Workers' Participation in Co-operatives

THE DAVIDOVIC ROUTE

: a critique by

Dr. T.F. CARBERY

(Head of the Department of Office Organization,
University of Strathclyde)

There is a popular belief that academics like criticising the work of other academics and there is a simple explanation for this - it is true: criticism is the name of the game. For all that I am inclined to plead that I am an exception to the rule for I do not particularly enjoy the activity. My critics would point out that I am not an exception to the rules of the game: on the contrary I don't qualify for the game because I am not really an academic.

Professor Davidovic's paper titled "The Co-operative Conquest of Industry" should be examined in Britain as a very relevant contribution to the current debate on Workers' Co-operatives. The first substantial part of the paper is an attempt to explain why workers' co-operatives have not prospered to a greater extent than they have. The Professor proffers three reasons. The first, he suggests, is opposition from the Second Socialist International. It is hard to believe that this has any relevance to the contemporary scene or indeed anything for the last 30-50 years. The second difficulty says Professor Davidovic is that alluded to by Dr. Georges Fauquet when he observed "It is inevitable that workers' productive co-operatives encounter difficulties which, while not insurmountable, can only be overcome in certain favourable conditions. It is notably difficult for ordinary workers to find, by their own subscriptions or by recourse to credit or loans, the capital necessary for the running of an industrial enterprise". In other words they have difficulty in raising finance. So far so good. The Professor goes on, however, to allude to the difficulties of a similar nature encountered by profit seeking concerns. He informs us that they, in order to overcome the shortage of risk capital, form themselves into limited companies and this they do by offering shares to the general public. He goes on " .... And it appears opportune to ask why it is not equally possible for industrial co-operatives to mobilize, for their own ends and by a new method the resources of the general public. A favourable and affirmative answer to that question" he tells us "would ensure an unprecedented step forward for workers' co-operatives in production". I suppose one can indeed ask the question but one would have thought that at least a substantial part of the reason why the public is prepared to invest in non-co-operative concerns is the attraction of the offer to the investors. If they go in at the birth of a Joint Stock Company, they collectively control it: if they go in after the company has been established the prospectus is generally offered against a background of proven profitability.

For his third explanation of the disappointing record of workers' co-operatives Professor Davidovic alludes to the short-sightedness of the workers. As the Professor puts it:

" ...... they tend to overestimate their virtues and capabilities and to underestimate those of others ..." Anyone close to the misfortunes of the ill-fated Scottish Daily News must regard that as not only succinct but perceptive. But having said that the Professor is inclined to go on at some length expanding on this same point. He continues:

" ......Today, as in the past, there is a real need for industrial co-operatives to take control of the means of production: today, as in the past, there is an imperative need for employees to become their own employers: to become masters of their destiny: to play a more active, more significant, more independent role." A need there may be but the industrial and commercial Walls of Jericho are not going to fall at one toot of this trumpet however sincere the trumpeter.

Indeed one could go further here and say that there is a certain ambivalence in the Davidovic thesis. At times he suggests he has great faith in the worker and his attributes - he will certainly have to be alert, bright and intelligent if he is to respond to the aspirations we noted above. Elsewhere he takes his less favourable view. One such criticism we have already seen. Talking of co-partnership schemes akin to those of Bell - Canada and the John Lewis Partnership he tends to denigrate the average worker: "He" (the worker) "would lack the experience needed to present a valid criticism of the report or of the balance sheet: he may lack the ability to express his views convincingly ...." and so it goes on.

Yet a few lines on and the Professor sees that same inarticulate ill-trained uncertain man as the pivot of a new social revolution. His workers have to take the road to co-operation whereupon we are told " ...... In such endeavours they could easily gain control of industrial enterprises and of the economy as a whole. All that is needed is the determination of the workers ... Its application ...... would in time lead to a transformation of our capitalist society. It would accomplish more, far more: it could result in a better world in the relatively near future". But that it was that easy!!

The General Plan

And so to Davidovic's great design. The scenario he envisages is the gradual transformation of limited companies into workers' Co-operatives by the purchase of the equity. This he calls "Co-operative share-buying" He envisages the workers agreeing to put aside a % of their earnings - anything between 1 and 5% of their earnings - into a fund, which fund is to be used to purchase shares in the organisation which employs them. This process goes on with omnipresent and relentless force week by week with the result that gradually - share upon share if not quite grain of sand upon grain of sand - the company is transformed into a workers' co-operative. What happens when the existing shareholders do not wish to sell? He does not say nor does he have much to offer by way of solace to those in a capital intensive, low-labour-content organisation who may find that it takes an inordinate time before any tangible 'interest' is acquired. Some firms, by inference, fall faster than others, but all are moving in the new direction albeit at different speeds.

"Representatives of labour and the workers' co-operatives would gain ever increasing importance within enterprises: they would exercise a markedly greater influence in the company's commercial, financial and administrative policies."

It all sounds so neat and almost plausible.

Quite apart from the more obvious attractions of this scheme, Davidovic finds subsidiary advantages. These are:

(i) that members who wish to withdraw can cash their shares. They could continue as employees, but not as members of the co-operative.

(ii) their growing influence would have a deterrent effect on the Directors and other senior officials of the company.

(iii) for not dis-similar reasons it could lead to a rapprochement between labour and management.

(iv) the work force would have greater loyalty to the firm and the firm greater identification with the community in whose midst it finds itself.

But that old devil of patronising paternalism keeps shining through and Davidovic spoils one's otherwise favourable impression by going on to tell us that

(v) it would teach the workers "the benefits of thrift" and as though that were not sufficiently condescending he goes on to tell us " ... they would transform earnings which might otherwise be squandered into productive capital in the service of the economy."

Yet it is difficult to see how the share purchase money becomes "productive capital" when it merely goes to the existing shareholders in exchange for his shares. Unless the former shareholder reinvests in some new enterprise it will not be capital: on the contrary it is more likely to be spent in some more middle class form of squandering - champagne, by inference, rather than beer.

At the end of the day then Davidovic's route is either too long term or too near to the Gates of Fairyland to be of much practical use to us. All the British experience of the post war years suggests that workers are not interested in share acquisition.

There may be many routes up the mountain of Workers' Co-operatives. It seems unlikely that many, if any, will travel the Davidovic route which would seem to be a road for dreamers rather than practical men of the world. That is a pity. I would have liked an invitation to Montreal.