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What Do We Really Know About Workers' Cooperatives?*

by

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Abstract

Worker cooperatives have traditionally been viewed as small, specialised and undercapitalised organisations that could not possibly constitute a serious alternative to conventional firms. This view has long been shared by many economists studying workers' co-ops on the basis of economic theory and relatively limited empirical observation.

Recent international comparative data on large samples of employee-owned firms and conventional businesses and more extensive data on business demography suggest a different picture. These data show that workers' co-operatives are actually larger than conventional firms on average, are not necessarily undercapitalised and can be found in most industries. International studies also find that worker co-operatives invest at least as much as conventional firms, probably preserve jobs and survive better, and are at least as productive. The paper argues that we should revise our "stylised facts" about worker cooperatives and examine more closely very successful experiences like those of Italian and Spanish worker cooperatives.

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1. Introduction

The idea that employees can run firms sounds unrealistic to many people. Even if they accept that there exist businesses owned and managed by their employees, most people still think of those enterprises as unlikely businesses. Worker cooperatives have traditionally been viewed as small, specialised and undercapitalised organisations; it is commonly thought they thrive in unusual conditions and cannot possibly constitute a serious alternative to conventional firms. This view has long been shared by many economists studying labour-managed firms, on the basis of economic theory and relatively limited empirical observation.

In the last two decades, data on large, representative samples or whole populations of worker cooperatives and conventional firms have become increasingly available. As a result, a growing number of international economic studies present comparative analyses of the two types of firms with extensive information on the firms' characteristics and behaviour. In this paper, I use information provided in these studies and other aggregate data to examine whether received ideas about worker cooperatives seem verified. I also briefly review international findings about pay and employment behaviour, productivity, investment and firm survival among conventional businesses and worker cooperatives. I argue that together these different types of evidence suggest that common ideas about worker cooperatives should urgently be revised.

For the purposes of this paper, I define a worker cooperative as a firm that has the following characteristics¹. All or most of the capital is owned by employees (members) whether individually and / or collectively (capital ownership arrangements vary). All categories of employees can become members²; and most employees are members. Following international cooperative principles, members each have one vote, regardless of the amount of capital they have invested in the business. Members vote on strategic issues in annual general meetings and elect the chief executive officer. Beyond this basic participation in the affairs of the firm, the level of democracy in the day-to-day activities of the firm varies from

¹ In this paper I use interchangeably the terms "worker cooperative", "labour-managed firm" and "employee-owned firm" unless otherwise specified in the text.

² By this definition, a law practice for example is not a worker cooperative even if all the lawyers are partners, unless the other staff categories, such as secretaries, cleaners, etc can also be members. This is an important difference with the view proposed by Hansmann (1990).

one cooperative to another. For example, very large cooperatives tend to have less direct and more representative democracy (as large countries do). The worker cooperatives I look at in this paper normally are for profit, though profit aims may be mitigated to various degrees by other aspects of members' interests including for example employment, social or ethical considerations and goals, etc. Worker cooperatives represent a very small proportion of all firms in most countries. However, they are more numerous than is usually thought: at least 25,000 can be found in Italy, about 17,000 (employing some 210,000 people) in Spain, 2,600 (employing 51,000 people) in France and about 500-600 in the UK³.

In the following section, I present descriptive statistics about the size of worker cooperatives and their industry distribution in comparison with those of other businesses. International evidence about compared firm creation and survival patterns, capital intensity and investment is summarised in section 3, and findings on the compared productivity, and employment and pay adjustments of labour-managed and other firms are briefly reviewed in Section 4. Section 5 concludes.

2. New descriptive evidence on the characteristics of worker cooperatives

Are worker cooperatives smaller than other firms?

Perhaps the most common received idea about worker cooperatives is that they must be small—it is often thought worker cooperatives must be financially constrained, and a small size is sometimes regarded as a condition for workplace democracy to function. Standard economic theory also predicts that labour-managed firms that pursue maximum profit per member will be smaller than conventional firms in the short run (though not in the long run). In this view, labour-managed firms do not have the same incentives to grow indefinitely as conventional firms, as maximum profit per member may be independent of scale (Vanek 1970, Schweickart 1996). People will also commonly remark that very large worker cooperatives are extremely rare. The worker cooperative group the Mondragon Corporation

³ The estimate for Italy was communicated to the author by Alberto Zevi in 2012. The estimate for Spain includes the *cooperativas de trabajo asociado* (16,664 is given for 2012 by the Confederation of Spanish worker cooperatives in COCETA (n.d.) but not *sociedades laborales*, in which employees own at least 51.01% of the capital but voting is proportional to capital. In 2013 there were 11,322 *sociedades laborales* (Ministerio de Empleo y Seguridad Social 2014). The French figure is for 2014 and includes 2,222 *sociétés coopératives et participatives* or SCOPs and 408 *sociétés coopératives d'intérêt collectif*, or SCICs (CG Scop 2015). The UK estimate includes firms that identify themselves as workers' cooperatives and other employee-owned firms that meet the definition provided in this paper.

in Spain does employ some 80,000 people around the world⁴, and the employee-owned John Lewis Partnership in the UK (which operates slightly differently) counts more than 93,000 partner-employees, but these two cases may just be exceptions⁵.

