1981:319). Co-operatives therefore will always face chronic underinvestment due to their organisational structure, making them less competitive than capitalist firms. Underinvestment is also suggested as a problem by Elster (1989:94) as an issue of risk aversion as workers may be unwilling to invest in their own workplaces rather than diversifying their sources of income. Miller (1981:314) also suggests that because members will seek to maximise individual income (the total income for the co-operative divided by the number of workers), rather than the total income of the co-operative, it will be hard to expand as each new member will need to produce enough to allow for the fact that surplus will need to be divided by one more person. In the capitalist firm however, each new worker needs only to produce a penny more surplus than the cost of their wages and administration in order to be a productive individual. In the interests of keeping the dividends to members high, there is an incentive to keep the firm small, but this can lead to strange behaviour such as reducing production in response to rises in price (Vanek 1970; as cited in Bowles & Gintis 1993:75). However, there is little empirical evidence to suggest that this simple dividend-maximising model is true or that co-operatives are inherently inefficient or perverse in their operation (Bonin et al. 1993).

The underinvestment thesis make some assumptions which can be called into question. The first, as noted by Miller (1981:313), is that co-operatives will seek to maximise income per member, although this is accepted as an over-simplification of individual's behaviour. The literature suggests that co-operatives form for reasons of control and social responsibility at least as much as maximising incomes (e.g. Fletcher 1976, Thornley 1981, co-operative principles in ICA n.d.), and the existence of institutions such as sweat equity implies that this is often not a key concern for co-operatives. Rothschild and Whitt (1986) draw similar conclusions about the purpose of the co-operative firm in their studies of co-operatives, making the point that:

Collectivist enterprises assess themselves in terms of how well they are practicing their democratic ideals, the quality of the products or services they are providing,
their ability to provide alternative places of employment, and – most ambiguous of all – their contribution to larger societal change (1986:145)

It is also suggested by Whyman (2012:846) that many economic models of co-operative behaviour may operate on flawed assumptions since firms are not necessarily intending to act as income-maximisers, and neither are some conventional firms acting as profit-maximisers. Therefore, they may not necessarily fail to invest, as there may be a recognition of the longer-term role of the co-operative as a social institution which some members would be willing to invest some income in without seeing a personal return, as an act of solidarity, and over a longer time-horizon less profitable investments become more attractive. It is suggested that many shares bought in co-operatives are bought for philanthropic or social, rather than financial, reasons (Co-operatives UK 2009:26). It is possible that co-operatives may avoid underinvestment by acting against their assumed preferences of individual income-generation, ensuring that they invest at a high level, even when this level is higher than their individual self-interest would dictate, in order to secure the longevity of the firm. Miller (1981:322-323) suggests that co-operative survival and the social purposes of the firm may be taken into account as factors alongside personal income when making investment decisions, although this would still lead to underinvestment compared to a capitalist firm. As a result “in the long term the capitalists will always tend to drive out the co-operators” (1981:323). Dahl (1985:123) suggests that the short-termism of management decisions is equally a problem in capitalist firms attempting to maximise shareholder returns. It could be argued that long-termism would be the norm in co-operatives in comparison to shareholder-owned firms since shareholders can sell their shares quickly whilst workers, if they leave the firm, need another job to go to. As a result, the failure of the firm due to a lack of investment or expansion is a real risk to members, and therefore an assumption that the interest of co-operative members is to increase the short term per-member income is myopic. Hansmann (1990) suggests the inverse as a potential cost for worker ownership – shareholders, due to having a large stake in the firm, homogeneous preferences and being easy to organise, are well placed to govern a firm, whereas workers might have divergent preferences depending on their priorities and position within the firm.

Thornley (1981) also suggests issues around finance in co-operatives. She suggests that the capital available to co-operatives is generally very small, due to minimal investment
by members, and that banks are reluctant to extend credit to co-operatives due to issues in assessing the risk of lending to collectively owned capital (1981:65). However, only one of her 40 case study co-operatives was refused a loan, due to specific political reasons (1981:71). She separates internal capital (loans from members, shareholdings and surpluses) from external capital (loans from external organisations such as banks). It is not uncommon in worker co-operatives for shareholding to be limited to a purely nominal figure rather than a significant level of capital. As a result, loans from members, especially at start-up, or loans from wages are quite common. In terms of loans, the level of security on the loan is a key factor in how easily the co-operative can afford the interest payments without sacrificing profitability. (1981:70). Although impressive in its scope, it is important to consider the timing of Thornley's study – in the late 1970s during a period of recession and industrial dispute the overall economic context was very different, and in particular financial markets were less developed. Interest rates were also far higher than in recent years, making borrowing far more expensive. As a result the applicability of some of the findings to today's economic environment is limited. However, Bowles and Gintis (1993:167) suggest another problem for co-operatives seeking credit, based on the fact that workers are likely to be asset-poor, compared to asset-rich capitalist firm owners, so will be less able to secure cheap credit even if credit markets are functioning competitively; labour is not in a good position to bear risk (Puttermann 1993) and is unlikely to have collateral (Vanek 1970:318; as cited in Jossa 2014:55). This might result in risk-aversion on the part of the co-operative, which could lead to sub-optimal rates of innovation and expansion, although Jossa (2014:60) suggests that there is a possibility for co-operatives to make quite risky investments since the costs of failure are borne by lenders whilst the potential profits can be reaped by members. On the other hand, workers are dependent on the co-operative for their job security so it is also possible that they would be reluctant to make risky investments in spite of this logic (Jossa 2014:60). It is also noted that lenders are more likely to give loans where the risk-bearer also invests their own money in the firm (Puttermann, 1993:246), but co-operative members may struggle to do this and thus pay higher costs for capital. Co-operatives are often argued to only really cluster in labour-intensive industries due to capital scarcity issues (Thornley, 1981), and that “shortage of capital for re-equipment may force workers into a high rate of 'self-exploitation' in attempting to compete with better-equipped private firms”, requiring co-operatives to reinvest considerable amounts of their surplus, requiring members to agree
to lower wages in the meantime (Fletcher 1976:117). It could be suggested that this is particularly the case where capital is firm-specific, explaining a lack of industrial co-operatives (Hansmann 1990:166). Jossa (2014) engages with the evidence to reach the contrary conclusions that co-operatives have the possibility of both underinvesting and overinvesting, perhaps demonstrating the importance of context in determining co-operative behaviour. It is argued that although incentives for underinvestment exist, principally for the time-horizon problem described above, overinvestment could occur as workers attempt to trade current incomes for future job security, on the assumption that more investment makes their jobs as secure as possible. Overinvestment could also occur due to the security of assets, since workers are unlikely to leave voluntarily when they have the option of voice through democratic control mechanisms, which in turn increases commitment to the firm.

Overall there are many arguments to suggest that underinvestment and a lack of access to capital markets could present a problem for worker co-operatives, regardless of whether or not they are organised in terms of collective or individual ownership of assets, or whether or not they are self financed or externally financed (see Vanek 1970; as cited in Jossa 2014:xx for a distinction between worker-managed and labour-managed firms on the basis of sources of finance and asset ownership, with the key difference being that the LMF pays returns to both capital and labour). However, there are also some convincing arguments that co-operatives will actually overinvest to provide more security. It is only empirical study which will be able to offer a definitive account, and even then only in a specific context since the attitude of members to risk, their tendency to invest for security a weighed against increased short term income, and the attitude of lenders are all likely to be rooted in the specific political and economic environment of the co-operative.

3.4.3 Degeneration of Co-operatives

It is also argued that co-operatives degenerate over time as the incentive to allow more members to join is minimal for existing members when they could simply hire extra labour to expand. This then reproduces the authority relation present in a capitalist firm (Pencavel 2001:17). The degeneration thesis suggests that market logic will continue to prevail in co-operatives which seek to maximise dividends for their members. If surplus
is to be distributed between members, then according to this same logic the members 
would try to keep membership in the co-operative as low as possible. On the other hand, 
this will limit the total surplus to be divided, assuming economies of scale and 
competition. Therefore, there are conflicting logics – to grow the company to generate 
increased surplus, and to keep the membership small enough to make the surplus 
attractive enough to continue co-operation. The solution to this problem is for the 
existing members of the co-operative to take on non-member workers who are waged 
rather than sharing in a surplus. In effect, co-operatives become “victims of economic 
success” (Baldacchino 1990:464). The extent to which is may represent a problem for 
co-operation is twofold. Firstly, if the non-member workers are still able to enjoy the 
democratic principles of the co-operative, the implications for their work experience 
may be fairly minimal, assuming wages are fair. The second implication depends on 
how surplus is distributed at the co-operative anyway – if surplus is not evenly 
distributed among members and wage compression is low, the addition of non-member 
waged workers would probably not create a two-tier system of workers. Finally, if the 
members form an authority in the firm over the non-member workers, we would not 
necessarily expect any departure from management styles in capitalist firms. Other 
forms of degeneration are possible – for example, a successful co-operative may be 
bought out by private capital offering an irresistible sum (Baldacchino 1990:465).

Baldacchino (1990) suggests a different theoretical case for degeneration. Starting from 
the premise that co-operatives tend to fail, he suggests that this is due to under-
capitalisation, their typical operation in risky or competitive sectors, a lack of 
management expertise and diffuse authority structures. In particular, because co-
operatives often come from 'rescue' operations for failing firms, they are crippled from 
their inception, and this could lead to a high failure rate. He suggests a Gramscian 
approach to co-operatives, noting that:

degenerative pressures are seen to emanate from power relations established at the 
point of production. This leads to a social structure with an unequal distribution of 
power which is then defended, reproduced and legitimized by social institutions 
(1990:466)

In other words, the existing logic of the capitalist mode of production reproduces itself
and is hostile to opposing views, such as worker co-operation. Co-operatives are founded on a particular set of social relations, such as those of founding members, especially in the case of a rescue co-operative, and these in turn are legitimised by capitalist ideas. In particular, institutions of capitalism are seen as the norm, such as:

the acceptance of inequality in the distribution of power and wealth on the basis of private property, the consideration of labour as a dehumanized commodity and the selective deposition of knowledge among 'experts' (Illich 1977, Marx 1959, Sik 1984; as cited in Baldacchino 1990:468)

Co-operatives cannot survive easily in hostile institutional environments. Where the worker co-operative cannot be seen as an entrepreneur, where workers cannot be seen as managers and where individuals lack a democratic consciousness within the co-operative, such enterprises are likely to fail, lacking investment, market confidence and solidarity. Those that have succeeded have done so because they already existed in a supportive environment, for example taking advantage of lending from other co-operatives, or were able to create such an environment through socialisation. Rothschild (2009:1031), writing on the scarcity of co-operatives in the US, also notes the prevailing culture of capitalism which legitimises bureaucracy and hierarchy. Furthermore, Elster (1989:100-110) also raises issues for co-operatives caused by the dominance of capitalist employment relations, suggesting that since preferences of workers are generated endogenously in capitalism, the relative rarity of co-operatives is likely to act as an impediment to further experimentation with the model, and a similar point is made by Rothschild (2009:1031) who asks “[h]ow can people gain experience in democratic communication and egalitarian relations when there are relatively few examples [in the US]”. Alongside this, substantial discrimination against co-operatives may exist. Elster (1989:97) suggests that this may be indirect – for example if suppliers expect co-operatives to lack access to credit due to discrimination from banks, they may only want to accept cash payments, or vice versa. Bowles and Gintis (1993:95) also suggest a range of environmental constraints on democratic firms when attempting to operate in an economy populated almost entirely by capitalist firms.

Egan (1990) describes this issue with reference to authority under market competition. Large-scale production requires supervision and organisation and, under capitalist
property rights, this role is performed by capital. However, in most large firms it is stockholders who actually own the company, and the role is performed by management on their behalf, with the owners of capital appropriating the surplus generated by the management (Marx 1998:434-435). Although the traditional capitalist organisation has become more complex, the relationship of labour to capital does not change. If the property rights are reversed, and a workers co-operative is produced, we see labour performing the supervisory role (perhaps by employing a manager) and appropriating the surplus (Marx 1998:385-286). However, the objective of supervision is to maximise surplus, and in a competitive market this will lead to a constraint on the ideal working conditions that a co-operative would, in other circumstances, pursue. Wealth becomes concentrated in successful co-operatives whilst labour exploits itself in attempting to maximise surplus. As a result, co-operatives either fail to compete in the market and dissolve, or end up degenerating into capitalist firms (Egan 1990).

Marx (1996b) suggested three institutions which would help to prevent degeneration. Firstly, he suggested that all workers in a co-operative must be members and share in the firm's surplus. Secondly, he suggested a national organisation of co-operatives in order to prevent co-operatives from forcing one another to act as capitalists, and finally suggested a national fund for co-operatives to be made from shares of surplus in order to move towards more equal distribution of co-operative surplus. However, working in the limitations of the liberal market economy of modern-day Britain, these seem to be unlikely to solve the problem since co-operatives are still forced to compete with capitalist firms, and the relatively low density of co-operatives in virtually every sector means that there are very few institutions which can bind co-operatives together and prevent them from undermining each other through competition. It is worth noting that the Mondragón co-operatives do meet most of these requirements in a fashion (see Chapter 4), for example through having a co-operative bank which could be said to resemble Marx's national fund, and this may be a reason for their economic and co-operative successes, alongside the strong working-class movements mentioned below.

Ellerman (1990) notes the importance of separating ownership and control, stating that power within the co-operative needs to come from membership rather than ownership. This view is echoed in Horvat (1979:76) who argues that producer co-operative are not a “genuine labor [sic] managed firm” because “self-management is behaviourally
incompatible with private or collective ownership…social ownership means the right to participate in decision making is derived from employment not ownership”. If there are no capital owners in the co-operative, there is no incentive to degenerate. Elster (1989:100) suggests five methods of co-operative ownership, of which only collective ownership of all assets by the worker, leasing of capital by workers or external but non-voting share ownership can offer absolute worker control and hence protect against degeneration. The other two types of ownership – share ownership in full or in part by workers based on either one-member-one-vote or one-share-one-vote systems – are problematic as not all members may be shareholders, power may be unequally distributed amongst members, or some shareholders may not also be workers. However if the co-operative is required to take out loans as a significant source of finance, the autonomy of worker control could be jeopardised if third-party lenders place restrictions on how the firm can operate in exchange for credit (Pencavel 2001:74).

Egan argues that the success of the co-operative venture as both a business and a democratic entity relies on the ability of labour to mediate the pressures of the market. In order to survive, co-operatives need to be in economies with strong labour movements based in a solidaristic tradition, class consciousness and with a strong resource base. Successful co-operatives in Europe, for example, were built on strong working class solidarity, as in the Mondragón co-operatives in Spain, or had roots in political movements and parties, as in France and Italy. In the UK, this is not the case and although a co-operative movement exists, it has generally been created from above, mostly by Christian socialist movements, and has comparatively weak links to labour movements (Egan 1990:77-82). This argument appears to have some validity – economies with strong labour movements are likely to have better working conditions than economies without, and therefore capitalist firms will have less of an advantage over co-operatives in terms of how much they could exploit their workforce. Egan (1990:78-79) also suggests that co-operatives in economies with strong traditions of labour solidarity would be less likely to exploit non-member workers, noting that European co-operatives tend to treat non-members preferentially compared to their treatment in British and American co-operatives. Ultimately, he concludes that degeneration is not in itself an intrinsic challenge to co-operation but is one which is posed by the contradictions present for co-operatives in capitalist markets.
3.5 Questions and Hypotheses for Research

This research is based on two main questions – firstly, whether or not co-operatives can produce institutions which improve the quality of working life through increased control over time in the static and dynamic time-frames; and secondly, whether co-operatives in liberal capitalism can provide a stable and secure basis for exercising this control. If they cannot do this, then they cannot be effective sources of control. From the theory in this chapter, it is possible to construct a series of questions and hypotheses which will form the basis of the analysis of the empirical evidence collected at the case study co-operative.

Control over work: The control of the firm by workers could lead to a decision making process which acknowledges the need for flexibility and enjoyable work, since workers are in control of how the workforce is organised and may divide labour differently. This would be likely to include the breaking up of hierarchical decision making processes and the implementation of more task rotation, and this should lead to more space to make choices and to bring concerns and needs of members to decision-making forums more easily, improving static control. Over time we might expect the democratic capacities of the members to expand as they become used to sharing power in this way. Workers managing each other may be able to share tasks rather than burden one another with them allowing all to enjoy the experience of work in the short term. The authority relationship is broken down, and therefore workers are able to enjoy autonomy in performing tasks. The control enjoyed by workers is likely to lead to high levels of motivation, and this will increase as more control and security is gained, in accordance with Haagh's (2011a) findings. The quality of working life might be expect to improve in terms of alienation and dignity, with workers taking pride in the idea of working for themselves and being free from hierarchical relationships with bosses. However, this could also be a problem as it could attract workers who are not able to run a business effectively – an adverse selection problem – which would jeopardise the firm's survival. Workers in a co-operative have a wide knowledge of the production process and are able to perform multiple tasks, allowing them to develop careers and skills for the future. Their democratic role in managing the business entails an inherent engagement and development of human capacities. The relative stability of work in the co-operative means that there will be more incentives for workers to invest in themselves, and
expropriation risks are minimised by the stake that each worker has in the firm, which could be a monetary investment, an investment of time and energy, or just that the costs of exit are potentially high. Having a wider knowledge of the production process and less division of labour will require more workers to become trained in more tasks, and allow them the space to understand and specialise should they wish. The division of labour is likely to allow for large amounts of on-the-job learning in many different areas of the co-operative. However, such a division of labour may be inefficient and could harm productivity, depending on the technologies available in the sector, so we might expect to see this working best in labour-intensive industries.

*Control over time:* It should be easier for individuals to exercise control over time in both the static and dynamic time-frames – that is, throughout the working day and in the longer term to control shift patterns and ensure a flexible allocation of working hours. The knowledge gained from task rotation should enhance flexibility for both workers and the firm by allowing the individual to do lots of different types of work within the firm. In a longer term, dynamic sense, this would allow members to pursue other jobs and have more freedom in other spheres of life, such as care and family commitments. As a result they may be able to have a job that they can fit around their own lives rather than losing the freedom to engage in many different activities in order to earn a living. They might also be able to use their increased control to plan for the future more easily. However, the effects of self-exploitation might be such that individuals give too much to the collective, with peer-pressure degrading their control and therefore their capacities for freedom.

*Stability, security and survival:* We would expect to see employment stability to be far higher in the worker co-operative since the property right to employment is owned by the worker. Workers will probably not be employed through short-term contracts. On the other hand there is little incentive to set up redundancy schemes or severance pay, whilst these may be needed in less stable employment as compensatory schemes by capitalist firms. Democratic decision making within the firm is unlikely to advocate laying off workers where possible, as seen in Pencavel (2001:70). Co-operative firms may be quite likely to survive, since workers will have an incentive to invest heavily in order to keep their jobs, and will have access to information about the financial situation of the firm. Democratic decision-making by individuals could be quite long-term
depending on job tenure, but the sense of control at co-operatives could be a reason which motivates staying at the firm. The attitude to members towards the firm will be key in understanding how they choose to make investment decisions. These firms are also likely to grow slowly due to a lack of access to credit or equity funding. However, they may also be fairly competitive for reasons of efficiency and work ethic, including establishing norms of responsibility, although this might not be valid for larger co-operatives which could struggle with free-rider problems. Wages are likely to be low in the start-up phase, which means less control for workers since they will be forced to work more hours, perhaps at other jobs, in order to survive. The security of start-up co-operatives might also be questionable, which creates insecurity and a lack of control, requiring sacrifices from members, such as the deferred payments of sweat equity, in order for the firm to survive.

These improvements in control over time through control of the workplace exist in the context of a liberal economy, in which such control is limited by the prevailing market relations of job markets, which. Meaningful worker control can only be accomplished in such economies through worker ownership (Gupta 2014:101), since corporatist systems of governance are unusual and such control is unlikely to exist in conventional firms. Employment in liberal economies is characterised by flexibility and low skills, and therefore there is the possibility for a very different experience of employment in a co-operative which would be an expansion of freedoms in work.

3.6 Conclusion

This chapter has put forward a set of questions about how co-operatives might, based on their definition explored in the introduction, be able to deliver an emancipatory experience of working life in which developmental freedom based on extensive static and dynamic control is high. It has looked at the potential of co-operatives critically from economic and political perspectives in terms of their advantages compared to conventional firms. It has argued that the property rights and management structures of co-operatives, although potentially useful, will not emerge or will be made less efficient in liberal capitalist economies. This is due to the property rights within the firm in conventional capitalism, which encourage heavily divided labour, minimise training and provide incentives for overuse of 'skilled' machinery. This raises the question of
whether it is actually possible, in a systemic environment of liberal capitalist institutions, to develop an alternative set of property rights in a very small subset of firms which will change the experience of work.

It has then argued from a more structural perspective that co-operatives are themselves unstable due to their difficulties in managing finance for expansion, which dooms them to failure in a Darwinist, Schumpeterian capitalism. It is also suggested that they are unable to expand whilst retaining their co-operative character for two reasons – firstly, due to the interests of established members, and secondly due to a wider reason based on norms of capitalism – in order to survive they will have to mimic the capitalist firm and in doing so will degenerate. The next chapter will examine a series of case studies from the literature categorised to engage with these issues and from this will set up the central questions of the empirical research carried out in this thesis.
4

Review of Empirical Studies of Co-operatives

The last chapter explained the role of institutions in creating the conditions for co-operatives to develop. It suggested that changing these institutions, in particular overturning the employment relationship and redefining the property rights within the firm, could generate sources of control, whilst acknowledging the difficulty of changing institutions in the modern economy. It also examined the issues around the operation of co-operatives from an economic theory perspective, suggesting that co-operatives struggle with poor management, compromised access to credit and a tendency to degenerate, and therefore are not well positioned to offer the stability and security needed for a high degree of dynamic control to develop. Although static control might be possible in the short term, there is no scope within this for the individual to plan in the long term due to the inherent tendency of co-operatives towards failure; and if this failure is avoided, the freedom of the individual within the co-operative is inhibited due to a potential trade-off between efficiency and democracy (Clarke 1984).

This chapter looks at several case studies from the co-operative literature and concludes by summarising the main points that these studies raise. These studies demonstrate the potential problems faced by co-operatives as well as highlighting their successes in changing the experience of work, giving a perspective on the real-world operations of co-operatives. Firstly, the chapter examines British co-operatives in the 1970s and 1980s, drawing on a range of qualitative and quantitative studies. At this time co-operatives were attracting large amounts of academic attention, but many were conversions of failing firms known as rescue co-operatives. These are explored specifically, both in the UK and in a newer case of occupied factories in Argentina. The chapter then moves on to look at the experiences of both smaller co-operatives in the US, which resemble Wholefoods A and the Printing Co-op in terms of size; and the plywood co-operatives from the Northwest of the US which again have attracted substantial academic attention, partly due to their resiliency in an otherwise highly liberal market. The chapter moves on to two studies of large wholefoods co-operatives in the UK and the US – a category in which we could situate Wholefoods B. Finally the Mondragón federation in Spain, a set of co-operatives which have been the subject of a
number of studies, are examined in order to assess the reasons for their survival and success. Although the focus of this study is co-operatives in the UK, there are still important conclusions to be found from the operation of broadly similar models in different contexts.

4.1 Co-operatives in the UK in the 1970s and 1980s

A substantial proportion of the literature on co-operatives in the UK is based on the 1970s and 80s – principally in response to two main events. The first was the intervention by the government to rescue three major firms through funding worker ownership – Kirkby Manufacturing and Engineering (KME), Meriden Motorcycles and the Scottish Daily News – in the 1970s (see 4.2 Rescue Co-operatives). All three were eventual failures and collapsed. The second event is the conversion of Scott Bader to employee ownership, finalised in 1963. This organisation was credited with the formation of other co-operatives through providing support through the Industrial Common Ownership Movement (ICOM), which was formed in 1971 and provided rules and aid for co-operatives (Ridley-Duff 2009:52). The failure of conventional firms to provide good wages during economic crises of the 1970s, the failure of nationalised industries and a rise in alternative movements, such as the wholefoods movement, were also key factors for the rise in interest in co-operatives at the time (Young & Rigge 1983).

Cornforth et al. (1988) conducted a study of sixteen co-operatives in the UK between 1984 and 1986, across a range of sectors and types of co-operative in order to investigate three features of the co-operative: business performance, the nature of the workplace and how they work as co-operatives as well as focussing on CSOs (co-operative support organisations) aimed at helping co-operatives to develop. Interviews with members of co-operatives were conducted. The writers developed four orientations towards work – the instrumental, focusing on wages and job security; the social, which values loyalty and friendship in the workplace; the moral, which is based around ideas of purposive work both in terms of the work process or the product and finally control at the levels of task, department and organisation (1988:97). These categories fit well with ideas of control and security with the social and moral aspects being subsumed into ideas of quality of working life and motivation for co-operation, whilst control at
different levels and security allow for more control over working life more generally, which also increases motivation in work (Haagh 2011b).

4.1.1 Co-operative Typologies from this Literature

Cornforth et al. (1988) emphasise the importance of different types of co-operatives, highlighting the fact that just like conventional capitalist firms, co-operatives are not homogeneous. In particular they divide the organisations studied into a matrix of the origin of the co-operative and the motivation behind its formation (1988:9, see Table 1). Thornley (1981) studied a cross-section of British co-operatives in the 1970s, including rescue co-operatives and “collectives”. The term “collective” is not really defined by Thornley but seems to suggest co-operatives set up with the intention of operating as alternative business structures, often selling an “alternative” product such as wholefoods. The Printing Co-operative Wholefoods B and the Bakery Co-operative seem to fit into this model, with Wholefoods A also being similar although technically a conversion since it grew slowly into a co-operative.

<table>
<thead>
<tr>
<th>Origin of co-op</th>
<th>Dominant Motivation Behind Formation</th>
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<tr>
<td></td>
<td>Philanthropic</td>
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<td>Failing Business</td>
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<td>Conversion of Viable Business</td>
<td>'Endowed' co-ops</td>
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<td>New Start</td>
<td>Philanthropic new-start' co-ops</td>
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Table 1: “A preliminary typology of worker co-operatives” from Cornforth et al. (1988:9, Table 1.1), adapted to include case studies.
4.1.2 Findings from the 1970s and 1980s

Cornforth et al. (1998) generally found that instrumental motivations for cooperation were more prevalent in rescue and job-creation co-operatives but their role was less important in alternative co-operatives. The co-operatives offered relatively better job security when compared with alternative modes of employment, in particular in job-creation and rescue co-operatives. This particularly applied, at the time of the study, to women and older men who were concerned about redundancies. More flexibility of hours was also mentioned as an attractive feature of the co-operative (1988:98). The different nature of work in the co-operative also led to better wages in some sectors, as price differentials between jobs were decreased, in particular in shop work and warehouse packing. Members of these co-operatives had a different type of job than they may have had in a capitalist competitor as they experienced more varied tasks and a degree of responsibility. In counterpart firms, they may have seen more division of labour as these mixed-responsibility jobs did not generally exist in capitalist firms. However, this was not always the case, especially for more skilled members who were overqualified for their jobs (1988:99).

Direct benefits in static control were prevalent in both flexibility and task rotation. In several of the co-operatives studied, there was a strong sense of task-level control allowing for individual creativity and setting the pace of work without a strong authority at the task-level (1988:101). There was generally more variety of tasks, as mentioned above, due to task-rotation, and an emphasis on learning new skills. Individuals also valued organisational control over the use of surplus and the wage level, in particular in rescue co-operatives. Different advantages of worker control tended to be split between different types of co-operative. Job-creation or rescue co-operatives valued organisational control more highly, whilst in alternative co-operatives, the focus was more on task-level self-management. Some workers in alternative co-operatives did not enjoy their role as managers. This was reflected in the level of task rotation at the different types of co-operatives, with rescue and job-creation co-operatives more likely to divide the labour force for reasons of efficiency and surplus-maximisation than

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4 It should be noted that there is some evidence to suggest that co-operatives can offer higher average annual wages than equivalent conventional firms in France (SCOP 2008; as cited in Nolan et al. 2013:109).
alternative co-operatives which favoured task rotation.

Costs of working in co-operatives were also identified. Costs “intrinsic to the tasks performed” (1988:104) were still present – manufacturing jobs remained monotonous or dangerous, for example. This cost was present in all types of co-operatives, perhaps hinting that task rotation was not a panacea for the costs of some types of work. Low wages, long hours and poor conditions were also often reported as a cost, affecting the quality of life outside of work and raising the idea of self-exploitation discussed in the last chapter, where the survival of the co-operative requires the exploitation of its individual members. However, many co-operatives have raised wages over time and people have tolerated lower wages, especially in alternative co-operatives where a political or moral imperative existed for the company. This raises the idea that co-operatives have to trade lower wages for a better quality working environment but also suggests this is a temporary issue at start-up and that as the co-operative reaches maturity it is able to raises wages and reduce working hours, suggesting that control over time is sacrificed in the short term in order to secure future gains. This was also observed in Thornley (1981:76) who notes that at some cases wages are low but with the objective of paying the national average in the long-term.

Co-operation in itself also presents some costs. Work was at times stressful as members were involved in managerial decisions for which they had little experience or training, especially in a collective and democratic mode of operations. There was increased uncertainty about the business as members were responsible for its survival and could not leave the decisions up to managers. It was also found to be difficult to reprimand those who are not working as hard and to balance tensions between self-management and poor work, especially in rescue co-operatives more used to clear authority in the workplace. A lack of good quality feedback on work exacerbated this problem. Members sometimes complained that they were expected to work harder than they were comfortable with or face being accused of a lack of commitment, again raising the issue of self-exploitation. It was also found that democratic decision making was far from an ideal model, with “informal hierarchies” and hidden agendas developing over time. Meetings were also tedious and took up working time (1988:106), and a strong sense of conservatism, especially in older or larger co-operatives, led to disillusionment when change was not forthcoming. On balance however, most members interviewed did not
want to return to conventional employment and showed a high level of commitment to the co-operative even where wider moral or social imperatives did not exist. The longer hours or poorer conditions were balanced by the increased satisfaction of working in a co-operative. On the other hand, in the case studies used, the high levels of commitment could be due to a lack of alternative employment and the age and dependencies of the members interviewed (1988:10).

Thornley (1981:81) notes several of the issues in management of her case study co-operatives, including issues of managerial skills shortages, issues of democracy when ideals of founding members clash with newer members' ideas, and divisions between short-term gain for individuals and the sacrifices needed for long-term viability. She notes that it is not uncommon in co-operatives for administrative jobs to be rotated to some degree, but that this can have an impact on profits. There is however an idea in co-operatives that “traditionally highly rewarded jobs should be demystified and shared among the workforce” (1981:83) such as book-keeping and marketing. Task rotation can have benefits, such as sharing understanding of people's jobs, building all-round skills and constructing ideas of shared responsibility for management and administration.

In terms of morale, in particular in internalising co-operative values, a class divide is also noted. Ideologically-driven co-operatives, which in Thornley's work are principally middle-class enterprises referred to as collectives (1981:87) are made up of workers who probably enjoy a higher degree of economic security. They have skills they can fall back on to for other employment, access to professional development, and sometimes other assets to support them in the event that their co-operative fails. This means that they are driven predominantly by their ideas and are able to create a 'pure' co-operative which privileges the democratic aspects of the firm. Their co-operatives “have a better chance of surviving but it matters less if they fail” (1981:87). This was also highlighted by Myers (2006:208) who suggests that it is mostly those from privileged backgrounds who will be able to enjoy a sense of ideological satisfaction from co-operative work due to the low profitability and instability of such enterprises. Working class co-operatives, such as rescue co-operatives, are in an opposite situation in which employment is the chief goal. Democracy here is important as it gives a sense of control for workers who would otherwise not have jobs. However, if this starts to be eroded by sacrifices made
for profitability and survival, the co-operative as a whole is likely to fail due to the drop in morale and commitment to making its values work in an economic environment. In Cornforth et al. (1988) the social and solidaristic element of co-operation was less present in rescue co-operatives but still had an important role to play, especially in learning skills as it created a workplace atmosphere that was more amenable to on-the-job learning. It also created a commitment to the co-operative firm, although it was not the most important motivation for forming co-operatives. Moral benefits generally arose in the alternative co-operatives including those involved in wholefoods and printing for left-wing and community organisations. These represented an important factor for some, but not all members. Again, this analysis is set against the backdrop of the economic recessions of the 1970s in which the job creation/rescue element of co-operatives was very important, and there is limited evidence to suggest that this idea still applies thirty years later.

