

268



Alleanza Cooperativa Internazionale

COOP/RPT/6

Original: french

THE ROLE OF INDUSTRIAL COOPERATIVES IN ECONOMIC
AND SOCIAL DEVELOPMENT

THE PROBLEM IN THE INDUSTRIALIZED COUNTRIES
B. Trampczynski and R. Bierzanek - Poland

Friday October 27, 1978

Roma 25-28 ottobre 1978 / Midas Palace Hotel, Via Aurelia 800

ICA Library
334.4 TRA-R
ICA 00867



ICA 00867

334.4

COOP/RPT/6
PAGE 1

LABOUR COOPERATIVES AS A MEANS OF SOCIAL AND ECONOMIC DEVELOPMENT
(In Industrial countries)

by Bogdan Trampcinski - R. Bierzanek - POLAND

I N T R O D U C T I O N

I - In recent years there has been a growing interest in Labour Cooperatives as a means of economic and social development. This has not come about by chance, and has been taken up in the work undertaken and resolutions passed by international organizations.

It is certainly bound up with the opinion that has often been heard, namely, that development should not be seen as a simple growth in national income, but in terms of economic and social development that makes it impossible to solve the problems of economic growth, as well as social problems.

It is precisely the labour cooperatives that see the economic aspect linked most closely with the social. There is growing support for the increasing role of technocracy in the economy to be offset by an increase in the social aspect. This also means that labour should not just be seen as expenditure of energy and a necessary condition for human survival, but as a basic psychological factor and as the source of satisfaction deriving from creativity and organizational activities. The interest being shown in Labour Cooperatives is also due to the importance that various countries attach to industrialization as a decisive factor in their development.

From this viewpoint, labour cooperatives must be seen as one of the methods of industrialization that is particularly suited to countries in which investment possibilities are weak and population growth high.

Any industrialization process involves a range of different sized firms and a variety of different branches of industry.

In the development of the small and medium firm, the organization of labour cooperative terms could play a significant role.

This growing interest in labour cooperatives demands a thorough examination of the development potential of this sector of cooperation, bearing in mind the experience accumulated in this field since the second world war in various countries and in different economic systems.

When these hopes were dashed, the feeling of frustration led to a feeling that the development of cooperatives was limited, not to say, hindered, by intrinsic causes. These causes included the alleged conflict between the short-term interests of labour and the long-term interests of the firm, the lack of worker-discipline and their fear of risk-taking; the inability of workers to learn about management and the drift of the more gifted workers towards capitalist enterprises. This explains why we

ICA Library



ICA 00867

it is very important to work out what possibilities exist for the development of Labour cooperatives, basing our discussion on experience.

II - THE CONCEPT AND ECONOMIC PREMISES OF LABOUR COOPERATIVES

Before going into the question of the usefulness of labour cooperatives as a means of economic and social development, we must decide on the scope of the economic structures that we include under the term 'Labour cooperative'.

In practice, as well as in theory, this term has a wider meaning than "workers production cooperatives" or "industrial cooperatives" as generally used by the International Cooperative Alliance.

It has been necessary to broaden the meaning since these Cooperatives not only operate in the field of industrial production in building, transport and fishing, but also in the various service industries whose importance grows hand in hand with economic development and industrialization. There is also the fact that the workers and labour cooperatives are also joined by other workers not belonging to the working-class. As members of the cooperatives, these people provide services on an equal footing with workers and, sometimes even, in the total absence of workers. This is the case with cooperatives which only comprise highly qualified people (teachers, doctors, accountants cooperatives etc.). From this one might conclude that the fundamental criterion for a labour cooperative is no longer just the scope of its activities, but above all the employment offered to its members; hence the name which we wish to give to this type of cooperative. It follows from this that a labour cooperative is an enterprise which develops its activities according to cooperative principles and which equally engages in industrial production, in a very broad sense, as well as the provision of services of every kind. This activity is based on the personal work put in by the members of the cooperatives and on the common ownership of the means of production.

III - THE ROLE OF SMALL AND MEDIUM FIRMS IN THE INDUSTRIALIZATION PROCESS

When one sees the trend towards concentration affecting numerous fields of economic activity in various countries, one sometimes wonders about what the future holds for smaller production firms in present-day economics.

Are these perhaps outmoded structures that have to yield to large firms equipped with highly expensive machinery and technical plants, employing the most highly qualified specialists to run their departments and paying them large salaries consonant with their qualifications?

