Workers' Participation in Co-operatives

Government Support and Finance of Workers' Co-operative Production with special reference to France and Italy

W. P. WATKINS

(A President of the Society
and formerly Director of the
International Co-operative Alliance)

The basic problems involved in government aid to workers' co-operative productive societies were already apparent in the first (or at least the first notable) action of any government to encourage the formation and development of such societies. This was the decision of the French revolutionary government of 1848 to provide credit to the amount of Frs. 3 million to enable workers' co-operative enterprises to start in business. In so doing the government was implementing one of the slogans of the revolutionary movement, namely, "associations ouvrièrs" (working men's associations) alternatively known as ateliers sociaux (social workshops). These should not be, but too often are, confused with ateliers nationaux (national workshops) which were government relief works intended to mitigate unemployment due to economic dislocation during the period of the revolution.

The introduction and use of the term "co-operation" in France lay almost twenty years ahead, likewise the amendment of company law by which co-operatives were recognised as "companies with variable membership and capital". The allocation of government credits was therefore subject to rigid regulations drafted by public officials. Some of the conditions imposed were impossible for numbers of genuine workers' associations to fulfil, without preventing many more bogus co-operatives from channelling public money into private enterprises. Some of the genuine societies which survived the longest dispensed entirely with government aid. The number formed in the first few months is variously estimated at two to three hundred. No more than a handful continued at work in the 1850's, for many were harassed or suppressed by police persecution when the Second Republic was transformed into the Second Empire under Napoleon III.

In the more 'liberal' atmosphere of the 1860's interest in workers' associations revived as the notion of 'Co-operation' became more familiar and gained legal recognition. Finance was forthcoming from private sources through a special bank called "Le Crédit au Travail". However, the workers' co-operatives which sprang up in Paris under the Commune shared the fate of those formed 20 years earlier. It was not until the Third Republic was firmly established towards 1880 that government began to adopt an attitude of cautious benevolence to workers' co-operative production. The fact that only small amounts of capital were needed was probably a condition facilitating the formation of numerous workers' co-operatives in the building trades. The City of Paris was the first administration to accept tenders from workers' co-operatives for some of its contracts. A few years later a Minister of Labour perceived the merits of workers' co-operatives as a means of reviving competition where it had been suppressed by rings of contractors and at the same time cultivating good relations between government and the trade unions which were also sympathetic to co-operation.

Central Co-operative Credit Bank

A commission of enquiry, impressed by the quality of the co-operatives' workmanship, recommended their admission to tenders allotted by the State and public bodies and also the grant of specially favourable conditions, such as payment by instalments for work in progress. A few years later subsidies for workers' co-operatives were included in the national budget. Since then these provisions were progressively enlarged in scope and reached a climax with the creation in 1938 of the Caisse Centrale de Crédit Coopératif (Central Co-operative Credit Bank) which co-ordinated the financing activity of a number of different government departments for the benefit of different types of society, e.g., workers', fisheries, housing, in the Co-operative sector. For the workers' productive co-operatives the Central Co-operative Credit Bank is important as the main channel for the large-scale investments which have enabled them to keep abreast of technical progress in their respective industries.

It is worth noting that government financing has always been parallel and supplementary to action to husband their financial resources by the workers' co-operatives themselves. They set up their advisory and representational federation - at first called "Chambre consultative" but nowadays "Confédération générale" - in 1884, and ten years later established a bank. This, while it was still young, benefited by a legacy of Frs. 500,000 left by a disciple of Fourier, and was thus enabled to expand steadily as the societies and the Movement as a whole developed in the 20th century. The importance of this is underlined by the observation of Antoine Antoni, General Secretary of the Confederation, that the fixed investments of successful societies tend to grow faster than their business volume.

It is to Mr. Antoni also that the writer owes and gratefully acknowledges most of the information about the present system of financing workers' productive co-operatives in France contained in the following paragraphs.

Present System of Financing

As already indicated, the Caisse Centrale de Crédit Coopératif is the official channel for French government financial aid to the workers' productive co-operatives. It was set up by a decree-law but its form is that of a union of co-operative organisations, so that the borrowers have constitutional means of expressing their views and exerting an influence on the policy of the lending institution. The Caisse Centrale is also the apex organisation of a group of specialised establishments, some of these in the form of co-operative unions, which correspond to the credit needs of non-agricultural branches of the Co-operative Movement or to particular purposes for which credit may be required. There is, besides, one general banking organisation, the Banque Française de Crédit Coopératif, in which the former bank of the co-operative productive societies has recently been incorporated.

The resources of the Caisse Centrale are derived from the State, the affiliated co-operative unions and their membership, and the investing public. Originally, State funds predominated, but the capital contributed from Co-operative sources plays a role of increasing importance. Additionally to the State's capital holding, the Caisse Centrale handles long-term, interest-bearing loans from the State Economic and Social Development Fund. The Caisse's public borrowing takes the form of loans raised on the ordinary capital market.