Welford (1990) notes the lack of empirical data about worker co-operatives due to the small population of such firms and reviews previous large-scale studies from the 1970s and 1980s, the largest of which (Wilson 1983; as cited in Welford 1990:305) involved 113 worker co-operatives and noted the “multi-functional” aspects of co-operatives, such as ideological causes alongside flexible work. Welford himself examined, via a survey, 78 co-operatives and noted several aspects of their objectives, growth, organisation, and management. Crucially it is noted that profit-maximisation does not appear to be a priority for co-operative firms due to their ideological focus and their very small size which does not allow for optimal efficiency. Priorities identified at the co-operatives included “the atmosphere at work, wanting to work for oneself, the provision of a particular product, and a desire for equality with fellow workers” (1990:306). From this, a division was also identified between ideologically-focused co-operatives and job security based co-operatives based on correlations between priorities. In terms of the motivations behind co-operatives, Welford makes the important insight that “[an approach which] assumes that each member behaves in the way which maximises his/her own utility and may be unaffected by the impact of the behaviour on others...in the case of the co-operative...may be particularly inappropriate” (1990:312).

Financially, the majority (65%) reported surpluses, casting some doubt on ideas of co-operatives as financially non-viable. No co-operatives surveyed reported decreased
turnover or membership, and most expected increases in turnover. Welford (1990:314) does note that there does not seem to be an obvious tendency to expect to expand membership alongside expanding surpluses, but suggests this may not be for reasons of having more members to share surplus with, but because increased membership would weaken the social incentives around co-operation such as the work environment. It was reported that in around a third of cases, pay was lower than in the non-co-operative sector, but this data is not broken down by sector. Around two-thirds had an equal pay structure, with most differentials in pay being based on skill differences, whilst others paid based on the number dependants, business brought into the firm or between full/part time workers. Non-member workers being paid less were very rare (Welford 1990:314)

In terms of the organisation of work, most respondents seemed to think that there were advantages to organising work on co-operative lines due to more motivation and flexibility, less demarcation of jobs and the benefits of self-monitoring. Respondents citing disadvantages such as slow decision making, a lack of money for expansion, or expectations by members of less work effort were very much in the minority. At most firms the work was divided by skill, with task rotation quite rare, but a third of respondents replied that there was not division of labour and that the labour force was flexible. The use of a manager to allocate work was unusual. Managerially, the co-operatives tended strongly towards democratic management in the long-term, but the use of managers and management teams for day-to-day decisions, with managers almost always elected (Welford 1990:317-319).

As with other writers such as Thornley (1981) and Cornforth et al. (1988), Welford (1990:319) draws a distinction between forms of co-operatives along the lines of radical/ideological co-operatives versus non-political, usually job-creation, co-operatives, and suggests that the latter does not differ much in behaviour from a small capitalist firm, possibly based on the perception that there is a trade-off between co-operative democratic processes and efficiency. The question arises as to whether this trade-off actually exists, given the possible benefit of such a system, or to whether even if it does exist, whether more radical co-operatives are prepared to sacrifice some efficiency and profitability for a better working environment since, as Welford notes that “the production 'norm' by which co-operatives would have been measuring
themselves is set by the prevailing form of capitalism” (1990:319).

Oliver and Thomas (1990) examined several cases in the UK in the 1980s in order to answer some key questions about co-operative behaviour, especially with regard to the extent that they can avoid bureaucratisation and allow members to self-manage rather than have them adhere to rules enforced by supervision. They suggest that in the absence of hierarchy, behaviour in co-operatives is largely governed by cultural norms, which requires “a set of superordinate goals...minima internal divisions...intense socialization of new members...[and] structures and system which make individual behaviour public” (1990:343). Three case studies are examined in order to establish whether worker co-operatives are able to build the successful conditions for cultural control under different conditions.

The first case, Recycles Ltd. is a small bicycle co-operative which began as an alternative co-operative in the late 1970s. The ultimate authority in the firm is the collective decision of all members at general meetings, but this control is rarely exercised over specific individuals since it seems there is a “shared sense of what is an acceptable decision to make individually and which decisions require collective endorsement” (Oliver & Thomas 1990:346). As a result the collective rarely overrides the individual. The members seemed motivated by a mixture of radicalism and a desire to run a successful business, and over time the former began to give way to the businesslike approach. Members seemed satisfied with their jobs which helps to keep them committed to the company. The success of cultural control is linked to the low membership of 7, common understanding of the work which allows for task rotation, which prevents divisions forming in the workforce, and a homogeneous membership built from people with a passion first for co-operatives, and then for cycling. This homogeneity is aided by the low wages, which mean that only those with a strong interest in the jobs will apply. Intriguingly, the “economic marginality” (1990:347) was also seen as a reason for this level of shared cultural control since it provides one goal for the co-operative – namely, its continued survival – and this limits the scope for conflict in the absence of choice and makes members more willing to make personal sacrifices for the firm. However, the scalability of this model is questionable since it is difficult to imagine collective working at a larger co-operative, and the appeal to co-operative norms does not seem strong enough without another appeal from a sense of
identity or value in work, such as an interest in the products sold (1990:356-357).

The study also examined two larger co-operatives: KME and Scott Bader. KME is explored in more depth as a rescue co-operative below. Scott Bader, on the other hand, is a philanthropic co-operative which was gifted to its workers in the 1950s and operates in a hierarchical manner with a similar management style to that at a conventional firm, except that there is a controlled wage differential. There is also an elected system which deals with issues of policy and has representation on the company board. There is still a strong idea of management along cultural lines despite there being a hierarchical system, with the idea that “the managerial role is seen as one of a 'catalyst of common effort'” (Oliver & Thomas 1990:349). Members of Scott Bader were typically satisfied with their jobs, citing the friendly atmosphere and the quality of the jobs in terms of control, variety and skills as reasons for this. They also enjoyed higher pay than they would in other firms (with the exception of senior management). Members tended to be in favour of the democratic opportunities offered and at the time of the study a third of participants had served as representatives at some point. This afforded Scott Bader the chance to develop a high degree of cultural control. This was further underlined in 1982 when Scott Bader bought a failing firm, Synthetic Resins (SRL), but the heavily unionised SRL workers were deeply hostile to the idea of a non-unionised workplace at which there was no traditional industrial negotiation for wages. With this divided workforce, normative control of the firm was an impossibility. Scott Bader later closed down SRL in 1985 (Oliver & Thomas 1990). Scott Bader, as a case, demonstrates the importance of the need to continually rebuild and restore the norms of the co-operative through good channels of communication, enforcement of the ideals of membership, and building a strong shared community identity.

These analyses of co-operatives in the UK in the 1970s and 1980s reveal many illuminating aspects of how they provide work for their members and how they are able to function in a capitalist environment, especially at a time of crisis. The first is that a large number of co-operatives seemed able to survive in this period and to grow, and that they were able to offer either opportunities for job creation and security, or, more radically, a different version of work in which co-operative norms were prioritised. It appears that where co-operatives are able to organise work win a non-divided way, such as with task rotation, the provision for this is valued by the workforce and has positive
effects for the quality of future co-operation. However, the willingness of members to accept lower wages is potentially problematic from the perspective of control and freedom. The analysis of this could take two arguments – the first is that there is a trade-off between other advantages of the work such that members choose to take co-operative jobs for lower wages because they are able to realise more value in the way work is organised at the co-operative. This accounts for members continuing their employment at the co-operative. The second argument to explain this could be that members, especially in the 1970s and 1980s, were not empowered to leave their jobs and pursue a better deal, especially more vulnerable members who might struggle to find employment elsewhere. Therefore, they were put in the position where they were forced to accept lower wages not out of a trade-off but simply as a means of securing their jobs – low pay is better than none. There is also a class distinction we could draw here – if wages are kept low in order to secure the future of the co-operative and invest, it suggests a long-termism we could attribute to ideological preference for the survival of the co-operative which can be tolerated by more radical, middle class members but comes as a burden to others who are dependent on the co-operative for work.

4.2 Rescue Co-operatives

Rescue co-operatives exist where failing conventional firms are sold or granted, sometimes through state intervention, to their workforces, in order to preserve jobs. This was particularly salient in the industrially-focused British economy of the 1970s where individual firms could be the only major employer in an area, responsible for the livelihoods of thousands of people, and represented by strong union. They are perhaps best treated as a specific historical case rather than as a current expression of the co-operative movement, but they can still yield some interesting insights into the nature of co-operative working.

Tynan and Thomas (1984) undertook research into the experience of democratic work at the Kirkby Manufacturing and Engineering Company (KME) in 1974-79 based on a series of interviews with members. KME was a rescue co-operative organised by the Department of Industry under Tony Benn following a series of industrial action involving sit-ins and work-ins in the early 1970s (Oliver & Thomas 1990). It was never profitable as a co-operative and relied on grants and subsidies until its collapse in 1979.
when state support was withdrawn completely following the election of Thatcher. The study aims to compare the experiences of work during the democratic experiment of co-operation, focussing on the effect on individual within the firm. Partly due to the history of the firm, the study found significant tensions between different groups with conflicts of interest, and between the contradictory roles of the co-operative, such as the need for profitability and the need to maintain and sustain employment. They were not resolved by co-operation due to “first...the unrealisable expectation that they should be solved, and, second, because the co-operative promise is to all so that a solution has to be open and not be seen to disadvantage any particular group” (1984:86). There were clashes of ideas, particularly between union stewards who were threatened by the democratisation of the workplace (1984:87). There was a genuine attempt by activists to democratise the workplace and realise co-operative ideals, but these were made more difficult by the sheer size of the enterprise and the need to politically organise and educate the workforce, the hierarchical union structure which restricted democratisation, and a lack of management skills (Tynan & Thomas 1984). The democratic council was never able to achieve much legitimacy since it challenged established power relationships from both shop-floor unions and the management team (Oliver & Thomas 1990:353). In particular the rigid trade union structure combined with attempts by stewards to place themselves in a managerial role, led some to argue that the co-operative was not really a co-operative at all given that there appeared to still be hierarchical management by some workers (Tynan & Thomas 1984:89). However, KME would always struggle at first and demonstrates the need for co-operative processes to develop over time. The possibility of this happening at KME was limited by external market constraints and other specific external factors. Writing before the collapse of KME, Eccles (1976:167-168) highlighted the issues of a lack of management skills, particularly given the unwillingness of some members to become involved in the management of the firm, and the problem of market constraints – principally a slump in demand for KME's products. In accounting for the failure of KME, poor management was “one of the principal causes” (Young & Rigge 1983:35) due to a lack of discipline in the workforce.

Fundamentally the issues at KME were seen as a clash between the old conditions of work (based on workers being controlled by management and represented by a union) and the potential for the new ones which created expectations which generally were not met (Tynan & Thomas 1984). The lack of a strong co-operative consciousness means
that members of co-operatives, especially those for whom co-operation is pushed onto them rather than coming from the workers themselves, creates a set of contradictory expectations amongst different people, and there is a need to negotiate to make the objectives and potential of the co-operative clear to all (Tynan & Thomas 1984:91, Eccles 1976:168). Without such a model of co-operation, co-operatives are likely to degenerate when expectations are not met and contradictions become apparent, resulting in a recentralisation of power. (Tynan & Thomas 1984:92). It could be added that a commitment to co-operative values is fostered within the co-operative itself through the shared experience of forming and managing the firm. Carter (1990:337) suggests that the “issue of ownership and authorship is important; people will possess a feeling of ownership for what they create...” with reference to a co-operative conversion which was imposed on, rather than created by, its workers. In this case, there was limited scope for members to develop a commitment to the values of the co-operative and to share and develop their ideas about what the firm was about. Where members recognise the impact of their control and are able to exercise it at various levels of the organisation, they may be more likely to adopt a co-operative approach to their work and start to value co-operation.

Bate and Carter (1986:61-66) studied a small shoe-making co-operative in the UK which was in essence a rescue co-operative formed after a factory closure due to a drop in demand for the product. The co-operative was capitalised at first by the original company offering a free lease on the machinery and premises of the factory, and through an initial bond paid by each member. However, the lease on the machinery was created with certain terms which meant that the small co-operative was producing a product which it was not suited for – a low end, cheap product which required mass production rather than an expensive one. The co-operative also had trouble getting loans from banks who did not accept the business model and stayed in business by not paying wages for the first year, and in trading with suppliers and retailers who did not trust the co-operative model either. The early struggle for survival meant that it was over a year before the co-operative could begin to develop its own identity and establish real worker control due to the constraints of the external market. For example, there began to be an emphasis on job rotation once the struggle for immediate survival was diminished. Workers experienced much higher levels of control and job satisfaction than they did in the old factory, especially when assets became co-operatively owned, and as the co-
operative became more successful it was able to secure loans, albeit with strict terms, from commercial lenders. However, the dependence on producing shoes under contract for the original owners of the factory limited the flexibility of working patterns that the co-operative could offer its members. Part of this dependence on contract work was due to the inability of the small co-operative to markets its own goods, demonstrating one difficulty that co-operatives face compared to larger rivals. Bate and Carter also note the dependency of a rescue co-operative on larger firms – since the factory which closed down was not running at a loss, but merely at a low level of profit, the formation of the co-operative to save it has created a weak trading partner for the larger firm which is then free from the risks of failure in the co-operative whilst exploiting its need for work. Thornley (1982:98) also highlights the risks of dependency where co-operatives become cheap outsourcing options for larger conventional firms rather than creating and marketing their own products.

Alongside this issue of dependency, the details of which are perhaps unique to this example where the co-operative rescued one factory rather than an entire failing firm and continued to have a relationship with the original firm, the study demonstrates three particularly salient points. The first is the issue of dealing with external actors in the liberal economy. The co-operative was unable for some time to convince banks and other firms that it was reliable and dependable. Secondly, the issue of competing with other firms is also raised. The co-operative was unable to market its products (the authors do not elaborate on why) outside of the co-operative community which bought the products out of support for the business. Therefore it was difficult for the co-operative factory to get work which was not exploitative contract work. Finally, the study demonstrates the importance of time in the co-operative, through identifying the problems faced in terms of the first 18 months of start up, followed by a period of self-discovery and some meeting of co-operative principles before struggling again to get work as the co-operative developed.

4.2.1 Worker-Owned Factories in the Argentinian Crisis

Some similar observations can be seen from a more recent case study which was carried out in the worker-occupied factories of Argentina at the start of the 21st century (Atzeni & Ghigliani 2007). In 2006 around 160 factories had been taken over by workers in
order to defend against potential closure and job losses (Atzeni & Ghigliani 2007) as a result of both neoliberal reforms and the later 2001-2002 crisis with the current number of occupied factories standing at around 205 (Rossi 2015:99). Although these could be seen as 'rescue' co-operatives, they are particularly radical as the workers concerned generally did not own the factories that they occupied, and forced evictions by police occurred in some cases. Occupation usually lasted around a year (Rossi 2015:101). Generally, Atzeni and Ghigliani's (2007) work puts forward the idea that the operation of liberal markets is a barrier to co-operative modes of production within them, as mentioned in the theoretical work above.

The case study, which took place in 2006, employed participant observation techniques in four factories, ranging from 30 to 110 workers in size. Workers interviewed placed emphasis on their freedom from direct control, and valued egalitarian attitudes to income, work and democratic participation (Atenzi & Ghigliani 2007). It should be noted the majority of workers received the same salary regardless of their position (Rebón 2005:36 as cited in Rossi 2015:105). With regards to the latter, the factories tended to have a constitutional statute book which outlined their governance structures, consisting of an assembly of all workers and an elected management council. The chief decision-making body of the co-operatives is the assembly, which has its agenda set by the elected council. The evaluation of this structure was mixed. Meetings of the assembly were difficult to organise regularly due to work pressures in factories with continuous production, and although this could be to some extent resolved by good representation, there was a tension between decision making in the assembly and by elected representatives in the council. Workers tended to value the “democracy from below” within this system such as the ability to force a meeting of the assembly (Atenzi & Ghigliani 2007:661).

The operation of the co-operative as a business interacting in a market economy also posed challenges for collective decision making. The need for urgency in business discussions, for example, “establishes an a priori agenda interfering with the democratic decision-making process” (Atenzi & Ghigliani 2007:662). Workers are forced to do more than just produce – in the absence of the former management of the factory, they must take over the commercial side of the business also. This reinforces the old distinction between those who are involved in production and those who are involved in
management, creating a two-tier system and reintroducing skill division, job delegation and market logic to the co-operative. Those who work in management generally are less sympathetic to the aims of the co-operative as it is they who experience the interactions between the co-operative and the market. However, capitalist production is not reproduced totally in these firms since although the elected management council and a small group of workers oversee the operation of the business through administration and management, they can still be held to account by the rest of the workforce (Atenzi & Ghigliani 2007). Rossi highlights the emergence of a “new logic of control based on the moral responsibility of each worker and the assembly's punishment of those who violate a consensus-based system of rules and regulations” (2015:106).

The co-operatives being studied did not generally pursue technical job rotation. This is partly due to the problems of getting credit to buy new machinery in order to pursue more inventive ways of dividing labour, especially since many of these factories still had fairly outdated technology at the time of takeover. (Atenzi & Ghigliani 2007). Some credit was supplied by other occupied factories, or by contracting use of the factory to a sole provider of materials and buyer of the manufactured goods (Rossi 2015:102). Again, the market can be seen to constrain the freedom of the co-operative. However, most workers interviewed did want to learn new skills to be able to take on different roles in the factory, and there is some anecdotal evidence of this actually happening (Atenzi & Ghigliani 2007:664). The changes in the nature of authority at the factories could be responsible for changes in work modes, such as individuals working together to meet deadlines or taking over each others jobs for short periods to allow more flexible working times and breaks. Furthermore, tensions between skilled and unskilled workers hinder job rotation – co-operatives are forced to either pay more for these type of workers, who generally get a higher wage in capitalist factories than the co-operatives, or offer them substantial benefits within the workplace in order to retain them. Here again we see the labour market conditions governing the freedom of the co-operative.

The empirical work by Atenzi and Ghigliani (2007) offers a comprehensive account of the conditions in these factories and the extent to which the spaces of control represented by the co-operative are limited by its interactions with the market. Later work by Rossi (2015) highlights the political role of the occupations. The occupied
factories became a major political issue and lobbied for changes in the bankruptcy law to favour worker ownership over asset-stripping to satisfy debts, with some occupations even receiving state support (2015:104). This was made possible to some extent by linking political parties, social movements and trade unions with the occupying workers in order to increase their political support.

4.2.2 Conclusions on Rescue Co-operatives

The application of the analysis of rescue co-operative in the UK today is quite limited. Such organisations were typically a product of the 1970s and were hailed as a method of re-energising Britain's struggling industrial sector whilst empowering the workforce. Generally it is fair to say that the project was not particularly successful. Rescue co-operatives start from the worst possible position in a situation of economic crisis (Young & Rigge 1983:61) and have to set up co-operative institutions very quickly amongst a divided workforce, already hierarchically managed under both the management and the trade unionism of the time. None of the co-operatives in this study is a rescue co-operative\footnote{More detail about the cases is given in Chapter 4: Methods, but in Thornley’s (1981) categorisation they could be referred to as “collectives”.}, and in the 21st century such a form, in the UK at least, appears to be extremely rare.

However, there are some important lessons we can take from these studies of rescue co-operatives and worker occupations. Firstly, they demonstrate the difficulties in establishing co-operative norms and values amongst otherwise conventionally organised workforces. The need to establish a common project and agree on goals mutually seems to be a core requirement for the formation of a successful co-operative and demonstrates the need for a set of shared values and the adoption of these by new members. It also demonstrates the problem of conflicting hierarchies and the potential issues raised by parallel systems of control such as trade unions.

All three case studies illustrate the difficult position of the co-operative as it relates to the market. Both British cases found themselves limited by access to credit – KME relied on the state in order to allow it to survive, whilst the shoe co-operative was not seen as a credible business by banks, which placed it at the mercy of its trading partners.
who had gifted the physical capital of the firm.

Issues of organisation common to most co-operative are also raised, and there is little reason to think that rescue co-operatives would not suffer from the same internal and structural issues as other co-operatives, as already explained above. The case of KME in particular demonstrates the potential for poor management, but the constraints on action in KME, including under-capitalisation despite state intervention (Oliver & Thomas 1990) and the backdrop of trade unionism make it a less than universal case.

4.3 US Co-operatives

Co-operatives in the US are fairly rare, as in the UK, but as another LME the US offers some interesting insights into co-operation. Worker co-operatives seem to be linked to either alternative communities (Gupta 2014), as in the two cases presented below; or to the plywood co-operatives of the Pacific Northwest.

Gupta (2014) examines the Cheese Board Collective (CBC), a large US co-operative of 55 members\(^6\), engaging in qualitative interviews with members to establish how it had remained successful. The co-operative was formed in 1971 as the philanthropic conversion of a firm established in 1967. Gupta engages with the main economic critiques of co-operatives – free riding, underinvestment, lack of access to capital, degeneration and poor management, and found little evidence to suggest that they were valid criticisms of the co-operative model. Strong bonds of responsibility to one another, and to future generations, were present at the co-operative, which allowed for sacrifices to be made for investment and a strong work ethic to emerge (2013:103). Motivation based on ownership was an important factor in creating this sense of responsibility (2013:104). The commitment to co-operative principles, even amongst new members, was also an effective barrier against degeneration, in particular with regards to equal pay (2013:104). Some criticisms of co-operatives were shown to have validity, with participants suggesting that some co-operatives had trouble accessing credit, but due to the success of CBC this has not been a problem, and it has also been able to reinvest surplus successfully and with regards to the future profitability of the

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\(^6\) Gupta (2014:105) refers to the CBC as a “small organization” in light of comparisons with Mondragón.
An inquiry into the ability of co-operatives to make democratic decisions effectively was inconclusive, with participants finding the experience both valuable and “frustrating” but that decisions made were generally good due to many voices being present, although most participants did not feel they personally had much control over the firm, since decisions were made collectively (2014:104-105). In this respect, the case study highlights the issues of size. It is suggested that the large number of members makes democratic decision-making more difficult - “the larger the cooperative, the harder it becomes to maintain democratic and egalitarian practices” (Gupta 2014:105).

Recent studies of smaller co-operatives are rare in the literature. Cornwell (2012) conducted a series of interviews at Collective Copies, a 13-member co-operative in the US, which has grown since its formation in 1982 from 4 to 13 members. This means it is comparable in size and age to both the Printing Co-operative and Wholefoods A from this study. It developed from a strike against a conventional business, and operates on democratic model with wage compression based on seniority (2012:726). Participants at this case seemed to value “control over time” (2012:730) in both the immediate sense at work, but also in the longer term, allowing for the planning of shifts and sabbaticals. Such an arrangement was made possible at the co-operative through reciprocity and negotiation (2012:731). It was also coupled with a high degree of security since workers are unlikely to be fired (2012:734). Control was also improved since decisions about how much work needed to be done, and how surplus would be distributed, were made democratically and negotiated between members (2012:735). Members valued, but were also frustrated by, democratic decision-making, with the benefit raised that 13 minds were better able to reach solutions than a single boss (2012:733). Members were able to make financial decisions which were not based on immediate benefit, such as donations or disability insurance, with healthcare (particularly salient in the US) included as a cost of production (2012:735). This long-sightedness also contained a sense of leaving something for future generations in terms of the co-operative being able to provide good jobs well into the future (2012:736) and are driven by a motivation to spread co-operative values through expanding their business (2012:737). The self-development of the process of democratic decision-making and responsibility was also a benefit of co-operation raised by this study (2012:734).
4.3.1 Plywood Co-operatives

Plywood co-operatives have historically been a major sector in the American co-operative movement, stemming possibly from Scandinavian immigrant communities (Oakeshott 1978:228). Typically at such co-operatives, membership is defined by shareholding, rather than employment, which runs against the idea that all workers of a co-operative should be members. However, usually a majority of workers are shareholders who manage the company according to democratic ideas. They were highly productive in comparison with competing conventional firms. There are, however, concerns that by operating on this individualist, rather than collectivist, model of ownership and control, that they show signs of degeneration and act in many ways like capitalist firms with regard to non-member workers (Oakeshott 1978:230).

Greenberg (1986) notes some key features of the plywood co-operatives, and highlights the similarities between different firms. They are democratic organisations with a mixture of direct democracy in general meetings of shareholders, and indirect democracy in delegation to elected managers and directors. They also operate on a principle of equal pay for shareholder/workers alongside dividends. Like Oakeshott (1978:229), Greenberg also highlights the division between shareholder and non-shareholder workers in the sense that the latter are, unsurprisingly, not given a share of the profits. However, he highlights that many of the non-member workers are actually paid more than shareholders because they occupy very skilled roles in the production process or are hired as managers or foremen, and suggests that there is not necessarily an exploitation of non-members at these co-operatives and that they do not compromise the democratic principles of the co-operatives (Greenberg 1986:62). In fact, due to the nature of the individual shareholdings in these co-operatives, in times of crisis it is shareholders who pay the costs, putting in more capital or taking pay cuts, because skilled non-shareholder workers cannot be laid off or have their pay cut in case they leave (1986:61).

In terms of motivation to join the co-operatives, it was observed that members did not join for political or ideological reasons, but instead for financial opportunities and job stability. They did, however, come to appreciate the working environment and opportunities for participation, in particular with regard to being close to the decision-making process compared to conventionally owned sawmills. (Greenberg 1986:36-37).
Working practices at the plywood co-operatives did not differ in terms of division of labour, since the machinery and production techniques are the same as those in conventional firms, but did demonstrate a difference in the role of shareholders in acting as ad-hoc co-ordinators by rotating jobs and raising awareness of problems – described by Greenberg as “spontaneous cooperation” (1986:42).

The nature of the work requires specialised supervisors and foremen, even in worker-owned plants. However, there were generally fewer of them in the worker-owned plants and their role was less supervising individual workers and more focused on co-ordinating the production process as a whole. This yielded some complaints – the idea that the work was not being supervised well enough – and in some ways made the work of supervisors more difficult since they had minimal authority over shareholder/workers. On the other hand, the shareholders themselves were able to co-ordinate and supervise each other through peer discipline in order to make the mills profitable without resorting to hierarchical management, and many workers valued not being treated as “little kids” (Greenberg 1986:45).

In terms of managing the firm overall, Greenberg concludes that the worker/shareholders are, as a whole, in control of the firm and are able to manage the firm effectively through democratic means. This is helped by a good flow of information, although there are only a handful of shareholders who take advantage of it formally, and this is helped by the fact that managers retain their jobs on the shop floor so are available to discuss issues with other shareholders. This makes the overall process of decision-making far less distant and more accountable. There is a high turnover of elected board members, perhaps due to the increased workload and minimal rewards for holding such a position. Whilst this prevents a clique of influential members from forming, which is crucial for a healthy democracy, it could cause instability if there are frequent changes. Many co-operatives hire a general manager, who does not own shares, and this could present problems of distance and elitism. However, the hired status of such managers places them in the position of an employee of the shareholders whilst at the same time a source of management skills. Changes of hired manager are common (1986:56). One critique put forward by members of such co-operatives is that there are too many managers and not enough management expertise, which leads to arguments, disagreements and, ultimately, loss of profits due to the time and effort
wasted (1986:58).

Pencavel (2001:69-71) notes that the plywood sector in the Pacific Northwest is a declining sector, but a relatively volatile one in terms of supply and demand shocks, therefore demonstrating the resiliency of the co-operative form in challenging sectors. The difference in responses to declining revenues between both capitalist and co-operative firms is compared, noting that capitalist firms tend to respond to a drop in revenue by reducing the number of workers and keeping pay the same, whilst cooperatives do the reverse, keeping workers and lowering pay, as pay is directly related to shares of revenue. For the co-operative, labour expenditure is to be maximised in the form of income, whilst for the capitalist firm, it is to be minimised. The focus of the study is on the economic success of the co-operatives rather than the situation of the workers within them, and it is noted that those that have experienced degeneration have done so because they have been extremely successful firms.

4.4 Large Wholefood Co-operatives

It is often assumed that co-operatives can only thrive in niche markets and with a small, homogeneous workforce (Meyers 2006). Meyers examines a 200-member grocery store in the US, carrying out a five-week long participant observation study alongside survey and archival research. She identified a system of democratic management which was “highly formal but non-hierarchical” (2006:215) based on a series of elected councils and committees at the departmental and interdepartmental levels as well as a long-term strategy group of elected members acting as directors. She remarks that this mode of management encourages worker participation, especially as such participation is paid and highly valued.

This co-operative has been able to offer an excellent package of pay and healthcare benefits whilst growing in the face of competition from national food retailers (Meyers 2006:216-217). The co-operative grew from a very small organisation in the 1970s before splitting, in the face of demand from members, into two co-operatives selling different forms of goods. These co-operatives then reunited into a large co-operative. Unlike many other co-operatives of the same period, it chose to grow rather than to stay small (2006:217-218).
The co-operative's success has been put down to multiple factors in Meyers' study. She found that members placed a large amount of trust in the democratic process and the institutions it creates. She also found this management style to be efficient due to the horizontal involvement of different departments in the decision-making process. This meant that information from one department could flow freely when making strategic decisions rather than being contained within hierarchical structures. This democratic process also helped to create shared values in the co-operative, with members not wanting to take advantage of others but instead working together through the democratic channels of communication to improve the co-operative. Turnover is also comparatively low as there is no promotion structure which might push some members away if they are unable to move up the hierarchy in a conventional firm. This keeps knowledge and skill within the co-operative, especially since there is a high turnover of members serving on the management committees who develop and retain institutional knowledge whilst often also moving between departments, and allows for good customer relations (2006:220). Meyers attributes economic growth to democratic density, arguing that the expansion of the co-operative allows for the responsibilities of management to be spread across a large number of people, so more effort can be put towards solving problems and improving the co-operative, attracting more members in future. This suggests that some scepticism of the ability of larger co-operatives to retain effective democratic principles of ownership and control (e.g. Gupta 2014:105) is not generalisable to all co-operatives with large membership. From this it is also suggested that there is less time wasted in “plotting and resistance between various levels of management and workers” (2006:229). It is argued that rather than being out of control, the system of non-hierarchical management is being implemented by all members through a “multi-sited panoptical system of control” (2006:229).

Another large co-operative, Suma Wholefoods, has been the subject of a 1987 study (Macfarlane 1987). At the time of the report, Suma was a wholefoods wholesaler with 35 members and is registered as a co-operative with £1 members share which aimed to generate surpluses to be reinvested in other co-operatives in the same sector. Suma has since expanded to around 150 members (Suma n.d.). Suma is often cited as a co-operative success story, and even at the time of the 1987 study enjoyed £4 million in annual sales and a 20% annual growth rate, accounted for by the growth in the sector,
the high quality service offered by interested individuals which was in turn enhanced by task rotation and knowledge-sharing, flexibility offered by task rotation and a high level of commitment from the workforce. Wages themselves were seen as higher than in comparable jobs, but lower than the careers that highly educated members could have pursued (Macfarlane 1987:91-92). Management at this co-operative appears to be, for the most part, through peer-pressure and shared norms of co-operation rather than through explicit control, which, Macfarlane argues, makes the management efficient and decisions easily implemented (1987:92).

The study of Suma provides some interesting perspectives on hierarchical management. It is argued that the management style has remained collective, and that although informal hierarchies of knowledge exist, these are not comparable to the formal power which is manifest in a management structure. These hierarchies of knowledge may also run in parallel with other informal hierarchies thus ensuring that power is actually diffused amongst all members in different ways. The co-operative has actively sought to avoid the emergency of hierarchy through restructuring to ensure that key roles are filled by diverse sets of members. This also involves implementation of majority rulings, rather than absolute consensus, in democratic decision-making. This prevents members with entrenched interests from exercising a veto (Macfarlane 1987:93-94).

The work experience at Suma was also reviewed positively, with a focus on autonomy, self-esteem and respect, alongside rotation offering people the chance to develop a rounded skill set and variety in the jobs they perform. However, pressure on wages and working hours, particularly those worked without pay, and the burdens of the type of work, all inhibit the ability of members to work outside of Suma. Members particularly disliked general meetings and the burdens of democracy (Macfarlane 1987:108). It is suggested that there is a self-exploitation in the way in which peer-pressure defines the level of commitment required to work at the co-operative and encourages, even forces, members to work longer than they would like (Macfarlane 1987:97-98). This suggests that self-exploitation is not an issue only in start-ups but can also be a problem when co-operatives are mature and growing. It was argued that information flow and poor planning capacities exacerbate some of these problems, combined with a loss of knowledge as old members leave and new members join (1987:99).
There are also some wider points made about the nature of co-operative management in terms of the entrepreneurship of co-operatives. It is argued that despite formal mechanisms for planning and strategic decision-making being weak, autonomous individuals were able to push forward with new ideas in their own field, in particular with regard to buying (Macfarlane 1987:103). However, this raises concerns that if individuals are the source of progress in co-operatives, then the collective management is failing to take responsibility for these decisions (1987:107). It is also suggested that the risk-aversion of the co-operative allowed for steady growth through the build-up of capital, which allows for stable financing throughout its growth, which in itself is only one priority amongst many (1987:104).

