SOCIAL CAPITAL, ASSET-BASED Capacities AND THE WORKER CO-OPERATIVE Model

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Abstract:
The interest in greater workers’ control of industry through co-operative enterprises has been fuelled by the extraordinary success of the Mondragon group of worker co-operatives in the Basque provinces of Spain. Efforts have consequently been made to replicate the Mondragon-style worker co-operatives in most western industrialized countries. This extraordinary success has been attributed to the worker co-operative model’s ability to promote and nurture social capital and asset-based capacities. This paper therefore examines how the worker co-operative model promotes and nurtures social capital and asset-based capacities. The study analyzes the nature of a worker co-operative as an organization model in search of credence to the assertion that these enterprises are inherently social-capital type organizations. The study concludes that a worker co-operative represents one of the best forms of a social-capital type enterprise. As membership based organizations, worker co-operatives’ main investment is on social capital. This paper also discusses how worker co-operatives promote asset-based capacities by building local assets and increasing economic stability for worker-owners and their communities. The study concludes that a worker co-operative’s model encourages and promotes the development and utilization of the resources that are embedded in local communities and their residents. As people exercise their capacities, they often find that they need the talents of others. This is the essence of worker co-operatives where individual members combine their own talents with the capacities of others to form co-operatives that can make extensive and valuable contributions to the members and their communities.

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1. Introduction

Social Capital, as advanced by Putnam (2000), refers to connections among individuals including the social networks, the norms of reciprocity and the trustworthiness that arise from them. Whereas physical capital refers to physical objects and human capital refers to the properties of individuals, social capital consists of a network; a cluster of norms, values and expectancies that are shared by group members; and sanctions that help to maintain the norms and the network (Halpern, 2005; Fukuyama, 1999; Field, 2003; Putnam, 2000). The norms and values must lead to cooperation in groups and are related to virtues like honesty, loyalty, the keeping of commitments, reliable performance of duties and reciprocity.

Worker co-operatives, by their nature, promote several benefits which Cohen and Prusak (2001) associate with social capital like greater coherence of action due to organizational stability and shared understanding. The benefits also include better knowledge sharing, due to established trust relationships, common frames of reference, and shared goals. Worker co-operatives also promote lower transaction and agency costs, due to a high level of trust and a co-operative spirit.

These benefits of social capital complement one another since personal satisfaction and organizational reputation are valuable in themselves, and are bound up with competitive effectiveness. Social capital in worker co-operatives therefore refers to social networks and the norms and sanctions that underlie them. It includes the trust, mutual understanding, and shared values and behaviors that bind the members of a worker co-operative.

The worker co-operative model promotes the building of local assets in order to increase economic stability for worker-owners and their communities. It gives the members opportunities to be owners and strategic managers of their asset portfolios. That is owners and managers who respond to changes in feasibility, relative costs, and expected returns in their enterprises. The asset-based approaches by worker co-operatives therefore underscore the importance of the members’ active participation in the economic, social, cultural, and political aspects of their lives and their communities to ensure that their interests are reflected in decisions affecting them.

The Secretary General of the United Nations (1996) reported that the co-operative form of organizing a business enterprise assures any group of individuals an effective means to combine their resources, however small. It permits a larger resource mobilization than that within the capacity of most individuals and small enterprises. He continued that co-operatives are catalysts for local entrepreneurial growth and that they
retain within the communities in which they operate the capital that they mobilize there, as well as surplus derived from outside transactions, both accumulating for further entrepreneurial development. As direct beneficiaries, co-operative members have a strong incentive for efficient operation and continuous innovation in response to changing business environments, thereby achieving high rates of both initial success and long-term viability. The Secretary General of the United Nations (1996) further stated that co-operatives favour long-term development compatible with the interests of the communities in which they operate. The stability they assure within local communities itself induces further entrepreneurial expansion (A/51/267).

2. Literature Review

Social capital must be understood as a relational construct. It can be termed capital in so far as it gives rise to resources that can be deployed in order to enable actors, be they individuals or groups, to pursue their goals more effectively than they could without it (Field, 2003; Putnam, 2000; Halpern, 2005). It can only provide access to resources where individuals have not only formed ties with others but have also internalized the shared values of the group. For this reason, it is important to treat the concept as a property of relationships because it embraces more than the individual level of behaviour. It is an attribute of the individual in relation to others and of the collectivity (Field, 2003; Putnam, 2000; Halpern, 2005).