What is not widely understood is that most firms actually are very small: among the firms that have at least one employee, around 90 % have less than 20 employees in the UK (93.7%) the US (89.6%) and France (90.4%) and less than 10 employees in Spain⁶. Large firms are very rare: only 0.3% of the firms that have employees have 500 employees or more in the UK and the US, 0.2% in France and 0.1% in Spain.

Where we have data for workers' cooperatives we observe that the co-ops are actually larger than other firms. Pencavel et al (2006) use data covering 2,000 worker cooperatives and 150,000 other firms in Italy, observed over 13 years. They find that both the average and the median numbers of employees are larger for the cooperatives than for the other firms (for example, in 1994, the last year for their sample, average employment was 284 in the cooperatives and 228 in the other firms, and median employment 153 and 72 respectively in the two groups of firms). Similarly, the data presented by Craig and Pencavel (1992) on the plywood industry in the US Pacific Northwest indicate that the worker cooperatives are larger than the other firms—on average over all the years in their sample, firms employed 233 people in the industry, but among these the co-ops employed 257 on average. In Spain, firms with employees had 9.2 on average in 2014, but worker cooperatives were reported to have 12.6 employees on average⁷. For France and Uruguay, we can compare the size distributions of worker cooperatives and firms generally. For this purpose I use data on all firms in

⁴ Only 40.3% of Mondragon's employees are members, though the percentage is considerably higher in the birthplace of the group in the Spanish Basque country (Mondragon's rapid growth in the last two decades has resulted in a current structure that includes 289 non-cooperative subsidiaries and 110 cooperatives; the group has engaged in a "cooperativization" process for some of the non-cooperative parts of the group, see Mondragon Corporation 2015).

⁵ The John Lewis Partnership has more than 93,000 permanent employees or "partners" but has a unique constitution organising the sharing of power between senior management and the other employees (see John Lewis Partnership, 2015).

⁶ Unless otherwise specified, aggregate figures in this section come from the author's computations from data provided respectively for the UK by the ONS (2015) concerning 2014 and for large firms by BIS (2012) concerning 2012; for the US by the US Census Bureau (2015) for 2012; for France by Insee (2015) for 2013 except for the share of firms with less than 20 employees, which concerns 2007; and for Spain by INE (2015) for 2014.

⁷ The averages are for firms registered with the Seguridad Social system (Ministerio de Empleo y Seguridad Social 2014). Only about half of worker cooperatives belong to this system, with the others operating under a different regime (*autónomos*). However, the figure for total employment in worker cooperatives given by COCETA (n. d.) seems to use the average size for Seguridad Social worker cooperatives.

Uruguay provided in Burdín and Dean (2009) together with data available from the French statistical office Insee on firms with at least one employee and from the French worker cooperative federation CG Scop. This information is presented in Figures 1 (France in 2007) and 2 (Uruguay in 2005). In both cases, it is clear that a lower share of worker cooperatives are micro-firms than of other firms. The cooperatives are more often found in the larger size groups.

Insert Figures 1 and 2 about here

A more detailed breakdown of the population of French firms by size group, available for 2006, shows the difference persists if we select a higher cut-off point for firm size. Among French firms with at least one employee, 0.04 % had 2000 employees or more that year; this proportion was 0.05% among French worker cooperatives (see Figure 3). Given the small number of worker cooperatives, such a percentage represents a very small number of firms, which is why it is very rare to see a large worker cooperative. For the same reason, the percentage of large worker cooperatives may vary more than that of large firms generally from year to year, and if we had data for other years we may well find that the percentage of large firms was sometimes higher among conventional firms. However, worker cooperatives clearly seem to be larger than conventional firms overall, principally because there are proportionally fewer micro-firms among the cooperatives. The most recent information for France (for 2013, shown in Table 1) shows that the pattern remains the same, with a considerably larger proportion of worker cooperatives than of firms in general in the larger size groups—the percentage of worker cooperatives with 250 employees or more is more than twice that of other firms with 250 employees or more.