4.5 The Mondragón Federation

The Mondragón co-operatives offer perhaps the most famous example of a successful community of co-operative enterprises. Miller (1981:324-325) describes them as having four key features - they occupy a close geographical space with a large number of co-operatives acting as markets for one another. They are financed by a ‘peoples bank’ which offers both capital and advice specifically aimed at supporting the co-operative form. The Mondragón co-operatives were formed in 1956, spread over a relatively small geographical area in the Basque region of Spain. As well as owning worker co-operatives, other enterprises are owned under different co-operative models such as a housing co-operative, agricultural co-operative and a college. The scheme was originally set up in response to the poor education system in post-civil war Spain with a community-supported school set up in 1943, and the first co-operatives followed with the aim of involving the labour force in the distribution of profits (Campbell et al. 1977:23-24). The bank, the 'Caja Laboral Popular', was founded in 1959 also operates as a workers co-operative and only lends to other co-operatives within the Mondragón group. Because the bank is internal to the group, and the profits of the federation are shared with the bank’s owners, it is able to take an active shared interest in the finances of member co-operatives resulting in stable financing of co-operatives even if they face financial difficulties (Clayre 1980, Thomas & Logan 1982:76, Williams 2007). The fact that Mondragón operates as a federation means that a range of jobs are available and workers can move between different co-operatives as the labour market shifts towards
different sectors (Clayre 1980:171).

In 2005, the Mondragón structure consisted of over 200 companies with over 70,000 members across several countries within a co-operative assembly named the Mondragón Corporación Cooperativa (MCC) which incorporates the various elements of the co-operative under a general assembly. The federation has experiences some restructuring as it has grown significantly since its inception (Williams 2007:116 - see also for a detailed description of the Mondragón organisation circa 2005). Workers generally report good conditions within the federation, and state that they would work for the co-operatives even if pay was significantly lower than in capitalist firms. At present however, most rates of pay rival those of the mainstream labour market with the exception of high-level managers, who experience wage compression resulting in their pay being at most 9 times the pay of the lowest paid workers (Williams 2007:118-9).

Mondragón is not without its issues and drawbacks. It has been suggested that worker control is actually fairly limited in that very few members actively participate in democratic decision-making (Clarke 1984:108, Thomas & Logan 1982:189). It has also been suggested that it will not innovate in its products in the “Schumpterian” sense due to the conservatism of its members, and has the role of reproducing goods invented by other firms such that it can only “free ride off capitalism” (Hindmoor 1999:220-221).

Mondragón’s success as a co-operative federation has been attributed to a number of factors. Williams (2007:120-122) discusses cultural, organisational, communication, financial and dedication factors. It is argued that particular Basque features of self-reliance, the influence of the Catholic church on social justice and principles of solidarity all contribute to the continued dedication of the federation to the co-operative model. This is also key in Cheney (2006:190-191) in which the evolution of common values around which consensus can be reached is suggested as a reason for relative degeneration as newer members enter Mondragón who see many of its principles as outdated, suggesting an important role for these shared values. In terms of organisation, the role of the federation’s technical school is such that there is little need for hierarchical organisations within firms, whilst the presence of the Caja Laboral Popular means that capital and expertise are on hand in a way which supports rather than
undermines co-operative development. Cheney (2006:191) suggests that the bank has been a useful buffer between the co-operative and the market, allowing a “simultaneously open and closed system” in which the enterprise is protected from market pressures. This is also applied to the internal training of members which may foster co-operative values. As a result, failure of co-operatives is very rare. Furthermore, worker involvement is very high with excellent attendance levels at meetings and a prioritisation of the values of openness and fairness. Oakeshott (1978:199-200) also places the bank as a central aspect of the success of Mondragón. Although writing before significant restructuring of the federation, he raises the role of the bank in long-term planning for the group as a whole and coordinating the different co-operatives. Oakeshott goes further in listing a range of institutional factors which have enabled the survival and success of the federation including: firm democratic control and worker ownership, the collective ownership of capital, the focus on solidarity in terms of both incentives to co-operate and in terms of wage differentials, institutionalised management, access to advice and capital, community backing, a skilled workforce and crucially the integration of each venture in a larger federation (1978:212-214). The existence of supporting institutions in the federation is very different from the systemic environment of other cases mentioned in this chapter, including those in the UK, and the role of systemic institutions is evaluated below.

4.6 Conclusions, Hypotheses and Questions for Research

The literature on co-operatives yields several conclusions. The first is that in all examples examined here, workers generally enjoyed the co-operative method of work, finding work to be more fulfilling. The benefits of task rotation are particularly prevalent in most co-operatives, as were the gains in morale from seeing work as a joint community venture rather than employment. However, there were limits as to how much benefit could be enjoyed due to the difficulties in redesigning the process of production completely, for example due to a lack of credit for new machinery. There were also problems with the co-operative mode of work, such as long hours and poor pay in some instances (but increased pay in others) and an informal re-establishment of hierarchy. The way in which the co-operative is run seems to affect this. The most successful co-operatives, such as Mondragón, have a particularly well established system of participation and institutions which support this method of participation.
Rescue co-operatives, on the other hand, lack an institutionalised system of co-operation and therefore attempts at co-operative management seem to clash with existing systems of hierarchy and representation, with these clashes manifesting themselves as conflicts between different crafts within the firm, or between production and administration.

A second conclusion to draw from the empirical studies is that not all co-operatives are the same, and experience the pressures of the systemic environment in different ways depending on the economic contexts of time and place. The term “co-operatives” represents a heterogeneous set of firms of different ages and levels of development, different modes of internal organisation, different cultures and different motivations. As a result, the failings of, for example, rescue co-operatives may not be replicated in radical start-ups, and it may be that in more radical firms, the ethos of alternative lifestyles might be able to hold the co-operative together due to its effect on the preferences of individuals even if such a firm is not particularly profitable.

Despite this, there are common themes to be drawn from many of them. In terms of commonalities we can begin to see a narrative of co-operatives in the UK emerging in which they principally operate in a way that is fundamentally different from most firms in the economy – they appear willing to pay the potential costs of co-operation (such as lower productivity, frustrating decision-making, lack of access to credit, lower pay etc.) in order to pursue a different set of ideas about what work is and how firms should operate, based on principles of providing decent jobs and on social responsibility. This raises some interesting questions about why workers might decide to work at a co-operative in terms of whether they intentionally aim to make this trade-off with a pre-existing positive attitude to co-operation, or whether or not they join co-operatives without this attitude, and whether or not this attitude develops over time, since a positive change over time might suggest that the benefits of co-operation outweigh the costs. The time an individual joins a co-operative in terms of the firm's life-cycle could also play a role.

The third conclusion clear in these cases is the role of the systemic environment. In terms of systemic constraints, Mondragón’s experience looks to be very different from that experienced by co-operatives in the UK. Crucially, access to capital is much easier within the Mondragón co-operatives due to the influence of the bank which is able to
give loans on terms suited to co-operatives and has a stake in the success of the enterprises it finances rather than a commercial bank which would try to retrieve loans, or not offer them at all, if default was a risk (Williams 2007). This is very different from the financial arrangements for co-operatives in the UK for whom start-up or expansion capital is hard to acquire. Furthermore the degree of expertise available in Mondragón differs greatly from that available in the UK, where:

“One of the reasons it is difficult to set up an employee-owned business is that there aren’t many lawyers or accountants who you can talk to who know much about this area. If you talk to most in those professions about this subject they look at you as if you are odd or from a different planet” (Mayfield 2012:220)

In the other cases seen above, the co-operatives did not operate as part of a wider system of co-operation and this made a significant difference to their ability to operate successfully. Discrimination against the co-operative form from lenders and potential trading partners made co-operatives dependent on external actors which were able to impose some authority, either overtly or through the demands of the market, over the decision making process. This diminished the ability of the co-operative to offer the benefits of a new mode of work as well as threatening survival. Therefore, the gains to static control present in the ideal model of the co-operative appear to be diminished when the co-operative has to work in an externally dictated way, and this harms the potential of dynamic control, with the latter also diminished by the possible instability of the co-operative if it struggles to survive. It appears that Marx was correct in taking the view that co-operative ventures will struggle without supporting institutions, in particular in providing credit and trading partners. Roelants (2000:80) argues that “the socio-economic development of worker co-operatives relies to a large extent on the meso-level institutions which these enterprises establish among themselves” since small worker co-operatives will struggle to survive on their own, noting the role of such institutions in the development of over 1400 networked French co-operatives as well as the Mondragón group (2000:71-72). There are some examples of such institutions in the UK, such as ICOM, a product of the co-operative movement, and state-supported Co-operative Development Agencies (CDAs) which provide assistance and advice to co-operatives (Carter 1986). Such meso-level institutions can offer management consultancy, training and credit and can also aid in the networking of similar
enterprises, provide services to members and lobby for policy-making in favour of co-operatives (Roelants 2000). However, struggling does not necessarily lead to collapse, and some cases presented above suggest that co-operative firms can operate as viable alternatives to the conventional firm.

4.6.1 Hypotheses and Questions

The findings of empirical studies can now be applied to the questions and hypotheses put forward at the end of Chapter 3.

Control over work: Task rotation, whilst used at some co-operatives, especially more alternative ones, is not always viable due to divisions in skill. New start-ups might be better able to design work processes around task rotation than established firms undergoing conversion. Members generally seem able to exercise effective control over the allocation of work at the task level and the organisational level. Learning on-the-job and developing new skills appears to be quite strong in co-operatives generally since there are management roles to be learned as well as different roles in production. Although members find management responsibilities burdensome, they also seem to value their role very highly. There is strong evidence that there are benefits to members in terms of the moral and ethical aspects of co-operative work, especially in radical co-operatives. Managers are rarely hired in the cases presented above (with major exceptions being the plywood co-operatives and Mondragón) and therefore the potential for a loss of control due to stratification within the co-operative is limited.

Control over time: Self-exploitation, especially early in the co-operative's life-cycle, is a threat, and this has been observed in several studies. The effect on wages remains highly ambiguous. It is suggested that early in life-cycle, co-operatives may offer very low wages to members as investment of surplus takes priority. Upon maturity, however, there is evidence to suggest that wages can be higher than for comparable jobs within the sector, partly due to the effects of wage compression or equal pay. The potential for low wages calls into question the ability of the worker to exercise control over time since it may force them to leave the co-operative, to take other jobs or to forgo other aspects of life (such as delaying the decision to have children, for example).
Stability, security and survival: Jobs at co-operatives appear to be very stable, although the financial benefits are harder to evaluate (see above). Because job creation and retention seems to be an important aspect of co-operation, co-operatives tend to cut wages (or delay wage increases) rather than let people go. It is clear from the evidence that many of the standard economic assumptions about the behaviour of co-operatives and their members do not apply to organisations with a range of preferences beyond profit-maximisation or income-maximisation. Co-operatives themselves appear to be able to survive profitably in some cases, although rescue co-operatives are obviously limited in their potential to do this. However, even KME was able to ensure some jobs were kept for a number of years which would otherwise have been lost. Key factors for survival appear to include the prevalence of supporting “meso-level” institutions, especially bodies able to support co-operatives financially and free them from dependence on market relationships, although some co-operatives such as Recycles and Suma have been able to borrow from normal commercial banks (Thornley 1981:75-76). Also important is the ability to build a binding co-operative ethos in which members are prepared to work together, take on management roles and embed behaviour in the workplace in social relationships of responsibility, reciprocity and solidarity. To some extent this calls the idea of trade-off between efficiency and democracy into question, since a compromised democratic structure might not be able to consolidate these relationships and could lead to dysfunction. Co-operatives appear to be quite conservative in their decision-making, which might limit their potential in competitive industries where innovation is key (Hindmoor 1999), but this also allows them to survive fairly well in less innovation-based industries such as retail, printing, food production and wholesale – the sectors of the four case study co-operatives.

The next chapter explains the research methods used to approach these questions, in terms of the research design, how co-operatives were selected for case study and how the data was collected and analysed. Four case studies are then presented, which are analysed together in Chapter 9 in terms of control over work, control over time and the security, stability and survival of the co-operative firm.
5

Methods

This chapter will introduce the approach to the data collection and analysis to take place in the following chapters. The chapter will first describe and justify the research design in terms of rigour and triangulation, the case study approach, and the generalisability of the findings. The chapter then explains sampling methods and introduces the co-operatives chosen, locating them in relation to each other in terms of their age, sector and type. The data collection methods, including the interview questions and topics, are then described and justified, followed by some discussion of the mode of analysis. Finally, the ethical considerations of the research are also considered. The study used a qualitative approach with interviews at a set of four case study co-operatives in order to build understanding of working life in these environments. The primary unit of analysis here is the relationship between the co-operative and its members in terms of how the co-operative organisation functions, and how this affects the subjective experiences of members' working lives.

The study aims to look at what it is like to work in a co-operative through interviewing a sample of members of the four case study co-operatives. Because of the difficulties of accessing a large workforce, members gave an account not only of their own working lives but also of their perceptions of how the co-operative worked more generally, and long-standing and founding members were particularly valuable in being able to provide this information. The interviews therefore provided both information about the co-operative but also different ideas about how well it worked and what the appeal and issues were for individuals. The contributions of participants were then put together to provide a picture of working life at the co-operative, which follows in the next four chapters.

Interviews with co-operative members are a common form of research in the field, usually with one or very few cases looked at in considerable depth, often in response to a particularly exceptional event such as occupation (e.g. Atzeni & Ghigliani 2007), or conversion (e.g. Carter 1990) and crisis (e.g. Bate & Carter 1986, Tynan & Thomas 1984), although some simply examine a particular case in order to build an
understanding of operation in the longer term (e.g. Cornwell 2012, Gupta 2014, Macfarlane 1987). Another approach (e.g. Ridley-Duff 2009) used telephone interviews with co-operatives to investigate their financial decision-making, alongside other documentary sources, which were also an important source for Thornley (1981). Qualitative data collection at multiple co-operatives is less common, since many studies look at only one case (e.g. Cornwell 2012, Gupta 2014) but has been used for co-operative research (e.g. Rothschild & Whitt 1986:25 who used 5 case studies). Approaches such as a postal survey with a large sample of co-operatives (e.g. Welford 1990) have also been used. This study uses elements of both interview approaches, as mentioned above, through interviewing members of the co-operative not only about their working lives but also about how the co-operative works. Therefore, these interviews have both a factual and evaluative element.

5.1 Research Design

The research is a qualitative phenomenological multiple case study design using in-depth interviews at the primary method of data collection. The phenomenological approach is designed to “understand the lived experience of individuals...in relation to a concept of interest” (Liamputtong 2009:5) and “study every day events from within the life-world of the person experiencing them” (Liamputtong & Ezzy 2005:19). Every member will have a different relationship with the co-operative and therefore it will shape their working lives in different ways, due to factors such as differing expectations, past experiences and current situation. Their motivations, commitments and preferences will all be different, even if they are convergent at times, and therefore the objective of this research is to be able to understand how the relationship between co-operative and individual is understood in those individual contexts. This can then allow the building of a sophisticated composite narrative of experiences of work at the co-operative.

In this study the concept of interest is working life in co-operative firms. The research design allows for systematic reasoning across individuals and across cases. However, there is no attempt made to quantify or otherwise measure experiences (Denzin & Ryan 2007:582). Such an approach would be methodologically undesirable – it is not possible to draw these types of comparisons between participant's lived experiences since
“socially constructed reality cannot be measured, though it can be interpreted” (Liamputtong 2009:21). This does not mean that the case studies cannot be viewed through a comparative lens where appropriate.

The research method was intended to produce an account of co-operative work which is credible, authentic, applicable, dependable and confirmable. The research must accurately portray the perspectives of the participants, and that the research findings ultimately reflect the data. By undertaking a series of interviews with different participants it is possible to gain an understanding of working life through triangulation of data. Where participants are in agreement, there can be a fair assumption that the information is valid, and outliers where participants disagree are in themselves interesting findings since they reflect how different people experience the same phenomena in different ways. In case study research:

...the accounts of those involved vary and compete with one another...it is useful to expose the polyphonic, polysemic nature of organisation; many voices, many meanings. Many voices are silenced by prevailing power structures and relationships… (Buchanan 2012:364).

The objective of interviewing multiple participants at each case study is to reveal perspectives which might be unknown to other participants. There may be some participants whose experience has been different than the majority, but who have not shared their experience, although there is no systematic way to locate such voices. Whilst divergent findings cannot be validated in comparison to one another, they may also facilitate a more sophisticated understanding of the phenomenon (Liamputtong 2009:28) whilst triangulation in general “gives access to different versions of the phenomenon that is studied” (Flick 1992:194 as cited in Sands & Roer-Strier 2006:240). This model of triangulation could be described as data triangulation as, for the most part, it comes from different participants being interviewed rather than from different methods of data collection (Denzin 1970:301). Erzberger and Prein (1997), in a discussion of using different methods of research to triangulate findings, suggest that findings can be convergent, complementary or dissonant. Although the form of triangulation is different, the same logic can be applied – if findings are convergent across participants or cases then a high degree of trust can be placed on those findings.
The majority of the interview data is expected to be convergent, increasing the validity of these findings. There is also scope for complementary findings where different participants give different but non-contradictory accounts of particular aspects, in particular where the more information-based parts of interviews (history of co-operatives, for example) can shed light on the more subjective aspects, allowing “different findings [to be] integrated under a common theoretical assumption” (Erzberger & Prein 1997:144). Such findings can be combined together, and may exist same participant reveals more information about a past question whilst answering a different question. Dissonant results are also possible where, for example, the participants react differently to the line of inquiry, or their response is misinterpreted (Erzberger & Prein 1997:146). Where such findings can be trusted, they may cast doubt on the theoretical assumptions used, which may allow for new hypotheses to form (1997:147). Erzberger & Prein (1997) use these terms to discuss mixed-methods approaches but these are developed for qualitative research by Sands and Roer-Strier (2006:242-243) who suggest 5 possible outcomes from comparing interviews: “(1) same story, same meaning…(2) same story, different interpretations…(3) missing pieces…(4) unique information…(5) illuminating” when conducting comparisons between interviews, and suggest that this can be expanded by also comparing responses both within and between groups (2006:252), and allow the identification of common or conflicting values and expectations (2006:256).

It is important to note that confidentiality concerns limit the ability of the research to engage in a detailed analysis of dissonant or divergent pieces of data – for example, by suggesting that a different experience of work is based on gender or age of a participant, which also has an effect on the transparency of the findings (Horsburgh 2003:309). However, given the sampling procedure (see below) such accounts might also lack validity. This option is also preferable to a prolonged engagement strategy (Padgett, 2008:186), since in this instance access to participants is difficult. Participants would be unwilling to give multiple interviews, and participant observation and other forms of engagement such as focus groups would be too time consuming. This also precludes member checking (Lincoln & Guba 1985; as cited in Padgett 2008:190) or participant validation (Horsburgh 2003:310), in which the participants review their transcripts, making the triangulation of findings particularly important. However in this instance where theory is constructed from multiple participants, this may be of limited use
anyway as individuals could not validate these findings alone (Morse 1998; as cited in Horsburgh 2003:310). For some case studies (Wholefoods A and Wholefoods B) there is also documentary evidence which can be used to confirm some elements of the data.

There is an emphasis in qualitative research for the reader to make their own decisions on transferability and the authenticity of the researcher's interpretation. This is made possible by use of direct quotations and accurate summaries of the interview data. The former in particular acts as evidence to support interpretation. Sometimes direct quotations are not possible due to the problems of anonymity, but the use of particular words and phrases gives an indication of the strength and nature of feeling of participants towards particular concerns. The thickness of description this approach offers also allows for the reader to make their own judgements about the transferability of the study (Liamputtong 2009:25). This chapter is intended to make the reader aware of the sampling and research approaches, including a candid understanding of the limitations of this form of study. However, this form of research is a highly appropriate one for research in these organisations since it allows an insight into working life on a subjective level whilst also allowing for a developed understanding of the co-operative's history, financial status and function as a business. Other forms of research, such as quantitative postal surveys which are common in co-operative research (e.g. Welford 1990) require multiple case studies and large number of participants, and do not allow for elements of reflexivity whereby the lines of inquiry are developed by the responses of participants and researcher.

5.1.1 Case Study Approach

The multiple case study approach (Yin 2009:53) here has been used for this research, with four cases chosen. Fundamentally aim of this design is the “precise description or reconstruction of a case” (Flick 2006:141) in which the co-operative organisation itself is the case study (Buchanan 2012). The selection of multiple cases is based on Stake's (2008) categorisation of case studies into intrinsic, instrumental and multiple case studies. The phenomenon to be investigated is experience of working life at worker co-operatives in England. These represent an instrumental case study (co-operatives in the UK) in themselves, since the systemic context of these co-operatives is in itself distinct from, for example, co-operatives in different varieties of capitalism. These four case
studies have been chosen based on criteria explained in the section on sampling below. In brief, a “set of cases chosen as different kinds of example” (Platt 2007:114) have been chosen. The multiple case study design has been chosen because by sampling a diverse set of co-operatives the research will be able to investigate the interactions of a wide set of variables (such as size, age and sector) and locate intersections of the findings from each individual case. It is also able to offer the stronger findings if the same conclusions are drawn from comparable studies (Yin 2009:61).

The case study approach used to answer “how” or “why” questions about specific social phenomena which cannot be controlled by the researcher (Yin 2009:4, Liamputtong 2009:196). It “allows investigators to retain the holistic and meaningful characteristics of real-life events – such as...organizational and managerial processes” (Yin 2009:4). In this study, the questions are about how and why co-operative management affects experience of working lift, and how and why co-operatives work and survive, in particular in a post-crisis environment. The co-operatives are “bounded systems” (Liamputtong 2009:199) and therefore are well suited to a case study research, but it will also be possible to engage in some comparison of the cases, since both within-case and qualified comparisons between cases are likely to allow for the inference of strong conclusions (George & Bennett 2005:18).

George and Bennett (2005:19-22) outline four key strengths of the case study approach, although in many ways these outline the strengths of a qualitative over quantitative approach in appropriate studies. Firstly, it enables “consideration of contextual factors” which are not possible in quantitative approaches. In this case, one example would be the stronger understanding of ideas of ideas of flexibility and security. It might be possible, say, for jobs at large conventional firms to be more secure but for workers in co-operatives to feel more secure due to the information flow within those firms even if statistically the risk of collapse is higher. Secondly, the approach allows for the recognition of new factors and variables which were not initially considered by the researcher. Thirdly, the approach allows an in-depth examination of causal mechanisms, and finally to appreciate the complex interdependence of outcomes. In terms of research into worker participation, Strauss (2006:796) suggests the case study approach allows the researcher to look at “the intervening variables between participation and its outcomes”.
The case study approach has its drawbacks. Firstly, case studies would usually be more intensively researched with a range of data collection methods such as interviews, focus groups and document analysis (Creswell 2007:73; as cited in Liamputtong 2009:191), allowing for a more detailed system of triangulation (Denzin 1970:307, Erzberger & Prein 1997) This is made difficult in these cases (as explained the data collection section below) primarily due to the time burdens it places upon participants. However, the range of interview data from different participants at each case study offers a substantial set of contributions on which to draw, and it is possible to work with only a single data collection method (Buchanan 2012:355). It is also a method which invites criticism for selection bias. In selecting only actively trading co-operatives, for example, this study only looks at successful co-operatives, and not as those which have failed. The ability to answer questions about why co-operatives fail is therefore compromised. However, case studies can be chosen based on a dependent variable as this “can help identify which variables are not necessary or sufficient conditions for the selected outcome” (George & Bennett 2005:23).

5.1.2 Generalisability

As a qualitative study, it is not possible to argue for statistical generalisability to the population (Buchanan 2012:364-5), and this is not the purpose of this study. It is key that the scope of the findings be limited and qualified, and the inherent selection biases introduced by a purposive sample are recognised, since “case researchers...usually do not and should not make claims that their findings are applicable to...populations except in contingent ways” (George & Bennett 2005:31). However, Buchanan (2012:365-6) does describe ways in which the findings still have relevance to other cases and could be generalised where appropriate. The first of these are “moderatum” generalisations where characteristics and mechanisms uncovered in cases can reasonably be expected to resemble those in other similar cases, especially at a low level. The findings could not accurately reflect realities in other co-operatives for a host of contextual reasons which would impact the complex relationships between different factors. The key principle here is moderation and caution when attempting to qualify generalisations. It is also possible that the findings form part of a process of analytical refinement in the sense that “the findings from case research do not generalize from sample to population, but from experience and observation to theory”, meaning that it is possible for the findings
to “[broaden] our understanding with the accumulation of fresh observations” (Buchanan 2012:365). It will therefore be possible to observe similarities between different case study co-operatives and suggest that these similarities may, under qualified conditions, be applicable to other similar cases, and to create generalizable theories from cases (Yin 2009:15).

5.2 Sampling

As mentioned in preceding chapters, worker co-operatives have been defined by this study as for-profit commercial organisations which are owned and managed democratically by the entirety of their workforce in accordance with the ICA principles put forward in the introduction (ICA, n.d.). Whilst this is a useful theoretical construct, it is difficult to find co-operatives which operate precisely in this way. Many co-operatives have some non-member workers, such as casual or temporary staff. They may also own their assets in different ways depending on their legal form, and some have a shareholding which extends to past members or other stakeholder groups in the surrounding community. The requirement for cases to be for-profit aims to exclude cases with volunteers, cases with external funding (such as charities) and other social enterprises at which member participation does not make up a major part of working life.

Legal form was not chosen as a selective criteria in this study for two reasons. Firstly, co-operatively run firms in the UK adopt a range of legal forms such as operating as charities, limited liability companies or co-operatives. One reason for this is that legal forms can also change over time as the law changes, and this allows companies to change their structure in order to benefit most from different legal requirements. Switching between forms is a costly procedure and requirements, such as reporting requirements or shareholding laws, very for different legal forms, making some structures more suitable than others in different contexts. Secondly, the population of co-operatives is small and accessing information about legal forms for each potential case is an arduous process which could exclude potentially illuminating case studies. Firms describing themselves as co-operatives may well not be incorporated as such, and these differ again from employee owned firms which do not usually operate along co-operative principles; for example by having unequal shareholdings, or a voting system.
linked to the number of shares owned instead of one-member-one-vote. Information about how firms choose to operate, on the other hand, is often available through websites or informal communication with representatives of prospective cases.

5.2.1 Sampling Co-operatives

Worker co-operatives are fairly uncommon in the UK, and identifying them is not easy as there is no definitive description of a worker co-operative. Co-operatives UK publishes a database of co-operatives which is a useful resource for identifying potential cases, although it is not without its drawbacks. The definition it draws of a co-operative is broad, meaning that a large number of cases unsuitable for this study (such as Working Mens' Clubs) had to be removed from the list before approaches could be made to the co-operatives.

Potential cases from this population were approached by email (although in one case the study was done by invitation). Response rates were around 25%, with around 20 possible cases contacted. Upon response, some did not meet the criteria above, and others were unable or unwilling to accommodate a visit for interviews. At one case interviews began but the co-operative was unable to accommodate a further visit, leaving a dataset of one interview, too small to be of use as a study.

In this type of study, it is apparent that more cases would offer a more generalisable set of findings. However, it quickly became apparent that each co-operative's situation was distinct from the others – for example, their size, the state of the sector in which they operated, and their age. A homogeneous group sampling, or typical case sampling (Liampittong & Ezzy 2005) would therefore be inappropriate – there is little prima facie evidence for homogeneity between co-operatives and therefore no typical case. A typical case could not be identified without significant research in itself and would exclude, for example, Wholefoods B, where the large membership makes it atypical, or Wholefoods A, which has a different legal form to the other cases. However, each case is still typical of a particular aspect of co-operatives – whether large co-operatives (Wholefoods B), small co-operatives (Bakery Co-operative), start-ups (Bakery Co-operative), conversions (Wholefoods A), job-creation and radical co-operatives (Printing Co-operative) and long-running co-operatives (Wholefoods A, Wholefoods B,
The form of sampling used is a hybrid of stratified purposive sampling and maximum variation sampling, with an opportunistic and convenience element (Liamputtong & Ezzy 2005). The studies allow for variation along a range of potential dimensions – size, legal form, age and sector. The cases are outlined in this way in Table 2 below. This allows for the study to examine a range of different variables by looking at the cases comparatively. It also ensures that a fair spectrum of co-operatives is included in the study from one of the smallest to one of the largest in the country, and from some of the oldest to newest worker co-operatives. It is likely that the means of locating co-operatives means that there was a sampling bias towards co-operative legal forms, as these firms are more likely to advertise themselves as co-operatives and be involved in co-operative networks and umbrella organisations such as Co-operatives UK. For this reason, the study has not attempted a comparative assessment of the impact of legal form but has instead looked at the impact of the transition in legal form at Wholefoods A. There is a theoretical element to this sample (Gibson & Brown 2009:37) in the sense that engagement with literature informs the possible variables, such as size, which guide case study selection. However, this is not an example of theoretical sampling (usually associated with grounded theory) since there is not a re-iterative component where findings from one round of interviews inform further sampling.

<table>
<thead>
<tr>
<th></th>
<th>Size (membership)</th>
<th>Age (years)</th>
<th>Sector Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholefoods A</td>
<td>15-20</td>
<td>~25 years</td>
<td>Strong, growing</td>
</tr>
<tr>
<td>Printing Co-op</td>
<td>10-15</td>
<td>30+</td>
<td>Declining</td>
</tr>
<tr>
<td>Bakery Co-op</td>
<td>5</td>
<td>2-3</td>
<td>Small specialised sector</td>
</tr>
<tr>
<td>Wholefoods B</td>
<td>80+</td>
<td>20+ years</td>
<td>Strong, growing</td>
</tr>
</tbody>
</table>

*Table 2 – Location of cases with respect to 3 variables*

7 As mentioned in the following chapters, age of the co-operative is difficult to ascertain due to differences in the dates of founding and dates of incorporation as a co-operative. Some co-operatives were formed from the fusion of smaller firms making it difficult to pinpoint exact dates of creation. Giving exact years may also compromise anonymity for cases.
Convenience and opportunism also played a part – networking with members of co-operatives affected response rates (most obviously through invitation to the Printing Co-op), and information at the premises of the cases revealed links with other potential cases which were then contacted. Due to time and funding constraints it would not have been possible to work with a much larger set of case studies using the same research techniques. However, “a crucial point in qualitative research is to select the research participants meaningfully and strategically, instead of attempting to make statistical comparisons or to 'create a representative sample’” (Liamputtong 2009:16, George & Bennett 2005). However, throughout the sampling process the objective of accessing different sectors and sizes was important.

5.2.2 Sampling Participants

Participants were selected entirely by opportunity sampling, and lists of participants were prepared by the co-operative. All participants were volunteers. Co-operatives were told that interviews with founding members or members of management committees would be especially valuable, since although the focus was working life, these members would also be able to give thorough accounts of the formation and history of the co-operative. Such meetings were not always possible on the day of the visit. There could be potential for a sample bias here – people with negative feelings about co-operatives would perhaps be less likely to volunteer for interviews, and those with a strong normative disposition towards it might be more willing to discuss it at length. This issue is noted in a study of co-operatives based on telephone surveys by Ridley-Duff (2005; as cited in Ridley-Duff 2009:62) who notes that “aspirations and values [of founding-member participants] – typically to run a business democratically – may have projected a more idealised picture of their workplaces than would have been the case if, for example, new staff had been interviewed”. Strauss (2006:796) also suggests issues of bias when interviewing actors in organisations. However, such bias appears unavoidable and could have been worse if the demands on the participants were more burdensome, for example in requiring member review or follow-up interviews.

5.3 Data Collection

The in-depth interview technique was used, which is common in phenomenological
research (Liampittong 2009:5) and in research in co-operatives as shown in the previous chapter. Interviews were recorded (audio only) and notes taken by the interviewer to stimulate further questioning. The aim of this method is to “explore the 'insider perspective'….to capture, in the participants' own words, their thoughts, perceptions, feelings and experiences” (Taylor 2005:39). Interviews were face-to-face and one-on-one, and took place in private environments (although they were at times interrupted). Participants were left free to give their own opinions and views without much prompting, and were able to discuss tangential answers to the questions at some length. It was not uncommon for participants to ask to be reminded of the question. Interview length varied – some participants were happy to talk for over an hour about their experiences, and seemed to value the experience, whilst others were shorter due to constraints on time. This problem arose due to the need to carry out interviews in the workplace during working hours, but access to participants would be almost impossible otherwise.