Does not this spell the end of any serious and planned approach to creating and developing small-scale industry, which must inevitably be doomed in the face of the competition from large enterprises?

These objections are unjustified. True, large-scale industry is the basic factor in the transformation of production, but the large industrial firm does not wield absolute superiority over the small one. It can only hold its own where it is possible to apply a technology that suits mass-production. In very many areas, the small enterprise appears to be economically more viable than large enterprises, and its output may be seen as a valuable complement to large-scale industry.

Large-scale mass production is not able, alone, to assure market equilibrium. Small-scale production is also sought after. Very often the latter can be produced more cheaply by a smaller firm, which is more flexible and reacts more rapidly to fluctuations in the demand. Moreover, specialization is one of the conditions for the economic viability of large industrial enterprises, and this can usually only be guaranteed thanks to cooperation with small-sized firms.

The form of cooperation varies from one branch of industry to another. More often than not, small and medium-sized firms undertake to produce components for large firms, or assemblies and 'sub-assemblies to be used in the large firms' end-product.

A fair number of the items manufactured by large firms need repairing or servicing, which can be undertaken by small industrial service firms. In fact, in many cases, large-sized firms create a demand for small firms.

But the function of small and medium firms in the national economic development process is not just that of complementing large-scale industry, or providing services. It has a much broader field to itself.

Of the numerous functions of small and medium firms in the national economy, one should particularly recall the way in which it stimulates regions that have been bypassed by large-scale industrialization, employing sections of the population which are unable to work in large-scale industry. These functions vary. They depend on specific conditions in each country, and on their respective levels of economic development.

The features of labour cooperatives enable them to carry out functions which not only reflect on the economy, but which also affect society in general.

IV - THE UTILITY OF LABOUR COOPERATIVES FOR THE DEVELOPMENT OF SMALL AND MEDIUM-SIZED FIRMS

People are beginning to realize that the labour cooperative is a useful and well-proven form of organizing small and medium-sized firms.

There are very good reasons for this, of which the following are the most important:

- a) the cooperative form of organizing a firm enables people with insufficient financial backing to set up individual, independent concerns to play their part in the industrialization process.
- b) if a small or medium-sized firm is organized along cooperative lines,

the members who devote their savings and their work to it have a say in the management.

c) the influence of members over management of the cooperative, which depends on a fair proportion between the members' contribution and the collective funds of the cooperative, cannot exist in large firms, particularly when their output absorbs huge amounts of capital.

d) the self-management system, which stimulates the initiative of the members, is necessarily more effective in small and medium-sized concerns.

e) in small and medium-sized firms, the individual contributions of members stimulates their sense of responsibility for production and investment decision-making and for the management and development of the enterprise.

f) this responsibility makes it possible to cut down controls and administrative costs to a minimum, replacing them largely by the control exercised by the worker-members themselves.

g) it has been shown in practice that the labour cooperative system can be used in large industrial concerns, but this is somewhat limited in scope and depends on specific conditions of the case.

Generally speaking, self-management and the existence of a reasonable share of member-provided funds will be better forthcoming when the company keeps to certain well-defined limits in size. Beyond a certain size, the distinctive features of a cooperative lose much of their value.

The nature and distinctive features of a labour cooperative are much more suitable for a medium-sized firm, whose investment requirements are limited and in which the worker's personal keenness and skills are the decisive factors in ensuring the success of a concern whose central interest is the individual, his qualifications and devotion.

Labour cooperatives therefore seem very well-equipped to manage small and medium-sized firms with moderate investment, and not using totally automatic costly equipment for production, for this cuts down employment possibilities.

In fact, when investment is too high, bank loans or State loans exceed the cooperatives' own funds and members' contributions to too large an extent. The result of this is that personal commitment flags, and the members' sense of responsibility for the management of the cooperative weakens. They then cease to see it as being run by themselves, on their behalf and at their own risk.

V - THE ROLE OF LABOUR COOPERATIVES IN THE DEVELOPMENT OF SMALL AND MEDIUM-SIZED FIRMS AND SERVICE INDUSTRIES

Labour cooperatives can operate in a very wide-ranging field, including small-scale industry, building, transport, public works, arts and crafts, home industry, sea-fishing, teaching, culture, tourism and health.