The loans obtained by the workers' productive co-operatives through the Caisse Centrale are mainly intended to finance capital investment for periods ranging from 3 to 15 years. The shorter terms correspond to investment in equipment which either wears out or goes out of date quickly. The long-term loans are for investment in premises or real estate. The current loans under various heads made by the Caisse Centrale amounted in 1974 to Frs. 135.8 million, but if the loans granted by the specialised institutions are included, the total exceeds Frs. 150 million. The credits for loans cost the Caisse Centrale about 8.5 per cent per annum in interest, and it re-lends to the Co-operatives at about 9.75 per cent, but these amounts vary, as they are affected by the fluctuations of the market. Loans obtained from the Economic and Social Development Fund are subject to interest at 8 per cent but exemption from interest payments is allowed for a period of up to six months, according to the nature of the loan, so as to enable the investments to become productive before repayments begin.

Municipalities and regional and departmental authorities are not authorised to make direct loans to any business enterprise, Co-operative or private, but under certain conditions they may guarantee credits granted to workers' productive co-operatives in cases of urgency, particularly to maintain employment in depressed localities. A notable example is that of the Manuest Co-operative at Chatenois in the Vosges, a society formed to take over a furniture factory which is the village's only industry. In this case the Caisse Centrale, the regional development banks and the nationalised banks combined to meet the financing requirements which were worked out by the General Confederation. Manuest is working ahead of its targets and two other similar societies are working successfully. Nevertheless, the present system of co-operative credit, while it fulfils the normal requirements of the established workers' productive societies, was not designed to cope with the exceptional demands of a crisis.

Financing Take-Overs?

Actually, in 1974 the General Confederation submitted to the government a suggestion for financing take-overs by workers' co-operatives of enterprises in difficulty. The suggestion was that if the project of a take-over seemed, on examination, to be viable and was supported by the great majority of the personnel, a "launching fund" should be created by making available to the co-operative a sum equal to the unemployment benefit payable to the whole personnel for one year. This sum should be lent to the co-operative for 15 years at a low rate of interest and supplemented by the subsidies and incentives ordinarily granted by the government to enterprises increasing employment in depressed areas. The suggestion was not accepted, with the result that, because of the hitches and delays of the ordinary procedure throughout 1974, Manuest was unable to get into business until the end of March 1975. Mr. Antoni sums up the present situation in these words: One cannot say that there is any deliberate and deeply-rooted hostility, on the part of the trade unions or of the government, for certain projects have been successfully carried out by common agreement. But neither party has adopted an attitude clearly favourable to the co-operative solution and, in consequence, no definite policy has been formulated.

The Position in Italy

In Italy mutualist (friendly society) and Co-operative Movements (mainly of people's banks and consumers' stores) were well known, especially in provinces north of the Apennines some twenty years before the political unification of the country. It was more than twelve years after political unity had been achieved before legislation was introduced to define the status of co-operative societies and encourage them by granting fiscal relief and exemption from fees and duties incidental to their formation. By that time certain other forms of Co-operation had appeared which, if not exactly original to Italy, were destined to become known for their distinctive achievements. The young Italian Kingdom was very much what we are accustomed today to describe as an under-developed country. Over the greater part of its territory agriculture had not advanced technically much beyond Virgil's "Georgics" Enormous estates were owned by absentee landlords who farmed out the rents for collection. When peasant ownership existed the holdings were too small to provide a family with full employment.

Co-operation was adopted from the early 1880's onward as a means of bringing the unemployed agricultural worker and the neglected, infertile land together in a productive relationship. The achievements of co-operative labour-contracting societies in draining and reclaiming the swamps around Ravenna and in the Campagna south of Rome became famous and were widely imitated. It was not merely the rural workers, however, who took to co-operative organisation. Urban workers, notably in the building trades, were no less successful. The braccianti, or "unskilled" workers, formed Co-operatives which carried out all kinds of navvying contracts, while the skilled combined in productive co-operatives. In due time local groupings, called consorzi, including both types of society, were successfully competing for large-scale and complex contracts, allotting portions or stages of the work to their affiliated societies as sub-contractors. Legislation from 1889 onwards eased the financial conditions for co-operatives by permitting payment by instalments for work in progress, as in France, but the extensive pre-existing network of people's Co-operative banks, especially in Lombardy, was well able to supply the workers' Societies' need of banking services. As the scale of the latter's operations increased, government took a hand in financing and in 1913 established the National Institute of Credit for Co-operation. Because of this in the 1920's the Co-operative consorzi, based on the large cities and provincial capitals, were able to carry out contracts of the first magnitude, such as the construction of the magnificent library in Florence, which commemorated the 600th anniversary of Dante's birth, and the great general hospital in Rome. For such purposes the consorzi regularly employ their own professional staff of architects, surveyors and accountants thus inverting the traditional relationship of manual and professional workers. The consorzi are normally registered as civil associations formed by decree of the Head of State and supervised directly by the Ministry of Labour.

Under the Italian Republic finance for Co-operative productive societies is provided by a special credit institution, established under a law passed in 1947, as a subsidiary of the National Labour Bank but with separate legal status, management and funds. In addition, credit is granted by the National Combattants' Service to societies, if at least 70 per cent of their membership are ex-soldiers, and they are unable to raise sufficient capital without such assistance.