Insert Figure 3 and Table 1 about here

Worker cooperatives could be larger because they are created larger, or because they grow faster and/or survive longer than conventional firms. Arando et al (2009) present data from the Basque Country (Spain) that suggest that worker cooperatives are created larger than other firms (see Figure 4). In Spain as a whole, worker cooperatives were created with 4 members on average in 2013, which is likely to be substantially higher than the average new firm's employment: 56.7% of all firms with employees had one or two employees in Spain in

that year⁸ and many firms are created with only one employee. It should be noted that the reason for the difference in size at creation is unlikely to be that the cooperatives are more often set up by employees taking over the firm they work for. This origin actually seems less common among worker cooperatives than among other firms (see Section 3 below). However, in many countries, the law specifies, or specified until recently, a minimum number of members for creating a worker cooperative. This, and the fact that a cooperative is necessarily a collective enterprise, may explain the difference in initial sizes with conventional firms.

Insert Figure 4 about here

Are worker cooperatives found in different industries from other firms?

Another commonly held idea is that worker cooperatives are only suited to particular industries—for example, industries with low capital intensity or low capital requirements. It is often thought that labour-managed firms will not thrive in such industries. For example, worker cooperatives may have limited access to capital. It is also possible that employee control is better suited to industries in which skills are most important to firm performance (yet at the same time, many people seem to think few cooperatives will be found in high-tech industries, where skills are often essential). In practice, worker cooperatives can be found in most industries. Figure 5 shows the compared distributions of conventional firms and worker cooperatives by broad sector using data presented by Burdín and Dean (2009) for Uruguay in 2005. The distributions are clearly different, with proportionately more co-ops than conventional firms in transport and services, and less in manufacturing. The sector distribution of the two groups of firms also is different in France (Figure 6). However, there worker cooperatives are more often found in manufacturing and less often in services than other firms. So the differences vary across countries.

Insert Figures 5 and 6 about here

⁸ Figures computed from data provided by INE (2015) and Ministerio de Empleo y Seguridad Social (2014). Data from the same source indicate that the initial average number of members for newly created *sociedades laborales* is identical to that of worker cooperatives. However, the average size of all *sociedades laborales* (6 people) is smaller than that of worker cooperatives, perhaps because the cooperatives are older on average—the *sociedad laboral* is a recent business form, which only took off in the late 1990s.

Figure 7 shows the compared shares of employment in each of the broad sectors between Spanish worker cooperatives and conventional firms, based on the data presented by Clemente et al (2012) for 2007. This graph is not directly comparable with the charts for Uruguay and France, which use the share of firms rather than employment, because the average scale varies across sectors. However, it suggests that the two groups of firms have quite similar sectoral distributions in Spain.

Insert Figure 7 about here

The industry distribution of firms observed at a given time comes from the distribution of firm creations across industries and the extent to which they survive in each industry. Arando et al (2009) provide data on the industry distribution of newly created firms in the Basque Country in Spain, which show some differences between worker cooperatives and other firms in manufacturing (a greater share of co-ops than of other firms) and some services, but no or little difference in the proportions of new firms to be found in construction or financial services (see Figure 9). Data presented by Podivinsky and Stewart (2007) for the UK in the period 1976 – 1985 shows a different pattern again, with a comparatively higher share of labour-managed firms created in manufacturing but a lower share in construction than the corresponding proportions of conventional firm creations (see Figure 9).

Insert Figures 8 and 9 about here

If worker cooperatives were only suited to a small group of special industries, we would expect a clear pattern common to different countries in the ways worker cooperatives' distribution across industries compares with that of other firms. The absence of any such pattern suggests the differences between the two groups are more complex. One way to investigate the role of different factors in creating these patterns is to look at the effect of industry characteristics on firm creation and survival for worker cooperatives and other firms.

3. International findings on firm demography and investment

Firm creation and survival

Using UK manufacturing data for the early 1980s, Podivinsky and Stewart (2009) examine the factors that explain the proportion of new firms that are labour-managed in each industry. They find that, as predicted by theory, a lower share of newly created firms are worker cooperatives in industries that have high capital intensity and high risk (measured by the variance of profits in the industry). Studying the effect of individual firm characteristics on the survival of worker-managed firms in Uruguay, Burdín (2014) attributes to issues of capital requirements the fact that the cooperatives' survival advantage over conventional firms is greater in services than in manufacturing and transport. However, he does not find that co-ops do less well in these sectors: in manufacturing and transport the risk of closure is the same in the two groups. Worker cooperatives survive longer than other firms overall when industry and starting wage, size and year of creation are taken into account, and this is due to their much lower closure risk (hazard), all else being equal, than conventional firms' in services (Burdín 2014).

Burdín's (2014) finding is consistent with less rigorous evidence on other countries suggesting that labour-managed firms survive at least as well as other firms (see Dow 2003 for a review). It is not uncommon for worker cooperatives to survive well over a century. The aggregate data available for France (Table 3) show identical failure rates for the two groups of firms in the long run, and more volatile creation rates for labour-managed firms.

