Cooperatives: Worker Participation Writ Large

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In the field of Human Factors / Ergonomics (HFE) the inclusion of end-users in product design, or of the actual people acting on and within a system in larger more complex settings is a given. The participation of subject matter experts (SME) in higher level organisational design and management decisions however remains far rarer, despite the repeated calls and the formal declaration of the importance of this - reflected in the uptake of the term Macroergonomics. However, there are historical and contemporary examples of attempts to create organisational structures that offer more of the benefits that HFE practitioners seek for their clients. The HFE literature rarely covers them, but the Employment Relations field is far richer. This paper reports on the first phase of a study seeking to discover whether organisations operating under a cooperative basis enjoy better health and safety outcomes. In this initial paper the authors introduce the concept, origins and characteristics of cooperatives where participation is indeed writ large.

1. Introduction

The purpose of this paper is to challenge current views of worker participation that have emerged over the past decades. In particular, this paper aims to explore the different forms of worker participation, their deficiencies and opportunities as part of the initial phase of an ongoing study. When exploring different forms of participation, the cooperative, as a business model, will be used in this paper not only to highlight certain facets of worker participation but also to suggest alternative ways of engaging workers in the future.

We find that a prevalent form of worker participation concerns Occupational Health and Safety (OHS). The focus here is on how to involve everyone in the business to systematically work for a healthier and safer work environment (Frick, 2004). Our discussion of worker participation in OHS matters highlights the role of statutory OHS committees (Walters & Nichols, 2006). However, there are some obvious issues in terms of effective implementation and coverage (Lamm, 2010). First, our paper describes a number of grave regulatory and implementation failures with disastrous outcomes in New Zealand. Second, the changing nature of work – with more people found in atypical forms of employment, increased use of contractors, and decreased powers for unions – make coverage of many workers difficult (James, 2004). Clearly, there is a need to find new ways of involving all workers, and not only employees, in the workplace.

The mandating of health and safety committees was introduced in many OECD countries during the 1970s and 1980s. However this was not a legal requirement in New Zealand until 2002 when the Health and Safety in Employment Amendment Act was introduced (Lamm, 2010). Notwithstanding the amendment to the Health and Safety in Employment Act, a more robust form of worker participation has been signalled as a core element of the new Health and Safety Reform Bill (Worksafe New Zealand, 2015). However, two key questions still remain: how can worker participation in OHS be improved? And what is needed to involve all workers within a workplace?

In this paper we argue that a cooperative, by its very nature, involves all its members (to a greater or lesser degree) in the decision-making. It is suggested that only when members of an organisation have a financial interest, as well as a responsibility, to ensure the development of the business can participation take place to a sufficient degree. In other words, when everybody in a workplace has a commitment and interest in how the business is run there is an interest, as well as responsibility, for everyone for participate in meaningful ways.

The paper starts with a discussion that presents key questions surrounding worker participation, such as: What types and forms of worker participation exist, and what is the difference between worker participation and industrial democracy? The following section presents a brief exploration of what a cooperative is and what different types of cooperatives exist. This indicates that the types and processes of worker participation are different depending on type of cooperative. Finally, why cooperatives are of particular interest when examining worker participation is explored.
2. Types of Participation and Schemes

Depending on one’s role and what ideological standpoint one has, the term “participation” will mean different things to different people (Stern, 1988). Participation can be employee-centred as well as employer-centred (Wilkinson, Gollan, Marchington, & Lewin, 2010). However, some would call the latter pseudo-participation in which management defines which issues should be considered (Turner, 1997). By acknowledging the differences, clarity around the different terms - such as participation, involvement, engagement, voice, empowerment etc. - can be gained (Wilkinson et al., 2010; Rasmussen, 2009). Heller, Pusic, Strauss and Wilpert (1998) point out that much of research into worker participation has overlooked differences between the different terms and their ideological standpoints. They find that the extant research often has not considered how different forms of participation play different roles when it comes to decision-making. As a consequence it is hard to make exact comparisons between different worker participation schemes.