Large-scale industry is basing its production more and more on pools of

specialized machines and ever-increasing automation. In large-scale industry the size of the firm and the features of the machinery depend on how specialized and automated the production is. There is consequently a great gap between the production costs of mass and batch production, which is why large-scale industry is not interested in small-scale (batch) production.

In small firms, the gap between mass production and batch production is much smaller. This predisposes small firms to undertake the production of batch produced items and to make a profit on items which would be money-losers to large firms. The advantage of small firms is due, firstly, to the fact that mass production is not always profitable, and secondly that for small firms the technical factor is not alone in deciding production profitability, since the economic and social factors also have a part to play in this.

Machinery of a general kind, complemented by specialized machines for finishing is typical of small firms. It prevents them from competing with large firms in any way as far as mass production is concerned. But it gives them greater flexibility and enables them to change their models and products more easily and frequently. The sphere of activity in which labour cooperatives can work is therefore batch production, with more frequent modifications to models and design, and finishing-work done by hand. It also gives them the chance of producing custom-built products on commission. In small firms, use can be made of 'work in the home' which further increases the capacity for batch production, and lays down favourable conditions for rational production of items which require the active participation of the workforce.

Dovetailing production with work-at-home can be done in various ways. The system can be included in the various stages of production; otherwise home-based workers can undertake finishing or assembly work. In both instances, this articulation takes place above all in that part of production where the role of personal work plays a basically important part compared with machine-use.

The great fluidity of market demands is a typical feature of modern economic development. It requires an organizational set-up which is able to adapt flexibly to these changing conditions.

Experience shows that labour cooperatives are characterized by this flexibility, which is required by home markets and foreign markets. Labour cooperatives can therefore play an important role in helping exports.

Labour cooperatives which train their skilled workforce, and provide them with refresher courses, using less highly sophisticated technology, contribute to the development of the industrial culture in areas which lie outside the reach of large-scale industry. Workers trained by labour cooperatives can be employed in large-scale industry. By catering for a market with ever-changing tastes, the labour cooperatives can bring influence to bear on these tastes and thereby contribute to perfecting

production. In some areas, small-scale industry leads the field in models and product-quality, and it obliges large-scale industry to try and emulate its example. Labour cooperatives sometimes serve a market-survey function as far as new products are concerned. After having benefited from innovation, they yield their place to large firms who can then embark on mass-production. Lastly, it must be pointed out that there are advantages for small firms in exceptional cases where large firms are disorganized, or where the main means of communication no longer function (e.g. after a disaster).

As a result of this, although economic and social development requires industrialization, it must be admitted that this is not the same thing as the development of large-scale industry. One should therefore encourage secondary industries and service industries which are based on natural resources and the technological experiences and traditions that exist in a given country.

The development of these industries would appear to be an intrinsic factor in the industrialization process. It enables them to accelerate this process and gives it a more harmonious character, free from the weakness of mono-structures. Small and medium-sized firms therefore form a stable element in the industrial structure of industrialized countries.

Labour cooperatives have new prospects opening up before them in the following phase: the phase of economic development in post-industrial societies.

VI - LABOUR COOPERATIVES' FUNCTION AS A STIMULUS

Thanks to their distinctive features, labour cooperatives of small firms and service firms are an effective way of stimulating the economy within certain sections of the population, and of using the available resources.

One should not overlook the importance of one vital economic factor: the cost of creating one job is relatively low compared with the cost to large-scale industry. Labour cooperatives therefore show up as a valuable instrument at the service of a full-employment policy. Unemployment is the most costly and evil form of wastage, especially in countries with a scarcity of mechanical means of production, for in these countries human labour is still the major factor of production.

This stimulating action may involve the following:

a) regional stimulation.

In the course of the industrialization process, large firms concentrate investment in a limited number of industrial centres. In the rest of the country, it generally becomes difficult to find a job. The labour cooperatives, organized in towns and villages left out of the large-scale industrial development programmes can be most effective in providing the local population with jobs. They also prevent the exodus of large numbers of people towards the large cities and industrial centres. They

can also use the available infrastructure, such as the buildings, municipal amenities and the road network. In most towns and villages there exist the right conditions for setting up a small industrial concern or small service industry which, in their turn, make use of work-in-the-home to meet their production needs.

b) stimulating certain social or professional groups.