Interview questions came in three types. The first discussed in the individual – the role they performed at the co-operative, why they joined and what they had done before, attempting to uncover a general attitude towards co-operatives. Secondly, the questions asked for factual information about the history of the co-operative, telling the story of its formation, how it is financed and how the organisational structure is designed. The third, and most prevalent, form of question asked was evaluative, asking members their opinions on elements of co-operation including how they view decision-making, whether they feel they can exert control at the task and organisational level, their perspectives on working conditions and pay, and what they feel accounts for the growth of the co-operatives. Participants interpreted these questions in different ways, offering some scope for differentiated follow-up questions.

The list of potential interview questions was not followed exactly with each participant, since different participants were able to provide different sets of knowledge, and expertise in various areas of the co-operative's operations. This fits with the attempt at a purposive sample of participants within the co-operative by trying to recruit longer-standing members and members with particular responsibilities, and was also governed by the time limitations of the interviews – there is little point in asking a relatively new member about the history of the co-operative, and time may be better spent elsewhere.
On the other hand, an interview with a member who has been involved with human resources may put forward valuable contributions about discipline and management in the firm, even if this means there is not time to ask them about other issues. Questions were kept short and were open-ended, with follow-up questions asked as much as possible in order to encourage more detailed responses. One reason for this approach is that it invites participants to give detailed answers which may access knowledge which would otherwise not be disclosed. For example, it might be expected that interviews at these firms would reflect the public-facing line of the firm, with the participants extolling the virtues of co-operative work in ways which echo the constitutions, websites and publicity materials of the firms. By engaging in a longer interview, asking for examples of more general concepts and inviting critique, members were able to articulate doubt and scepticism without putting forward opinions which were dissonant with their general worldview (which we can assume to be generally pro co-operative). This approach is similar to that used for accessing “subjugated knowledge” (Hesse-Biber & Leavy 2011:98). Such knowledge at co-operatives could involve opinions which might not be expressed in front of the rest of the membership such as frustrations with the co-operative, disillusionment with co-operative principles or the feeling at the co-operative does not operate in accordance with those principles. The interviews were based on a “romanticist” (Alvesson & Ashcraft 2012:242) approach to the interview process in which story-telling and co-construction of knowledge were prioritised, with mixed levels of success – in some interviews the participants were less 'open' than others and gave fairly guarded responses, but in other interviews participants talked without interruption and with enthusiasm in their response.

There were some disadvantages to this approach (Taylor 2005:45-46,52-55). Firstly, the approach is noted as being difficult for a relatively inexperienced researcher, in particular in probing for information, and there may well be information which could have been elicited by a more experienced interviewer. It may be that the interviewer does not ask appropriate questions, or does not understand the answers, especially if they are unfamiliar with the exact case (Marshall & Rossman 1989:83). The approach was also subject to logistical constraints such as time and cost in order to access participants conveniently. Secondly, although interviews can yield a large amount of information efficiently, participants may be unwilling to answer questions, or could do so dishonestly in some cases (Marshall & Rossman 1989:83).
The interviews were designed to work on two levels – both as biographical interviews with co-operative members, and as a form of expert interview (Flick 2006:165) where the participant was assumed to be an expert on their co-operative. Therefore the objects of interest are both the participant's experiences themselves, but also their perceptions of how the organisation works as a whole. The participants also acted as informants (Alvesson & Ashcraft 2012:247) and suggested who to talk to about particular aspects of the co-operative (usually history or finance).

5.4 Analysis

The technique used for analysing the data is a “thematic analysis” (Liamputtong & Ezzy 2005:265) whereby themes and analytical categories are identified during the data collection and analysis process. This is similar to approaches in grounded theory, with the difference being that theoretical sampling was not viable for this study (Liamputtong & Ezzy 2005:265). This approach was chosen because in this study the interactions between co-operative structures and working life are likely to be too multifaceted and complex to be formed into hypotheses for a purely deductive approach. Analytical categories and concepts often only become clear during the interview process itself. As shown in the literature review chapters, the findings of previous empirical research, and the approaches of different theorists, vary widely. The interviews are not designed to test and verify a pre-existing theory but instead to generate data in order to allow the formation of theories, with the existing literature acting as a starting point for inquiry.

Thematic analysis involves breaking data into categories through coding interview data. Interviews were first broken down into topical categories related to the questions asked (such as “discipline”, “democracy”). These could then be subdivided into small categories, giving an idea of what each participant said (such as “view of other members discipline”, “effectiveness of meetings”) and their responses coded. The overall object of the analysis – experiences of co-operative life – is very broad and so breaking down into a series of categories and subcategories was important to make sense of an otherwise very disorganised dataset. Each participant's responses were recorded in the tables in rows for each subcategory. This allows for easy comparison between the responses of different participants.
This form of analysis was chosen for two reasons, which also explain why alternative analytical approaches were not used. Firstly, it allows for the inherent problems of the sampling method used for recruiting participants since it can accommodate diverse perspectives but does not require the active location of new participants or the performance of repeat interviews as theoretical sampling might. It also suits the range of participants since content analysis and closed-coding methods which attempt to quantify qualitative data by recording the frequency of different codes (Kellehear 1993a; as cited in Liamputtong & Ezzy 2005:260) would be unsuitable for this method of data collection because not all participants discussed every issue. It would also be difficult to identify categories before coding which is generally required for this approach as the open-ended responses of participants cannot be predicted and, whilst posing interesting questions for subsequent participants, cannot be applied retrospectively. Secondly, although discourse analysis around co-operatives has the potential to offer a particular set of findings, the dataset is not rich or varied enough to make this mode of analysis viable, and the objective of the study is not to examine how members of co-operatives construct their experience of the phenomena through language (Liamputtong & Ezzy 2005:262).

5.5 Ethical Considerations

Although there are no vulnerable participants in this study, the research raises some ethical issues since the participants could be placed in situations where they are vulnerable, for example if interviews were not well anonymised. The most pressing concerns the security of participants, who were given the opportunity in these interviews to pass comment on their colleagues and workplaces. Should their comments be made public, their personal and workplace relationships could be jeopardised, and they could risk losing their jobs at the co-operatives. It is likely that other members would know who has been interviewed. This issue was avoided by removing names from the interview data, ensuring that specific comments could not be linked to one another in order to build a profile of different contributors. This is part of a technique, designed to aid anonymity, of “combining various parts of different participant's responses to make a composite picture” (Lincoln & Guba 1985; as cited in Liamputtong & Ezzy 2005:42). For example, a sentence such as “one participant, who worked in the transport department, said that….” would be inappropriate as the identity of this
participant would be made clear. This approach includes using gender-neutral pronouns. The names of the co-operatives were also changed. This is not a perfect solution as the identities of the co-operatives, and possibly of individuals, may become apparent from the things that were said, such as the histories of the co-operatives, or an individual expressing a belief which they are well-known for holding (Flick 2006:50). The former is particularly likely due to the relatively small co-operative sector, and the high degree of networking between co-operatives. This risk was emphasised on participant information forms (see Appendix 1: Interview Forms for Participants). As an extra safeguard, recordings of the interviews and transcripts were destroyed once they had been analysed.

Informed consent is important for ethical research (Flick 2006:49) which involved a “Participant Information Sheet” and a “Consent for Use of Interview Data” form (see Appendix 1: Interview Forms for Participants). In the context of interviews taking place in workplaces with English speakers, signed consent forms are an appropriate approach, and there was no need to obtain an additional verbal consent. All participants were in a position to consent voluntarily (Flick 2006:49). Consent forms were not signed, and recording did not begin, until the researcher was satisfied that participants had read and understood the participant information sheet, and had an opportunity to ask questions about the research. The signed forms were kept separate from the interviews by using a parallel set of randomly generated numbers alongside the sequential participant numbers used to identify the interviews which were assigned to consent forms. The list of these numbers was kept privately by the researcher and the consent forms were pre-labelled. This ensures that the consent forms, which name participants, cannot be linked to any particular interview by anyone except the researcher.

All participants were required to sign a consent form before and after the interview had taken place, and had the option to withdraw their interview from the dataset to a deadline several months after the interviews took place (Hesse-Biber & Leavy 2011:101). This was designed to give participant the option to redact statements made in haste upon reflection. No participants chose to withdraw from the study. Participants also had to consent separately for direct quotations to be used in the research, but no participants chose to refuse this consent.
The second ethical consideration is that of reciprocity (Marshall & Rossman 1989:69), with the objective being that the research performs some kind of social good (Murphy & Dingwall 2001:339; as cited in Flick 2006:46). At each co-operative, a participant requested a copy of the finished study to be sent to the company, and some requested personal copies to be sent after completion. It is possible that the participants may find the findings to be useful, for example in seeing how other co-operatives operate and what problems are faced, or to see how others perceive their own firm. Participants were not paid or otherwise remunerated for their interviews, which took place during the working day. The interviews had to take place at that time and place for the convenience and privacy of participants.

The study received approval from the University of York ELMPS Ethics Committee in September 2013.

5.6 Conclusion

This chapter has outlined the methodology used for the empirical research presented across the rest of thesis as a qualitative study based on interviews with co-operative members presented within case study co-operatives. This method of research has been justified as an appropriate approach to the research questions since it allows an appreciation of the subjectivity of working life as well as individual members' perceptions of the co-operatives where they work, and allows a large amount of data to be drawn from a fairly small sample, providing a firm basis for analysis and application to the questions from previous chapters.

The chapters which follow collate the interview data from each case study to present an account of work at each study focusing on the history and formation of the co-operative, the organisation of work and the level of flexibility and autonomy, the effectiveness and value of democratic management, and the financial situation of the co-operatives.
6
Wholefoods A - A successful firm run as a co-operative
(Case Study 1)

6.1 Introduction

This chapter introduces the first case study, a successful medium-sized co-operative of around 16 members operating in the wholefoods retail and wholesale sectors – which have a comparatively high density of co-operative firms. This co-operative demonstrates the operations of a medium-size co-operative, alongside the Printing Co-operative, and one in which the work could be seen as low-skilled, alongside Wholefoods B. It is also unique amongst the studies here in that it is a private limited company undergoing conversion to co-operative status through buying back shares from members previously issued as sweat equity.

The chapter first describes the dataset. Various findings from the interviews are then presented, first focusing on its history and structure.. The chapter then examines the organisation of work, in terms of flexibility and control, and looks at the way that decisions are made, including the effect of democratic management. The chapter also examines effect of the ongoing transition from private shareholder ownership to a co-operative legal form and the reasons for the success of the firm. It concludes with a brief summary of the findings, which, as in all four of the case study chapters, are based on the collations of interview responses.

6.1.1 About the Dataset

Data was collected through a day of interviews in July 2014. There were five participants from this co-operative, with around 16 members, comprising around 3½ hours. Participation was organised by the co-operative by volunteering from the workforce. One participant was interviewed spontaneously (with consent) rather than in a formal recorded interview.
6.2 History of the Co-operative

Wholefoods A is a retail and wholesale co-operative which sells wholefoods. It has around 16 members, doing 12 full-time jobs since many members work part-time. It specialises in home deliveries as well as on-site retail and has a substantial warehouse. The co-operative enjoys considerable success, running at a healthy profit and has been able to build and buy its own premises.

The firm was first formed around 25 years ago as a conventional business. It was then bought out fairly soon afterwards by another individual, using some compensation money from a previous incident, and continued to run along conventional lines. The individual who bought the business was unable to manage it himself – possibly due to health issues – and the other employees of the firm began to take an active role in management duties, such as buying in stock. There were around eight other employees at the time. In order to keep the business afloat, considerable overtime was worked by these employees and, given the firm's relatively low revenues, they were paid in shares for this overtime. This began a tradition of worker share ownership. One interviewee described the transition from a conventional to co-operative firm as “organic”, saying that it was unplanned and that at the time, nobody was really trying to form a co-operative. The firm was not a legally-formed co-operative at the time of the interviews, but was undergoing a process of transition to buy shares back from shareholders in order to attain this status. It was however run in the style of a co-operative with no distinction in management decisions between shareholders and non-shareholders (except in rare cases as required by law), and emphasising a co-operative ethos and approach.

Share ownership in the firm, which was still a limited company, continued until around 2002, at which point members were no longer issued with shares. This has raised some issues in the co-operative, as some shareholders no longer work there, and not all workers have shares. However, management remains co-operative in character. Since around this time the firm has been trying to become a co-operative, which involved buying back the shares from the current shareholders by issuing a dividend each year. This has caused tensions within the co-operative as it means that some members receive both their pay and a dividend on shareholding, whilst other members never had the
chance to obtain shares. Given the success of the company, the shareholding is worth a considerable amount of money.

Even as a conventional firm with worker share ownership, there was evidence of co-operative values. The nature of the products sold – viewed as ethical, which the members take pride in selling - perhaps fosters this. Members were more interested in running a business which they felt was ethical and social than forming hierarchies of control within the firm. As an example, the firm has always implemented one-member-one-vote systems of governance (where legally allowed to) rather than controlling affairs through the number of shares owned. Participants suggested that in essence, this mirrored the management style of a legally formed co-operative with shareholding, or lack of shareholding, having no real impact on the ability of members to influence the decision-making process.

6.3 Organisation of Work: Flexibility and Control

Work is organised into departments based on a particular job. There are no heads of department or other formal hierarchies. Members are encouraged to learn new skills in order to add some redundancy to the workforce, and where possible the co-operative seemed eager to accommodate people's preferences for work and to offer them the chance to learn new skills. Some interviewees worked in just one department, others did almost every job in the co-operative.

However, there were some questions about the relationship between co-operation and task rotation. One member suggested that it was a characteristic of most small businesses, whilst another suggested that moving through the company by doing different jobs was akin to promotion in other firms, encouraging people to work hard and take on responsibility. Seniority had no impact on pay, which is a flat structure. It was suggested that the role of peer pressure was important in ensuring that people take on responsibility for difficult or less pleasant tasks, and that people would not be viewed favourably by other members if they only wanted to work in the easiest roles. One issue particularly key to this is that because everyone has opportunity to work in a particular role, there is a sound understanding of the nature of that type of work – people know, to take one example from the interviews, that driving is a far more taxing job than might
first appear. This has an important role in building empathy, fellowship and solidarity within the company, and allows for compromises to be made in allocating work, such as alternating the long and short driving routes to ensure that everyone shares pleasant and unpleasant work equally. There was a general sense that the more people know about how the co-operative operates, the better off the company will be. It was also stressed that members are free to work in one department only, and many do, either because they learn skills which take time to acquire, so become a considerable asset in their department which cannot be replaced, or because they choose not to try other jobs.

The overwhelming theme of the interviews was that the co-operative was a good place to work, and that there was a sense of solidarity that existed within the workplace. It was described as a “social” organisation. Several members discussed the flexibility of their work – being able to move hours around easily to accommodate childcare, for example. As opposed to task rotation, there was a strong sense that there was a linkage between co-operative management and flexibility for individuals – one individual who worked particularly strange hours did not think they would be able to work in a conventional firm because no boss would allow them these hours. Members stressed that they valued this flexibility very highly.

The theme of reciprocity was a common one – interviewees typically said that the collective members would try hard to accommodate each other provided the favour was returned. This made it possible to accommodate both long-term commitment and short-term emergencies. Goodwill, it was suggested, is engendered by co-operation. This appears to account for the discipline in the firm as well – people seemed to appreciate the idea that they had a responsibility to work hard and give all they could to the firm in order to enjoy the benefits of this mode of work. Members would be happy to accommodate hard workers. Nobody, however, thought that people were pushed to work too hard or give too many hours of their time for the most part.

There are also links between the flexibility of the workforce and the success of the business. The level of shared skills offered by task rotation means that people can cover for one another easily, so someone taking time away from work does not generally cause part of the business to stall. The success of the business was also often put down to its flexibility when dealing with customers – the fact that there are no “rules” about
how things should always be done means that staff can use their discretion to keep customers satisfied. Staff’s dedication to their role was important and this could not be achieved without co-operation – people work harder because it is a co-operative, according to one member, and another argued that people like to go a step further for the customer because they feel their contribution to the company matters, and have pride in the co-operative. “Social” membership was reported to have a good effect on productivity.

Staff turnover was remarkably low – the interviewees had worked at the co-operative for 8 years at the minimum to around 20 at the maximum. This relatively long job tenure appeared to be the norm for the co-operative. Some members had left the firm fairly recently, and this was to start their own businesses or self-employment. One member left his role for university and was able to return to the co-operative afterwards, suggesting a high degree of job security. This was generally put down to good relationships within the workforce, which allows people to feel supported and allows them to feel secure enough to work flexibly for both themselves and the business. One example of this was the ability to take time off without using up leave by switching shifts and ensure that other members covered work. Again, this could not be done without a high degree of shared knowledge within the co-operative allowing members to cover for one another easily.

However, there was a more negative side to the issue of job tenure. It was suggested that many people left fairly soon after joining because they could not work with a “free style of management”. There was a very strong emphasis by several participants that co-operatives can only work with the “right kind of people” and that many people cannot work in those conditions, especially those who have only previously had what one member called “proper jobs”, meaning traditional hierarchical workplace relations and needed to be given instructions by managers. This suggests a fairly polarised picture of job tenure - either long term (at least five years, often far more) or short term (1 year or less) with little middle ground

The fact that people saw their membership as a long-term commitment gave them strong bonds and shared objectives with other members. Those with a more short-termist approach generally do not fit in at the co-operative as they do not share the idea
of it being, in the words of an interviewee, “our business”. This allows for generally like-minded individuals who share a common purpose to work productively together and solve problems by deliberation and discussion in the absence of hierarchical authority. The long job tenure means people form deep relationships with one another. One factor particularly important here is the equal pay. There is a completely flat pay scale (except for shareholders' dividends) based purely on hours worked, and this means that there is a sense of equality and an acceptance of the idea that everyone puts in all they can, and is deserving of pay, even though some people might be better at their jobs or be able to put in more effort than others. Under-productivity and poor discipline at work is therefore not a systemic problem as people realise that they have to take responsibility for the business if they are to have a job to come back to the next day. It was suggested that co-operatives attract those who do want to take on responsibility for their own future and are good at sharing this responsibility by working in teams.

Poor discipline has been a problem historically, with members taking advantage of a very generous sick pay arrangement which gave a strong incentive towards free riding as members received very high pay whilst being off work for far longer than is legally required. The members collectively made a decision to cut back on the sick pay benefits – which are still far more generous than the required minimum – but were able to compensate this with other bonuses such as bank holiday pay. There have been a few dismissals but these and formal verbal warnings are very rare. Such warnings are given by personnel officers, who can only react to complaints made by other members and therefore are not an authority in themselves able to root out poor behaviour. Discipline is therefore maintained fairly informally through “having a word” where necessary and through strong institutions of solidarity and mutual respect, with the idea being put forwards that people are looked after well by the co-operative, so take the time to look after it. This sense of solidarity was epitomised by one participant's perspective which was that working hard to maintain the co-operative was important not just for the individual or their current colleagues, but also to ensure that the co-operative survived to offer benefits for future generations of co-operators. The sense of pride, ownership and responsibility of and for the co-operative was extremely strong.

The size of the co-operative is also important in terms of discipline. With regards to expansion most members suggested that the current size was something of a “sweet
spot” - any smaller and the co-operative would be overworked, sacrificing quality of life in order to make enough money to survive. If it was any larger, however, there would be more free-riding as the moral incentives towards good discipline and hard work would start to become more dilute and diffuse.

6.4 Membership and Democracy

The decision-making process at the co-operative is based on general meetings of all members, held every few months, and meetings every morning at which, where possible, every department is represented. There is also a considerable amount of decentralised decision making for day-to-day business, in which members ask their peers for ideas. For this reason, nobody suggested there were any issues in dealing with external suppliers or clients – the lengthy decision making process seemed to apply only to internal decisions. Decentralised decision making also empowered individual members to an extent, as without any hierarchical authority people are forced to take responsibility for their own actions. One participant said that provided the decision could be justified, it would not matter if it turned out to be a mistake, and another emphasised the importance of decisions made being “our decisions”, regardless of outcome.

There are, however, some problems with this mode of organisation. In particular, it was suggested that agreements made in meetings, such as working allocations for the day, are often not adhered to, resulting in an occasionally chaotic working environment. It was suggested that in the absence of anyone to enforce decisions, people can “forget” decisions (although it was not clear from the interview whether this forgetfulness was genuine or wilful). It was reported that at times, people can overstep their remit, but that this is not a common problem. Previously there were problems due to there being no established system for working practices, and therefore breakdowns in teamwork and communication. This became clear when the business was computerised, but since then the system of work has been “tightened up” in order to streamline work and improve discipline. However, some resistance to this process was reported, as it would begin to undermine the (politically) anarchic nature of the co-operative. Hierarchical management was tried, briefly, but was found to be inflexible and inefficient.
Participants all reported that the decision making process takes time for “big” decisions – usually large business decisions or ethical decisions, which are common given the nature of the products sold. However, participants agreed that the slow decision making, although “frustrating”, did not present a problem. It was argued that the time taken up by meetings and debate was worth the flexibility and control it offered. Specific meetings are called to discuss particularly big issues, and members are encouraged to prepare written statements in order to encourage participation and discussion. There is a need to for people to “buy in” to decisions through deliberation, which allows for consensus to be reached. The co-operative switched from full consensus decision making to two-thirds majorities as it grew in order to streamline the process, but participants did not report any other consequences of this switch.

The participants were asked whether or not they thought that everyone had an equal say in the co-operative, and agreed that whilst everyone has the opportunity to contribute, some people have far more to say about issues than others. This was generally attributed to differences in personality rather than any other factor – some people are more confident than others in meetings. Nobody reported that any particular department or group appeared to dominate the co-operative (with the only major division being that of shareholders against non-shareholders), but leaders emerge based on personality and willingness to participate and take on responsibility. As a result, people have equal say in big issues which are voted and debated on but in day-to-day affairs some people might be happier not burdening themselves with responsibility.

Clashes in meetings are reported to be generally personality rather than work based, but the process appears to be able to contain disagreements. Extensive debate and discussion was generally cited as key to this – one member said that polls were taken before and after discussions, and it was very common to see people changing their minds about issues when they have been discussed. This suggests that people have a strong dedication to the co-operative consensus-based ethos and are prepared to question their ideas when they hear the perspectives of others. As noted above, task rotation could be particularly useful at building empathy and understanding between workers. One participant said that the process of meetings shifts the focus of decision making from the individual to the business as a whole.
The importance of access to information was also mentioned – members appeared to trust the assessments of other department (for example, financial projections), and access to information was valued as it allowed people to take full advantage of the democratic process. There was little evidence of apathy, although some people did not like to shoulder the responsibility of decision making.

6.5 Finance

As mentioned above, the co-operative has been in the process of buying back shares from shareholders in order to become a co-operative and be owned entirely by members with a nominal £1 shareholding. Responses to this issue from the interviewees were mixed. Some were enthusiastic about the transition – one shareholder was optimistic that the firm would have requisitioned all the shares in the next two years, and saw the shareholding as a fair reward for work done early in the co-operative's formation which was not remunerated at the time. Others were less optimistic, and far more cautious about the rate at which shares could be bought back. Typically, as might be expected, shareholders reported less disagreement on the issue than non-shareholders, and were far more optimistic about the transition. It was felt by members who saw the buy-back as an issue that the problem had been fairly well contained within the co-operative – nobody had left over the issue, nor were there deep-seated divisions. The main problem appeared to stem from the fact that the issue had dragged on for a long time – a number of years - rather than being resolved quickly via a bank loan to buy the shares and give a definitive answer to the problem. One interviewee suggested that it would have been better to borrow money to buy all the shares quickly, and take full control and ownership of the co-operative at once.

The buyback process caused tensions in the co-operative on two other fronts. Firstly, as previously mentioned, there is some dissatisfaction over the idea that some individuals get a bigger reward than others. The shareholders have attempted to mitigate this by donating a proportion of their dividend back to the firm again, of their own volition. A second tension arises from the fact that some feel that previous workers who still own shares are still being paid despite not working at the co-operative, and could in theory intervene in its affairs. It should be noted that there was not much fear of such an intervention as it was felt the co-operative was being run well enough.
It appears that the former workers were fairly eager to relinquish shares and move on from the responsibility of shareholding in the co-operative. The price agreed for shares was high, favouring the business. Again, it seems that the importance of maintaining co-operative values outweighed the economic gains of continued share ownership – nobody wanted to become rich from the work of others. The process was therefore supported by both shareholding and non-shareholding members. Shareholding members did not want to see a continued division of the workforce along these lines, as it goes against the ethos and principles of co-operation, and gives those outside the co-operative the potential to intervene. There were some initial issues of trust at the start of the process – shareholders were reluctant to give their shares back to the co-operative without assurances that they would be paid off, so there was a need to buy back the shares before obtaining full co-operative status.

A common theme in the interviews was an optimism for when the co-operative would be fully worker-owned and the profits being used to buy back shares could instead be used for higher pay. It was generally felt that the community of the co-operative would be improved by full co-operative ownership – people wanted to own and run the business they worked at, and the buyback would therefore enfranchise non-shareholder members. Even the least optimistic participants suggested that the full co-operative status would remove any ill-feeling as a result of the process.

The co-operative has been able to finance its own expansion without taking out loans (excluding mortgages), with an exception soon after its original buyout where a member contributed some money, although the details of this are unclear. The issuing of shareholdings rather than pay perhaps accounts for this. Expansion has been funded from the profits of the co-operative, which are substantial. The mortgage on the new premises was paid quickly and ahead of time. One interviewee thought this might be because the members generally do not like banks for political reasons so wanted as little to do with them as possible, and did not want interest payments to banks dominating the affairs of the co-operative. This has created a strong motivation in the co-operative for reinvestment – as mentioned below, members typically took a very long-sighted view of the co-operatives financial affairs, allowing for expansion through investment of surplus. However, the comparative levels of investment compared to other firms and the exact investment strategy remain unclear, as the data collected did not include detailed
Members generally attributed the financial success and associated longevity of the co-operative to its flexibility, and to a convenient size. It is flexible in terms of the fact that it can easily adapt its service to meet the needs of different customers. Some participants suggest that this was linked to non-hierarchical management as it allows members to use their initiative rather than following set rules; others suggested it was linked to the company being a co-operative as it meant that members had an incentive, such as pride in the company they feel they own, to go further for customers. Some participants were shareholders, others were not, but this did not appear to have an impact on a sense of ownership, even if ownership in legal terms was not present. Size was another factor attributed to the success of the co-operative: it is small enough to be flexible and relatively unstructured, which means it is small enough to avoid competition with some much larger firms in the same sector which cannot deliver the same level of personal service. It is, however, large enough to buy in bulk – owning a purpose-built warehouse is an important factor here.

6.6 Conclusion

This case study was one in which the participants showed a high degree of convergence in their responses. The value placed upon the co-operative mode of management was shown throughout the interviews, and the role of self-management and the combination of flexibility and security that this offered was reported very favourably. There was a fairly universal optimism about the move to a fully co-operative structure of ownership, and it appears that the functioning of the company is unlikely to change in this transition but instead the transition will defuse tensions based on unequal distributions of income which some might see as unfair, and remove the threat of shareholders taking control, although this was not raised as a major concern by participants.

The co-operative is one of the success stories of the movement, showing strong financial success and longevity. However, there is a question of whether or not it faces large amounts of competition and the extent to which it has been able to create a niche for itself by offering different services than potential competitors such as supermarkets, and being able to compete on quality of service and product range rather than on price.
The next case, the Printing Co-operative, shows similar resiliency but in a very different sector – where wholefoods is expanding, printing is declining in importance.
7
The Printing Co-operative - Survival in a declining sector
(Case Study 2)

7.1 Introduction

The Printing Co-operative, alongside Wholefoods A, is a case study of a medium sized co-operative, but is one in which there is a skilled workforce which operates in specialised, divided roles. It is one of the oldest co-operatives in the study, and demonstrates the development of the firm from radical origins in the 1970s through to the present day. Although it has been a successful firm, surviving a number of decades, it is threatened by the fact that the printing sector generally is in decline as digital media comes to replace traditional printing material. However, some aspects of printing, such as art books, still remain a key part of the firm and present opportunities for profit.

The chapter first outlines the dataset briefly, then discusses the history of the co-operative, in particular focusing on the way it has been able to develop. No participants were at the firm at its inception which makes accounting for its history difficult whilst maintaining anonymity. However, what is clear is that the firm has been able to survive various crises, both internal and external, including recessions and politicised factions within the co-operative. The chapter then goes on to examine the organisation of work, the perceived costs and benefits to working at the co-operative, and the role of democratic management, before examining its financial aspects, in particular its response to the 2008 financial crisis and recession. The findings are summarised in the conclusion.

7.1.1 About the Dataset

The data on The Printing Co-operative was obtained during a day of interviews in late June 2014. There were five participants altogether from a total membership of 12, with interviews totalling around 3½ hours. All interviews were arranged on an ad-hoc basis on the day of the visit by a member of the co-operative (who was also a participant) who attempted to ensure that various departments were represented based on volunteers.
7.2 History of the Co-operative

The Printing Co-operative was first formed in the late 1970s as a community press and radical co-operative aimed at job creation. It was financed from a range of sources including philanthropic investment and co-operative support funds such as ICOF. At first, with the emphasis on taking on unemployed people being the main priority, the co-operative was able to develop through sweat equity and low pay, along with good relationships with landlords and suppliers.

At the time of the interviews it had 12 members, having shrunk from 14 members before the recent recession, and has at times been larger with around 17 members. The printing sector in which the co-operative exists, in contrast to Wholefoods A and B, is a declining sector, with the market increasingly shifting towards digital media and with rival services being able to offer cheap, low-end printing. With the decline of the sector, there are also problems with firms about to go out of business undercutting other competitors in order to recover some losses, leading to a strong downward pressure on prices.

The co-operative has retained its focus on printing and design, and has moved premises several times in order to allow the development of its services. It focusses primarily on high-end printing, such as art books, but also provides print and design services to many co-operatives and social groups as well as those within the private sector. Around 20% of the client base is other co-operatives, and the co-operative offers some preferential terms to similar causes. The co-operative has tried to be as socially responsible as possible, for example by making a commitment to using recycled materials and non-toxic inks, and has also tried to build links with the co-operative sector by buying from them where possible.

7.3 Organisation of Work: Flexibility and Control

The co-operative underwent a shift from a task-rotation based model to a model based on teams (design, printing, production, finance etc.) as the co-operative developed and the work became more skilled. The work in this sector is highly skilled and requires specialisation of the labour force. Many of the participants came to the co-operative
because they had skills and interests in the design and print sector, rather than wanting to work at a co-operative, although the idea of the co-operative was generally appealing. The exception to this is that one participant with a history of co-operative membership actually took a pay cut to move to the co-operative, on the basis that they wanted to shift from one job in the sector to another.

However, task rotation is still encouraged with one participant saying that there is a strong encouragement for people to try to learn different skills and be able to do more jobs as it is beneficial to everybody if there are more skills in the co-operative as it allows for some redundancy to fill in gaps when people are away. However, the highly skilled nature of some of the work limits this. As well as the opportunity to do more jobs, many of the members also have additional roles, such as taking responsibility for the environmental impact of the business, which can give members the opportunity to employ a particular interest or skill set at work alongside their main job.

Members suggested that they had autonomy over their own working practices, provided output was good, and that they exercised a lot of control over the organisation of their work. Although members have contracted hours and times, these are very flexible. Members emphasised the flexibility of their working hours and were able to take time off or finish early for childcare responsibilities. Participants without such commitments thought that they worked well for members that did. Several participants had other jobs outside of the co-operative – one for pleasure and interest, another for extra income. The system at the co-operative is that no more than two people can be out of a department at any one time, and therefore communication and organisation are key. It was suggested that being a co-operative helps hugely with this as democracy, openness and communication are key to the model, so people are able to work out what others want to do and try to accommodate one another. It was argued that cutbacks and redundancies in other firms would make this flexibility difficult in other firms, and that one of the main differences between working in a co-operative rather than a conventional printing firm is that workers have not been laid off despite the decline in the sector. In the printing department, it was argued that a lack of staff meant that work was far less flexible than in other departments. Other members were more sceptical, arguing that workplaces have generally got more flexible over the last 25 years and therefore the flexibility might not be closely linked with co-operation. It was suggested that members
on occasion take advantage of the responsibility to keep their own hours, but that this was not a problem and in fact it is helpful to have a system which is not too strict. This sentiment was echoed by other members who suggested that there was no need to “look busy” and that there was no “infantile” culture of working to impress a boss, with instead the focus on personal responsibility.