Moreover, as Foley and Polanyi (2006) and Rasmussen (2009) rightly point out workplace democracy is not the same as employee or worker participation. While participation is necessary it is not sufficient for it to be workplace democracy. When talking about workplace democracy the workers shall have the real control over certain areas within the organisation, which may vary between operational, organisational as well as strategic matters. One way to distinguish between worker participation and industrial democracy is to see whether the schemes are based on the idea of influence or control. Influence is when workers can have a say, which might or not be considered by management when they are making a decision. In contrast, control refers to arrangements where the worker not only can have a say but also have the power in decision-making. This control might be limited to certain areas or aspects of work, for example work groups might have the control over which hours they work or recruitment to the group.

Another way of classifying and understanding participation is by examining different types of participation schemes examined based on five questions. These questions are: 1) Is the participation giving workers influence or control?; 2) Is the participation financial or non-financial?; 3) Is the participation direct or in-direct?; 4) Is the participation giving workers ownership or management powers?; and 5) On which level does the participation take place? Is it on an operational, organisational, or strategic level of the business? Table 1 illustrates these questions together with examples of participation schemes.
### Table 1. Types of participation and different participation schemes. Table adapted from Rasmussen (2009); Wilkinson et al. (2010); Wilkinson, Townsend, and Burgess (2013).

<table>
<thead>
<tr>
<th>Questions</th>
<th>Job enrichment, job design</th>
<th>Work groups, quality circles</th>
<th>Joint consultation and works councils</th>
<th>Co-determinations and worker directors</th>
<th>Self-management and workers control</th>
<th>Financial participation</th>
<th>Cooperatives and partnerships</th>
<th>Health and Safety Committees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Influence or control? Partial or total?</td>
<td>Influence, partial</td>
<td>Both, partial</td>
<td>Influence, partial</td>
<td>Both, partial or total</td>
<td>Control, total</td>
<td>Influence, partial</td>
<td>Control, total</td>
<td>Influence, partial</td>
</tr>
<tr>
<td>Direct or indirect?</td>
<td>Direct</td>
<td>Direct</td>
<td>Indirect</td>
<td>Both</td>
<td>Direct</td>
<td>Direct and indirect</td>
<td>Indirect</td>
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<tr>
<td>Ownership or management powers?</td>
<td>Management</td>
<td>Management</td>
<td>Management</td>
<td>Management</td>
<td>Owner-ship</td>
<td>Both</td>
<td>Management</td>
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<td>Operational, organisational, or strategic level?</td>
<td>Operational</td>
<td>Organisational, and Operational</td>
<td>Organisational</td>
<td>Strategic</td>
<td>Operational, Organisational, and Strategic</td>
<td>Strategic</td>
<td>Operational, Organisational, and Strategic</td>
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### 2.1 Worker Participation Defined

Depending on who is defining and advocating for greater worker participation both the meaning and wording will vary (Rasmussen, 2009). To better grasp the meaning(s) of participation not only ideological standpoint but also role in a business is of importance. When, for example, a Company Director is asked to define and promote participation, some system of profit-sharing might be considered. Financial participation is a form of participation where workers have a monetary benefit from their work. Profit-sharing can be arranged through either employee share ownership, where the worker also becomes an owner and gets to have a say, or through profit sharing, where the worker receives money but not ownership (Rasmussen, 2009). As noted by Wilkinson et al. (2010) this form of participation differs from other types of participation, since workers might be expected to participate to a greater degree since their work efforts might have an impact on the financial result of the organisation. Questions on who gets to decide over the distribution of the profits, as well as what happens when the organisation makes a loss are of interest when examining financial forms of participation. Rasmussen (2009) notes however that profit-sharing is normally more common at the executive level of an organisation rather than at the shopfloor level.

Initiatives such as a quality circle, or a productivity improvement group might be considered (Rasmussen, 2009). As identified by Wilkinson et al. (2010) and Wilkinson, Dundon, Donaghey, and Freeman (2014) the Human Resource Management perspective of participation is ultimately about increasing the productivity and bottom line of the organization through management directed
involvement, engagement, (such as High Performance Work Systems), and HR policies (such as “open door” policies).