Large industrial concerns, generally speaking, only employ full-time workers. Yet there are many people who, for one reason or another, cannot take on the jobs offered by large-scale industry. These include many women, the disabled, people with limited working possibilities, or those seeking part-time employment. Small firms, organized into cooperatives that dovetail their work with work-in-the-home can provide jobs for these people, which is a considerable socio-economic advantage.

c) use of local raw materials.

Local firms, small and medium alike, can use the reserves of raw materials available locally in which large firms are not interested because of high transport costs or the impossibility of adapting their tools to working these raw materials.

Using these local resources is a vital contribution to the country's economy, but also for all national economies in view of the growing shortage of raw materials throughout the world.

d) Re-siting production potential.

The siting of large industrial concerns is conditioned by the proximity to mines, harbours and major roads and communications, water supply and raw materials. There are very few large industrial concerns which are sited in view of the available manpower and the fact that an urban centre already exists. But the very existence of these urban centres and the need to create jobs to cater for the people living in them is a decisive factor when siting a small or medium-sized firm. The development of small-scale industry is therefore very beneficial to ensuring a harmonious territorial balance of a country's production potential.

These firms, medium and small in size, are more often than not set up in places in which there is an abundance of available manpower due to the lack of large concerns in the area, or when the mono-structure of large-scale industry ignores certain groups of job-seekers.

VII - THE FUNCTIONS OF LABOUR COOPERATIVES IN THE VARIOUS STAGES OF INDUSTRIALIZATION

Industrialization, today, is seen as one of the most important factors of economic development. As a result, virtually every country is going through a period of more or less intensive industrialization. While some countries are only in the initial stage, others are well ahead. This being the case, it is a good plan to work out the functions that can be entrusted to labour cooperatives in the successive development phases

through which a country passes. Labour cooperatives, despite their modest size and means available, are very flexible in adapting to the various stages of economic development and modifying production profiles. They further make it possible to undertake the production of goods or services whose need is felt at a given moment in time by the market. This high degree of flexibility facilitates the development of labour cooperatives in countries at various different stages of economic development.

In countries that are only at the beginning of their industrial development, labour cooperatives can operate as instruments of change when the country moves away from traditional craft industries towards more modern forms of production.

As a country's industrialization advances and branches of large-scale industry take root, thereby encouraging the country's economic growth because of their high-cost technology and mass production, labour cooperatives can go on working, as it were, in the shadow of the large firms. They complete the production of the large concerns and free large-scale industry from producing goods that they do not want to manufacture (parts, accessories and components).

In industrially developed countries, there are always certain areas of production which, for various reasons, are not filled by large concerns (e.g. batch-produced goods, products with fluctuating production costs, goods which directly involve a large proportion of direct labour).

When industrialization reaches a high level, the demand for services increases, particularly repairs and maintenance for the products of large-scale industry. Here, the development of large-scale industry can create needs that labour cooperatives are able to meet. Seen from another angle, high industrialization levels can favour the development of small firms and service industries which are able to make wide use of electricity to mechanize small production units.

From the social aspect, the development of labour cooperatives in industrialized areas may effectively reduce unemployment which is not only present in developing countries, since the expansion of large-scale industry and growth of industrial productivity of a country can go hand-in-hand with increased unemployment.

Industrialized countries therefore provide great possibilities for the expansion of small-scale industry and service industries - in other words, for the expansion of the activities of labour cooperatives. A fairly high degree of flexibility makes it possible to introduce changes into the activity of labour cooperatives to enable them to keep pace with the country's economic development.

To support this view, one could quote the example of the way in which labour cooperatives have developed in Poland. Here, their development has consisted in the gradual shift of the centre of gravity of the coopera-

tives' activities towards the production of items which complement the production of large-scale industry and service firms.

By moving in this direction, the labour cooperatives have been a great stimulus mainly in the creation of new jobs to absorb surplus labour.

Just after the second world war, in a situation in which large-scale industry was almost completely destroyed, labour cooperatives took on the production of many items which were in urgent demand. These were essentially light industrial goods that had been previously manufactured by large-scale firms before the war.

In this branch of industry, the jobs created by labour cooperatives were relatively low in cost. Labour cooperatives therefore undertook the functions proper to large-scale industry, for a time. As the large-scale concerns began to start up their activities again, producing mass-produced goods and using more modern and costly machinery, the labour cooperatives were obliged to change their output and develop production in areas which required the rapid availability of batch-produced goods.