Social capital has also been described by other scholars (Turner & Pinkett, 2000; Kretzmann & McKnight, 1993; Temkin & Rohe, 1998; Stagner and Richman, 1996) as the kinship systems and community organizations that people draw on in their livelihood strategies. It fosters cooperation between households, often providing an informal safety net for the poor. It can also help them overcome market imperfections by facilitating information flows necessary for the completion of market transactions. In everyday life, people are connected with one another through intermediate social structures – webs of associations and shared understandings of how to behave (Halpern, 2005; Fukuyama, 1999; Field, 2003; Putnam, 2000). It is this everyday fabric of connection and tacit cooperation that the concept of social capital in worker co-operatives captures. Since social capital depends on trust, the relationships, cooperation, and mutual commitment that characterize worker co-operatives could not exist without a reasonable level of trust. Working in an environment of trust increases loyalty and commitment from the members of a worker co-operative (Cohen and Prusak, 2001).

In contrast to the investor-owned enterprises, in which allocation of resources heavily depends on market forces, worker co-operatives mainly depend on their social
capital for their internal coordination and resource allocation. Increasing evidence shows that social cohesion is critical for a group of people to prosper economically and for the success to be sustainable. Social capital is not just the sum of the institutions which underpin a society – it is the glue that holds them together (World Bank, 1999). A sense of belonging and the concrete experience of social networks (and the relationships of trust and tolerance that can be involved) can bring great benefits to people (Putman, 2000).

Worker co-operatives know that it is in their long-term interest to build links down into the communities in which they are based. This improves members’ loyalty and strengthens a worker co-operative’s bonding social capital and improves the quality of people it can attract. In the long-term it is to the advantage of the worker co-operative and those within it that the community in which it is based flourishes (Halpern, 2005; Fukuyama, 1999; Field, 2003).

Social capital is related to a worker co-operative in the same way as physical or financial capital is to an investor-owned enterprise or as the human capital is to an individual. It is not surprising therefore, that one of the main objectives of co-operative enterprises is the development of social capital shared by its membership. Social capital performs the same organizational role for co-operatives as price does for markets (Valentinov, 2004). It binds members of a worker co-operative and can also help in maintaining trust relationships, networks, and shared aims and understandings in times of stress, change and potentially disruptive situations. Close ties to other members in the worker co-operative and identification with the worker co-operative’s principles and objectives are more reliable bases for the retention of worker-members than the promise of a lot of money (Halpern, 2005; Fukuyama, 1999; Field, 2003; Putnam, 2000).

Members invest their capital, time, and loyalty in their relationship with a worker co-operative because they trust that doing so will be in their own interest as well as the interest of other members. Co-operatives earn this trust when members perceive them to be dedicated to serving the members' needs, not the needs of the organization or of any other group. Members support co-operatives because co-operatives are dedicated to making members better off. This dedication is reinforced by other aspects of the co-operative relationship, including shared values and member identification with the co-operative’s purposes. That is, the members trust the co-operative when they perceive it as an effective agent for themselves (Halpern, 2005; Fukuyama, 1999; Field, 2003; Putnam, 2000).

Social capital researchers (Cohen and Prusak, 2001; Halpern, 2005; Fukuyama, 1999; Field, 2003) agree that the most important form of social capital is an organization
itself. As an organization model, a worker co-operative still represents the best form of bonding social capital.

It offers a more feasible model for social service development because they are more responsive to the needs of the community. Most co-operative organizations are formed because of a desire among members of the community to provide a service they do not have access to. They are a model through which to identify community needs and provide those services, while at the same time offering meaningful economic and employment opportunities for members of the community (Fairbairn, 2003; Spear, 2002; Lawless and Reynolds, 2004; Wylie, 2001).