From a quite different standpoint a trade union official might refer to participation as a way to have trade union or worker representation on company boards of directors, as well as collective bargaining (Rasmussen, 2009). For union officials, the power imbalance between management and labour is central to the need to involve workers. Therefore unions see their role as counterbalancing this inevitable imbalance in which participation plays a crucial role (Gunningham, 2008). Given the changing nature of work, the corresponding decline in union density and decreased powers for the unions (James, 2004) participation is even more important for trade unions.

A worker representative might think of participation as a way of empowering workers by giving more influence and control over the work that workers are carrying out (Rasmussen, 2009). And if the worker is employed by an organisation where s/he is not only a worker but also an owner of the business, like in a cooperative, participation can refer to something even wider than participation, namely industrial democracy.

Depending on definition of worker participation different forms will be suggested. However contextual and institutional factors must also be considered when examining participation schemes as these can have an impact on how they are implemented.

2.2 Contextual and Institutional Factors

As outlined above, types of participation can be implemented in different types of organisations, and as explained they can be initiated by different motives and ideologies. How they can be implemented varies and when examining worker participation contextual and institutional aspects of employment relations are also of importance (Wailes, Bamber, & Lansbury, 2011). Typically in Anglo-American countries there is a tradition of representative, or indirect, forms of participation built on a tradition with adversarial relationships between union and management. In contrast in many European countries, excluding the United Kingdom and Ireland, a tradition of accommodating relationships between union and management can be found. For example are works councils often found in German companies, where co-determination between workers and management takes place (Rasmussen, 2009). In Scandinavia representation system consists of four channels: collective bargaining, health and safety committees, works councils, and employee directors (Rasmussen, O’Neil & Chalmers, 2006). In Sweden for example there is a Co-determination Act (Lag om medbestämmande i arbetsslivet, also referred to as Medbestämmandelagen) which states that no major decisions can be made by an employer with collective agreement before consulting with the worker representatives (Riksdagen, 2015). Countries that are part of the European Union (EU) are bound to follow the Directive on European Works Councils, which states that multinational organisations with at least 1000 employees in the EU and another 150 or more employees in at least two member states has to setup a works council. As a consequence of this recent development one can expect to see a conversion towards a more European approach also in the United Kingdom and Ireland (Rasmussen, 2009).

Although contextual and institutional factors are of relevance there is one type of organisation that by very nature reward, indeed is based upon, the idea of participation by its members; namely cooperatives. Cooperatives are of interest when examining different types and forms of worker participation and in some cases even industrial or workplace democracy. As an organisation they have a holistic approach of including everyone in the workplace. The influence as well as control by its members include many aspects of the organisation, including but is not limited to, safety in design as well as consultation before changes or decisions are to be made. Since it’s everyone’s business, it is important to everyone that things are done with the best interest for both the business itself but also its workers. This suggests that, for example, health and safety is no longer something that is only discussed in the board room, or to be treated as a ‘side car’ (Frick, 1994) but could potentially be a matter for everyone within the organisation. Next section starts with an explanation of different types of cooperatives, followed by a discussion around why they are of importance.

3. Cooperatives

The aim of this section is to outline what a cooperative is, what different types of cooperatives exist, and what generic principles underpinning cooperatives. A brief outline of the history of cooperatives is given together with some examples of cooperatives from the United Kingdom, Spain and New Zealand.
When trying to define a cooperative the definition from the International Co-operative Alliance (2015a) is useful. What makes a cooperative distinctive from other types of organisations is that the primarily focus is on joint ownership and democratic forms of control. Further it involves a group of people that have come together with common goals both in the workplace but also for their community.

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise (International Co-operative Alliance, 2015a).

There are different types of cooperatives and a full explanation of all them can be found on the Cooperative Business New Zealand website (2014b). Battilani and Schröter (2012) classify them into three categories, namely: Customer-owned Cooperatives, Worker Cooperatives, and Producer-owned Cooperatives of which examples will be given below.