Insert Table 2 about here

Some of the differences between the industry distributions of labour-managed and other firms may also be due to historical factors that resulted in clusters of cooperatives set up in certain industries. Podivinsky and Stewart (2009) observe that in the early 1980s labour-managed firm creation was more concentrated than firm creation in general in the UK. A higher proportion of cooperatives were created in the footwear and clothing industry and in paper, printing and publishing—two industries, they note, highlighted by Estrin et al (1987) as traditional for worker-managed firms in the UK. Similarly, France has traditionally had concentrations of worker cooperatives in printing and publishing following a historical

tradition of anarchist co-ops; and in the construction sector as worker cooperatives benefitted from preferential treatment over comparable bids in government contracts.

With data on the Basque Country (Spain) Arando et al (2012) show that more worker cooperatives are formed in industries where more cooperatives exist. Pérotin (2006) finds the same pattern in France. The paucity of information available in most countries about worker cooperatives creates barriers to entry, as entrepreneurs will often have little idea of what a cooperative is, or how to create one. Existing worker cooperatives provide an example and show to would-be entrepreneurs that labour-managed firms can be viable businesses. Familiarity with labour-managed firms where more are in operation also accounts for some of the geographical distribution of worker cooperatives. Where there are labour-managed firms, local banks are more likely to be familiar with the business form, and cooperatives themselves may form supporting agencies. In the US, Israel, France and Spain, creations of new worker cooperatives are positively related to the number of existing firms of the same type in the area (Conte and Jones 1991, Russell and Hanneman 1992, Russell 1995, Pérotin 2006, Arando et al 2009, Arando et al 2012, Díaz-Foncea and Marcuello 2015).

Worker cooperative creations are also more clearly counter-cyclical than conventional firm creations in the US, Israel, France and Spain (Conte and Jones 1991, Russell and Hanneman 1992, Russell 1995, Pérotin 2006, Arando et al 2009, Díaz-Foncea and Marcuello 2015)⁹. Increased unemployment (Pérotin 2006, Arando et al 2009, Díaz-Foncea and Marcuello 2015) may create a greater pool of potential entrepreneurs out of necessity; it may also generate opportunities as redundancy payments and sometimes unemployment benefit may be used with some tax advantage to set up new firms in some countries, as for example in France and Spain at different times in the last few decades.

This being said, it does not seem that new cooperatives massively result from worker rescues of failing firms, as has been hypothesised (Ben-Ner 1988). Although rescue takeovers by employees are often widely publicised during recessions, this way of forming a cooperative appears relatively rare. At least in France, for which the data is available, creations resulting from rescue takeovers are less common for worker cooperatives than for other firms. Table 3 shows that over the period 1993 – 2001 the overwhelming majority of worker cooperatives newly formed in that country were created from scratch. The proportion of cooperatives

⁹ Udo Staber finds no evidence of counter-cyclicity for worker cooperative creations in Atlantic Canada, but the methodology used in that paper is less solid.

resulting from a takeover, whether of a failing or a sound firm, was less than half that of French firm creations in general with that origin. Insee now use a different measure for firm creations from takeovers, which attributes a significantly smaller percentage of all new firms to takeovers. In 2014, despite the recession that followed the financial crisis in 2008, new worker cooperatives formed as a rescue of a failing conventional firm made up only 12% of all new worker cooperatives in France.

Insert Table 3 around here

Although they are created more counter-cyclically than other firms, worker cooperatives have not been found to close down in recoveries, as had been hypothesised by Ben-Ner (1988). In France at least, the effect of the business cycle on firm closures is the same among worker cooperatives and other firms (Pérotin 2006). More generally, as we have seen, the existing evidence suggests that labour-managed firms survive at least as well as conventional firms.

It should be noted, however, that much of the evidence on survival comes from countries where worker cooperatives are set up with constitutions that preclude the two forms of failures identified by economic theory--death by degeneration to the capitalist form (Ben-Ner 1984, Miyazaki 1984) or by under-investment (Furubotn and Pejovich 1970, Vanek 1977). Degeneration occurs when the proportion of members among the cooperative's employees decreases until the firm is to all intents and purposes a conventional firm. It may happen if members that stay in the firm replace any member that leaves the firm with a non-member employee in order to keep more profit to themselves (Ben-Ner 1984). There have been a number of cases of degeneration and of de-mutualisation (when the cooperative is turned into a conventional firm as it is floated on the stock market or sold to a conventional owner) in particular but not only in the US (see, e.g., Pencavel 2001, 2013). Provisions against these problems are present in the constitutions of most European worker cooperatives and were often introduced into cooperative law at the request of the cooperative movement¹⁰. Unsurprisingly, Estrin and Jones (1992) find no evidence of degeneration in France. The