Co-operativism is seen as a social process through which to overcome social inequality and to reduce class exploitation. In many cases, co-operatives emerged as a response to the inequalities brought about by the industrial revolution. Other marginalized groups have continued to see the co-operative model as a means to collectively overcoming systemic injustices (Lawless and Reynolds, 2004; Wylie, 2001; Shaffer, 1999). The model offers a number of unique attributes that are not seen in other forms of economic organizations. Shaffer (1999) has argued that co-operatives offer group harmony in problem solving, democratic participation, social equality, development of leadership, and solidarity. “New Wave” co-operatives emphasize the social side of co-operative activities, such as the promotion of healthy living alternatives, environmental responsibility, and services for social services disadvantaged groups (Lawless and Reynolds, 2004; Wylie, 2001; Shaffer, 1999).

Advocates of asset-based strategies (Turner & Pinkett, 2000; Kretzmann & McKnight, 1993; Putnam, 1998; Temkin & Rohe, 1998; Stagner & Richman, 1996) argue that the ownership of assets plays a critical role in motivations and behaviour that support long-term well-being. They maintain that there are causal relationships between the ownership of assets and increases in long-term income, and that these relationships may have both remedial and preventative impacts. They also argue that the ownership of assets may yield important effects beyond increased income since it will lead to capacity building and will exert impacts in ways that cut across economic, psychological and institutional effects. That is, the ownership of asset will improve household stability, create an orientation toward the future and stimulate the development of human capital and other assets. It will also enable focus and specialization, provides a foundation for risk-taking and increases participation.

Marginalized people tend to be more short-term focused in their thinking and behaviour, not so much because of their values but because they are compelled by the environment within which they must make decisions. This can result in patterns of decision-making that may ultimately present structural barriers to escaping poverty, unemployment and social exclusion (Putnam, 1998; Temkin & Rohe, 1998). Many
writers in this area of asset-based capacities (Turner & Pinkett, 2000; Kretzmann & McKnight, 1993; Stagner and Richman, 1996; Sherraden, 1991) define assets broadly and consider them as multidimensional. They include not only physical capital and financial assets, but also the knowledge and skills of individuals, their social bonds and community relations, and their ability to influence the policies and institutions that affect them. They regard low asset levels and the inefficient use of assets as both the causes and the consequences of poverty.

Asset-based capacities have an important role to play in social standing and access to institutions. Assets buy social capital in the form of contacts, networks of protection and access to information. For example, the ability to save links people to the financial services sector and vice versa. Through targeted asset acquisition, worker co-operative members can interact with financial institutions which will increase their financial literacy, reduce the stigma associated with unemployment and facilitate access to other beneficial financial services (Sherraden, 1991).

Many asset-based approaches move beyond strictly economic activity to include cultural, educational, and other efforts that cross and blur conventional lines that mark the different sectors. Several writers (Temkin & Rohe, 1998; Stagner and Richman, 1996; Sherraden, 1991; the Aspen Institute, 2005), maintain that asset-based strategies often supply surprisingly effective responses to social and economic needs by directly providing income or savings, by facilitating the development of locally based jobs and enterprises, by building up and stabilizing local assets and wealth, and by enabling local governments to apply existing resources more efficiently to better serve more citizens.

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Scholars (Kretzmann & McKnight, 1993; Temkin & Rohe, 1998; Stagner and Richman, 1996; Sherraden, 1991; Turner & Pinkett, 2000) agree that the need for community revitalization and the desire to achieve the social and economic objectives of
individual members of the community begin from building an asset-based capacity. The asset-based capacity approach to solving individual and community-based economic and social problems assumes that social and economic revitalization starts with what is already present within a community (Turner & Pinkett, 2000; Kretzmann & McKnight, 1993; Temkin & Rohe, 1998). That includes not only the capacities of residents as individuals, but also the existing commercial, associational and institutional foundation. This involves pinpointing, or mapping, all of the available assets in the community, mobilizing, them in ways that multiply their power and effectiveness. An asset-based approach to community building, inherent in worker co-operatives, perceives members/workers and other community stakeholders as active change agents rather than passive beneficiaries or clients (The Aspen Institute, 1997; Turner & Pinkett, 2000; Kretzmann & McKnight, 1993; Temkin & Rohe, 1998).

The focus on local assets redirects attention to the extensive social capital of communities. Putnam (1998) describes social capital as "the norms and networks of civil society that lubricate co-operative action among both citizens and their institutions" (p. v). Thus, the social capital of local communities represents "mutually supportive institutions within a neighborhood that residents can turn to when the going gets rough" (Temkin & Rohe, 1998, p. 63). The individual capacities of residents are the basic building blocks of any community. For example, Stagner and Richman (1996) found that both friends and extended family members were the main source of support in marginalized communities.