3.1 History and Ideology

Cooperatives are found all around the world, which includes but is not limited to the UK, USA, many countries within the European Union, as well as on the other side of the world in New Zealand and Australia (Mygind, 2012; Kozłowski, 2013; Briône & Nicholson, 2012; Cooperative Business New Zealand, 2014c; Balnave & Patmore, 2008). The very idea of a cooperative is far from new and can be traced back to Medieval Europe (Battilani & Schröter, 2012). The guilds and trade associations of the Hanseatic League were based on the idea of cooperation (van Driel & Devos, 2007). The idea of cooperatives was also a way for many European cities to become independent from aristocracy and the Church. Still today the relics of medieval commons are found in some European forest cooperatives (Battilani & Schröter, 2012).

Although the ideas of cooperatives are somewhat old the modern movement did start as a reaction to industrial capitalism. Cooperatives are often associated with the workers movement, which in Europe was based upon four pillars: the socialist party, the trade unions, the organisations for recreation, and the cooperatives. However cooperatives have been supported by other ideological strands as well. Religious movements (Catholic inspired cooperatives in Spain and in Italy, and Protestant oriented in Denmark and Central Europe) have also supported the cooperative movement. In the United States anticorporate movements supported cooperatives (Battilani & Schröter, 2012).

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3.2 Rochdale Society & John Lewis

One example of an early cooperative set up was the Rochdale Society of Equitable Pioneers, founded in 1844 in the United Kingdom (for a discussion about why it also has been important for the development of the Australian cooperative movement see Balnave & Patmore, 2008). The Rochdale was setup by weavers that opened a shop where their families could buy good quality food at reasonable prices. Using the classification by Battilani & Schröter (2012) the Rochdale would be labeled as a customer-owned cooperative. Although the Rochdale was not the first in the UK it differs from other early consumer-cooperatives in the late 1700s to early 1800s. It differs from others not only because of its long-term success but also because right from the start had written down principles, which later, in the 1930s, came to heavily inspire the principles endorsed by the International Co-operative Alliance. The Rochdale principles were: 1) open membership; 2) democratic control, with one person one vote; 3) distribution of surplus in proportion to trade; 4) payment of limited interest on capital; 5) political and religious neutrality; 6) cash trading and no credit given to customers; and 7) promotion of education (Battilani & Schröter, 2012).

Principles were also endorsed by the International Co-operative Alliance and were formed in the 1930s as a way to create a common ground among cooperatives originating from different ideological standpoints (Battilani & Schröter, 2012). These principles form a legal framework for cooperatives around the world. In general, any organisation wanting to incorporate as a cooperative need to adhere to the following principles from the International Co-operative Alliance (MacPherson, 2012). Although similar to the Rochdale principles, the international standards allow for religious and political views to be a part of the values within the cooperative (International Co-operative Alliance, 2015b).

In 1929 the John Lewis Partnership was founded and since then has been held up as a model of best practice (Cathcart, 2013a). It has been described as a ‘workers’ paradise’ (Stummer & Lacey,
2001) because workers are called partners and they have a voice in the decision making process of the organisation. When John Spedan Lewis inherited a retail business from his father, he converted it into an experiment in industrial democracy (Cathcart 2013b). He formulated a Constitution based on the idea that instead of categorizing owners, managers and employees the new organisation was made up of partners. Based on this he set up a trust where every partner had a share in the business and was expected to take part in sharing knowledge, gain and power (John Lewis Partnership 1953, as cited in Cathcart (2013a). What is of particular interest when examining the John Lewis Partnership is possibly the role, or lack of, unions within this organisation. As noted by Cathcart (2013a) the John Lewis Partnership is not a cooperative but rather a form of partnership. The shares are owned by the trust, and not by the workers. And contrary to the principles set by the International Co-operative Alliance, members do not contribute equally, neither do they democratically control the capital. Instead, partners receive a share in profits based on a percentage of their salary.