¹⁰ Examples of provisions against the degeneration problems include the following: in the Mondragon worker cooperatives, at least 75% of workers must be members; in France, profit is shared with non-members as well as members; and in Italy, tax incentives lead many worker cooperatives to distribute surplus in the form of wage increases--which also benefit non-members--and retain all the resulting profit in the firm (Alzola et al 2010). In France as in the UK, Italy and Spain, worker cooperatives also have traditionally had an "asset lock" by which in case of closure the net assets of the cooperative devolve to another cooperative, a cooperative institution or a charity.

evidence available also does not support the other failure hypothesis proposed by economic theory--under-investment.

Capital intensity and investment

Several studies find that the average capital intensity (i.e., fixed assets per employee) in worker cooperatives is lower than that of conventional firms (e.g., Bartlett et al. 1992, Pencavel et al 2006, Maietta and Sena 2008). However, Pencavel et al (2006) find that in Italy the median capital – labour ratio is higher in worker cooperatives. In addition, they find that the values of the ratio are more dispersed for the cooperatives, which have higher proportions of firms with both very low and very high levels of capital intensity than conventional firms. In France, Fakhfakh et al's (2012) investigation by broad industry group shows conventional firms' capital intensity is higher than worker cooperatives in three industry groups, but there is no statistically significant difference between the two types of firms in the four other industry groups (see Table 4).

Insert Table 4 about here

The under-investment hypothesis predicts that worker cooperatives that are collectively owned by their employees and depend on internal finance will under-invest because members' property rights are truncated—when they leave the firm they do not keep a claim on future profit as they would with shares that appreciate in value and reflect the present value of future profit if capital markets are efficient (see, e.g., Furubotn and Pejovich 1970, Vanek 1977). One of the solutions proposed for this problem has been to require the cooperative to retain a minimum percentage of profit annually (Vanek 1977). Such a provision has existed in French and Italian worker cooperatives and in the Mondragon group, in all of which a substantial proportion of capital is collectively owned. However, in practice worker cooperatives plough back significantly more profit than required (Navarra 2013, Alzola et al 2010) perhaps as a form of insurance against job losses in downturns (Zevi 2005). This suggests that the hypothesised under-investment process itself does not apply in practice. No evidence of under-investment has been found in French worker cooperatives (Estrin and Jones 1998) or in Italian ones (Maietta and Sena 2008). Table 4 shows that in all the industry groups looked at by Fakhfakh et al (2012) investment, measured as the annual growth of fixed assets, is either the same in both types of firms (three industry groups) or

faster in the cooperatives (four industry groups). This pattern is confirmed by estimations of returns to scale, which show no evidence that labour-managed firms operate at a smaller, inefficient scale as the under-investment hypothesis would imply (Fakhfakh et al 2012).

4. Other international findings

Productivity

A handful of international studies have compared the total factor productivity of worker cooperatives and other firms, by estimating production functions¹¹. These studies concern groups of employee-owned firms that are set up quite differently, so that some of the financial incentives provided by cooperative organisation are much stronger in one group of cooperatives than in the others. In the plywood industry of the Pacific Northwest US (Berman and Berman 1989, Craig & Pencavel 1995) members have shares that appreciate in value and are partly tradable; but in Italy (Estrin 1991, Jones 2007) and France (Fakhfakh et al 2012) a large part of capital is owned collectively by members, dividends on individual shares are low and shares are paid back at their nominal value, at most adjusted for inflation. In all cases, the findings imply that worker cooperatives organise production differently from other firms: the production function is not the same for the two groups. Two studies--Craig and Pencavel (1995) and Fakhfakh et al (2012)—apply both of the estimated production functions to the current inputs of each group of firms. Both studies find that on average overall firms can produce more with the technology of employee-owned firms. In other words, the way worker cooperatives organise production is more efficient. Fakhfakh et al (2012) show that in several industries conventional firms would produce more with their current levels of employment and capital if they adopted the employee-owned firms' way of organising production. In contrast, they find that worker cooperatives would always produce at least as much with their own technology as with conventional firms'.