The co-operative was also said to have performed well in terms of treatment of members, such as offering better maternity and paternity benefits than legally required to do, and that the culture was to try to do better than the minimum standard. Members are also free to take a sabbatical after four years of membership, allowing some members to pursue interests outside of work which could help with progress towards other employment, such as long courses. Workers have matched-contribution pensions, which were briefly suspended.

The participants placed a lot of significance on personal responsibility, and this is reflected in the style of management which is non-hierarchical. People therefore have to be motivated to work well and act professionally. Because there are no individual pay rises or promotions, there is a real emphasis on collective working which makes everyone take on the role of a manager, and there is no division or envy over pay. Everyone has access to information about what is going on, and this, combined with the small size of the co-operative, means that people have an incentive to work hard, since other people would notice if they were not. These two sets of incentives reinforce each other – to succeed, everyone must work hard together, and nobody wants to be the member who is holding everyone back. Therefore, a lack of individual incentives can still encourage good working practices. Most new members are encouraged to attend courses on co-operative work (hosted by Co-operatives UK) in order to get a good understanding of how the system works.

7.4 Membership and Democracy

Workflow is organised by two members, but it was argued that this is facilitating people’s work rather than trying to control it. The system is therefore based on success – if the system works, people will respect the authority behind its implementation, and there is a need to demonstrate to members that following the system (e.g. for ordering
paper) is beneficial to all.

There have been issues of discipline in the past but not at present. Participants suggested that the co-operative system is able to handle these issues because it is up to the people who work with “troublemakers” to deal with them by discussing the issues at hand, rather than trying to do it indirectly by discussing the problem with their boss or manager. It was argued that having a boss or manager wouldn't make the problem any easier to deal with, but would make the solution “less skilled” as there is value in working together to resolve problems and work through tough times together.

The co-operative is run on a one-member-one-vote system, and, since it takes the legal form of a co-operative business, all members are directors of the company. All participants valued the democratic process highly, with one saying that it was “worth a few hours a month”, and another arguing that “people think it's a problem, but it's not”. One member suggested that it provided freedom for members to control the direction that the company went in – if a member had an idea it was up to them to present it to the rest of the members in a meeting and make the case for it. This also makes the co-operative highly adaptable as any member is in a position to bring forward ideas based on their experiences. However, some members expressed frustration with the process when they are unable to convince others of the value of their ideas but suggested it was because suggestions were not good enough, showing an interesting deference to the democratic process. Another member suggested that it was a problem on occasion as the co-operative lacked a strong sense of direction with decisions “going around in circles” with nothing getting done. Overall it was argued the many changes in the way that the co-operative functions since its creation show that the system is adaptable and flexible, and as with most other case studies, the profitability and survival of the company were held up by participants as evidence that the democratic mode of management works, although another member suggested that splits and poor management in the co-operative in the late 1980s left it briefly insolvent.

As with other case studies, personalities were mentioned as a key division in debates, with some members louder and some quieter in meetings. Over time, however, it was suggested that members become more vocal as they get more comfortable with the process. It was also suggested that debates were thorough enough that more vocal
members did not really affect the decisions made, but it was suggested that this will make some members feel more in control than others and that some members do have more of a say as they are more willing to present ideas and speak up. One participant suggested that small cliques have formed in the co-operative at times which mean that some members were able to band together and exert more control, but these have always been transient alliances of members with similar interests, and there have been none that the participant noticed for many years.

Another key division is between different teams especially production/non-production workers. It was argued this was accentuated by the design of the premises which put the printers on a different floor to the rest of the members. Members differed as to whether or not a cleavage existed between these two groups. Some argued that the division did not appear at all, even though when the co-operative moved to this premises it was expected. Another participant suggested there was a division but it was fairly insignificant, stating that different departments will have rows but that it was not a problem. Another participant suggested that these divisions did exist but were not about “someone getting their own way”. The issue was suggested to be a class or cultural division of hands-on work versus office work rather than to do with grievances between departments. However, because any divisions are not “contained within a repressive hierarchy”, they come out into the open and therefore people's attitudes become clear. This is something to be mitigated since poor management has led to splits in the past, mostly based on politics. Several members mentioned the role of politics in the co-operative. The co-operative was initially set up as a political project, and the motivation for many members, especially early in the co-operatives formation, was a political one. One participant suggested that this political drive had reduced over time, and that new members are needed to bring new dynamism to the co-operative, with new ideas. Another suggested that political divisions between different groups (anarchists, feminists, socialists etc.) as well as an office vs. shop-floor dispute had led to the significant problems previously mentioned which left the co-operative insolvent. However, this occurred in the late 1980s and has not been a problem since, perhaps due to changes in working practices which made members more productive (although the participant emphasised that the problem was inefficiency rather than people not working hard).
Members emphasised the idea that co-operative behaviour is something which is learn through working in these organisations, and therefore the structure and form of the democratic process in the co-operative is important. One participant emphasised the importance of regular meetings, arguing that even weekly meetings are often not enough because not everyone will be able to attend every meeting. It was suggested that democratic decision making breaks down in other co-operatives because they meet less regularly and therefore people are left out of the process, meaning that decisions made at one meeting are overturned or debated again at later meetings when the previously absent members are present, which leads to very slow decision making, and decisions not being made at the right times. Decisions are always put to a vote, and people have to learn to compromise and accept consensus – it was suggested that members typically represent opposing opinions and then debate until a compromise is reached. A member theorised that that as other companies, and society in general, do not work this way, it was difficult for new members to work out how to function in an environment where they are responsible for their own decisions – people still “don't get it” and use phrases like “what you should do is...” rather than “what we/I could do is...”. As a result chairing and structuring meetings well is important, so everyone can have a chance to contribute and exercise this responsibility.

Some members said that in the past there have been problems with people not turning up to meetings, with one member suggesting this showed a “lack of interest and respect”. It was also suggested that poor attendance at meetings in the past could have been due to the existence of cliques, and that this was no longer a problem, to do with the size of the co-operative (which used to be bigger), or to do with old shift patterns which were not very accommodating. Another argued that especially with smaller decisions, members can take a very casual attitude to the process, but that people took major decisions, such as investment decisions, very seriously. Most participants put forward the idea that taking the initiative, making suggestions and working them through at meeting was a responsibility of membership, not a right.

7.5 Finance

Financial information about the company is accessible to all members so that business decisions can be discussed. Members valued the access to information, suggesting that
hearing about problems through meetings is better than hearing about redundancies as they happen. Access to this information also helps the members to work together, because they can see how their work benefits others (rather than a boss). The financial knowledge present in the co-operative is important, in particular having a good accountant who can make the accounts accessible for everyone.

Pay at the co-operative is equal and hourly, with some shift bonuses, and with no dividends distributed. This also applies to the cleaner, who is not a member. It was suggested that better pay is possible in the sector, but not enough to make it worth leaving as higher pay at a conventional firm would mean a less relaxed workplace. Some member suggested paying a higher wage presented problems – because there were so many members on a good wage, and that the co-operative is overstaffed, prices have to rise. However, the member also suggested that they would not want to make anyone else leave the co-operative for higher wages. Other members disagreed arguing that the prices are competitive, with the wage bill about the same as would be expected in a conventional firm, but distributed more equally.

The co-operative has been able to expand from surplus and from loans. They have borrowed from a range of sources including the Industrial Common Ownership Fund (ICOF). According to participants, they have not suffered different treatment from loan providers because of being a co-operative, but had to pay high rates of interest on new equipment due to the high fixed rates inherent to specialist asset finance. The co-operative has chosen not to go down the route of issuing withdrawable share capital in order to invest, and this was put down to a culture within the co-operative of finance through debt (it was recognised that co-operatives in general struggle to raise capital). The premises are leased rather than owned, as tying up money in assets not at the core of the company goes against the principles of the business. This means that a lot of the value produced leaves the co-operative as interest and rent – this was linked by the participant to a fundamental problem of lacking capital in a wider capitalist system. Historically, the co-operative has reinvested around two-thirds of surplus and used the remaining third to enhance working conditions or raise pay, although at times this has been closer to a 50/50 distributions. This was framed as a fairly conservative approach (although this claim is impossible to evaluate without comparative quantitative data from this and other firms) with plenty of surplus retained as people realise that in order
to sustain the co-operative it needs to be financed in the long term. It was suggested that in non-adversarial workplaces owned by the workers, the attitude is generally medium to long termist rather than a short-term focus, and that long job tenure helps with this, but can also make the members a little complacent and risk-averse. Participants shared the view, stated by one member, that there was “no point chucking surplus into wages”. Wage reductions are very rare, as this goes against the mission of the co-operative to provide good jobs for people, especially as wages are fairly low anyway, and in boom years the extra surplus is generally used to pay debts rather than bonuses.

It was argued by one participant that expansion was the wrong way to look at the business, and a better word would be development, as the co-operative does not need to get bigger in order to become more productive. Investment decisions are made democratically but one member argued that such decisions are not made on-the-spot but are the result of a long-term process of development – the firm has been building up to expansions or developments for a long time, and the decision to invest will always have financial consequences. Therefore the idea of a trade-off between development or higher wages is a false dilemma, as decisions have already been made, so collectively the co-operative cannot decide not to take out a loan after it has already made the decision to buy new assets. However, there is a general tension between development and income, fuelled, among other things, by individual financial pressures on members.

The co-operative experienced a downturn during the 2008 economic crisis. During this, two members from the printing department left the co-operative, and there was a pay cut around 2010. Participants reported this in different ways, some attributing the members leaving to redundancies, others stating that members left voluntarily, arguing that members put themselves forward for redundancy when needed. Overall it was argued that the co-operative was a “pretty safe place to work”, and that most departments have more members than is necessary as there is no “slave driving”. It was also suggested that no more redundancies could have taken place as this would jeopardise the future of the firm.

These decisions were made democratically, and with everyone having access to the accounts of the firm, it was possible for people to agree to the pay cut. It was suggested that having equal pay also helped to soften the blow of the pay cut as members did not
feel that they were losing out compared to others. The pay cut was a short term decision with a return to previous rates expected.

7.6 Conclusion

The Printing Co-operative has a long history which involves periods of success and periods of crisis, but the co-operative form has been able to survive throughout, and the business remains deeply committed to co-operative values, working with other firms in the sector and continuing its democratic style of management. The individual participants also placed great emphasis on the co-operative values present at the firm and argued strongly in the interviews for the co-operative model from both an ideological perspective and in light of the instrumental benefits realised at this case. This include increased job flexibility in the short and long run, and freedom from hierarchy and bosses.

Financially, the co-operative demonstrates some key issues around accessing credit, but also shows that this is not necessarily a barrier for development – it has been able to borrow where needed, and uses leases and loans to finance itself through debt where it cannot do so through surplus. It is noteworthy that this attitude to borrowing is different from that at other co-operatives, notably Wholefoods A, where membership was hostile to the idea of money leaving the co-operative in interest payments to banks and creditors. However, this attitude of financing through debt was also seen to be co-operative in character as it prevents the assets of the co-operative being locked into bricks-and-mortar. As with other studies, the long-sighted nature of the members is clear, where they have been able to resist calls to extract too much surplus from the business in wages and bonuses, and instead have been able to retain this money for investment. This can be due to the access to financial information, the professionalism of financial management at the co-operative and the processes of democracy present, as well as commitment to the ideals of the company.
8

The Bakery Co-operative - A small start-up co-operative
(Case Study 3)

8.1 Introduction

The Bakery Co-operative is included in this study as another example of a small co-operative but also as one which is a fairly recent start-up. All of the other cases examined here were founded, in one form or another, several decades before, and as a result elements of the experience of working in a nascent co-operative have been forgotten, and knowledge of the history has been lost as people have left. By visiting a much newer co-operative, it is possible to gain an insight into the challenges faced by a new business in this sector. It is important to note, however, that being a new co-operative it is less able to give indications of what makes co-operatives successful, since its future prospects are unknown. This chapter examines the brief history of the co-operative, with a focus on the motivations for its formation, before going on to look at how it operates in terms of organisation and working practices for employees in different departments (baking and administration), the level of autonomy and flexibility for workers, in particular with regards to the issue of low pay. The chapter will also examine how it works democratically with very small membership, and how it deals with issues of finance. The chapter concludes with a brief summary of the key findings.

8.1.1 About the Dataset

The data for the Bakery Co-operative consists of interviews which took place on one day in August of 2014. There are approximately 1½ hours of interviews from three participants, out of a co-operative membership of five. Interviews were pre-arranged by the co-operative on the day of the visit.

8.2 History of the Co-operative

The co-operative was formed in 2012 and is therefore the most recently formed co-
operative in the study by many years. At the time of the interviews, it was at its peak membership of five, having risen from three initial founding members (one of whom left the co-operative shortly after its formation). The co-operative also employs two casual workers who act as delivery drivers.

The co-operative was originally founded as a way for one former bakery worker to expand into business development rather than baking, whilst another could continue their interest in artisan baking. The product made by the co-operative is described by its members as 'artisan bread' which is labour-intensive and time-consuming to make, but delivers a high quality product. The product occupies something of a niche as there are very few artisan bakeries in the area. The co-operative, like all others in the study, also champions ethical and sustainable practices – in this case, in terms of ingredient sourcing. Baking the bread is a highly skilled process, and to join the co-operative as a baker an individual would need an appropriate background, such as experience as a baker or chef.

The motivation for founding the co-operative in this form was fairly political – the co-operative form was chosen because it lacked hierarchy, and the founding members did not want to be someone else's boss any more than they wanted someone to be their boss. The worker co-operative structure was chosen over other forms (such as CIC or BenCom) due to its establishment as a workable structure. The founding members had experience of other co-operatives, such as housing co-operatives and other worker co-operatives. The existence of the network of co-operatives was also an incentive to choose this form, and the Bakery Co-operative received guidance from other worker co-operatives as well as building up good relationships with Co-operatives UK. It trades preferentially with other co-operatives for ingredients, retail outlets and printing services.

The co-operative has grown slowly but steadily. It brought in a new member to replace the founder who left, and two bakers to work on a 6-month probationary period, as seems fairly standard in co-operative businesses. The slow growth is particularly remarkable as the sector is fairly small and declining, perhaps due to the influence of large firms moving into high-end bread products. Two local bakeries have closed recently. The process of making artisan bread cannot be mechanised, so it is difficult to
reduce variable costs. It has tried to break into a lower-end bread market, with competitively priced products, but did not find that they sold well and instead chose to focus on artisan bread. Participant's motivation for working here was often based on the quality of the artisan bread, which precludes the possibility of making a more profitable product.

Being a co-operative has not hindered the growth of the bakery, which has been able to find local markets, perhaps due to its niche. It has not been an issue with suppliers or wholesale customers, and is well-received by individual customers.

8.3 Organisation of Work: Flexibility and Control

Work at the co-operative is split into two main groups – the administration team and the bakers, although there is significant crossover between these two groups. The bakers have the opportunity to pursue various other aspects of the business, such as selling the product at markets, doing deliveries, and marketing, whilst one of the administration team sometimes does baking, and the other member of the administration team is looking forward to learning baking skills at the co-operative. Therefore, there is a significant opportunity for task rotation which is largely in control of the members who are able to choose the extra jobs they do in the co-operative, and when they are to be done (with the exception of the baking responsibilities, which need to be done at particular times due to the nature of the process). Members valued the opportunity to do these other jobs, suggesting that it broke up the working day. One member argued that the co-operative was not designed or intended to be a formal training centre, and therefore the skills for baking are largely learnt in an apprenticeship-style, on-the-job type of training. It takes several months for new bakers to be productive, but during their probationary period they are likely to be under the informal tutelage of the more experienced bakers. However, this was not equated to working under a boss as members are not told what to do but are able to ask for help and guidance if needed, but the actual process of baking is largely the same as it would be in any other company making the same product. In the bakery section, it is difficult to make work more flexible for members, and at the time of the interviews the co-operative was considering taking on another baker to reduce the workload of the other three.
In the administration side, there is space for more flexibility as the work process is less structured and there is greater redundancy in this department – it was suggested that one-and-a-half jobs were shared between two people, so the jobs and rotas can be organised between them. Both administrators work less than full time (although one has another job), and one argued that they were able to organise their free time effectively to perform various other roles, such as working in community projects and at charities. At weekly meetings people are always asked whether they are happy with the level of work they have. There is a general feeling that the co-operative has the will to provide a more flexible experience for members but at the moment the redundancy does not quite exist to do this – perhaps this is best illustrated by the decision to take on another baker to make the workplace more flexible, and one member even suggested they would accept a wage drop in order to expand (although this would not actually be necessary – wages would just grow more slowly).

Over-working was seen as a problem by some participants, arguing that under-staffing means some people work harder than they should, and that some people become too involved in the co-operative and put more time into it than is necessary. However, it was also described as a relaxed environment in which people did not feel pressure from a boss to work hard. The level pay structure creates peer-pressure, and makes people want to work hard, but generally people enjoy the responsibilities of co-operative work. They all valued the autonomy of the co-operative, and the lack of hierarchical management which gave people increased freedom to choose what to do and how it should be done, and that the benefits of a good working environment outweighed the problems of low pay.

8.4 Membership and Democracy

All members of the co-operative are directors, with some subject to a 6-month probationary period before they reach this status. This is due to employment law and the need to be able to easily remove potential new members in the event that they are not appropriate for the business. Decisions are made democratically in two-hour weekly meetings and day-long quarterly strategy meetings. Although there are a lot of meetings, members are paid for their time and do not see this as a burden, instead placing value on the democratic process. Participants felt that everyone had an equal say
and an opportunity to discuss each decision, and one participant suggested that the process of mutual understanding of decisions meant that better decisions were made.

The small size makes the co-operative fairly easy to run in this way. It was suggested that should the co-operative expand, it would be better to “spawn” autonomous small co-operatives than to try to create a large co-operative, with around 10-12 people being suggested as a good target size for co-operatives in order to sustain good relationships between all members. As with other co-operatives, the importance of good inductions of new members to ensure they understand co-operative behaviour was emphasised. The small size means everyone understands what is going on and that people do not “retreat” into their specialisations at meetings but instead share all information at meetings. The co-operative is set up in one industrial unit, so all members share the same work space. This was suggested to be beneficial for good relations between administrators and bakers, as they are not “segregated” (although the sustainability of such an arrangement following growth was questioned).

It was argued that sometimes the involvement of all members makes progress a little slow but that this is still better than some members making decisions on behalf of others. Generally it is not the process of reaching a decision, but the actual implementation of it which is slow, and the administrative members have a responsibility to implement decisions made collectively but to ensure they do not take on an authoritarian role – to date there have been no problems of decisions being made non-democratically.

The focus of discussions was suggested to be medium-term, with little long-term strategic planning as the co-operative does not enjoy an especially strong financial position. However, there are no real divisions in the direction that the co-operative is moving in. Core founding principles such as environmental sustainability or ethics have not been sacrificed, but are discussed on occasion.

8.5 Finance

Pay was one of the key issues of this co-operative. At the time of the interviews, wages for members were less than national minimum wage (with the effect that casually employed delivery drivers, subject to employment law, earned more on an hourly basis
than director-members). Since the co-operative’s formation, wages rose from zero to around five pounds per hour. Members generally suggested this was enough for some, but accepted that this depended on other financial circumstances, such as dependants or the existence of other forms of security such as salaried partners. The low pay is a source of frustration, as some members with more financial demands feel an increased pressure to raise pay more quickly, but at the same time, members stated plainly that they did not want to work at a conventional business for more money, and did not want to leave over the low pay, and that the low pay was not a barrier to working at the co-operative. One member argued that this was especially the case for those who chose to live less consumerist lifestyles. There was a shared belief that wages would rise over time, as they have done, and therefore that things would get better. The equal pay structure was argued to be helpful in managing the frustration of low pay. Pay rises are decided democratically at strategy meetings, in which everyone had an equal say. Because the process of baking artisan bread is very labour intensive, the wage bill accounts for around 40% of turnover.

The co-operative was originally financed from three sources. Predominantly, this was loan stock (around £30,000), a grant from a co-operative legacy fund (£9,500) and from crowd-sourcing based on pre-orders of bread (around £8000). According to participants, the co-operative did not struggle to find start-up capital, but early in its formation members were largely working for nothing. It has also been able to secure a low-rent tenancy from the council for its premises, and owns all other assets including a delivery vehicle. It has only recently experienced enough surplus to begin to pay the loan stock and start to accumulate reserves for replacing its fixed capital. Members have an awareness of the need to reinvest rather than increase wages more quickly, and the proportion of surplus to be saved was the result of a long discussion between members. People also felt fairly secure about the survival of the co-operative, due to its steady growth over time, and, as with other co-operatives, access to information about the financial status of the company creates a sense of security and control by alerting members to possible problems.

It was argued that being a co-operative makes the business more flexible as gives everyone a deeper commitment to the workplace, so they will contribute more when required to, for example during a spike in workload. However, in the medium-term, the
slow recruitment process means that the co-operative cannot respond quickly to growth.

8.6 Conclusion

The size of the co-operative in this case makes for a different experience of democracy and management than at larger co-operatives since it allows members to be directly involved with most aspects of the business, allowing for some task rotation at the administrative/managerial level if not on the shop floor. The type of work, performed to a particular routine, means that issues of discipline did not arise as a problem as in other co-operatives. This is probably helped by the one-room working in which there is constant supervision by other members and the informal hierarchy of skills creating a de facto foreman.

The main issue at this co-operative appeared to be the low pay, since members gave a very positive account of the working experience, their commitment to the high-quality products manufactured and sold, the chance to develop their skills, and of the co-operative model in general. Although naturally members wanted and expected higher pay, they were prepared to wait for it in order to secure the firm and understood the issues around it such that they were willing to take a longer-term approach with regards to this. It is important to note that the rate of pay has risen quickly and raising it continues to be a priority for the co-operative, but one which is not allowed to jeopardise the long-term future of the firm and the prospects for members. If the firm were to run into financial difficulties and pay did not continue to rise, problems might emerge. The rises in pay are evidence of the success of the firm so far. The co-operative appears to have grown fairly quickly from start-up, through occupying a niche in the market insulated from direct competition and ensuring a firm capital base from crowd-sourcing and loan stock as well as exploiting the opportunities for co-operatives and small businesses from development funds and local government.

Start-ups, in any form of business, are difficult, and the low wages paid by the co-operative are evidence of this. However, there is a sense that the benefits of controlling the firm as a director are worth this sacrifice, and that the pay-off in the long run will exceed the costs in the short term. Members did not think that the low pay was a barrier to working at the co-operative, but generally were young people without dependants.
The labour-intensive nature of the work also meant that flexibility was limited in comparison to other co-operatives in this study, but that bringing in more staff, alongside raising pay, was another issue to be considered as the co-operative developed. As a result a lot of the benefits of co-operative work at the Bakery Co-operative were either ideological, in terms of the intrinsic value in democratic decision-making and the lack of authority giving a more pleasant working environment, or based on the products it made and the way that it operated, rather than relating directly to control over time, since as a start-up it was unable to offer the higher wages and increased flexibility of more developed co-operatives with more members and a higher turnover.
Wholefoods B - A Large Worker Co-operative (Case Study 4)

9.1 Introduction

Wholefoods B is by some margin the largest co-operative in the study, and is an example of the relatively small number of large worker co-operatives in the UK. This raises a particular set of questions – how well democratic management can function with the participation of a large workforce, how well discipline can be maintained in a much larger workforce without supervision, and how well the co-operative can compete with other large businesses and attract the large sums of capital required for its expansion and development.

As with the other case study chapters, there is first a brief description of the dataset and a history of the formation of the co-operative drawn from documents and interviews. The chapter then goes on to examine how the work at the co-operative is organised and how this creates flexibility and autonomy for members, how the work is managed, with particular focus in this case study on issues of discipline and organisation, the effects of democratic management, membership and pay structures, before looking at the financial survival of the co-operative. The chapter finishes with a summary of findings.

9.1.1 About the Dataset

Data was collected in January 2015 and consists of 6 interviews with members (out of a total membership of around 90) carried out through opportunity sampling during a visit to the co-operative, and organised by a member who was also a participant. Data is also drawn from documents provided by the co-operative. The interviews were all between 30 and 40 minutes, totalling just over three hours.

9.2 History of the Co-operative

The co-operative is the largest in this study, with between 80 and 100 members and a payroll of up to 120, including temporary staff. It is involved in manufacturing,
wholesale, retail and distribution of wholefoods and environmentally-friendly household products across several sites. Its products are vegetarian, organic and Fairtrade. It also exports internationally. It has seen continued expansion since formation, and has been a successful enterprise, owning a large warehouse and turning over around £15m per year at present.

'Wholefoods B Co-op' was formed in the early 1990s from a fusion of two smaller co-operatives which were wholefood retailers and wholesalers. According to one participant, originally one of these firms was a private business rather than a co-operative, but the reasons for the shift towards co-operative functioning were not clear from the interview. The two smaller co-operatives date back to the early 1970s. The merger of the two co-operatives was done for the sake of efficiency and integration across two different urban centres and took around five years to complete. The co-operative was then able to grow alongside the wholefood market which began to take off in the mid 1980s following increased public concern about environmental issues, accelerated by food scares and public enthusiasm for healthy eating from the 1990s. In 1995, for example, pre-packing machines had to be bought by the co-operative to keep up with rising demand.

9.3 Organisation of Work: Flexibility and Control

As mentioned, the workforce is divided into sectors, each of which enjoys some autonomy in organising the deployment of workers. The way in which this is done varies significantly between sectors, with some not meeting at all, and others meeting weekly or fortnightly. This depends on working practices, among other things – in transport, for example, it is difficult to organise meetings at which everyone concerned can be present. In transport there is something of a clash between non-hierarchical management and legal requirements, as the law requires someone to be responsible for transportation at the company. This gives more power to the sector co-ordinator. It was suggested that, in theory, people can exercise a lot of control over what they will do at the company, but this varies by sector. Where rotas are drawn up by an individual, members can raise concerns about them but this is more difficult, especially for less confident members, than if the rota had been constructed collectively. In particular this disadvantages new members who are often worked very hard. The reasons for this are
unclear – possibly it is to ensure probationers are hard workers, or perhaps because they
do not complain if they are treated less favourably than other members. The importance
of building good personal relationships to realise the *de jure* power of membership and
negotiate with sector co-ordinators was emphasised by one participant, and this is
something which some will find very difficult. There is a need to “bed yourself in” at
the co-operative and “carve out” a position compared to working in a “normal job”
where authority relationships are clear – equality needs to be “negotiated” before many
of the benefits of working at the co-operative are realised. This was seen as challenging
but ultimately rewarding by the participant. It was also argued that individuals had more
control in smaller sectors.

Flexibility and security were some of the main rewards for co-operative work put
forward by the participants. One participant said that working at the co-operative was
“frustrating” but that the flexibility it offered kept them there, whilst several argued that
they could find better pay elsewhere but that the mix of security and flexibility was
more important. Flexibility of working hours to accommodate childcare was “worth
more than money”. Part of the ethics of the business is ensuring that working life is
made as comfortable as possible, and reciprocity between members allows for flexibility
as this appears to be very much a shared ethic. This flexibility is accounted for by being
a co-operative because there is nobody to challenge the way in which individuals
choose to construct their working day – there is no boss to justify decisions before, so
there is no need to engage in costly disputes in order to accommodate life outside of the
workplace. It was suggested that in other companies it would be much harder to
organise work in this way. However, as previously mentioned, accessing these benefits
can be difficult and depend on the way in which members interact others in order to
make these arrangements work. On the other hand, flexible working hours were said to
be easy to access via the “appropriate channels” by another participant, and another said
they had never heard of requests for more flexible working hours being refused when
organising cover. One member went to far as to say that they could get the next day off
if they needed to, and echoed the sentiment that it would be difficult or impossible to
get this level of flexibility in other firms. Responsibility was mentioned in this respect
by several participants, arguing that when people abuse the system they are frowned
upon, and that time flexibility came with responsibility – time off should be for good
reason and that people need to realise that their actions will affect others. It was
suggested that people do not want to let teams down and this could prevent people from
taking time off. As in other cases, solidarity was mentioned, and this was linked to the
lifestyles and worldviews of many of the members. Exactly how flexible working hours
can be varies with work – member who work alone or in very small teams have more
freedom than those who work in larger teams, it appears.

Motivation for working at this particular firm differed between participants. Several
participants had previously been self-employed or had experience in other forms of
collectives, and most expressed a strong interest in working for a firm without a boss.
One stated that they were disillusioned by the management at conventional companies
who did not know enough about the work they were supposed to be managing, creating
a blue/white collar divide. Others stated that they enjoyed the mix of security and
flexibility without authority (one having been self-employed before, with limited
financial security). It was argued that if there was boss, the management structure would
be resented, and that the feeling of being able to change the co-operative, and to “take
out” what is “put in” is a powerful motivation for continued employment at this
company, although the size of the company and member's differing relations with one
another mean that this is more true for some than others. It was suggested that this form
of management allowed people to tailor their working lives independently, but also
allowed some to be “passengers”. Political and ethical motivations for joining were also
strong, including strong interest in Fair Trade, vegan/vegetarian food, wholefoods,
organic food or anarchist politics.

Task rotation is less prevalent at this co-operative than at others studied, possibly due to
scale, although many participants had moved teams at some point, often due to poor
health. However one participant said that being a co-operative was helpful for task
rotation, and another mentioned that the probationary period for new members involved
2-week placements to ensure that members appreciated the nature of other jobs at the
firm. It was also said to be easy for participants to move between hobs in the long term,
and that internal-only advertisements for vacancies were not uncommon. Participants
mentioned that they had the control to make jobs their own and take the co-operative in
new directions, such as organising the export side of the business or taking a role in
researching new products.
It was suggested that there are sometimes divisions based on sector, and that task rotation would be helpful in order to prevent this as people do not always see the downsides of other jobs, and cannot always empathise with other members' problems, posing a challenge to the co-operative's cohesion. One participant stated that there was a long running dispute between manufacturing and distribution, with each accusing the other of poor timekeeping or taking too much sick time. Another possible cleavage, mentioned above, exists between office and shop-floor based members, and a third involving drivers, as one participant observed other members perceptions that this was an easier job than others. It was suggested that the lack of a manager meant that people searched for an us/them distinction with other sectors, where in a hierarchical firm it would be management who were the subjects of discontent. One problem identified is that formal rules are not followed consistently by different sectors which leads to unequal treatment of members and could aid the perception that some sectors are more lax than others. One aspect which is potentially helpful is that each sector can put points on other sector's agendas, meaning that disputes can be raised and discussed easily, but a lack of consistent sector meetings could prevent this from happening.

Training is provided by the co-operative, such as forklift licenses, but the budget for this was reported to be underused. At least one member gives certified food training to other members.

Several participants mentioned issues with discipline, although these were almost always in the past tense. There is a disciplinary committee with around 12 members, and three are chosen by human resources to investigate and adjudicate when complaints are made. This sometimes requires getting legal assistance from outside the co-operative. The extent to which this was a problem varied by participant – some said it was inherent to any business, whilst others thought the behaviour of colleagues in the past was very problematic. One member said of timekeeping that it annoyed some but that it was not generally a big problem. The main issue raised was sick pay, which was previously a very generous scheme. Some members abused this scheme, making it unaffordable, and the membership voted to alter it. Members are still able to keep their jobs after long-term absence due to illness. Participants generally agreed that the disciplinary situation had improved, with some saying it was no longer a serious issue.
It was suggested that there have been problems with authority in the co-operative as members do not like being told what (not) to do, although these have mostly been eradicated over the last decade. Health and safety was given as an example by one participant who said it was only taken seriously “when it suits [the co-op]” - for example, people not wearing high-visibility clothing, or people drinking alcohol during working hours. One participant argued that the idea that the members own the business makes some feel like they are not accountable – so they do not need to turn up for work on time, for example, and that recruitment should target those who have not worked at a co-operative before, as not wanting a boss, or being part of a radical counter-culture, was sometimes a sign of a troublesome employee. However, the lack of bosses was also recognised as the motivation for many people to work hard. It was suggested that it is hard to make changes in these areas, such as a difficulty in instituting a lateness policy, although another participant said that tightening rules had been both effective and generally well-received, despite being normatively undesirable.