During the following stage of a country's economic development, a lack of manpower was felt in the industrialized regions. For the labour cooperatives in industrialized centres, this held up the development of production. The cooperatives concerned had to reconvert in the direction of the service industries. But in the less industrialized regions, the labour cooperatives were able to keep their previous profiles at an even higher level. Nevertheless, even in these regions, the growth in the service sector was more rapid than that of the manufacturing sector. The number of active male workers in the cooperatives became stabilized. In some cases it even tended to fall, while the number of women increased, as did the disabled and home-workers.

During this period, the labour cooperatives continued to fulfil their functions as a stimulus. But it was no longer a question of creating new jobs throughout the country, but only in the less economically developed regions. In industrial urban areas, they created jobs that suited certain sections of the population, such as the disabled, women unable to work in large concerns etc..

But it is noteworthy that, despite these groupings, the development rates of the labour cooperatives were greater than the average development rate of the economy taken as a whole.

As a result of this development, the labour cooperatives have achieved the following position in the Polish economy: The labour cooperatives account for 5.9% of all production. Their share of finished products for the market is about 10%. In terms of employment their share is 12% of all industrial workers. In some fields, like craft and trades services and sea fishing, their share of the employment market is even higher (something like 40% in service industries and 30% in Baltic fishing).

VIII - DECISIVE FACTORS IN THE DEVELOPMENT OF LABOUR COOPERATIVES

Apart from the general factors which determine the success of companies in any area of the national economy, there exists certain specific factors which are vital for the labour cooperatives to develop their activities in the field of small-scale industry. For example:

a) a well thought-out production schedule

When output is being planned, one must not only consider the demand for the items to be produced, but avoid trying to compete with mass-produced items manufactured by large-scale industry, for the terms of competition are too unequal. When working out production schedules, labour cooperatives have therefore to devote their attention to items which are unlikely to be mass-produced, but which could prove important for consumer requirements. These items include clothing, furniture, tourism, children's and youth wear, metal articles, wooden and plastic goods. Another production category which is well suited to the cooperatives' possibilities is handicrafts made of local materials representing the regional folk traditions. If cooperatives venture into the field covered by large-scale industry, their output will only be of interest insofar as it differs from what is produced by large firms, and this can only be possible if their articles are better finished, or better suited to individual taste. In some cases (when large-scale industrial flows break down, or imports are stopped) the labour cooperative can be encouraged to produce industrial goods. One should not forget that this only applies during these periods of short-lived crisis, and this must be borne in mind when planning investment.

The development of large-scale industry, however, offers the labour cooperatives possibilities for vertical cooperation. This might involve producing goods to order to order on behalf of large concerns, producing parts, accessories, packaging materials etc.. This is the vast field of sub-contracting.

b) choosing technology and machinery which meet the needs of small-scale industry

Unlike large-scale industry which uses costly machinery, as automated as possible, the typical equipment used by small-scale industry is multi-purpose, such as universal machine-tools, universal sewing-machines, etc. This equipment is completed by special finishing machines. Small-scale industry therefore has a high degree of mobility and flexibility. Experience has shown that it can thereby produce a great number of items which are noted for their high degree of specialization using relatively simple production processes - items which enable it to enter into subcontractual arrangements with large concerns. Small firms can, sometimes, make good use of the machinery which is discarded as partially obsolete by large-scale industrial concerns.

c) providing access to consultants and joint enterprises

Small and medium-sized firms find it more difficult than larger concerns to get hold of the latest discoveries in technology and modern marketing

methods, computer-based information sources, direct supplies from producers etc.. These weaknesses can be offset, in part, by organizing collective centres for the provision of technical assistance and organizational help, and by creating joint enterprises to provide certain kinds of services to the member-cooperatives. These joint enterprises might be various kinds of study/research centres, model-building centres, sample shops, advertizing agencies, market analysis offices etc.. It could be useful to organize accounting on a joint basis. The experience of many countries shows that it is precisely because of the lack of this kind of specialized services that the 'mortality rate' is so high amongst the small-scale industrial concerns.

These concerns are not up to taking on functions that need highly specialized minds. This can lead them to bankruptcy. Hence the organization of study/research offices and joint services is a vitally important issue. The best form under which to set up these joint enterprises is a second-degree cooperative, a Union or Regional or branch federation.

d) cooperation with other types of cooperatives

Small labour cooperatives might run into difficulties in disposing of their goods because of a lack of suitable promotional materials, advertizing means and storage facilities. Cooperation with consumer cooperatives that manage a network of retail outlets or multiple stores can help labour cooperatives get over this lack.