Employment and pay adjustments

Four studies compare the responses of employee-owned and other firms to changes in market conditions. Craig & Pencavel (1992, 1993) look at the plywood firms of the US Pacific Northwest in 1968-86; Pencavel et al (2006) examine a very large sample of Italian conventional and cooperative firms in 1982-94 in Italy; and Burdín and Dean (2009) study all

¹¹ Total factor productivity is the productivity of the firm taking into account the firm's capital as well as its labour. These studies estimate the difference in production between the two types of firms once the firms' employment, capital, industries and other relevant factors are taken into account.

firms (worker cooperatives and others) in Uruguay in 1996-2005. Despite the differences in cooperative constitutions between these countries, their findings are remarkably consistent. Conventional firms are found to adjust employment in response to changes in product prices and to demand shocks (in the Uruguayan study they also adjust pay). Worker cooperatives adjust pay and not employment in response to product price changes (in Uruguay, only members' pay changes and the change is much greater than pay changes in conventional firms). In response to demand shocks, the cooperatives adjust pay more than employment, and their employment adjustment is slower and more limited than other firms'. These findings imply that worker-managed firms may hire less than other firms in periods of growth, but importantly may also preserve jobs better in downturns.

It should be noted that no conclusion can be drawn from these results about the relative pay and employment levels in worker cooperatives and other firms, since pay includes profit in worker cooperatives. Anecdotal evidence also indicates that when business is bad worker cooperatives first draw from accumulated retained profits in order to preserve both jobs and pay before cutting pay in Italy and in France. Relative pay levels in the two sectors are therefore likely to depend on the stage in the business cycle. This possible variability may explain the contradictory findings of the very few studies comparing pay in worker cooperatives and conventional firms, with some studies observing higher pay in the cooperatives (Bartlett et al 1992, Burdín 2015) and others equal hourly wages in the two groups of firms (Magne 2014) or lower pay in the cooperatives (Pencavel et al 2006, Clemente et al 2012). Burdín (2015) on Uruguay, Magne (2014) on France, and to a certain extent Clemente et al (2012) on Spain also observe that worker cooperatives are more egalitarian than conventional firms.

5. Conclusion

In the last two decades, the availability of large, comparative datasets has made possible systematic comparisons between worker cooperatives and other firms. In this paper, I have started to make use of these data to revisit what were thought until now to be “stylized facts” about worker cooperatives. The evidence presented in this paper paints a rather different picture from the received view of worker cooperatives as small, specialised, undercapitalised and rather unlikely businesses. We need to revise our view of worker cooperatives. Worker co-ops are larger than other firms and not necessarily less capital intensive, although they may be created more often than other firms in less capital intensive industries, all else being

equal. They are present in most industries, and differences in industry distributions with conventional firms vary from one country to another.

International evidence also suggests that worker cooperatives survive at least as well as other firms, even in capital-intensive industries. Labour-managed firms are probably more productive and may preserve jobs better in recessions than conventional firms, creating more sustainable jobs. Promoting worker cooperatives could therefore improve local communities' employment, and therefore health and social expenditure, and tax revenue (Pérotin 2014).

The most unusual feature of worker cooperatives—worker control—may be key in explaining the findings I have outlined about productivity, investment, employment and pay. Employee control is thought to increase productivity, and in a labour-managed firm adjusting pay to preserve jobs is incentive compatible: worker-members make the decision to adjust pay and they get the future profits (whereas it is more difficult for a conventional firm to elicit agreement for pay cuts in exchange for job preservation, since the firm has an incentive not to increase pay when business recovers). A job in a worker cooperative probably is particularly valuable, since it is a job in which the employee has a say in decisions that affect employment risks. Employees' focus on job security may explain worker cooperatives' accumulation of collectively-owned capital by profit plough-backs well above the minimum required by law in Italy and France or specified in the cooperatives' constitution in Mondragon. Those reserves can be drawn on for preserving pay and jobs. As a result, worker cooperatives keep more profit in the firm than conventional businesses (Zevi 2005).

Some of the evidence presented in this paper concerns a small number of countries or particular phases in the business cycle and needs to be further replicated. However, it is consistent in suggesting that far from being a niche business form only appropriate in special circumstances, worker cooperatives constitute a serious alternative: a high-performing firm type suited to all or a very broad range of industries, and possibly more sustainable than conventional businesses. However, worker cooperatives represent a very small part of the business sector, because too few are created. In order to design strategies to overcome this obstacle, we need to examine in more depth the successful experiences of Italy and Spain, where the worker cooperative sector reaches a different scale altogether than the UK and French sectors, employing hundreds of thousands of people.