The culture of the co-operative at the time was given as a possible reason for this, with people seeing the co-operative as “social scene” rather than a workplace. One participant suggested that co-operatives will inevitably attract people from the “fringe” of society who are unwilling or unable to conform to a conventional working environment. However, it was suggested that as some members left or were fired following disciplinary proceedings, the culture has changed for the better. It was suggested that the problems were caused in part by a culture which made discipline difficult – members managed to give jobs to friends who were unsuitable for the role and were reluctant to complain about their conduct. As in many workplaces, people shy away from reporting poor behaviour, but this is exacerbated by the anti-authority ethic which is key to non-hierarchical co-operative management, and can mean that problems which hinder operations are not dealt with quickly enough as the idea of taking a problem to HR is a very serious proposition, and those responsible for making disciplinary decisions can become unpopular. It was suggested that some see the co-operative as a “utopia” so do not want to speak out against practices they disagree with, and that there is “company first” attitude which prevents some members from coming forward with concerns (for example about bullying) as they feel they are wasting the firms resources in doing so. This has the potential to create an environment, as suggested by one participant, where the needs of the collective are put before the needs
of individuals.

In contrast to this view, it was also suggested that it is too difficult to remove troublesome members, and that often major rule changes have to be introduced in response to a small number of members abusing the system. An example was given of a former member who was at the co-operative for 8 years, throughout which time they were given many warnings and had many discussions about conduct. This is seen as a person-centered approach at the expense, at times, of a business-centered approach. The length of disciplinary proceedings was mentioned by many participants, as it has the potential to sour relationships between members. One participant surprisingly suggested that a boss would be better as they could deal with situations unambiguously and quickly. Disciplinary panels were said to be “a bit fluffy” in their reluctance to deal with issues. Several participants raised the issue that there was not enough training in dealing with disciplinary cases.

Several participants said that the appraisal system for new members was not thorough enough, and that too much was decided on the basis of personality rather than working practices as people struggle to be honest when speaking openly about others. The system, it was suggested, is too lenient and very few, if any, prospective members fail the appraisal. There is a culture of “passive acceptance” as nobody wants to be critical or objective in public, perhaps out of fear of their own appraisals (which happen very rarely).

9.4 Membership and Democracy

The co-operative is made up a series of sectors – distribution, manufacturing, transport and so on which allow for some division of labour. The overall management is carried out by a management committee, made up of around six people who are changed yearly on a two-person rotation. Members put themselves forward for this and are voted on to the committee. This replaced a previous system in which each sector had a delegate, and all delegates met weekly. Some participants were or had been on the management committee. The co-operative also has general meetings which are four times a year and are held off-site. Members are paid for attendance of these meetings and attendance is a requirement of membership, and attendance is usually 50-60 out of around 80,
according to one participant. Several participants put forward the view that making every decision through a general meeting was an unwieldy process, and it was this which led to the formation of the delegate system which was then superseded by the management committee. One participant put this very plainly, arguing that decision-making in a large co-operative is difficult as 30 to 40 opinions have to be considered. One participant, who was on the committee, said they probably had more influence than other members by virtue of this position.

The shift from delegate to management committee has had several effects. The change was made by a vote of the general meeting, and most participants were enthusiastic about the change, although its imperfections were also stressed. By revolving the membership of the committee, the formation of a hierarchical boss/employee relationship is averted. This is also helped by the fact that any member can put themselves forward. The main purpose of the committee is to streamline the decision-making process, and participants generally said this had been achieved, and that the quality of management had improved due to a range of factors including the formation of the committee. However, the need to ensure that decisions can be ratified by the general meeting can still be problematic and time-consuming. There is a fast-track system for urgent proposals to be put to the committee if decisions need to be made quickly.

It was suggested by some participants with experience on the committee that the system was superior to the delegate system because the members were put forward themselves then chosen by the co-operative rather than being sent from their sector as a delegate. This allowed them to look at the business as a whole rather than approaching from a more narrow personal or sector-specific perspective. This allows for “constructive consensus” to be formed rather than fighting between different interested parties. Where consensus is not possible, matters are voted on or discussed further by the general meetings of all members. The management committee minutes are available to all, and the committee has no control in the general meetings, according to one participant. On the other hand, some still argued for the merits of the delegate system, stating that information flow was better as each delegate reported back to their sector. Under the management committee system, people have to proactively seek out the minutes of the meetings, and some do not do this.
However, this system of management has been criticised, and various criticisms were put forward even by participants who said they had voted for the system, or who sat on the committee. It is possible for people to sit on the committee for a long time if elected repeatedly, and for all members to be from the same sector. One participant said that some members of the co-operative felt that the committee was self-interested, and that some decisions were quite unpopular, and another argued that voices from “all corners” of the co-operative were not represented as well in the management committee as in the sector delegate system. The system is time consuming but participants said it was not a burden as it was necessary for the success of the business in the long term. Members valued employment at this particular company very highly and wanted it to survive, so were happy to give time to management committee meetings.

The size of the membership was a controversial issue. One participant argued that the co-operative forced membership on new workers, which was in violation of the international co-operative principle of voluntary membership, and that membership was too large. It was suggested that people were becoming members who did not want to be, or were not responsible enough to take on this role. It was suggested that a minority membership did not present an issue as the co-operative already makes use of temporary workers, and would improve the standard of management. The idea of membership being too large was shared, albeit cautiously, by some other participants who identified issues with the size of the co-operative but were more reluctant to cap membership, with some arguing that they would not like to see a “two-tier” system which might create an “elite”. Others mentioned the implicit assumption that the co-operative would continue to grow, and would liked to see this commitment discussed openly and considered, and that other co-operatives of similar size tend to introduce more hierarchical management structures which would not be welcome at this firm. It was also suggested by one member that there are problems with using casual and temporary workers. These comments were made in reference to using such workers as cover. It was suggested that they are not always aware of the workload and need to be supervised whilst working, and that because they will not know what they will be working on the next day, they cannot be proactive and self-managing. They also lack the ability to multi-task and switch tasks, presumably as they have less knowledge of the co-operative's operations as a whole. There has been a rise in the use of temporary staff over the last few years.
The main problems identified were participation, decision making and discipline. It was suggested that the large membership made democratic participation difficult and encouraged free-riding, with a similar logic applying to discipline. The lack of participation by many members means that it is possible for a very small minority to take wield a large amount of power, especially if that minority contains influential members with strong personalities. This can leave some members vulnerable if they become unpopular with a group for some reason, and this may be linked to the reluctance to implement disciplinary proceedings mentioned above. Some members can be “ganged up” on and tend to leave as a result. The lack of participation was blamed by some on the arrival of new members who are less interested in the co-operative nature of the business and see it as just a job, which dilutes the ideas at the core of the organisation. It was suggested that an otherwise undesirable hierarchy or improving the way the management committee works would be the answers here.

Several of the long-standing members who participated said that the co-operative worked better in the past when it had around 30 members, as it was harder to hide from responsibilities in both work and management. It also meant that issues of poor working practice could be dealt with by other members informally rather than the co-operative's disciplinary process, as it was easier to identify and work with those responsible. The size also makes inclusive decision making unwieldy, and consensus-based decision making impossible. As a result, it is difficult for the democratic process to represent the membership as a whole.

The size of the co-operative in relation to democracy was an issue raised in each interview, and all participants described the challenges of participation with such a large membership. Each member has the opportunity to put forward proposals to the management committee, which have the potential to radically change the nature of the working environment if approved. However, very few members put proposals forward – the committee offers help with writing proposals which, according to one participant, has never been asked for. Almost all proposals are written by under a quarter of the membership, and new members in particular do not tend to write proposals. Another participant echoed this arguing that in general meetings, it is usually the same people (around six) who volunteer to execute decisions made by the meeting. It was also said that only around ten members do most of the talking in general meetings, but that this
was not a problem as members attend to vote, rather than to deliberate on issues having already read the relevant information. Apathy could be due to workload – information is primarily transmitted by email but only office-based workers tend to check this regularly, and busy individuals do not have the time to research matters in depth, instead trusting to those they feel know best, especially on complex issues such as finance. There was a strong suggestion by several participants that members are not as well-informed as they should be, but with long days working through breaks and finishing late usually raised as the reason for this, as well as the fact that the co-operative is spread across many sectors operating on different sites, making it more difficult to find things out. As with other case studies, the importance of personality was stressed by participants, and that some members “shout louder” than others.

The types of contributions made by members are also important. It was suggested by some participants that contributions were generally “reactionary”, in response to proposals put forward. There was often more criticism of ideas than the formation of positive alternatives. There is a lot of democratic apathy – for many members, the idea of being without a boss appeals more than making a positive contribution to the decision-making process, according to one participant. This links to ideas about information flow – by the time people have read minutes and raised issues, their reaction comes too late in the decision-making process to make a difference. It was also suggested that holding meetings in the evenings after work meant that they were not always “Productive or progressive”, presumably because members are tired and frustrated if the meetings drags on into the late evening.

The issues of knowledge and power was raised here with participants suggesting that those who put themselves forward, or made proposals, were generally the long-standing members. It was suggested that a “hierarchy of knowledge” seems to exist, which was an idea described in different terms by various participants. There are some people who “need” to be on the management committee as they have the most knowledge about the business, but this further entrenches and re-creates this hierarchy. One participant argued strongly that there was certainly an “unspoken” hierarchy, arguing that the cleavage was in part between office based workers and shop-floor workers, and that they were unsure how to “join” the influential clique. However, they argued that the management committee was not part of this hierarchy, but that there was a set of people
who, through their influence and membership of the “unspoken” hierarchy, could undermine the authority of the committee, making it harder for it to make decisions. Other participants seemed to disagree with this viewpoint – one arguing that although there was an “old guard”, anyone with the motivation and drive could exert influence over the co-operative if they were proactive about it, and another stating that the appearance of some members, particularly long term members with over ten years at the co-operative, having more power than others was down to their knowledge and experience, as opposed to them actually exercising more control and direction over the business. For example, new members might have new ideas, but long-standing members will have the knowledge and experience to understand more about how those ideas would work in practice, and whether or not they have been tried before. In particular, people who lack skills or confidence are often not taken seriously, and do not seem to ask for help, and a lack of confidence was suggested as a reason why new members might not be as involved in the management process. Annual task rotation was suggested as a way to break up these hierarchies. It was stressed by some participants that new members who were vocal were welcomed, as they brought in new ideas, and that people were encouraged as much as possible to participate in the quarterly meetings.

It was also suggested that the discussion is often about the “wrong” issues – in particular with too much focus on political or ethical issues than business (although as mentioned below, many members take the environmental and social ethos of the co-operative very seriously). It was suggested that most disputes in decision making were on these types of issues. It was suggested that people privilege their own ethics and beliefs over what would be best for the co-operative (for example, suggesting that the co-operative sell only vegan products, or should not trade with certain countries, which would remove many product lines), and do not think through the implications of their voting preferences. The co-operative, is was said by some members, is “not political” but this is a difficult distinction to make. One member suggested that the co-operative “glorifies failure” as being too profitable would be ethically wrong (one example given was some members not wanting to be involved with a businessman, apparently because he drove an expensive car), and the tension between running a successful business and satisfying members with strong ethical convictions was noted by several participants in different terms. A few participants suggested, light-heartedly, that consensus between
groups of “punks, hippies and anarchists” in a business environment would always be challenging. However, it was also suggested that people's ethics are a motivation for them to contribute to the business and take charge of issues, for example in proposing and organising cruelty-free pest control. A participant also said that collective decision-making was a valuable good in itself, and that if it was frustrating for some, then this was a bearable price to pay for this type of management.

9.5 Finance

The co-operative operates a flat pay structure with small incremental pay increases linked to length of service and index-linked pay rises. There are also quarterly pay bonuses which have replaced dividends. The incremental pay increases were suggested not to be large enough to create an incentive for long service (one member said they made £3.50 more per hour than a new member after 16 years of work). However, one participant said that some people’s wages were too high, and that sometimes longer-serving members were not seen to be “pulling their weight”, although they also argued that it is these members who usually take on more responsibilities. More cynically, it was also suggested that it is not a coincidence that the most influential members are the highest paid, hinting that there is little appetite for a cap or other reforms of the pay structure. The rate of staff turnover appears to be varied – based on participants' perceptions, around half of the members only stay around three years, but the other half tend to stay for a very long time, with many members having worked at the co-operative for over ten years. The co-operative pays the living wage, and it was suggested that after this decision the quality of applicants for new positions rose.

There are also casual and temporary workers, with a focus on getting casual workers onto temporary contracts very quickly. These workers are also paid the living wage, and the arrangement is designed to allow people to come and go from the firm (for example, to accommodate travelling) without the responsibilities of membership. Temporary workers are encouraged into membership, and the numbers of permanent non-member workers are very low.

The co-operative has been successful enough to fund most of its expansion from surplus, although it took out a large mortgage over a period of around 20 years in order
to purchase its warehouse. It has been able to avoid borrowing from “mainstream” borrowers such as banks, instead making use of loans from co-operative finance and development organisations, and other ethical banks such as Triodos, which includes mortgage lending.

The co-operative has expanded around threefold in membership since the 1990s, although the expansion has been gradual due to the nature of shared decision-making. A rule to cap the ratio of wages to sales at 12% has been observed which prevents rapid growth. This expansion has mainly been due to a rising market following increased public interest in organic food and wholefoods, stimulated by a series of food scandals. The co-operative also benefits from being geographically distant from its rivals, and from a diverse range of activities such as exports to Europe, with growth aided by macroeconomic factors linked to foreign exchange. Several members argued that the co-operative form of the business was a factor in its success. It was suggested that the structure helps keep the business ethical, and that customers “buy into” the ethics of the co-operative. This includes a sense of trustworthiness which gave the company a competitive edge in light of scandals with large suppliers and supermarkets. However, participants also argued that a manager could make work more efficient, and that being run as a conventional business would be more profitable, but that its impact would depend on how much money a management structure took out of the business. It was suggested that the co-operative only aims to be successful enough to survive and provide a comfortable working environment, and that large profits are not an end goal in themselves if they are achieved at the expense of co-operative functioning.

Expansion appears to be an unconscious goal of the business, with participants suggesting that it is not often discussed, but that expansion is assumed to be a goal even though many members appear uncomfortable with it. There is an implicit link made between expansion and prosperity. This is not seen as a big problem, since customers do leave the co-operative at times, and because possible rivals may be expanding, but some participants would like to see it discussed more explicitly. One member mentioned strategy ‘away days’ for all members which could help with this.

As with other cases, a tension between reinvesting surplus and taking more as wages was mentioned, but participants said that this was generally contained, as shown by the
successful expansion of the business. It was suggested that most members are able to take a long-sighted view of the business, valuing the working environment and the ideals of the co-operative, so were able to exercise pay restraint where necessary in order to allow for its long-term survival. It was suggested that long job tenure was a factor, and that it was generally short-term members who wanted to extract more from the co-operative. One example was given of a former finance director who was only a member for a short time and advised a dividend which was not really affordable. It was approved because of an implicit trust that the financial team would not recommend a risky dividend, because members did not know that the individual who proposed the payment was not planning to stay a member in the long term. In the recent recession, the members voted for a pay cut and cuts to pension schemes, and were able to avoid compulsory redundancies through a recruitment freeze. The co-operative has since been able to restart recruitment.

Shareholding is a £1 nominal share, but there is also a staff loan which is a £500 share taken from the pay of members when they join the co-operative. Members have the option to increase this share if they wish to. The money invested in this way provides a fairly small source of funding from the co-operative but also pays members interest, working like a savings plan. The loan is withdrawable on cessation of membership. It was suggested that as well as improving cash flow slightly (a participant noted that the money was not really necessary), this gives all members a stake in the business, aiding morale by providing a sense of ownership. Members who have been with the co-operative for more than three years can also take out loans, which some members do very regularly.

As with most financial decisions, general meetings of all members determine how interest on staff loans should be distributed. In terms of day-to-day operations, a small team controls the finance with spend limits of £350 for teams, with spending of up to £25,000 authorised by the Management Committee. Any spending larger than this must be ratified by the general meeting.

9.6 Conclusion

As expected, the larger co-operative raises some issues which were not as apparent in
other cases. The size of the enterprise makes it much more difficult for all members to participate in the democratic process, and as a result a dominant group of members seems to emerge, based on knowledge and experience, creating an informal hierarchy in a nominally non-hierarchical organisation. This in turn can create disillusionment with the co-operative norms and values present at the firm. As a larger business it could also be that there is considered to be more distance between members, creating the appearance of a hierarchy since members could feel alienated from one another. Once this happens, and the bonds of shared responsibility start to weaken, it presents problems for motivation and discipline, leading to the introduction of more formal rules and procedures. This is exacerbated by the particularly radical, anarchist nature of this case. However, it should be noted that participants were generally in favour of the co-operative being able to enforce its own rules for the benefit of all, and the firm has avoided introducing direct authority and supervision. This was the only case where degeneration, manifest in expansion through non-member workers, was presented as an option by some participants, on the basis that membership entailed obligations and responsibilities which were not fulfilled by all members.

Despite these differences, there is still much convergence with the findings of the other cases. Flexibility, combined with job security, still seems to be a particular feature of co-operative work, and this seems to translate from the medium to the large co-operatives relatively well. In terms of management and organisation, there are more structures at Wholefoods B such as the management committee and teams with co-ordinators, but these do not appear to have had a major impact on the autonomy available to the worker, nor to their ability to shape collective decisions. The financial success of the firms also appears to show a similar attitude on the part of members when making long-term decisions about pay and investment. Like the other cases, although there may be under-investment in these firms compared with equivalent capitalist firms, they appear to be able to survive, grow and develop whilst offering a different experience of work from their conventional capitalist counterparts.
10

Analysis of Case Studies

This chapter will look at the four case studies together, identifying intersections between the findings as well as searching and analysing contrasting findings. In so doing it seeks to address the theoretical contributions from previous chapters in order to build a more nuanced, sophisticated and empirically-supported picture of the relationship between co-operative work, working life and developmental freedom.

Firstly, some basic and common observations about co-operative management structures, the social function of the co-operatives, and the UK context are summarised before analysis of how these structures interact with the working lives of members. In order to do this, three levels of analysis are used – the individual within work, the individual's control over time and finally the systemic level looking at the survival of firms and the security of work. The first level examines the intrinsic and extrinsic advantages of self-management, focussing on the idea that individuals can find work in itself valuable, following the Aristotelian perspective on work (Haagh 2007:123, 2011a:450). This level of analysis is useful in order to look at why it might matter that individuals can shape their own workplaces and control their working practices in terms of seeing work as an ethical duty and one which has a wider social value. The second level of analysis examines the ability of co-operative firms to give a flexible working environment in which individuals are able to control their own development within and without the workplace. It focuses on the social bonds of reciprocity and solidarity which are created in a co-operative firm and how these can translate into a high degree of static and dynamic control. The final level of analysis looks at the ability of the co-operative firm to survive in a competitive market environment, and seeks to explain the survival of firms by isolating two sets of factors – the characteristics of co-operative firms which allow them to be competitive, and another set of structural factors which influence their behaviour when faced with crisis. This suggests that co-operatives are able to resolve the same difficulties through different mechanisms and in different ways to conventional firms. The chapter concludes by briefly revisiting the existing literature on co-operatives, specifically looking at the previous empirical studies raised in earlier chapters and comparing the findings.
In terms of the relationship between working life and developmental freedom, this analysis aims to look at how co-operative work changes the nature of working life as experienced and perceived by the participants. The effects it has on working life can then be evaluated in terms of developmental freedom through the lenses of control over time, in particular considering the ability of the worker to spend their time doing things which they have cause to find valuable. This encompasses a wide range of activities including their actual work within the co-operative and their ability to manage their employment as a means of subsistence in order to carry out other activities.

10.1 Common Findings Between Studies

Despite the differences in the contexts of each case study – size, sector and age – the similarities in the findings between the co-operatives are the most striking. Many participants offered similar perspectives both within and between cases.

10.1.1 Co-operative Structures of Control

All the co-operatives had broadly similar management structures, and where there were variations most participants argued that they did not constitute meaningful deviations from a general co-operative model. All co-operatives discussed the importance of a general assembly or general meeting of all members, at which all were expected to be present and to take part in activities. This forms the basis of all decision-making at the co-operative and is the ultimate source of power since it becomes difficult for any other control to be exercised without the approval of the general meetings. It is therefore a source of accountability, of final decision making power and a source of legitimacy for any devolved authority. In most of the co-operatives, there were also smaller groups elected from the general meeting with specific responsibility, including strategy committees, management committees, marketing groups and personnel officers. These seemed to be more important features at Wholefoods B, in which day-to-day management is run by the management committee which is awarded significant autonomy from the general meetings, but remains accountable to them. At all co-operatives participants argued that they felt that the general meeting was a responsive body which members had an equal opportunity to put ideas towards. Even participants
who were more critical, particularly at Wholefoods B, argued that although informal hierarchies exist, they are not parallel with the formal institutions of the co-operative such as the management committee. At no case was it argued that a more hierarchical structure was necessary for market competition – although complaints that the process of decision-making can be frustrating were present at all co-operatives, there was no evidence to suggest that making decisions in this way had a negative impact on the business and that the co-operative principles had to be compromised in order to compete. Co-operative values are also developed through collective decision-making which entrenches the feeling of ownership of the firm, providing a source of motivation and responsibility.

Organisation of work itself tended to be broken down into departments, the membership of which appears to be quite fluid, especially in Wholefoods A, which make decisions generally collaboratively amongst members or small sub-groups of members of each department. Individually, members at all studies had a degree of autonomy in work, with nobody to check that rules or procedures were being followed, which was welcomed by members for the most part and allowed them to use initiative to get their jobs done. The experience of working life is shaped by the organisation of work, specifically, in this case, the structure of the co-operative. Theoretically, it would be expected that democratic control in the workplace would lead to a division of labour based on workers' preferences, as opposed to an organisation of the workforce based on maximising productivity and efficiency (Pagano 1991:320). This in turn might involve more effort and expenditure on creating a comfortable working environment, including more flexible working hours from the perspective of the worker. This democratic control would be expected to translate into individual control as each member of the firm would be able to enjoy the opportunities offered to them for flexible working or better pay, which they could then use to advance their own capabilities outside of the working environment. This could include, for example, pursuing other jobs or vocations, childcare and parenting, or training and education. In terms of the forms of control already examined in this thesis, the relationship is one which links static to dynamic control – the control over time in the firm can be used to make long-term strategic decisions, in the right circumstances.

There appears to be a general implied rule that members are free to make decisions but
that they will need to be able to present and defend these decisions to other groups of members and democratic bodies, with a set of democratic institutions forming from the spontaneous collaboration of individuals up to the general meeting. However, whilst there is a layer of authority that comes from these institutions, we can still describe co-operative management as non-hierarchical for two reasons. Firstly, the system of authority is impersonal – it is exercised by institutions not by individuals in the sense that nobody has authority over another because of who they are but instead authority derives from the collective membership. Secondly, the institutions are derived democratically from members themselves, therefore there are no specific bosses – everyone is under the same set of mutual controls. This means that members are only subject to authority that they consent to and that they have the dynamic power to shape and reshape the institutions of control. In short, no formal authority exists outside of that which members choose to give each other or use collectively. In terms of the 'rules' and decisions of the co-operative, the importance of deliberative democracy – that is, making decisions through forums in which everyone has the right to speak, and in which decisions are reached through discussion and consensus-building where possible – was stressed at the case studies, with access to information to make decisions valued highly. This means that individuals have the power to shape the decisions of the co-operative and helps to prevent the dominance of individuals. Although at all cases it was suggested that some individuals tend to be more vocal and forceful in debate than others, it was also argued that the access to information and time allocated for discussion of ideas meant that such individuals did not always get their way and instead decisions tended towards the holistic good of the co-operative rather than the sectional interests of individuals or departments. At all cases it was argued that no particular department or group of people tended to dominate the decision-making process.

Because individual members take the role of directors of the firm (and refer to themselves as such), the motivations of those members to work can shape the workplace, at the same time as the continued success of the firm and the values it represents creates a powerful motivation to work, creating a two-way relationship which strengthens the social bonds between the individual and firm. In terms of the co-operatives studied, the type of work they do, such as organic food sales, is a powerful motivation for members. The specificities of this work (e.g. the types of food to be sold) are constantly reviewed through democratic channels. Meanwhile, the democratic
nature of the firm itself creates intrinsic value for the members who appreciate the values of the firm and see co-operative work as a motivation in itself. This is an idea which became apparent after the interviews with many participants placing a significant value on the ethics and norms of their co-operatives.

10.1.2 Social Function of Co-operatives

All of the co-operatives expressed a strong ethical identity – at Wholefoods A and Wholefoods B this was realised in Fairtrade, vegetarian and organic produce; at the Printing Co-operative through a wider association with the co-operative movement and through environmental concerns; and at the Bakery Co-operative with a concern for organic food and the overall quality of the product. In all cases, there was also a strong ethical motivation for the organisation into a co-operative on the basis that it was a business model which was perceived to allow profitable operations whilst also ensuring the best deal for members/workers – there was an explicit rejection of the idea that the firm should only meet its legal requirements regarding wages and working conditions. This remained integral to the operation of the firms and was not something which participants would be willing to sacrifice in order to achieve better profits. The whole nature of success in business appeared to take on a different meaning in which success was measured not in pure profit but also in terms of the way in which the firm is able to fulfil its social functions of meeting (self-imposed) ethical obligations towards both the wider community and to its own members.

In terms of the typologies given in Chapter 4, these co-operatives are something of a mixture (see Table 1 for typologies and Table 2 for information on case studies). It is hard to categorise them as the motivations behind their formations are multifaceted and open to interpretation. In the case of Wholefoods A, the conversion to full co-operative status is ongoing, and based largely on ideological principles, but the original formation of the firm as a wholefoods wholesaler still fits the categorisation to some degree. However, as described previously, this was not a conscious process but one based on survival of the firm through sweat equity in place of wage increases. Wholefoods B, on the other hand, seems to fit more cleanly but is itself an amalgamation of previously existing co-operative firms. The Printing Co-operative was set up explicitly as a co-operative with an initial endowment and with job creation. The Bakery Co-operative
was established as a co-operative for what can be broadly categorised as ideological reasons.

To summarise this section, there was considerable convergence of the case studies with similar sentiments expressed about the nature of management and democratic control despite some differences in the actual structures used. Despite their diverse origins, there is not a huge variation in terms of the mechanisms of management in the firms, all operate through decentralised day-to-day management at an individual and team level, under the long-term and strategic oversight of a directly democratic general assembly of all members. There is also little divergence in descriptions of the experience of work, with participants at all co-operatives emphasising the importance of co-operative management and ownership, and discussing the ethics of their firms as a key motivational force.

10.1.3 The UK Environment

The place of the co-operatives in the wider economy can also be considered in terms of common findings. In all cases, the co-operatives occupied a niche, often defined by sets of social principles (the sale of wholefoods, providing printing services to alternative organisations, baking as an artisan activity) rather than attempting to exploit a niche in order to make profits. This accounts to some extent for their sense of purpose and for their survival (see below). However, at all cases there was little credence given to the idea that co-operatives inherently suffer in capitalist economies, and members generally did not see that their market-facing operations really differed from other firms except for the products or services they chose to sell.

However, at all of the co-operatives there was an idea of providing decent work in terms of pay and conditions, and this was seen as an objective of the firm. This suggests two conclusions. Firstly, all members found the experience of work valuable and chose to stay at the co-operatives. Even though participants usually did not join co-operatives out of commitment to co-operative values, they did see that work was organised differently and that jobs in co-operatives were “good jobs” for the sector. Participants seemed to take on co-operative values as they worked at these firms, rather than vice-versa, suggesting a powerful socialising effect. Secondly, it demonstrates how co-operatives
form a set of firms which operate in a fundamentally different way from most other firms, with a different set of priorities and objectives, suggesting they do not so much struggle in liberal market economies such as the UK, but simply approach challenges differently. There are strains – such as low pay at start-up – but these are tolerated by members who value the institutions of control which exist within these firms.

10.2 Control Over Work

Participants rarely spoke negatively about the case study co-operatives and, for the most part, were very positive about their experience of working at co-operatives. At Wholefoods A and the Bakery Co-operative, the positivity of the responses was overwhelming with hardly any negative sentiments expressed. Members valued working at a co-operative very highly and many said that they would be reluctant to work in any other form of organisation. Work therefore became valued for its own contribution to life.

The value of co-operative work was shown to be both intrinsic and extrinsic. Participants appeared to enjoy the role that they could have in shaping the ethics of the firm, most obviously at the wholefoods co-operatives, whilst also respecting the role of democracy within the firms which diluted direct control. This meant that jobs which were similar, in terms of some of the tasks to be performed, to jobs in conventional firms could take on additional meaning as they represented work towards a valued cause. This suggests that the context in which the tasks take place is important for adding meaning to work, rather than the tasks themselves. This was also true in the other co-operatives, such as at the printing co-operative where environmental responsibility was taken very seriously and appeared to be valued by the members. This gave the impression that the work performed was taken as being a valuable use of time in itself rather than a means to subsistence, and that members felt that their work contributed to the good of society, broadly defined. Particularly important is the fact that the control of the firm allows members to “buy into” the ethics of the firm and make them central to their working motivation. This was also the case at the Bakery Co-operative, where the nature of the product, artisan bread, was in itself a source of motivation for work. The co-operative character of the firm gave all members a say in the direction of the firm, allowing them to control both what was produced and how it
was made.

This sense of intrinsic value was not only limited to the ethics of the firms in terms of the products stocked or the way they operated, but also to do with the co-operative form of organisation itself. Members were motivated to work at the co-operative precisely because the work was co-operative and they wanted it to stay this way – the co-operative itself was a cause worth working for, for both ideological reasons to do with the lack of hierarchy, but also for the material benefits of co-operative work. Members also seemed to place value in the normative appeal of the co-operative in terms of fairness, as shown by the enthusiasm at Wholefoods A for the shift towards full co-operative status from the legal form of a limited company. This enthusiasm appeared universal even amongst those who benefited from the previous arrangement, as it would allow the firm to operate more in line with a perceived set of co-operative ideals.

Interestingly, very few participants actually sought out co-operative workplaces, but found this source of intrinsic value after their work had begun. This was perhaps clearest in interviews where participants talked about the survival of the co-operative for future generations of workers as well. Several participants discussed their identity and the idea that the co-operative was a workplace in which people were not judged on their lifestyles. This was a very appealing idea for many members who did not want to work for firms in which they would be forced to behave, act or dress in a particular way but instead were allowed more freedom of self-expression. Because members saw the co-operative as a good thing in itself, for a variety of extrinsic reasons detailed below including control over time, their work for it was given an additional dimension of value.

Self-management and non-hierarchical approaches were also seen to have a business benefit by many of the co-operatives. It was argued by some participants that management at conventional firms is distant from the activities of the workers and therefore is not able to manage effectively due to a lack of on-the-ground knowledge of operations. It is therefore better to have the people actually performing the tasks organising their own work. This was particularly the case at Wholefoods B where several participants mentioned the freedom to organise their tasks and pursue new initiatives through democratic decision-making was important for some of the successes
of the firm. The business benefit might also manifest in the workers having a wider understanding of the operations of the firm. Whilst task rotation is not unique to non-hierarchical organisations, it is encouraged in this environment and the lack of promotional hierarchy does not penalise a horizontal job change. Having members work in more than one department, even if occasionally, makes the workforce more flexible as workers can be redeployed to cover absences or spikes in activity. It might also improve the quality of management decisions.

There are some viable critiques of such a positive analysis of the impact of self-management on work, in terms of the idea that co-operatives do have a distinct hierarchy, as well as problems of discipline and issues around firm ethos. Firstly, it was argued strongly by some participants, especially at Wholefoods B, that hierarchies do still exist in co-operative firms, albeit informally. If some individuals hold undue influence within the co-operative, it is hard to see how the benefits of co-operative work could be distributed universally and equally between the workforce – some members would not have the freedom to perform as they would like at work because they would be influenced and constrained by the inherently unfair decisions of the co-operative in setting particular rules of operation. Substantial power inequalities would also prevent some members from changing their working conditions through democratic processes. However, at all co-operatives the message that all members have the freedom to put forward their own ideas for discussion was prominent and strongly stressed. It was argued that if informal hierarchies of knowledge do exist and shape the agenda for discussion, that this was a system that would prevent a repetition of past mistakes rather than prevent the formation of new ideas and directions. It was also suggested that the freedom to put forward ideas and take a management role is one which members have to actively pursue, and that to do this is a key responsibility of co-operative work. All members at Wholefoods B, for example, can stand for the management committee, and many members saw this as a duty. This line of analysis suggests that if exclusion from the decision-making process does exist, it is largely voluntary rather than forced. On the other hand, at all co-operatives the potential for strong personalities to dominate was both raised and dismissed, and is possible that some selection bias of participants for the research meant that marginalised voices were not heard.