Generally, this sort of cooperation is very advantageous to labour cooperatives, because they then produce for an organized market which, up to a point, may hold regardless of fluctuations in demand. It is equally advantageous to the cooperatives which buy from them, because they can influence production according to what their customers want. This sort of cooperation can be governed by long-term agreements which guarantee a desirable degree of stability for both parties.

Then there are possibilities for labour cooperatives to work with housing cooperatives for the construction of dwellings, maintaining them and furnishing them.

e) Selecting the right investments

Labour cooperatives, especially in the early days, find great difficulty in obtaining the necessary funds for their investments.

By cooperating with credit cooperatives, they can use the savings collected by them. More important of all, though, is still the choice of the right investments.

The volume of investments in labour cooperatives, bearing in mind the different production functions, varies widely from what large-scale industry requires. These differences are not only a question of job-costs, but also refer to the nature of the investments themselves. The Labour cooperative, especially early on, gives top priority to investment which makes it possible to employ the maximum number of people. It also endeavours to use existing infrastructure to the full to avoid heavy outlays which

would be involved by enlarging the infrastructure.

Lastly, cooperatives have a marked tendency towards making use of work-in-the-home, which reduces investment costs in relation to the value of production.

IX - STATE AID

The State should concern itself with promoting labour cooperatives, if it wants to guarantee the social and economic development of the country.

The Labour Cooperatives, in fact, are the only ones who can properly fulfill a certain number of indispensable tasks:

- stimulating the regional economies (small towns, economically backward regions)
- economically stimulating certain social groups or professions (employing the disabled, providing part-time work for rural folk, providing women with work at home)
- satisfying local needs
- improving the professional qualifications and skills of their workforce and creating an interest in the common good in them.

It is becoming ever more evident that a modern State with a whole range of economic policy means at its disposal, including planning, programming and various kinds of assistance, exercises an influence over the economic and social development trends. The development of cooperatives is, to a certain extent, dependent upon the conditions created by the State.

The various ways in which the State can help include common forms of assistance to different types of cooperatives, for example: legislation, provisions of loans or credit guarantees, tax exemption in view of the social activity and training provided by the cooperatives, financing research into the creation of cooperatives, and other forms of assistance when a cooperative is created.

State aid can also take specific forms in the case of labour cooperatives. This would include entrusting certain kinds of public works to them, and putting their names on the list of companies eligible for receiving orders from official government bodies. In this regard, there are great possibilities offered here in countries with a centrally-planned economy. From the economic point of view, the cooperative could be given certain clearly defined social and economic tasks to perform. The experience of countries with a centrally-planned economy shows that in a planned economy there are many possibilities of offering labour cooperatives wide-ranging tasks in the field of small-scale industry and services. This does not, however, mean that in all countries with a centrally-planned economy the labour cooperatives can bank on a guaranteed development. There are all kinds of economic reasons and social factors, as well as local

traditions, which determine how far it is possible to resort to labour cooperatives.

State aid is particularly justified, and takes on specific forms, when given to cooperatives for the disabled. These cooperatives can play a very important role in the State's social policy by providing employment for people who, because of their handicap, are unable to work under normal conditions and yet prefer to earn their own living and take part in the work of a cooperative, rather than live at the expense of the State by receiving welfare. Cooperatives for the disabled are not just there to provide jobs for their members; they run all kinds of vocational re-training courses (vocational training, climatization course, professional consultancy and counselling); they provide social welfare, producing work tools suitably adapted for use by the handicapped; they look after the physical welfare of workers by organizing gymnastics and sport to improve their physical health, and they organize particular kinds of cultural and educational activities. These cooperatives have centres of reserved occupations for the handicapped (the blind, for example). The typical rehabilitation service and providing medical care in centres of reserved occupations, which involves doctors, socialogists, psychologists and nursing staff.

This attitude to the role of 'stimulation' which the labour cooperatives can play as part of the State's economic policy is confirmed by the experience of Poland in the field labour cooperatives for the disabled. The scale of the phenomenon can be gauged from the fact that out of 820,000 workers in Polish labour cooperatives, over 200,000 are employed by labour cooperatives for the disabled. These came into existence as a result of the destruction of the country after the second world war. War invalids then took a decision, 'en masse', to found labour cooperatives to take part in the economic life of the country. Little by little the number of war disabled is dropping, but civilian disabled are growing constantly in number and these make up the workforce of the cooperatives for the disabled.