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Figure 1

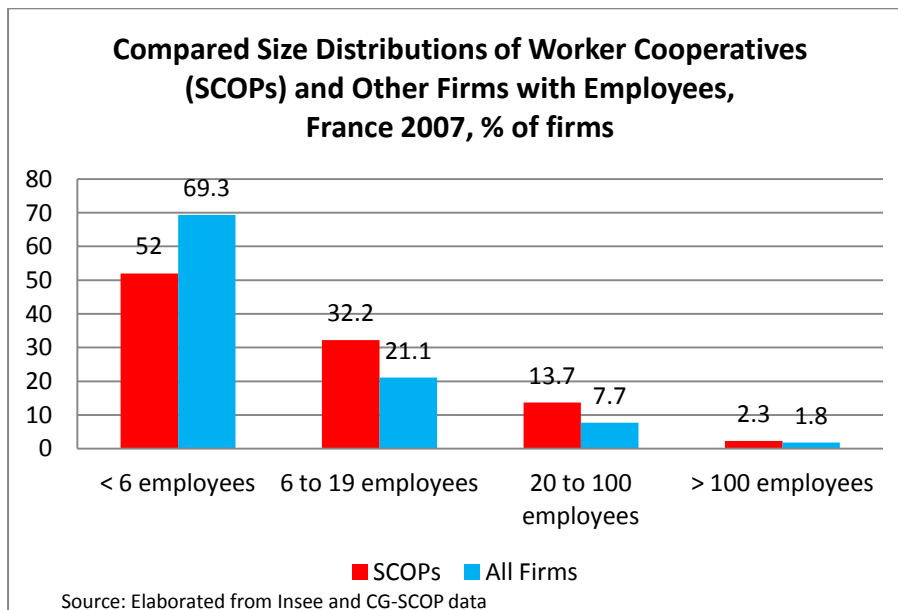


Figure 2

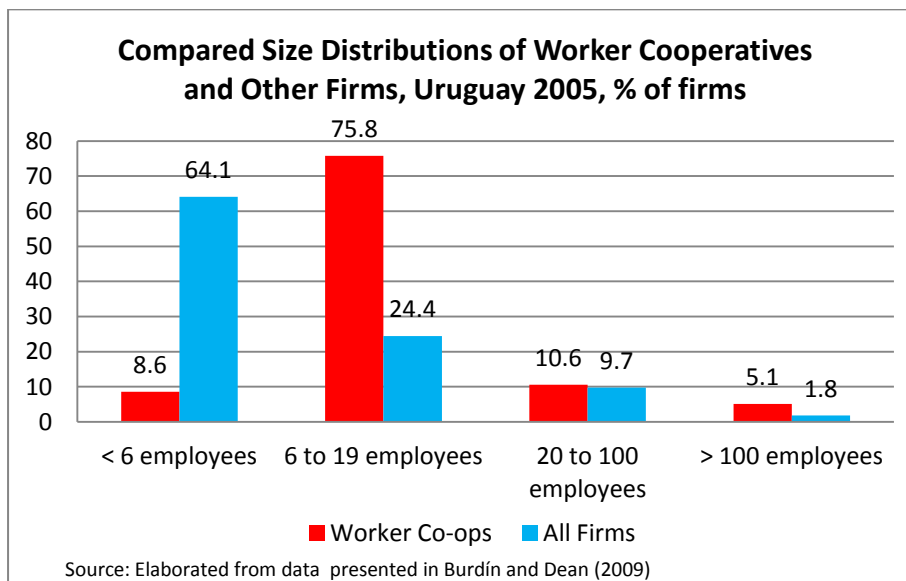
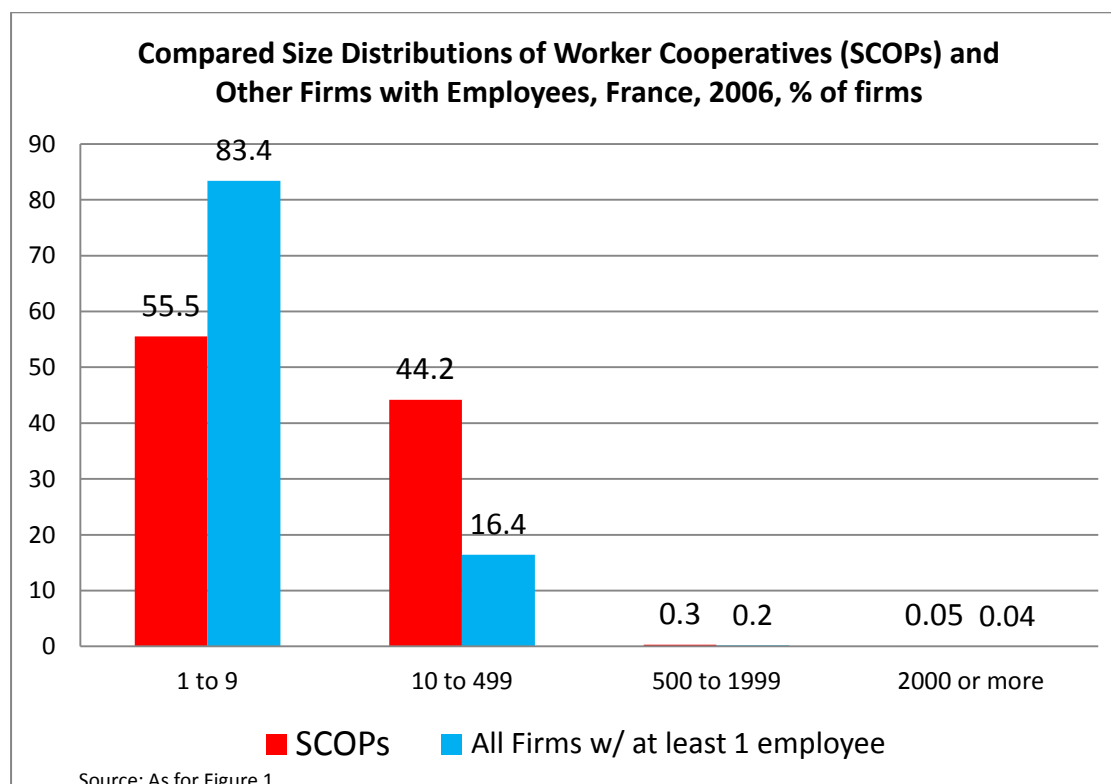