Secondly, issues of discipline could have an impact on the benefits of self-management.
Wholefoods B was the only co-operative in which discipline was discussed at length, as it has experienced problems in the past with disruptive behaviour. It could be argued that a lack of direct hierarchical management forms an environment in which poor working practices can thrive, and that co-operative means of dealing with these issues are slow and unwieldy. This means that it is not so much a desire for meaningful co-operative work which supports the “no bosses” argument but instead a tendency towards lazy working practices and other problematic behaviour such as drinking alcohol at work. However, this critique does not stand to scrutiny. Firstly, severely problematic behaviour was only strongly identified at Wholefoods B. This was attributed to a particular time period and specific individuals, and participants did not identify more recent problems having made some changes to its rules and operations. These changes did not appear to diminish the intrinsic value of co-operative work, nor have a significant effect on its more material extrinsic benefits (and could be argued to enhance both if it improves the organisation, communications and operations of the co-operative). A participant at the Printing Co-operative suggested that co-operative management in terms of discipline is more “skilled” than hierarchical management as it involves more complex systems of conflict resolution, and this might be a case in point – co-operatives can adapt over time to challenges faced in this way without degenerating into conventional hierarchical firms. At Wholefoods A, although discipline was not a major issue raised, the importance of the “right people” was discussed, perhaps reinforcing the idea that co-operative operation is difficult and requires a level of interpersonal skill and willingness to learn which must be pursued in order to realise the benefits of such work. This appears to explain to some extent the observation of polarised job tenure, with many members at both Wholefoods co-operatives either staying only for a short time, unable to function within a co-operative environment, or staying for a very long time. However, this is a less than satisfying conclusion as it raises the issue of whether some people are unable to work within co-operatives at all, or whether it is an issue of attitude and approach. At the Printing Co-operative a participant suggested that people are not taught how to operate co-operatively in society, and therefore struggle within co-operatives at first. This viewpoint was also echoed by participants at Wholefoods B who suggested that members who have worked for a long time in conventional firms tend to struggle to work within non-hierarchical environments.
Thirdly, although the ethos of the firm might be a positive factor in work motivation, and the ownership and control of this ethos is something inherent to the co-operative model, disagreements over what this should actually be appeared to be a source of friction in several of the co-operatives. In Wholefoods B several participants raised problems in the decision-making process due to different perspectives on the product lines to be sold, whilst at the Printing Co-operative there was a severe conflict in the past between different ideological factions. If the ethos of the firm is key in generating a sense of occupational identity, it needs to be one which is agreed upon by its members. It would appear that this problem is resolved by the democratic process which is able to internalise such disputes and create a system in which members can exercise some limited collective control over the firm's ethical stance. Although a source of contention, the ethics of the firm are multi-faceted and have aspects such as democratic management, customer relations, environmental concerns and political perspectives. It is possible that even if some members are not completely satisfied with one ethical dimension of the firm (such as the product lines stocked) they may still be able to find value in another dimension (such as the democratic process) and therefore still be able to realise this value in the work. It appears to only be in extreme cases that this disagreement represents a threat to the co-operative as a whole. Furthermore, it was only at Wholefoods B where participants mentioned ethics as a potentially disruptive source of division in the decision making process, and it is possible that at smaller co-operatives the deliberative process is a source of eventual agreement and improved cohesion in these matters.

10.3 Control Over Time

The participants at all cases stressed the importance of solidarity and reciprocity in co-operative work. This included placing great value on the responsibilities that come with participation, but also on the benefits that this could bring. The main benefit discussed was the idea of time flexibility. At all co-operatives, with the exception of the Printing Co-operative, participants talked about how they were able to organise their own time, making time for commitments such as childcare or other work, without compromising their employment. This included changes to working hours and shift patterns and being able to get short-term cover for absences in emergencies. Some participants went so far as to say that they would not be able to work at a conventional firm as it would not be
able to offer this level of flexibility. The co-operatives were able to offer this level of flexibility for several reasons.

Firstly, from an ethical perspective, arguments were made that the working environment should be comfortable and cater for the needs of members as much as possible. The fact that these firms are run co-operatively suggests that working towards the good of their members would be an integral part of their operation. Several participants raised the idea that their co-operative should always aim to do more than the legal minimum for members on issues such as flexible working or sick pay. Several participants discussed the idea that they did not want work to dominate other aspects of their lives, and would apply this idea to the lives of others as well.

Secondly, there is an issue of reciprocity. Because flexibility can only be granted by other members, they have an incentive to accommodate it as much as possible since they will be asking for it from the same people. This represents co-operation at its most elementary level. The fact that it is other members who are doing this also allows for a system of flexibility which does not harm the business. A worker at a conventional firm who is responsible to a manager does not usually have to ask for permission from their peers for time off but instead needs to make a case to a manager. This might be something they are unwilling to do due to the power relationship in the firm. However, when they are instead looking for a favour from their peers, there is a sense of both interpersonal responsibility (as the member is asking the peers to cover for them) and reciprocity (as they would be willing to do the same favour for others). Therefore, although flexibility is possible, the responsibility that members have towards one another could act as a powerful controlling force to prevent members from abusing this situation – they do not want to repeatedly put their colleagues in this position. Their own pride in their co-operative might also be a factor here, which could be less prevalent in a firm where the worker has less control and no sense of ownership. All of the case study co-operatives had a strong sense of society and community rather than an atmosphere of “us and them”.

In terms of static control, co-operatives have a tangible appeal. The ability of members to control the day-to-day aspects of their working lives, and to exercise enough control over their time to organise other aspects of working life, creates an emancipatory
workplace. Members are able to mix aspects of working life, such as care, with their formal employment very easily without placing the security of their incomes under threat. This easily translates into a sense of dynamic control, since the control that members can exercise day-to-day allows them to organise their working lives effectively and autonomously. The co-operatives also had provision for people to take extended time off, including sabbaticals, and there were many anecdotes at several case studies of members who had left for a period to attend university or pursue other qualifications who were able to return to the co-operative as members afterwards. Again to some extent this rests on the control the workers have to define the rules of their own workplace in a positive manner, the ethos of the co-operative that a job should not dominate the life of an individual, and the bonds of reciprocity and solidarity which allow members to respect the decisions of others when they exercise their control over time.

10.4 Security, Stability and Survival

The stability of the working environment therefore also needs to be examined here. Static control means very little if it is not secure in the long-term, allowing for planning and strategic decision-making. Therefore, the experience of working life is shaped not just in terms of the freedoms enjoyed by the individual at any point in time, but also by how well the structures of the firm can provide continued, stable employment through encouraging profitable working. This is where several key issues from the case studies arise – issues of how co-operatives manage working practices, of discipline and incentives to work, and of motivation to work. Much of the of the literature on worker co-operatives suggests that they are at risk of being out-competed by capitalist firms due to comparative underinvestment (Miller 1981:323), poor management practices (Elster 1989:94), and poor workplace discipline (Elster 1989:105). On the other hand, there are also suggestions that they are able to survive crisis remarkably well from the perspective of job security (Pencavel 2005) due to their inherent difficulties in making redundancies. How different co-operatives, particularly ones of different sizes, are able to manage the workplace to ensure their long-term profitability and survival is examined in this section.

All the co-operatives looked at in this study were trading businesses at the time of
research. Wholefoods A and Wholefoods B have experienced steady growth whilst the Bakery Co-operative was looking forward to growth in time, having been formed only a few years before. It has already experienced enough growth to expand its workforce. The Printing Co-operative, on the other hand, exists in a declining sector in which it can be undercut by failing firms, and has struggled for growth in the past. Nevertheless, it is still a profitable business with continuous expansion and development. However, the co-operative literature often suggests that co-operatives are problematic businesses which will struggle to compete and develop in competition with conventional firms for the reasons given above. This point is all the more salient when the financial crisis is taken into consideration, which all firms (except the Bakery Co-operative which did not exist until after the worst of the crisis) were able to survive. As a result there is a need to look at what the co-operatives are able to do in order to mitigate these potential structural problems.

The success of the co-operatives studied can be accounted for along two lines of argument. The first argues that the co-operative model actually offers a firm foundation for survival and growth. The second argues that there is a motivation for long-term survival over short-term profit which is integral to the co-operative ethos and that particular actions are untenable to co-operatives.

The argument for the merits of the co-operative model rests firstly on the value of deliberative democracy as a management technique. Although the ideal is rarely borne out perfectly in practice, even informal hierarchies of knowledge are still subject to democratic control. Dominant individuals are less powerful in deliberative settings, according to participants. Low turnouts or lack of preparedness for meetings and freeriding off of management decisions – problems which seem to rise with firm size – may compromise the idea but do not lead to the creation of non-democratic systems of management. There is evidence from all case studies that making decisions collaboratively increases the quality of the decision and helps strategies to be implemented, and that co-operative members are able to consider the long-term consequences of decisions. The value placed on the management role afforded to members suggests that working under this form of management is seen as a privilege and something to be taken seriously. As a result, although members might lack technical management expertise in some cases, they are willing to devote considerable time to
attending meetings and researching possible options for the future. At Wholefoods A, for example, participants mentioned a system whereby members are delegated to solve particular problems by writing proposals for consideration, whilst at the Printing Co-operative an ethos whereby ideas can be brought to meetings and become the responsibility of the proposing member to implement was mentioned. The fact that it takes time to make decisions can therefore be seen not as a failure of the co-operative decision making process but in fact a benefit since it demonstrates the time and effort made by members to access and process information to arrive at the right decision. This results in a feeling of ownership of those decisions which allows them to be implemented effectively and with some degree of consensus, although at Wholefoods A it was suggested that collective decisions can sometimes be “forgotten” if they are not enforced and institutionalised as standard practice. The degree of consensus at Wholefoods A is demonstrated by the suggestion that a shift from consensus to qualified majority voting had no real effect – the change being effected largely on efficiency grounds as part of an attempt to streamline the decision-making process. All co-operatives, with the obvious exception of the Bakery Co-operative, were characterised by fairly long job tenure which, it is suggested, aligns interests allowing for long-term decision making. The fact that job tenure is so long again suggests that co-operatives tend to work differently from other firms, and demonstrates the levels of commitment and motivation produced by control of the firm.

The co-operative model can also be said to be more productive due to better workforce deployment. Generally labour in co-operatives is divided according to a mix of the most efficient allocation of work and the workers-preference principle described in Pagano (1991:320). Task rotation is employed, in particular at Wholefoods A, which has several effects. Firstly, it allows for a fairer allocation of work since different members can all take a turn at less or more pleasant jobs. This is an intrinsic quality of co-operative work as mentioned in the preceding sections. Secondly, and more significantly for the success of the co-operative, it increases the flexibility of the company by spreading skills around the workforce. This makes the operation less dependent on one individual as many can carry out most tasks, with a few exceptions where a job requires particular technical skill, as shown in the more technically divided workforce at the Printing Co-operative. More flexibility, especially in labour-intensive work such as that carried out at Wholefoods A and Wholefoods B, means that the company can respond easily to
changes in its trading conditions, such as spikes in demand, as there are no “rules” which govern how things should happen, according to one participant at Wholefoods A. The idea of flexibility being present not just for the individual worker, but also for the firm, was present at all the cases except the Printing Co-operative for the reasons given above. Task rotation also feeds back into the advantages of a deliberative democratic system of management as detailed above, since it allows for a larger base of information on which to base decisions, and aids information flow. One remarkable aspect of the co-operatives, especially the Printing Co-operative, was the flow of information about finance and operations from specialised staff to the other members in order that informed decisions could be made. This means that the quality of decisions made could be higher than those made by specialised managers, since they might lack the information base required to take all perspectives into account. One participant at Wholefoods B said that this was one reason they left conventional firms in favour of co-operative work – because they felt that management decisions were made by people who did not understand the operations of the firm. This is not the case at the co-operative.

There are also productivity gains to be made from co-operative work, which is perhaps surprising as many critiques of the co-operative model, including Elster (1989:105), suggest that work ethics at co-operatives could actually be rather poor since members would have no supervision of their work, that incentives are weak and diffuse in the absence of authority, and that members might have an attitude of ownership that makes them reject perceived authority in an unproductive fashion. However, the evidence from the cases suggests that this is not true. It is suggested that motivation derived from the sense of ownership actually increases productivity – in essence, people work hard because they value the co-operative and want to see it succeed. This productivity within work needs to be differentiated from working harder for less pay and longer hours – this seemed to be more of a problem at the Bakery Co-operative, and in both the Printing Co-operative and Wholefoods A during start-up. Good discipline and solidarity was particularly important at Wholefoods A, where there was a strong trend across all participants to discuss issues of solidarity. It was suggested that having a stake in the running of the firm encourages individuals to innovate and work hard for the business as they have the power to shape their work into something they find value in if they work hard at it. Members are still held responsible for their work but by their peers
rather than an authority figure, and this allows for a sense of responsibility based on solidarity to form, rather than a fear of discipline. This is enhanced by a long-term stable workforce in which strong social bonds can be formed – members do not want to let their colleagues down through poor work because of shared respect for the freedom that they enjoy at work. This effect is enhanced by the equal pay structure which signals the lack of authority and appears to materially symbolise the equality of members. However, it was also suggested at Wholefoods B that this can be a problem as close friendships and the social nature of the workplace make it difficult to tell people when there are problems with a member’s behaviour. At Wholefoods A it was also suggested that teamwork plays a particularly important role, and that co-operative principles will tend to attract people who are good at working in teams. To paraphrase one member at this case study, being a co-operative keeps good people in and lets them run the business well.

Alongside the potential gains in productivity there are also several responses to the critique that discipline at co-operatives will be poor. This is, to some extent, a valid critique as most co-operatives reported problems with members abusing the benefits of the workplace. However, this applied to working practices rather than to decision making – there is very little evidence from the case studies of members with a very short-term focus seeking to strip the firm of revenue for personal gain, with one possible exception at Wholefoods B. Poor discipline has been an issue, again especially at Wholefoods B where there is a history of a minority of members using the freedom from authority to, for example, drink alcohol at work. At Wholefoods A and Wholefoods B the example was given of abuse of a generous sick pay policy which resulted in excessive absenteeism. There are two important lessons from these issues. The first is that the co-operatives were both able to solve these problems co-operatively and democratically, by changing sick pay and by using internal disciplinary tools to change behaviour or fire troublesome members. This shows that although problems might arise, they can be dealt with. Secondly, these problems do not seem to have had a significant negative impact on the success of the firm, and were repeatedly referred to as issues with a small minority of members.

We can also look at co-operatives in a wider context in terms of how they compete with other firms in the market. There was a theme raised at the cases that being a co-
operative meant that the business interacted with customers in a different way. At Wholefoods A it was suggested that there are strong incentives for staff to do as much as possible to keep customers happy, since losing customers harms the firm which they value and places the benefits of co-operation in jeopardy. It was suggested at both Wholefoods A and Wholefoods B that being a co-operative means that customers trust the firm more, perhaps because they know that they are always interacting with “management” of the firm rather than an employee. It might also be that the customers expects the ethics of the firm to be taken more seriously at a co-operative and not be cast aside for profit. Trust is obviously key in food retail, especially in light of recent food scandals which were mentioned by several participants. At the Bakery Co-operative, participants suggested that individual customers find their co-operative principles appealing, but that wholesale customers were not as interested. At all co-operatives, however, it was stated that suppliers did not discriminate against co-operatives, contrary to some suggestions in Elster (1989:97).

The merits of co-operative organisation aside, there are also integral structural constraints on the behaviour of co-operatives which help to make them secure workplaces. The case studies, in times of crisis, tended towards cutting wages rather than staff. Essentially, the option to fail or contract in size is not one which is open to co-operatives for two main reasons – firstly due to the role of democracy and ownership, and secondly due to their sense of social purpose. Their behaviour during the economic crisis is evidence of this structural constraint on behaviour.

The clearest example of the structural constraint against failure comes from the Printing Co-operative, where there was a risk of being undercut by failing firms trading at a loss in order to recoup as much revenue as possible before the firm goes out of business. In a declining sector this seemed to be a real risk, although not one to be expected in growing sectors. However, the distribution of assets and control in a conventional firm means that this is a rational course of action – the owners of the firm control the decisions it makes, and are able to recoup parts of their investment by acting in this way. In the co-operative this is not an option since if the co-operative fails, its assets usually cannot be shared amongst the members, and its members would obviously all lose their jobs. Because the control of the co-operative is shared amongst these members, who do not in turn have right to the assets, this undercutting cannot be a
rational course of action (in much the same way that it would not be a rational course of action in a conventional firm if the decision was with the workforce rather than the management). Co-operatives, being run democratically by their members, have a much greater incentive to avoid failure due to the lack of remuneration in this eventuality and because of job loss. This might also apply to other business decisions – a risky expansion, for example, which might threaten the stability of the business is unlikely to be supported by the members. This is perhaps most evident in the fact that these co-operatives all occupy a “niche” in the market. It was suggested at Wholefoods A, for example, that one reason for success is that the co-operative is at a “sweet spot” in terms of size and diversification, whilst at the Bakery Co-operative it was argued that a shift towards more mainstream baking away from artisan bread would be against the entire rationale of the co-operative, which exists for this purpose. This suggests that it may be the case that co-operatives do not seek profits in the same way that conventional firms might (i.e. by diversifying into more profitable sectors) but that the specific services that they supply and goods they sell are important, perhaps for ethical reasons in many cases. This again suggests risk-aversion and an “innate conservatism” (Hindmoor 1999:223), and could be argued to put them at risk of failure due to a lack of dynamism and innovation. However, it also helps them to occupy a niche in the market which other firms may not wish to fill, principally because it may be unprofitable. Wholefoods A, for example, does home deliveries over a very wide area, which customers find very appealing but is not as efficient for firms as it could be. It was also argued that because Wholefoods A could not compete with supermarkets on price, it had to instead compete by offering a better service, and this specialism in home delivery and wholesale helped it to keep a large customer base. There appeared to be limited use of technology at the Wholefoods Co-operatives (A and B) such as computerised stock control, which might be explained by underinvestment (Miller 1981), but could also have had other consequences such as a different approach to sale and delivery or comparative over-staffing.

The social purpose of the co-operative is also key here. The co-operative exists not only as a source of income for workers, but also fulfils a social role for many of the participants, who argued from an inter-generational perspective that they would like to see the firm survive to provide good employment to others. This creates a moral imperative for the survival of the firm and for the avoidance of redundancies, which are
made difficult by the social bonds formed through long job tenure and shared management. There is a strong sense of solidarity whereby members do not want to turn on each other and compete, but instead work together even if the individual benefits to members are harmed. This is most evident during the financial crisis. At all the case studies there was a pay cut but minimal redundancies (the only clear case being at the Printing Co-op). In the meantime, some members left the co-operatives (including voluntary redundancies where members put themselves forward), in effect allowing for 'natural wastage' to occur in the absence of hiring, which reduced the size of the work force at the same time that a pay cut was reducing the size of the wage bill. At Wholefoods B this included cuts to pensions, healthcare benefits and overtime. This drop in expenditure allowed the co-operatives to move through the crisis without forcing any redundancies and with the change in economic fortunes post-recession, has allowed for new hiring. Access to information was again critical here – pay cuts were accepted, albeit slightly reluctantly, because members had access to financial information and were able then to make an informed decision about the correct way forwards for the co-operative. Equal pay, meaning that the burden was shared among all members, was also helpful. In summary, the social function of co-operatives creates a natural conservatism in which the co-operative, both in terms of its membership and its form, must be preserved even if this means wage cuts or changes to working conditions. It is notable and worth repeating that these changes were reversed post-crisis.

To conclude this section, the case studies suggest that co-operatives represent a stable and secure workplace which allows for a high degree of control over working life. In particular, access to information about the financial state of the firm was available easily to members who were able then to plan their lives based on this information. The co-operative structure appears to be one which places a premium on long-term stability. Members of both wholefoods co-operatives in particular received a higher rate of pay than might be expected in a conventional firm of the same nature. A stable source of income is, of course, key for security in working life since it offers the basis for dynamic control – it is hard to make long-term strategic decisions without a financial foundation. If co-operatives had showed a tendency to fail, then any benefits in terms of working environment and flexibility would be irrelevant since individual's property rights in stability would be very weak – they might have many rights within the co-operative but if the whole system fails, they would be left with very little. We can
account for the stability of co-operatives in several ways: firstly, the aspects of co-operative work which actually serve to make co-operatives successful firms, including high productivity, good decision-making due to good information flows, a customer-focused work ethic and increased trust on the part of customers, alongside a structural tendency towards survival.

10.5 The Co-operative Literature: Support and Dissent

The findings of this study do not generally deviate from established case study literature (see Chapter 4). This is noteworthy since much of the literature is not focused on co-operatives in the UK in the present day, but instead mostly considers co-operatives in other countries, or within the UK in the 1970s and 1980s when there was considerable interest in the model's application to industrial capitalism. Much of the literature also focuses on rescue co-operatives, which are now very uncommon. The UK narrative has been changed by the move through the 2008 financial crisis and ensuing recession, and by the increasing normalisation of casualised working practices in low skill, labour-intensive work, and it is against this narrative which we can compare our cases as operating against-the-grain, with a radically different attitude towards work and the purpose of the firm.

In terms of experience of work, it seems that working in a co-operative offers a strong basis for flexible, autonomous work, as reflected in work in all case studies and in the cases outlined by, in particular, Cornforth et al. (1988), in which members seemed to value the opportunity for task rotation, learning new skills and exercising control in the workplace. This seems to be a common theme in most examples from the literature as well, including in the plywood co-operatives (Greenberg 1986, Pencavel, 2005). Furthermore, it seemed that people valued the opportunity for co-operation despite the costs of so doing, such as the burden on time or the responsibility, and that those members who did not want to get involved in decision-making did not compromise the operation of the co-operative. It is noteworthy that in liberal capitalist economies institutions of control over work for individuals at the task and organisational level are rare, making co-operatives more significant.

The issues of class raised by Myers and Thornley (1981) do appear to be concerns
raised in some case studies. They suggest that there is the potential that only certain members of the co-operative will be in a position to enjoy the normative benefits of co-operation (such as the satisfaction of democratic participation) since their financial position will shield them from the potential costs of co-operation. At the Printing Co-operative, there were some issues where the more ideologically minded design workers seemed more interested in the intrinsic ideas of co-operation, whilst for the printers the instrumental and indirect functions of co-operation seemed more valued, such as job security and flexibility. However, the issue of income was not raised, presenting this as more a clash of cultures than one of material class. At the Bakery Co-operative, on the other hand, wages were very low due to the start-up costs of the enterprise, but members typically did not have alternative means of support but were willing to accept these low wages in return for the work, training and potential of the co-operative. The sacrifice being made here is all the larger when one considers the risk of failure of the co-operative, and that the low wages for several years could have been accepted in vain. Possibly the sense of control of the firm and information about its financial position helps the members to make an informed choice here.

Both the theoretical and empirical literature suggest problems of capitalisation for co-operatives, in particular due to credit market discrimination and poor management skills. Miller (1981) suggested that co-operatives would have a tendency to underinvest compared to equivalent capitalist firms since assets owned individually would not be an attractive investment (see section 3.4.2 above), and that the incentive for investing in assets owned collectively is low as individuals cannot withdraw those assets. In all but one case (Wholefoods A), assets were held collectively. However, members at such co-operatives seemed happy to 'invest' (in terms of reinvesting surplus and building reserves) rather than withdrawing profits as earnings. These firms then, despite growing slowly and not making huge profits, tended to be able to expand from their own surpluses, thus avoiding issues of credit market discrimination. In some cases this was an explicit choice due to ideological hostility to banks. The pattern of investment bears some *prima facie* similarity to the “defensive” strategy suggested by Miller (1981:322) where the co-operative does not always invest whenever it sees potential opportunities for growth and expansion but instead invests in a risk-averse way to secure its future, at a comparatively lower level than the capitalist firm. However, the data in this study cannot confirm this hypothesis and the findings are limited to observations about the
level of investment from interviews with members. The firms have survived and seen increased in profits, especially in niches with less competition as Miller (1981:323) notes, but they may well still underinvest compared to equivalent capitalist firms. The notable finding here is that this does not appear to have had a significant impact on their operation as co-operatives and that the developmental freedom offered by co-operatives is still high. The reasons for this seem to be twofold. Firstly, investment may be “seen as a means to job security rather than a financial investment” (Fletcher 1976:190-91), and as such it is inherently long-term and the benefit to investment is the continued survival of the co-operative as a means of employment. The profit and yield of the investment therefore matter less and a low yield investment crucial for the continual function of the co-operative (such as updating machinery or computers) would still be accounted for under this system as it ensures people keep their jobs – and may even overinvest to ensure the security of the co-operative (Jossa 2014:73). Secondly, as Miller (1981:321) notes, investment levels will also be linked to the actual purpose of the co-operative, and that the assumption that income-maximisation for members always takes priority is an oversimplification (1981:313). This can explain how co-operatives can invest and help ensure their continued survival but could also underinvest compared to capitalist equivalents. The members seemed to be aware that they were not in a position to personally realise the benefits of their investment (in the form of reduced wages) but wanted to see the co-operative as an entity survive in itself, and took value from this. As has already been mentioned by Thornley (1981), co-operatives, whilst profit-making organisations, do not exist solely to maximise profit and the community benefits of continued survival means that the loss of earnings in the short term creates a type of legacy which members are willing to invest for the social future of the co-operative and its new members, even though the benefits do not accrue directly to themselves. This perspective on the future was expressed by participants at Wholefoods A, the Printing Co-operative and Wholefoods B, and seems to fit within the co-operative principle of serving the community (ICA, n.d.) in the sense that the co-operative's functioning as a source of decent jobs is in itself a potential shared good for the community and therefore is worth spending money on. It is also possible that the sense of shared ownership means that this money used for investment is not viewed as being “owned” by the members – wage rates are organised in advance at the case study, by democratic process, and therefore the surplus to be reinvested may not be seen as a sacrifice by members.
This situation is slightly different with Wholefoods A, where individual shareholdings built through deferred wages were being repaid in order to build a collective asset ownership system as a co-operative. Although this meant that the individual shareholders benefited in the short term due to their shares being bought, they also voluntarily donated a share of this back to the co-operative again, and all participants seemed optimistic about the shift to co-operative form despite some anger at the unequal distribution of profits during the process.

It is also suggested in a large section of the literature (Elster 1989, Miller 1981:320, Thornley 1981) that co-operatives will struggle to deal with external businesses such as suppliers and creditors. At no cases were issues of relations with suppliers raised, and in some cases external relations (typically with customers) were improved by the image of being a co-operative. One reason for this is that Wholefoods A, the Printing Co-operative and the Bakery Co-operative tended to source a lot of their inputs from other co-operatives. A participant at the Bakery Co-operative suggested that suppliers either did not know they were a co-operative, or did not care as long as they paid, which they did.

In terms of access to credit, again none of the case studies here suggested that there were difficulties, with participants where this was raised denied they had issues accessing credit. There are at least two possible explanations for this. The first is that the literature is context-specific and written at a time in which high-profile industrial co-operatives were failing, and when small collectives were still very much in their infancy. This would make banks or firms in the 1970s and 1980s wary of co-operatives and unfamiliar with the way that they operate. None of the co-operatives studied here are rescue co-operatives with pre-existing problems, which could include debt, so this legacy should not present a problem for them. Secondly, the actual type of credit accessed could be significant. At Wholefoods A (which might be exempt from the negative connotations of co-operatives due to its different legal status) the primary loan was a substantial mortgage, secured against the property being bought. The Bakery Co-operative was able to raise finance through a variety of methods, most notably through pre-sales of bread (crowd-sourcing) and through grants tailored towards co-operative development. Some of the capital behind the Printing Co-operative also came from co-operative development agencies. Whilst interest payments were an issue at the Printing
Co-operative these were due to the high interest rates associated with “specialised asset financing” and were not due to it being a co-operative. For the most part, however, the co-operatives have got around any potential problems with banks by funding from their own surpluses and only borrowing on occasion, and by leasing vehicles or property rather than buying.

The ability of co-operatives to compete with other firms can be explained in several ways. Firstly, it could be argued that the costs of production and technologies of production are not that different from most other firms. At none of the co-operatives was any major difference observed in the way that the actual production processes differ from any other firm, although this is a tentative observation not based in comparative study. The main difference in the way that the tasks were performed seems to be task rotation, especially in Wholefoods A and to a lesser extent Wholefoods B, and this was argued to actually be beneficial in terms of spreading knowledge and ideas around the co-operative and giving individuals the opportunity to implement new ideas and work autonomously. In terms of wage bills, although pay per hour might be higher than in competitive firms, there are also no highly paid managers, so wage bills might be comparable in size but simply distributed differently. Wholefoods A, whilst small, still enjoys economies of scale such as being big enough to have custom-built premises. The only major observation about technologies of production was that at both Wholefoods co-operatives, the shift to computerisation for stock control was quite slow and came quite late, possibly due to a lack of capital. However, these firms have still been able to survive without being driven out of business. There is perhaps a tendency to assume that firms which cannot compete will not survive, when in fact the market is more complex and customers' demands more differentiated such that firms which cannot compete on price alone can still survive in other ways.

Secondly, we could make the case that these co-operatives are able to escape competition by operating in niche markets rather than competing directly with other firms. In the case of the Wholefoods and Bakery co-operatives this seems to be the case – there are very few providers of artisan bread and few retailers who stock a large array of wholefoods. Although the markets for these goods might be fairly small, although generally growing in the case of wholefoods, the co-operatives have been able to occupy these niches which are largely neglected by larger retails, perhaps because
profits are fairly low and there is little demand in comparison to other product lines. In a
similar vein, the argument could be raised that co-operatives actually offer a higher
quality good than their competitors in terms of the service that they offer. This was
particularly emphasised at the Printing Co-operative and Wholefoods A, at which
participants discussed at some lengths the benefits of co-operatives when working with
customers. The whole ethos at Wholefoods A meant that the firm offered a very
personalised service and was able to build strong relationships with long-term
customers, whilst at the Printing Co-operative there was a strong focus on working with
clients which came with the co-operative ethos.

There was also little evidence that the co-operatives have had to compromise on certain
principles in order to work effectively. Task rotation seemed to be the only typical
aspect of co-operative work which was not widely used, mostly due to the issues of
leaning specialised skills which cannot be taught on the job. This was clearest at the
Printing Co-operative but also a little at the Bakery Co-operative, although there was a
strong emphasis on skills teaching in the latter case both with designated bakers and
potentially other staff. Where task rotation did exist it was cited as a business advantage
due to the flexibility it offers. With this aside, all other elements expected of co-
operatives a outlined in earlier chapters existed – concern and action for the wider
community, working with other co-operatives, democratic management, limited returns
to capital and autonomy from external shareholders or organisations. Democratic
management, often believed to be a stumbling block for co-operatives trying to operate
competitively, did not seem to be a problem and was argued to actually be more
productive than a direct hierarchy due to the perceived advantages in productivity and
morale. Only at Wholefoods B were major issues wit\n
Explaining this apparent success within liberal capitalism in light of the expectations of
the literature is difficult. As mentioned previously, much of the literature on co-
operative failure is based on the rescue co-operative experiences of the 1970s and
1980s, and since then several co-operatives such as Suma alongside Wholefoods A,
Wholefoods B and the Printing Co-operative have developed into successful businesses.
The success of these firms, alongside other employee-owned enterprises such as Scott
Bader and John Lewis, may have changed the perceptions of co-operatives. Perhaps one
reason is that there was a cycle of failure where co-operatives were thought to be inherently flawed, therefore were not given credit, cheap capital or other access to market opportunities such as strong relationships with suppliers. As a result they failed, reinforcing the perception of their business model as risky and making it even harder to succeed. Once this cycle is broken and some successful co-operatives gain prominence, there is the opportunity for them to succeed. It could also be argued that management has been de-mystified by a rise in entrepreneurship and small start-ups and the development of easy-to-use software which can organise formerly complicated operations like payroll. This could make banks less wary of a lack of formal management style in the firms they lend to. Finally, there is the role of meso-level institutions. Both the Bakery Co-operative and the Printing Co-operative received capital from non-market sources such as ICOF. Whilst Wholefoods A and B, by virtue of being successful businesses, do not seem to struggle in credit markets to the extent that might be expected, other co-operatives, especially at start-up, may be constrained by this and therefore unable to offer much scope for control over time and work in a competitive environment due to the pressures of self-exploitation.