These cooperatives could never effectively compete with firms that only employ fit people, especially if they have to cover the costs for rehabilitation and the protection of jobs for the disabled. The amount of aid provided by the State has been worked out insofar as tax exemption and grants cover re-education and training costs, and medical assistance, whereas, from the point of view of their economic activity, the cooperatives for the disabled are treated exactly like any State corporation or any other kind of cooperative. One form of State aid is granting cooperatives for the disabled exclusive or priority rights over the production of certain items (e.g. certain types of brushes made by the blind). Apart from the economic side (using the labour and skills of the disabled), the labour cooperatives enable the disabled to live as ordinary citizens and members of society on an equal footing, and this has a beneficial effect on the psychological frame of mind and the process of social reintegration and rehabilitation.

Financial aid from the State takes different forms according to:

- the importance of the cooperative with regard to the national economy (carrying out missions to serve the public good)
- the needs of the cooperative which are essential and justified (e.g. setting up new cooperatives, training etc.)

Admittedly, there are some countries in which tax exemptions and subsidies are justified in terms of providing finance for the creation of new cooperatives, or the training they provide and, when they undertake to provide public utilities.

These principles were expressed in Recommendation N° 127 of the International Labour Conference of 1966 on the role of cooperatives in the economic and social development of developing countries.

Of State's means of implementing economic policies, priority is given in socialist countries, to socio-economic planning. This creates the right conditions for developing labour cooperatives. It includes supplementary grants, loans, investment incentives and providing outlets for the cooperatives' products.

X - NON-ECONOMIC PREMISES FOR THE DEVELOPMENT OF LABOUR COOPERATIVES

The favourable conditions offered to labour cooperatives by the whole vast range of small-scale industry and the service industry create the premisses which guarantee their development in these areas. But there are also other conditions which need to be present.

Labour cooperatives, no differently from agricultural production cooperatives, are associations in which the level of integration of their members is high. Cooperative members, working in an enterprise of medium size, meet one another every day during their working-hours and, since they are partners, they share the same risks and responsibilities. The relations which bind them together are therefore stronger and more varied than those which obtain between members of consumer cooperatives, or craft cooperatives in the supply or retail field, processing cooperatives and even savings and loan cooperatives. In the latter associations, the interest which members have in their joint enterprise, or their sense of responsibility towards it, only involves one small area of their economic activities, and the relations between them are less intense and more restricted. If we adopt the terminology used by various international bodies, the difference between these two categories of cooperatives can be distinguished in the following way: joint enterprise type, and common facility type.

Labour cooperatives therefore constitute a difficult type of cooperative, which imposes much more demands on its membership than a consumer cooperative, supply and retail cooperative, or credit units do. The members of labour cooperatives cannot therefore be an association that happens

to come about just because its members are looking for a job. Apart from their professional skills, the members must have certain moral and psychological qualities which will ensure that they will fulfil their common tasks in the right spirit. This is particularly important when new cooperatives are formed, since experience has shown that it is much easier to overcome the difficulties that are typical of the first stages in the life of a new enterprise if the members of the cooperative all share the same values before they set to work, with mutual trust and respect for their environment.

When a cooperative is founded, therefore, it is the tradition of cooperation that exists in the region, the professional or social environment or trade which become important.

In the Polish experience, some of the most successful labour cooperatives were brought into being by groups of war veterans who had served in the same unit, or by groups of technicians who had been to the same secondary school or universities. In the later stages of development, the labour cooperatives gradually create new bonds between their members by creating after-work recreational activities for them. Their families are also brought into these activities (recreational events, group holidays, cultural events, sports clubs etc.).

But experience has also shown that in this area of small-scale and crafts industry there are also the traditional individualistic attitudes which are sometimes excessive, and they can hinder or even prevent the favourable development of labour cooperatives. This is why the decisive factor in the development of cooperatives consists in the vocational training and cooperative education of the membership.

As the labour cooperatives often develop their activities in poorly industrialized regions, they find they have to tackle problems of getting a skilled workforce. Young people, straight from technical schools, tend to go for the large-scale industry where they think that greater promotional possibilities and higher wages are open to them. This being the case, it is important to make the utmost of the know-how acquired in the traditional activities of the region in question. Where there is a shortage of manpower, a well-tried method which works quickly is providing the craftsmen with training courses in the workshops, thereby initiating them into undertaking certain tasks that become increasingly complex. The formation of workshops and the provision of long-term training and vocational courses at an advanced level (crash-courses) become indispensable at later stages in the development of the cooperative. They are then particularly the concern of second-level cooperatives (Cooperative Unions and Federations).