3. Discussion and Conclusions

What distinguishes Worker co-operatives from other forms of enterprises is that they exist not to maximize or optimize their own profits or welfare, but rather those of their members. They undertake those activities that promote the economic and social well-being of their members and their dedication to serving members has been expressed in many forms like not for profit, not for charity, but for service to the members. This interlocking of a worker co-operative’s interest and the members’ interests promotes social capital and is part of what is called the economic linkage between the co-operative and its members.

Valentinov (2004) argues that the promotion of social capital in worker co-operatives is closely linked to the implementation of the universal co-operative principles and core values. These principles and core values set worker co-operatives apart from their investor-owned counterparts and are particularly directed at the preservation of social capital both as the major resource and as the major organizational principle. Valentinov (2004) tabulates the rationalization of the major co-operative
governance characteristics laid down in the co-operative principles in terms of their social capital-supporting role as shown in table 1 below.

Table 1: Rationalizing the social capital-supporting role of the co-operative principles

<table>
<thead>
<tr>
<th>Governance instrument</th>
<th>Main effect</th>
<th>Explanatory remarks</th>
</tr>
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<tbody>
<tr>
<td>Voluntary membership</td>
<td>Anti-hierarchization</td>
<td>Social capital can be built only on the basis of voluntary approaches; hence, practicing them promotes social capital alternative to hierarchical authority, which replaces voluntary action by directed one.</td>
</tr>
<tr>
<td>Open membership</td>
<td>Anti-commercialization</td>
<td>A distinctive characteristic of social capital is that its stock does not shrink if it is shared by an additional person; therefore the size of membership can be indefinitely expanded with the effect of extending the beneficial economic effects of co-operation.</td>
</tr>
<tr>
<td>Democratic control</td>
<td>Anti-hierarchization</td>
<td>The uniform voting rule reflects the fact that the amount of social capital is determined by the number of personal identities of its individual bearers; each bearer can have only one identity; therefore practicing this voting rule is a direct expression of social capital as a principle.</td>
</tr>
<tr>
<td>Limited compensation on capital</td>
<td>Anti-commercialization</td>
<td>This ‘repressive’ measure is evidently intended to keep down the incentives to build ‘economic’ capital through the co-operative, and in this way prevent the penetration of ‘price-based’ organization into the co-operative governance, which would destroy the stock of social capital.</td>
</tr>
<tr>
<td>Autonomy, independence</td>
<td>Anti-hierarchization</td>
<td>This governance characteristic also reflects the importance of voluntary approaches and prevents any attempts of hierarchical authority to occupy the place of social capital.</td>
</tr>
<tr>
<td>Education, training, and information</td>
<td>Investment in social capital</td>
<td>These measures are directly intended at strengthening the internal stock of social capital by promoting the respective norms, values, and rules, and also increasing social capital of co-operatives in the eyes of the general public.</td>
</tr>
<tr>
<td>Co-operation among co-operatives</td>
<td>Investment in social capital</td>
<td>Since all co-operatives are supposed to share a set of common values, they have a basis for developing a certain social capital between themselves, and it would be rational for them to use this opportunity, taking into account that it would also reaffirm social capital as the major organizational resource of co-operatives.</td>
</tr>
<tr>
<td>Concern for community</td>
<td>Investment in social capital</td>
<td>This measure is intended in building social capital in those communities where co-operatives are located, rather than only between the members or with the general public.</td>
</tr>
</tbody>
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Source: Valentinov (2004). p.15
The first four principles, namely voluntary and open membership, democratic member control, member economic participation, and autonomy and independence, arguably support social capital as the organizational resource by promoting it as the organizational principle. The last three principles, namely education, training and information, co-operation among co-operatives, and concern for community, expressly relate to the processes of investing in social capital, both intra- and extra-organizational. Valentinov (2004). Worker co-operatives offer economic democracy through the principle of a common sharing of power. This model allows for equal participation on the decision-making process, regardless of the economic position of the various members involved. The focus on developing group solutions to economic problems is an empowering experience for people facing common problems.

