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The Worker Cooperative: A More Humane Economy

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Defenses of the Market Economy

Market economies have received intense criticism due to their purported flaws, including occupational hazards, inequality, unpredictability, unsafe products, outsourcing, pollution, and maldistribution of essential goods and services (Abel, 1982; Kropotkin, 1907, pp. 3-14; Lange, 1937, pp. 123-125, Christiansen, 1982, pp. 270-271). However, advocates of the free market claim that it preserves liberty, since economic activity lacks coordination from a repressive government (Friedman and Friedman, 1980, 2-3, 9-11, 14). Many also assert that individual creativity flourishes, since participants receive the full rewards of success (ibid., p. 24).

However, such cases rely on a false choice between the centrally-planned economies of the former communist world and the market economies of everywhere else. There is another economy that can satisfy the desire for both freedom and utility: the worker cooperative, in which employees make decisions democratically.

Flaws in the Market Economy

If the free market fulfilled the conditions set by its defenders, cooperatives would be far less compelling. However, the freedom of the free market is riddled with inconsistencies. Workers are told how long to work, what work to perform, what to wear, what facial

expressions to have, what to say and when, and, depending on how they are paid, how they can live (Glasier, 1919, pp. 168-170; Cohen, 2001, p. 5, 8, 16-17, 27). If they violate the rules of the firm, their employment can be terminated, leaving them without secure access to the means of life (Kropotkin, 1907, p. 4, 11). It is unsurprising, then, that a recent survey found that 47 percent of Americans want to leave their job (Liu, 2019). While employees can always quit, they almost always end up at a job where the same balance of power prevails (Connolly, 1997, p. 48).

The Utility of a Cooperative Economy

Cooperatives, however, can rejuvenate the market economy in a number of ways. First, workers decide their pay, their working conditions, what goods and services to provide, and other aspects of employment (Perotin, 2013, pp. 40-41). These benefits forge a strong attachment to the cooperative (Richards, 2012, pp. 9-10). Second, there is greater equality within worker cooperatives. In the United States, the average income ratio between CEOs and their employees is 296 to 1, while in America's largest worker cooperative, Cooperative Home Care Associates, the ratio is 11 to 1 (Rieger, 2016).

In Spain's largest cooperative, Mondragon, the figure is 9 to 1 (ibid.). Third, employment in a cooperative is also more stable. Instead of laying off workers to save money during an economic downturn, the cooperative's members can vote to shoulder the burden collectively by cutting pay instead of jobs (Perotin, 2013, p. 40). Fourth, worker cooperatives are more suitable for isolated, underserved regions (ibid., pp. 41-43). They do not need to constantly expand in order to make money for absentee executives or shareholders. The democratic process also prevents the firm from offshoring, ensuring that jobs remain within communities. Fifth, the participatory, egalitarian structure of cooperatives deters perverse leadership on the part of managers (ibid., p. 41-42). Since compensation and decision-making processes are social rather than private, fewer incentives exist to engage in harmful practices. Sixth, cooperatives survive longer than conventional firms. A 2008 study by the Government of Quebec showed that 74 percent of cooperatives survived for at least three years, compared to 48 percent of conventional firms (Richards, 2012, p. 9). In Alberta, the figures were 82 percent and 48 percent, respectively (ibid.).

Objections to a Cooperative Economy

There are various criticisms of cooperatives or other redistributive schemes that could also apply to them generally. These arguments assert that more equal compensation and control will ruin the material incentives to start new businesses or to attract talented management to existing ones, that worker cooperatives suffer from a lack of innovation, that ordinary employees are too inexperienced to run a business, that their participatory system of decision-making is cumbersome and slow, and that there is a lack of precedent for the widespread formation of cooperatives. Such objections can be addressed. First, the maximization of income per worker motivates exceptional work (Perotin, 2013, p. 39-40). Differential compensation can still be approved by workers. Limiting managerial compensation is not unlikely to drive innovation. If the genuinely skilled innovator wishes to receive exceptional compensation, it should be tied to the number of useful innovations instead of a perpetual reward for the original, ensuring that more innovations will be developed for the same reward (Schweickart, 1980, p. 14-15). Alternatively, qualitative incentives can entice managerial talent to join a cooperative, such as the pleasure of authority, the satisfaction of community service, awards, and

publicity (ibid., p. 91; Walzer, 1980, pp. 252-253; Wilczynski, 1973, p. 225). Second, regular opportunities for employees to contribute and vote for suggestions mean that innovation survives. Third, giving employees control of their employment motivates them to become more literate about the workings of a business. The various talents of all employees are utilized in cooperative decision-making, and consultants can be summoned to provide the necessary expertise. Fourth, if management believes that there are too many workers for the decision-making process, they can elect representatives to a larger cooperative federation. Mondragon employs 81,000 people across 96 cooperatives (Mondragon, n.d.), and each firm is represented in Mondragon's legislature (Bibby, 2012). Fifth, worker cooperatives (or producer cooperatives, as their agricultural counterparts are known) currently employ over 263 million people globally (Eum, 2017, pp. 21-23). Additionally, many people are already accustomed to controlling their own work, such as the self-employed, who comprise 15 percent of the workforce in Canada and 28 percent in the United States (Yssaad and Ferrao, 2019; Pofeldt, 2020).

Conclusion

In sum, it is clear that the free market can be improved. Worker cooperatives can endear people to their employment while delivering the goods and services that they all need and enjoy. The point of a cooperative economy is not to completely replace the market economy, but to improve it. The political philosopher G.A. Cohen observed that "people can do... nothing without using parts of the external world." (Cohen, 1986, p. 113). It follows that democratic control over the economy is of great importance to human well-being, not just in maximizing the utility of the economy, but also in the control people have over their own lives. It is possible for people to guide their work, benefit from it, and meet the demands of consumers at the same time.