10.6 Conclusion

The conclusions to be drawn from the empirical research are threefold, mirroring the points of this chapter. Firstly, the co-operatives do appear to offer a sense of value in work and the control the worker has to direct their own firm seems to hold great value. Secondly, they offer a mix of flexibility and security which appears to be due to specific aspects of co-operative work based on the bonds of reciprocity and solidarity being built on a non-hierarchical structure. Thirdly, in spite of literature to the contrary, co-operatives do not appear to be destined towards failure as businesses, nor do they appear to struggle with issues of degeneration; in fact, the opposite appears to be true. In the context of the UK, it would appear that co-operatives are very much against-the-grain, attracting a range of individuals who are motivated by the sense of control achieved within the co-operative, even though such motivation may not become apparent until the individual has been at the firm for some time. The exercise of this control makes co-operatives act differently from other firms, privileging security and quality of jobs over profitability whilst still operating as market-facing businesses, striking a balance between the two aspects. However, the trade-off suggested (e.g. Clarke 1984) between
efficiency and democracy appears to be an over-simplified way of looking at the issues – it is possible for democratic firms to form institutions of democratic control which can work effectively, even in larger co-operatives. The search for market competitiveness does not entail a degeneration to the prevailing mode of operation but instead requires new solutions to these challenges based on values of the co-operative.

Developmental freedom represents a measure of the ability of the individual to shape working life (Haagh 2007, 2011a, 2011b, 2012). This includes the value offered to individuals of performing work which they find meaningful and valuable, and working with a sense of stability. Co-operatives perform well here on four main counts. Firstly, because the decisions of the firm, including its long-term strategies and principles of operation, are constantly up for debate and are the source of discussion in the case studies visited, it is possible for members to shape their working environment and add a dimension of value to their work – stacking shelves in a warehouse is a more satisfying job if you have an ethical or political attachment to the products you are working with. Secondly, the co-operative itself, by virtue of adherence to co-operative principles, is likely to be an organisation in which ethical values are taken seriously. The best example of this is probably the Printing Co-operative, which is committed to using recycled papers and non-toxic inks despite eco-friendly printing not being its main reason for existing (unlike Wholefoods A and Wholefoods B which exist purely to sell these types of product which in themselves are value-laden). The ethos of serving the community, broadly defined, again adds a dimension of social value to the work performed at co-operatives. Thirdly, the fact that co-operatives offer this opportunity means that working towards their success and survival, in particular so they exist for future members to join, is a purpose behind what might otherwise be mundane work. Finally, there is also an inherent satisfaction in working for oneself, taking responsibility for the direction of the firm and realising the economic and social benefits of working well which means that the work in co-operatives is likely to be less alienating and more fulfilling than work outside of co-operatives, improving the quality of working life. Because it is easier for members of a co-operative to gain these sources of satisfaction and value in work, co-operative work can be said to enhance developmental freedom in this regard.

There is a clear case for increased freedom for the individual based on their control over
time, both static and dynamic, at the co-operative. For the reasons detailed above, it is possible for co-operatives to offer a level of control over time in the short term, for example allowing flexible working hours, and in the longer term through workers being able to set working patterns. Control over time can also refer to the option at these co-operatives for task rotation and learning new skills. Although formal training was unusual, at all co-operatives there was a strong focus on individuals learning new skills on the job, which benefits both the individual and the firm. This allows for strategic career pathways to form within co-operatives as individuals can choose new specialisms and have the means to follow them through within the firm.

The co-operative offers an environment of security and economic stability in these studies. Co-operatives appear, in spite of literature suggesting the contrary, able to grow successfully without creating large support networks. The only co-operative showing signs of degeneration was Wholefoods B, due not to concerns about profits but based on the idea that its size was making it unwieldy and that membership was being too freely extended to those who were not taking on the responsibilities that it entails. Even at this co-operative, as at the others studied, the ethos and principles of co-operation were too strong to consider taking on non-member staff. As a result, the co-operative can be viewed as a stable self-sustaining system.

The co-operatives showed an ability to survive economically whilst retaining jobs, even through times of crisis. They were able to achieve this through a cautious strategy of investment and general risk aversion and through good management and working practices. The flow of information within the firm is crucial to this as it allows expectations about pay rises/cuts to be shaped collectively and on accurate information, allowing members to make informed decisions about finance. Members did share an incentive to invest for the future, both for their own self-interest in keeping their own jobs, but also for reasons of solidarity and respect for the co-operative as an institution. As a result, all of the co-operatives were able to offer, with the exception of the Bakery co-operative, a good rate of pay for the sector and a predictable and stable source of income. The alignment of management and workers interests through democratic non-hierarchical structures appears productive. This means that they can offer a secure basis for worker control without compromising the quality of working life through jeopardising the survival of the firm.
11

Conclusions

This thesis has based an understanding of work on Haagh's (2007, 2011a, 2011b, 2012) analysis of work in terms of developmental freedom and control over static and dynamic time-frames, which suggests that an individual's freedom to control their working life is dependent on the control and security afforded by sets of institutions. It has extended this analysis through application at the firm level in the case of the worker co-operative, arguing that institutions of control within the firm provide a basis for control over working life. In Chapter 2, these concepts were introduced in relation to the idea that the employment relations based on property rights in capitalist systems do not provide for much control over working life. This is linked to concepts of alienation and a poor quality of working life where both a high degree of division of labour based on deskilling and use of technology, and insecurity of employment and income are prevalent.

Chapter 3 introduced the worker co-operative as a firm in which property rights are different from those in conventional firms, and as a result workers own and manage the firm collectively. It suggests a variety of political and economic reasons why this may be a benefit, including development of human capacities, less alienating work, better working conditions and efficiency savings. It also explained why, in capitalist economies, these theoretical advantages may be unattainable, suggesting that the systemic environment will be hostile to co-operatives leading to a lack of access to finance and expertise, alongside the inability of co-operatives to compete with conventional capitalist firms. It also found arguments for structural issues with co-operative forms of organisation, suggesting they underinvest, are unable to manage themselves, and are prone to degeneration into conventional enterprises. This chapter raised some questions and hypotheses for research, finding the existing theoretical literature to be inconclusive in its analyses of the performance of co-operatives. In essence, it suggested that in theory, co-operatives have the potential to increase control for individuals through their ownership of the firm providing for a better experience of work based on control of the firm, and control over time but questioned the ability of co-operatives to provide this in a capitalist system where the pressures of competition
could lead to self-exploitation. It also suggested that the co-operative form, through not being the prevailing mode of property rights in firms, is probably not in a position to offer economic security since, although workers will not usually lose their jobs at the co-operative, those jobs are also subject to the survival of the co-operative in a competitive market.

Chapter 4 attempted to provide some answers to these questions and raise other issues around co-operation through examining a range of case studies of worker co-operatives in a range of economics and periods. It found that there was evidence that co-operative work had innate benefits in terms of control at the task and organisational levels, but also suggested that this came at the cost of low wages and long hours, especially at early stages. It also found that the survival of co-operatives is linked to the presence of supporting institutions.

The second section of the thesis was focused on the empirical research carried out at the four case-study co-operatives – Wholefoods A, the Printing Co-operative, the Bakery Co-operative, and Wholefoods B. In Chapter 5, the methodology of the study was explained and justified in terms of how qualitative data about working life in co-operatives would be collected. The chapter explained that information was sought from several participants at each case-study with the objective of composing a composite picture from the interviews in which working life was evaluated in relation to the institutions of the particular co-operative.

Four case studies were presented, offering fairly convergent findings, which were analysed in terms of the categories of analysis used to frame the hypotheses and research questions – the experience of work, control over time and the stability and security of the co-operative. Each case study was able to bring a particular perspective on co-operative work. Wholefoods A demonstrated the effects of ownership structure and the relationship between ownership and co-operation as well as being a very successful co-operative which was able to function profitably under capitalism. The Printing Co-operative was an example of a firm struggling with competition but still able to survive in a shrinking sector of the economy. It also demonstrated the effects on co-operation of workforce divided along the lines of different skills. The Bakery Co-operative was the only young co-operative in the study and appears to be quite typical
of the type, demonstrating the ability of the form to finance itself in different ways, but also demonstrating the risks of low pay and long hours during the start-up phase. Finally, Wholefoods B showed the effects of size on management and working practices at co-operatives, in particular discipline.

The analysis engaged on three levels, looking at control over work, control over time, and the security and stability of the firm. It found that co-operatives can offer significant control over work at both organisational and task levels, which helps to shape the ethics of the firm, allowing increased social value to be found in work. It also allows for task rotation, increases learning of different skills and gives a fuller understanding of the work process. In terms of control over time, it was found that the co-operative, through being a social institution in which relationships between individuals are 'embedded' (Gupta 2014:99, Polanyi 1985) in norms of reciprocity and solidarity, allows considerable flexibility which in turn allows for dynamic control for individuals. It was also found that the co-operative can be secure and stable, offering well-paid work, but generally appears to do so after a lean period in which pay is low, raising the prospect of self-exploitation.

It was suggested that in the context of the UK, co-operatives can offer a source of security which is generally absent at other firms, in particular due to the absence of control for workers in corporatist industrial relations. Whilst this control can only be exercised whilst the individual remains at the firm, rather than existing at the systemic level, it still has the potential to improve the developmental freedom of the individual, in particular with regards to the long job tenure of members. Co-operatives in the UK are very much an exception, and appear to operate, in particular with response to crises, differently to other firms, allowing them to offer a stable platform for meaningful work.

11.1 Answering the Research Questions

The central research puzzle, as outlined in the introduction, was whether co-operatives are forced by the systemic environment of liberal capitalism to abandon co-operative principles in pursuit of profit or mere survival, and alongside this to ascertain whether the operation of co-operatives in such an environment is conducive to maximising developmental freedom. This research has in turn generated other findings of interest,
such as other constraints on co-operative behaviour and unforeseen approaches to control.

In terms of developmental freedom, the findings of the previous chapter weigh strongly in favour of the co-operative as a means of organising work. The idea behind the use of developmental freedom as a principle for measuring quality of working life is that it allows for a multifaceted approach to working life in terms of control over time, and also places the emphasis on control for the individual rather than prescribing ideas of what is or is not good. The co-operative can advance both static and dynamic control of working life through the opportunities it creates within formal, paid work. Co-operatives are able to pay relatively good wages for the sector, due to both wage compression and all the surplus remaining in the business rather than being extracted by external shareholders. They also offer job security since workers are rarely made redundant, let go, or fired. This means that members have a firm base on which to build their working life, regardless of the inherent benefits of working for a co-operative. The major risk – that the co-operative is inherently inefficient and crisis prone – appears not to be the case. The exception in this study is the Bakery Co-operative where members are working at very low rates of pay as a means to cover the start-up costs. This process seemed to take place at various points in other cases as well, such as at Wholefoods A where early in the development of the business employees received a shareholding in exchange for their work instead of wages. This is an interesting aspect as it does appear to close off co-operative work for those who cannot survive on very low wages for a period of time unable to access the long-term pay-off of membership of a co-operative, especially given that the co-operative is not guaranteed to succeed even with the sacrifices of its members. On the other hand, this form of financing also prevents the co-operative from being over-leveraged in early stages or being dominated by equity investors. It appears to be an inherent issue with co-operatives that part of their success might be that they do not accrue large debts, yet in order to do this the workforce needs to make these sacrifices. It should be noted that participants were asked if they would take higher paid jobs elsewhere and answered that they would rather stay at the co-operative at low pay.

The benefits of working in co-operatives in terms of individual autonomy and the control over time this offers appear to be strong, with flexibility arising from the lack of
authority allowing members to negotiate shifts with one another in the short and long term to accommodate for other commitments, most notably childcare. In understanding co-operative behaviour, this demonstrates the importance of the social nature of these organisations – although they are profit-making, profits do not always come first and the well-being of members is a crucial part of the company's purpose. Structurally, because the benefits of increased productivity accrue to workers, collectively, they are in a position to make potential compromises and work around each other in a way that hierarchical managers cannot – it is members' own profits that they are choosing to weigh against the benefits of more flexible or comfortable working conditions.

Co-operatives appear to offer an opportunity for members to perform work which they find less alienating and more valuable in itself. The work has a social purpose in terms of both the co-operative ethics of the firm and wanting to sustain the ideals of the co-operative, and also in terms of the ethical products and services sold. This is key in the extension of the developmental freedom framework to the collective firm. The control which individuals are able to exercise in terms of the way that their firm operates and the activities it chooses to do or not do in itself represents an exercise of the freedom of the individual over their work. In firms without this role for workers' voice, the individual has only the choice of whether or not to work at the firm, and to leave if they find themselves in conflict with the firm's ethic or elements of its activities – a choice which is hard to exercise due to the uncertainty of leaving a firm and the need for steady income. The co-operative, on the other hand, offers the option of worker-led reform and control over what the firm does and the types of work individuals do, and therefore provides another avenue of control for the individual. Part of the role of the developmental freedom framework is to place the focus firmly on the control exercised by individuals over the type of work they do. Outside of the analysis of co-operative firms, the framework highlights the ability of workers to leave, switch or retain jobs as strategic decisions depending on their overall life and career objectives, as well as to use their bargaining power within firms to ensure a certain quality of working life. In the case of the co-operative, however, control is exercised within, as well as between, firms, and the negotiations take place within a democratic arena in which all individuals represent both themselves and their collective goals as a firm. In summary, the fact that work can be highly valued by individuals in a co-operative represents an increase in developmental freedom which is attributable to the control that the workers can exercise
over the firm's decision-making.

The democratic control of the co-operative does not seem to stifle individuals but actually allows them to develop their ideas into new initiatives for the firms. The role of discussion and deliberation is important here in shaping the expectations, limitations and desires of individuals such that people can be satisfied with the outcome of discussions and can take ownership of decisions made. Democratic management is more than just voting – to be effective it involves nurturing interpersonal relations, informed discussions and consensus-building where possible so that the collective decisions of the co-operative can operate in tandem with the autonomy of members. A good example of this would be Wholefoods A where democratic decisions were made in order to change rules about sick pay due to cases of abuse of the system. These decisions can be seen to made in the interests of the co-operative but also in the interests of individual members since the behaviour of some might threaten the survival and profitability of the firm. The same could be true in terms of pay cuts – they could be seen as an infringement on the freedoms of individuals by giving them less disposable income but are also in the interests of members in order to sustain the co-operative and avoid the potentially disastrous social effects of forced redundancies. The members of the co-operative have sets of convergent interests: in terms of finance, they all want the firm to be profitable in order to increase their pay but also to guarantee its survival in the long term and invest for development; in terms of autonomy they want the firm to be well-run so that it can be profitable, but also want the flexibility that comes with a lack of hierarchy and democratic management; and they are resistant to the potentially destructive consequences that would come from introducing authority structures which would damage the ability of the members to manage themselves. The co-operative therefore becomes a stable system where, although there are tensions, there are also significant complementarities – every sacrifice has a benefit not to external shareholders but to the members themselves if the co-operative is to survive, and in order to realise these benefits, members seem willing to consider the co-operative in the long term and are willing to put in the time and effort to make sure that this system of control work.

The external systemic environment seems not to affect co-operatives in all the ways that might be expected. Whilst at the start-up phase, the lack of available investment capital through, for example, equity investment, does appear to present long hours and low pay,
it is also arguable that these issues face all small businesses in these start-up phases, especially for directors, but without distributing the benefits of ownership to all workers. At maturity, cooperatives do not seem to collapse under the pressures of competition, with the possible exception of undercutting by failing businesses found at the Printing Co-operative, and are able to sell their goods at comparable prices in order to keep customers. This is especially noteworthy in terms of the Wholefoods co-operatives which are potentially in competition with large supermarkets. Despite the ability of co-operatives to survive in the systemic environment of liberal capitalism, they do so under considerable strain at times of crisis and during start-up, and the extent of the control of individuals is limited by the constraints of the system in which their co-operative exists.

11.2 Evaluation of the Empirical Study

The methods used in researching the case studies provided a useful, rich dataset based on interview data with several participants at each co-operative. All interviews provided a slightly different perspective on co-operative work but most offered very similar attitudes and opinions, with a few exceptions. There were some clear differences between the interviews at different case studies as different issues took priority. For example, in the Bakery Co-operative interviews, participants did not tend to discuss the ideological purpose behind co-operation to the same degree as the other cases, and instead concentrated more on the challenges of a small, nascent business. At Wholefoods B, on the other hand, the issues of managing such a large organisation were discussed far more. To some extent this was due to changes in the questions asked but also in terms of what the participants were able to and wanted to elaborate on in the interviews. The interview technique gave participants the opportunity to raise issues due to the approach of using open questions and a loose interview structure, and participants were able to raise some points which were not considered before the interview phase, most notably the ethical and social purposes of the co-operatives themselves.

The interviews which were outliers – typically where participants were, if not hostile to co-operative ideas, certainly less enamoured with them – were of interest. There were only a few such interviews, most notably at Wholefoods B. It is difficult from these interviews to know how representative the views put forward are, but the objective was
to interpret the experiences of individual members of these co-operatives, and to be able to use these to describe the potential challenges and opportunities of co-operative working. These findings were not affected by the outlying interviews which tended to put forward similar arguments in favour and against co-operation to all the other interviews, such as flexibility and control. The main critiques offered were firstly that the ethos of co-operatives got in the way of their effective operation due to arguments about ethical choices and a skewed world-view dominated by moral concerns; and secondly that there was a tendency to privilege the co-operative's collective needs over the well-being of individuals. The outlying interviews offered a different perspective on co-operation by highlighting some important concerns, but it is impossible to know the extent to which these concerns are shared by others or what other participants may have thought about them. The analysis above suggests that the ethical considerations of co-operatives are important as a source of value in work, and therefore discussions of them are perhaps a cost of having a system held together by social norms and shared identities. On the matter of privileging the collective over the individual, more data is required since this was an isolated finding and for reasons for discretion details could not be divulged.

A larger sample of individuals at each co-operative would have been a useful way to expand the dataset and allow more viewpoints to come forward. However, at all co-operatives dominant themes emerged even from very few interviews, and these were fairly easy to discern. It could be tentatively suggested that other interviews would have raised and reinforced the same points rather than adding new lines of inquiry. There was an inherent sample bias from the fact that interviews were voluntary and organised by the co-operative themselves, suggesting that only the most enthusiastic members would be willing to give up their time to discuss the co-operatives, and that these would be those most committed to the idea of co-operation and want to publicise it. Avoiding this bias would be very difficult – compulsory participation enforced by the co-operative is ethically dubious and could have created hostile interviewees who did not want to be part of the research but instead felt obliged or forced to do so. The means to return to the co-operatives to conduct repeat interviews would also have allowed more depth of data to emerge, giving participants time to reflect on their answers and on interpretations from the researcher, but this was not feasible given the burdens it would place on participants.
The sample of four co-operatives is a useful and instructive one. Whilst, as a general principle, more cases would yield richer data, the cases chosen each illustrate a particular challenge and opportunity for co-operatives and work together well to give a cross-section of different co-operative firms in terms of age, size and sector. Wholefoods A highlights the potential for successful co-operatives and underlined the importance of the ethical dimensions of co-operative work, as well as offering interesting insights into ownership and shareholding (although this emerged during interviews and was not known beforehand). The Printing Co-operative gives an indication of co-operative work in a skilled sector with divided labour and shows the continuities and differences between this and the far less divided labour force at the Wholefoods co-operatives in particular. It also shows the issues faced by co-operatives in declining sectors. The Bakery Co-operative demonstrates the difficulties and potential of new co-operatives in niche sectors, allowing the research to look at the formation of co-operatives and how they evolve over time. Finally, Wholefoods B shows what working life is like in a much bigger co-operative and highlights issues of size. The intersections and divergences between these, in terms of the motivation to form a co-operative, the size and type of work, and the ages of the co-operatives, are adequate to construct a picture of co-operative work more generally, with some limits in terms of the application of the findings to co-operatives of different origins, most notably rescue co-operatives.

In terms of the robustness of the findings, there is scope for a critique that the study has looked only at successful, currently existing co-operatives, therefore the finding that co-operatives are successful is inevitable. However, this study goes beyond simply stating that co-operatives exist profitably and seeks to explain this survival in terms of the way that co-operatives function internally, drawing largely on the way that they solve problems in different ways to conventional firms and have different goals. Where co-operatives have failed, it is likely that these structures did not form properly, and anecdotal evidence from the interviews suggests that co-operatives tend to fail when they do not create a social workplace where everybody contributes, but instead become very dependent on a small core of members, who, when they leave, take their knowledge, expertise and dedication with them. What the study demonstrates is the possibility of co-operatives to offer a system of organisation which can be stable and successful, but that where these systems do not form or work properly, failure becomes
likely. The rescue co-operatives in the literature illustrate this – where there are pre-existing tensions and hierarchies, co-operative management does not work well, and where co-operative cannot form organically along a developmental trajectory defined by consensus of members, they are likely to fail. On the other hand, because the study did not look at quantitative financial data, it is impossible to draw firm conclusions on their profitability and patterns of investment, and the comparative levels of these across different types of firm structure.

11.3 Avenues of Further Research

This study raises a number of questions which could only be answered by empirical research outside of the scope of this thesis. Attempts to replicate the findings of this thesis through different methods might be valuable, for example a quantitative approach informed by these qualitative findings but with a much larger sample to test the robustness and generalisability of the findings and engage in comparative analysis of investment levels in different type of firms. There are also questions raised in these findings which cannot be answered through the methods and cases chosen. The first would be to look at co-operatives in credit markets more thoroughly through a mix of quantitative and qualitative approaches to try to see if there is a systemic bias against lending to co-operatives and why this might be the case. This would need to look at both sides of the issue, investigating both lenders and co-operatives in order to look at the willingness to engage in loans from both sides. Do co-operatives tend to finance themselves through surplus out of necessity due to lack of access to credit or do they do so as a choice, and has the construction of an environment in which co-operatives do not receive external capitalisation changed their preferences in credit markets? It would also be useful to examine how access to credit for co-operatives has changed since the 1980s.

The research has focused on 'the individual', but has been unable to differentiate between, and focus on, those individuals typically enjoying fewer opportunities in the workplace and labour market, such as women. A gendered study examining co-operation from a feminist perspective would be extremely valuable, in examining the extent to which the decision making process allows for equal input between genders, and how the social functioning of co-operatives is experienced by different genders. The
mode of sampling used in this research makes drawing conclusions about this very difficult since very few participants were women, and publishing specific findings about individuals could compromise anonymity. Furthermore, in order to encourage participation and build trust in a short time period, questions about personal life were deliberately avoided in the interviews.

Finally, there is a question about the possibility of extending the co-operative model into the wider economy. Despite optimism from organisations like Co-operatives UK and the Employee Ownership Association, such enterprises still represent a minority of firms. There are questions as to whether large firms can operate as co-operatives and still retain the benefits of co-operative work described in this work, and how they would go about a process of democratisation. In particular, it might be questionable whether co-operatives would retain their solidaristic character if they were the norm rather than the exception – for example in planning for future generations. This would also need to examine the extent to which small start-ups can be encouraged to take a co-operative form as opposed to the conventional one. This would, linking to the first avenue suggested for further research, require a deeper examination of the financial aspects of start-up businesses. There is also a question of how this would affect smaller co-operatives who rely on their status as a niche in the market, or how hierarchies might form between co-operatives, creating a contradictory system. Dahl (1985), for example, suggests a co-operative economy as being prone to inequalities between firms. The idea of a co-operative economy as a new form of socialism or an intermediary form between capitalism and socialism has been suggested but is under-theorised as an idea.

11.4 Concluding Remarks

This thesis has brought together three sets of literature - economic literature on the viability of co-operatives, sociological and political literature on the desirability of cooperation, and a set of literatures on work including the labour process literature and Haagh's (2007, 2011a, 2011b, 2012) developmental freedom approach. In so doing it has demonstrated the case for worker co-operatives as one possible source of security and control for individuals in liberal economies. The thesis has reinforced existing approaches (Haagh 2011a) that suggest that the work/leisure trade-off is an inadequate way to analyse motivation and working life, and extended the developmental freedom
approach to co-operatives regarding the role of democratic control and norms of fellowship and solidarity within these firms, and the effects these have on firm stability, control over time and the means to accommodate different activities in working life, and the effect on the value individuals can realise from work. In so doing it has also added to the existing canon of co-operative cases, both by examining the experiences of co-operatives in the post-crisis UK context and also by bringing in perspectives on control. The developmental freedom approach places the control over work at the centre of analysis, allowing for an understanding of co-operatives based not just on whether workers experience higher job satisfaction or better wages, but instead on how the democratic decisions made by members interact with the need to establish security within the firm and the stability of the firm in a competitive market. This provides an analysis of co-operatives which looks at both their operation as viable businesses and the drive towards control together, since it necessitates relating the internal and external environments in which individuals and the firm exist to one another in the analysis. There are some wider conclusions to be drawn from the analysis – namely the limitations of the co-operative as a source of control, and the possibility of a co-operative economy.

The co-operative's potential for providing a source of security and control comes from the idea that it can “return the locus of control to the individual” (Rothschild & Whitt 1986:145) through democratic ownership and control of the firm. This study suggests that this is indeed a possibility, but there are some caveats to draw – co-operatives are not, by themselves, a solution to problems of insecure working life.

There are limitations to the ability of the individual to control the firm, and to an extent this may rise with the size of the co-operative, although the relationship between size and control may be quite complex. Firstly, based on the findings from Wholefoods B, the direct deliberative democracy of the co-operative requires some degree of delegation and steering from a management committee if decision-making process is not to become unwieldy. However, it did not appear from the case that this in itself led to a significant decrease in the sense of control although it may reduce the number of voices taken into consideration when making decisions. Issues around size and control were slightly less direct, and related to the effect of size on behaviour, for example by free-riding on the initiative, work and participation of others, with the possibility of diluting
the idea and ethic of the co-operative by the introduction of a hierarchy of participators. Tentatively, the problem may not be size in itself but the difficulty in encouraging new members to take an active role in a large organisation, and in encouraging individuals to exercise their control over the firm. The effect on control over the experience of work, including control over time, seems to be fairly limited though, perhaps because those not participating are generally happy with the decisions made and therefore do not feel the need to exercise their rights. Their interests may converge with the smaller group who participate regularly. The problem here is in the long-term sustainability of such a system if active members leave or the co-operative ethic is lost, especially since participants at several case studies gave anecdotes about co-operatives which had collapsed after active members left, taking their knowledge, enthusiasm and co-operative values with them.

To some extent co-operative consensus-based decision making relies on both the communication of preferences and the shaping of preferences in the deliberative arena. There are likely to be inequalities in the ability of individuals to act in decision-making which could not be studied in this research. Furthermore, it seems that the formation of a co-operative requires a set of individuals to make sacrifices of time and money which in the long run may benefit themselves but also some individuals who come to the co-operative later and are not involved in the formation, presenting a potential free-rider problem.

In the current configuration of the economy, co-operatives cannot help to solve all problems of labour market insecurity. Individuals are not guaranteed work at co-operatives, and incentives exist to limit membership of co-operatives. Advantages of control can only exist as long as one is a member of the co-operative, giving rise to issues of the spatial mobility of individuals as well as changing work requirements over people's lives (such as leaving for a number of years to undertake childcare responsibilities). Therefore, the existence of worker co-operatives does not mitigate the case for a more horizontal capitalism with institutions of control at the systemic level (Haagh 2012), but I argue that such firms can still represent an important source of control by adding new sources of security at the firm level to augment those that may exist at the systemic level. This may require there to be more credit and investment available for co-operatives if they are to develop to maturity quickly without
compromising security. The growth of meso-level institutions such as CDAs should be encouraged, and organisations that advocate co-operative forms should work with financial institutions to demystify the model in order to minimise the aversion to lend.

Secondly, there is the consideration of the viability of a co-operative economy and a replacement of liberal capitalism with a co-operative market. An analysis of the viability of such an economy based on the current understanding of co-operatives is far outside the scope of this study, but current literature raises some issues, principally where innovation might stem from in such an economy (Hindmoor 1999) and how such a system could avoid degenerative pressures. The co-operatives in this study all exist as firms which operate in resistance to, but also in co-operation with, capitalist markets. There are questions of how well they could exist if they were no longer spaces of resistance, in terms of how shared identity and meaning is created. This might be particularly a problem for investment if the idea of leaving the benefits of investment for future generations to reap became compromised if such workplaces were the norm. This might inhibit the operation of such firms by changing the social relations on which they are able to operate. On the other hand, there are arguments to suggest this would not be the case, since the interests of workers would still control the firm, and these interests would likely favour security and control of the firm, and there is no reason to believe that all of the diverse objectives of co-operatives, such as social responsibility and providing decent work, would be lost. In the UK context where such firms are a minority, more co-operatives in a largely capitalist economy are likely to be a good thing in terms of control and security.
Appendix 1 – Interview Forms for Participants

Please note that all both the Participant Information Sheet and the Consent Form were originally single page documents and have been copied verbatim here for information.

**Participant Information Sheet**

Contact: Robin Jervis, School of PEP, University of York, Heslington, York YO10 5DD

rj519@york.ac.uk

About the Research
I am a Ph.D. student at the University of York writing a thesis about worker co-operatives. My supervisor is Dr. Louise Haagh who can be contacted via email louise.haagh@york.ac.uk or by mail at Louise Haagh, Department of Politics, University of York, York, YO10 5DD.
The research has the explicit approval of the University of York ELMPS Ethics Committee.

Aims of Research
The research aims to find out about the experience of being a member of a worker co-operative in terms of the control that individuals have over the work they do, their ability to plan for the future and their opportunities for training and professional development at work.

Mode of Research
The research will take place through short (up to 30 minute) one-to-one interviews with some members of the co-operative.

Data Collection
Interviews will be recorded (audio only) and written notes taken. These recordings and notes will be kept private and confidential. Direct quotes will not be used in the published research without consent. Audio recordings will be deleted after transcription
and the transcripts kept on the University's secure IT system. All data collected will be kept in accordance with the Data Protection Act. You must sign a consent form for your interview to be used in the research. The numbers on the consent forms do not correspond directly to the numbers you will hear recorded to index the interviews.

Use of Data
The data from interviews, after analysis, will be used in my Ph.D. thesis and may also be published both in print and electronically, for example in books or academic journals, and may be presented at conferences.

Confidentiality and Anonymity
You or the co-operative you are a member of will not be named in any publication of the research. Your co-operative will be referred to in the publication by sector and number (e.g. “Engineering Co-op 2”). Feel free to use names in the interviews as these will not be disclosed even if direct quotes are used and will not be written on transcripts. Full transcripts of interviews will not be disclosed. Recordings and notes will be kept securely. Audio recordings will be destroyed after transcription and notes and transcripts will be destroyed when the thesis is complete (expected to be around Easter 2015). I cannot guarantee that members and co-operatives will not be identifiable due to the nature of the information disclosed in interviews and published in the research.

You do not have to take part in the research.

You can withdraw from the research at any time before publication (i.e. at any point before 31/03/2015) by contacting me at rj519@york.ac.uk. If you do choose to take part I cannot pay you.

Please ask if you have any questions about the research. My contact details are at the top of this sheet.
Consent for Use of Interview Data

You DO NOT have to answer any question you do not wish to

You CAN END the interview at any point

You CAN WITHDRAW your consent for the interview to be used BEFORE OR AFTER the interview UNTIL 31/03/2015

Do you consent for the interview to be recorded (audio and notes)?

☐ Yes
☐ No

Do you consent for direct quotations to be used in publications (including PhD thesis)?

☐ Yes
☐ No

If you would like a copy of the completed PhD thesis tick here ☐ and provide an email address where an electronic copy of the thesis can be sent:

..........................................................................................................................

Please sign here BEFORE the interview begins to indicate that you consent to participate in this research, and to certify that you have read and understood the 'Information for Participants' sheet:

Signed: ...................................................
Date: ..........................

Print: ...........................................

Please sign here AFTER the interview is completed to indicate that you still consent to the use of the interview in my research:

Signed: ............................................

Date: .........................

Print: ............................................

*PLEASE ASK if you have any questions about the research or use of the interview*
List of Abbreviations

CBC – Cheese Board Collective
CCF – Co-operative and Community Finance (formerly ICOF)
CDA – Co-operative Development Agency
CDFI – Community Development Finance Initiative
CME – Coordinated Market Economy
CSO – Co-operative Support Organisation
ELMPS – Economics, Law, Management, Politics and Sociology Ethics Committee
ICA – International Co-operative Alliance
ICOF – Industrial Common Ownership Fund (now CCF)
ICOM – Industrial Common Ownership Movement (now part of Co-operatives UK)
IPS – Industrial and Provident Society
KME – Kirkby Manufacturing and Engineering Company
LLP – Limited Liability Partnership
LME – Liberal Market Economy
LMF – Labour Managed Firm
MCC - Mondragón Corporación Cooperativa
SCOP – Sociétés Coopératives et Participative [French Co-operative Organisation]
SRL – Synthetic Resins
WMF – Worker Managed Firm
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