CONCLUSIONS

In the 19th century, the pioneers of the Labour Cooperative movement were over-optimistic about the development possibilities, seeing it as

a way of changing the capitalist system into a new, better system. A century of experience has shown that neither labour cooperatives, nor any other type of cooperative is able, alone, to achieve this goal.

But experience has likewise shown that the labour cooperative can become a valuable and effective tool at the service of economic and social development in certain areas of the national economy, particularly in the field of small and medium firms and service industries.

The concrete performance of labour cooperatives in different countries has shown that this cooperation is not just an experimental means that is likely, in the future, to have an enhanced usefulness, but that it is a well-proven form of organization which really does meet the specific needs of a variety of different countries.

Using the experience of these countries, with widely different central organization systems and levels of economic development, one can work out a general approach to using the possibilities offered by labour cooperatives for socio-economic development.

- a) in each national economy, the labour cooperative can be used to develop industry, particularly small and medium-sized firms. It can also be used to complement large-sized firms.
- b) the labour cooperative movement can also complement other areas of the national economy (e.g. building construction or transport, absorbing more individual types of products or personalized services, or some other level of technology than that offered by large firms or public services.
- c) labour cooperatives can provide a means of accumulating financing that has been scattered in different directions, using it to serve different kinds of economic activity.
- d) a special role can be played by labour cooperatives in enhancing the social awareness of their members. The participation of members in the work undertaken by the various branches of self-management makes the labour cooperative an excellent school in industrial and social administration and in social control.
- e) through their various cultural and educational company-run activities, the labour cooperatives can bring influence to bear on their local environment, particularly in small towns.
- f) the labour cooperatives are an effective means of stimulating the skills of the rural populations. By creating new jobs in the rural areas, they can stem the flow of workers towards the towns and cities.
- g) while supporting small firms, the labour cooperatives can also help to create new jobs in low economically-developed areas (working to animate the community in small towns and built-up areas). They can provide new jobs for several sections of the population who are unable to work in large-scale industrial concerns. They can also be an important aid to the country's employment policy.

h) the labour cooperatives can successfully organize the labour force which is usually left out of normal manufacturing activities (work in the home). They can also use local, unused, raw materials, and organize their products on the basis of their regional traditions. This involves folk arts and crafts. This creates new jobs and provides articles in demand at home and abroad, and contributes to conservation of their cultural heritage.

i) the fact that labour cooperatives' investments are localized means that they are very flexible. There are unused manpower resources and vital infrastructures which determine the way the investments are to be used. They may complement large-scale industrial investment, too. Labour cooperatives can invest rapidly and without tying up large capital investments, and therefore seem to be good agents for the spread of the production forces throughout the whole territory.

j) by organizing small producers and craftsmen, the labour cooperatives can harmonize small and medium-sized firms and service firms, bringing them into line with the nationaleconomic development plan, and the general principles which govern the national economy. This is a great help to planning.

Today, the success of any economic activity depends largely on the mastery of new technologies and having the right material for the work in question. Labour cooperatives, by their ability to accumulate small amounts of dispersed capital, contribute to the industrialization process and hence the development of the national economy much more effectively than small private firms. This essentially applies to the creation of new enterprises in small and medium-scale industry, but to a lesser degree it applies to already existing structures.

The labour cooperative system offers two advantages over private enterprise in the organization of small industrial concerns.

1. it has a great capacity for social and economic stimulation.
2. one feature of the small-sized industrial concern is its ability to make use of existing infrastructures. Labour cooperatives can better contribute to the improved use of existing infrastructures than small private firms, by using them as a spring-board for economic development. And this is particularly important to developing countries.

The functions of labour cooperatives may vary according to different stages of industrialization. In less economically developed countries, the centre of gravity of the labour cooperatives' activity will be that of creating new jobs. In economies which are already well ahead on the path to industrialization, their function will be that of smoothing out the difficulties caused by the monostructure of large-scale industry.

All of these points show the universal utility of labour cooperatives as a way of organizing production and stimulating joint-responsibility in economic management and administration.