The way in which worker co-operatives develop social capital depends on the extent to which their goals and objectives have been internalized. It is this internalization of group goals that distinguishes worker co-operatives from investor-owned enterprises. The difference is in the manner in which economic motives determine the behaviour of individual actors. The aspiration to promote the goals of the group in a worker co-operative means that individual gain is not the immediate motive for co-operation but is mediated by mutual self-help objectives. Internalization of group goals leads to commitment and trustworthiness without which no social capital can develop. Fairbairn (2003) adds that a worker co-operative that cannot foster a close economic linkage with its members regarding shared operating success; products to meet specific needs and an overall relational quality will have low social capital formation and will suffer from weak member commitment.

This study concludes therefore that a worker co-operative is inherently a social-capital-type organization. It is a closely coordinated network that brings together a group of individuals with complementary skills, shared understandings and mutual commitments for maximum productivity. A worker co-operative is also founded upon norms, principles and core values that promote and nurture trust, commitment and reciprocity. Finally, worker co-operatives employ appropriate sanctions to maintain their internal networks and their norms and core values. Sanctions exist in various forms including peer pressure and both formal and informal reprimand procedures.

The worker co-operative model is also increasingly being recognized as a model for sustainability. In a worker co-operative, workers own their jobs, and thus have not only a direct stake in the local environment but the power to decide to do business in a way that is sustainable. Worker co-operatives tend to create long-term stable jobs, sustainable business practices, and linkages among different parts of the social economy. They promote an enterprise model that employs asset-based initiatives which ensure that a framework for the efficient and effective delivery of products and services
is established. The services are developed and delivered, not as a traditional social program, but as a range of market-driven services and products. This reduces costs, broadens accessibility, creates room for cooperation, allows for customization and improves accountability since the services and products developed are the result of cooperation between members and are based on the capacity of each member to add value to the service or product. This reduces costs, improves product and service marketability and strengthens individual and community commitment.

An asset-based capacity orientation lies at the heart of worker co-operatives and is a model for community revitalization that is focused on strengthening the capacity of members, associations, and organizations to work, individually and collectively, to foster and sustain positive neighborhood change (The Aspen Institute, 1997; Turner & Pinkett, 2000; Kretzmann & McKnight, 1993; Temkin & Rohe, 1998).

In addition to providing meaningful jobs and asset-building opportunities for their members/workers, worker co-operatives can play an important role in building movements for economic justice and social change. They can be institutions where real democracy is practiced on a day to day basis and they can be models for the empowerment needed to create the changes envisioned. Worker co-operative can also build local assets and increase economic stability for worker-owners and their communities. Participatory decision-making systems enhance productivity, improve product and service quality, promote workers’ skill development, and give individuals tools and information to help them increase control of their economic lives.

A worker co-operative’s model encourages and promotes the development and utilization of the resources that are embedded in local communities and their residents. This capacity-focused paradigm, which is inherent in a worker co-operative model, becomes a better option since it recognizes the skills, talents and gifts of local community members. The approach is fundamentally bottom-up, beginning with what is present in the neighborhood, and inside-out, relying heavily on the efforts of internal agents, such as members/workers, federations and institutions.

The need for community revitalization and the desire to achieve the social and economic objectives of individual members of the community can begin from one of two underlying paradigms of needs-based or capacity-focused (Kretzmann & McKnight, 1993; Temkin & Rohe, 1998; Stagner and Richman, 1996; Sherraden, 1991; Turner & Pinkett, 2000). A needs-based paradigm focuses on a community’s deficiencies and problems. Such an approach is often top-down, beginning with what is absent in the community, and outside-in, relying heavily on the efforts of external agents, such as technical assistants.
It can be argued that needs-based approaches not only teach local people that they cannot shape their own future, but also that they require services as an answer to their problems. Consequently, "many lower-income, urban neighborhoods are now environments of service where behaviors are affected because residents come to believe that their well-being depends upon being a client" (Kretzmann & McKnight, 1993, p. 2). Thus, needs-based approaches encourage both the residents and the professionals who service them to bypass local assets and resources. In essence, a needs-based paradigm deprives communities of problem solving capacities (Turner & Pinkett, 2000; Kretzmann & McKnight, 1993; Temkin & Rohe, 1998).

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References