3.3 Mondragon
A cooperative that has received a lot of attention is the Mondragon worker cooperatives group in the Basque region of Spain. It was established in 1956 in the town of Mondragón by a young catholic priest named Don José María Arizmendiarrieta. He was sent to Mondragón by his bishop in the early 1940s. Through community development, pastoral care, grassroots organisations, consciousness-raising and technical education he created the structure for what today is known as the Mondragon Co-operative Corporation. It is a group that consists of more than 260 worker-owned cooperatives (Mathews, 2009) and includes production of high technology products. Within the group there is also a cooperative bank, Caja Laboral Popular, the Bank of the People's Labour, which has enabled the setup of new cooperatives through provision of both capital and business advice. The group has also setup a number of training institutes as well as a research and development institute. These institutes are setup to train future members and workers of the cooperative as well as continuously developing new products (Ellerman, 1990). The cooperatives employ both direct and representative forms of democracy, in which each cooperative elects a president and governing council. The governing council then appoints a general manager and together they hold most of the power over day-to-day decisions. As a counterpart to the governing council there is a social council within each cooperative. The social councils are often concerned with implementing not only financial but also social return on investment. Typically the social councils play an important role for the health, safety and wellbeing of the workers within the cooperative. The individual cooperatives belong to the Congress, which is the highest decision-making body. Direct democracy is exercised through the use of the principle one-person, one-vote in the Congress. Representative democracy is used as a way to ensure that each group of workers are fairly represented within the key decision-making bodies (Cheney, 2001).

3.4 Fonterra
A large producer-owned cooperative from New Zealand is the Fonterra Group Cooperative Limited (hereafter referred to as Fonterra) which is owned by more than 10,000 dairy farmers. The number of shares are owned by each member equaling the kilograms of milk solids supplied to the cooperative each year (Maher & Emanuel, 2005). The first dairy cooperative in New Zealand started in Otago in 1871, 57 years after the first cattle were imported to New Zealand by European settlers. With growing demand overseas for dairy products as well as improved technology the number of dairy cooperatives in New Zealand grew to about 400 in the following decades. By the end of 2000 there were only two major stakeholders in the New Zealand dairy industry, with 95% of the industry represented by two cooperatives, the New Zealand Dairy Group and Kiwi Co-operative Dairies. In 2001 these two cooperatives were merged into Fonterra (Fonterra, 2015a). A Board consisting of 13 board members, 9 elected by the shareholders and four elected by the board, are together with the management team and the CEO governing the cooperative (Fonterra, 2015b). There is also a Shareholder's Council which is made up of 37 Shareholders Councilors that are elected to represent the shareholders of the cooperative. Each Councilor is elected to represent a geographical area of New Zealand (Fonterra, 2015c)

4. Cooperatives – Worker Participation Writ Large
As we have seen, there are different types of cooperatives, such as a customer-owned, producer-owned, and worker-owned. Each of them have played a role in the development of the cooperative
movement. Of particular interest is the Spanish example from Mondragón which exemplifies a type of cooperative that not only shows examples of worker participation schemes but also is based on ideas of industrial democracy, in which the workers actually have some control in the decision-making. Worth to note is also the social council within each Mondragon cooperative, which has not a financial but social return on investment as their priority. In this form of arrangement different interests (financial and social) are acknowledged. But it is also aimed that the two interests are being met at the same time.

Perhaps this is what makes a cooperative not only unique but also provoking. In making the workers the owners over the means of production and equal partners in the profit, cooperatives are challenging how businesses can be organised and run within capitalism. The implications of working in a cooperative are far-reaching, including but are not limited to health and safety. Given that opportunities for participation are greater within a cooperative, does this mean it also translates to more effective health and safety interventions? In order to adequately answer this question further research is needed, in order to explore whether cooperatives actually can provide alternative arrangements to effective health and safety interventions.

However, in order to test the validity of our argument that cooperatives can provide greater opportunities for worker participation further empirical research is still needed. In particular, what opportunities do workers in cooperatives have to participate in decision-making will be examined. Further, at which level (operational, organisational, or strategic) of decision-making do workers have an opportunity to participate will be explored. And finally, it is important to understand how workers can be fully involved in creating a healthy and safe work environment within a cooperative working environment.

Reference List