Figure 3**Table 1. Compared Size Distributions of Worker Cooperatives (SCOPs) and Other Firms with Employees, France 2013, %**

	1 - 9 employees	10 – 49 employees	50 – 249 employees	250 employees or more
SCOPs	64.1	27.6	7.2	1.1
All Firms with Employees	82.9	14.2	2.4	0.5

Source: Author's computations from Insee and CG Scop data.

Figure 4

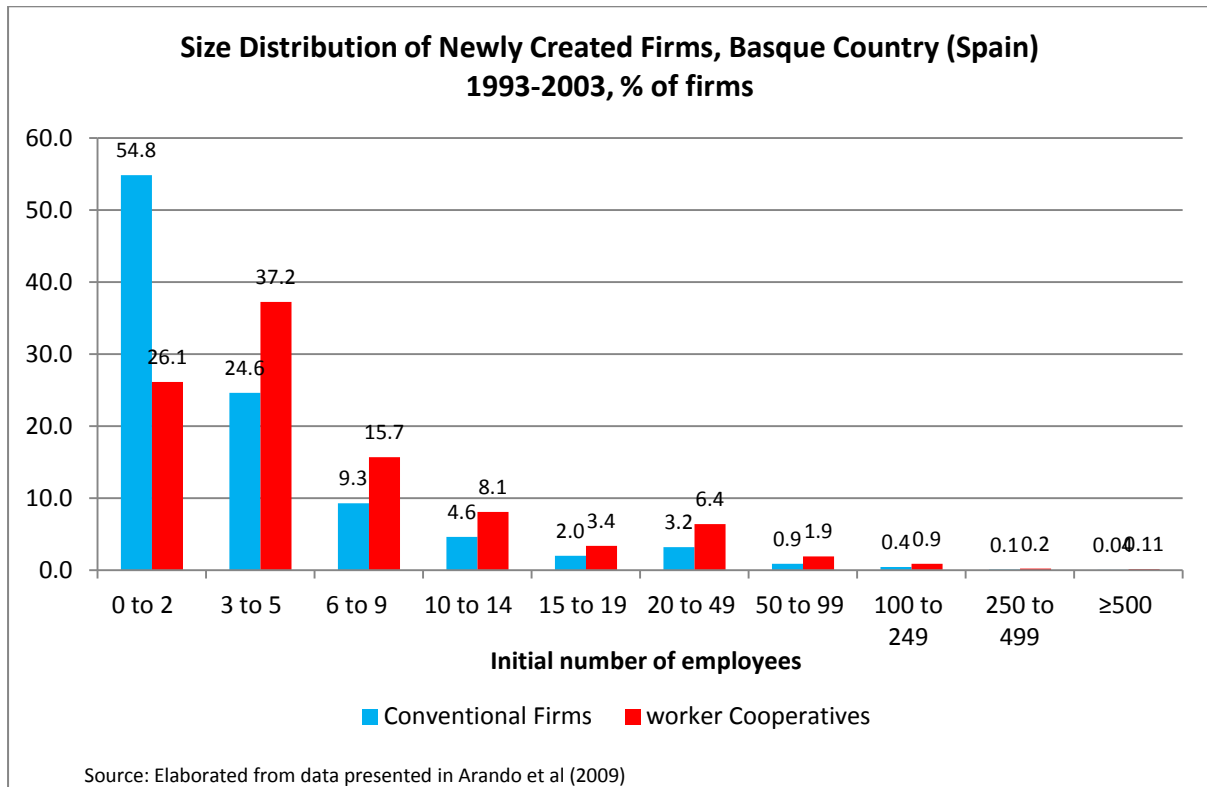


Figure 5

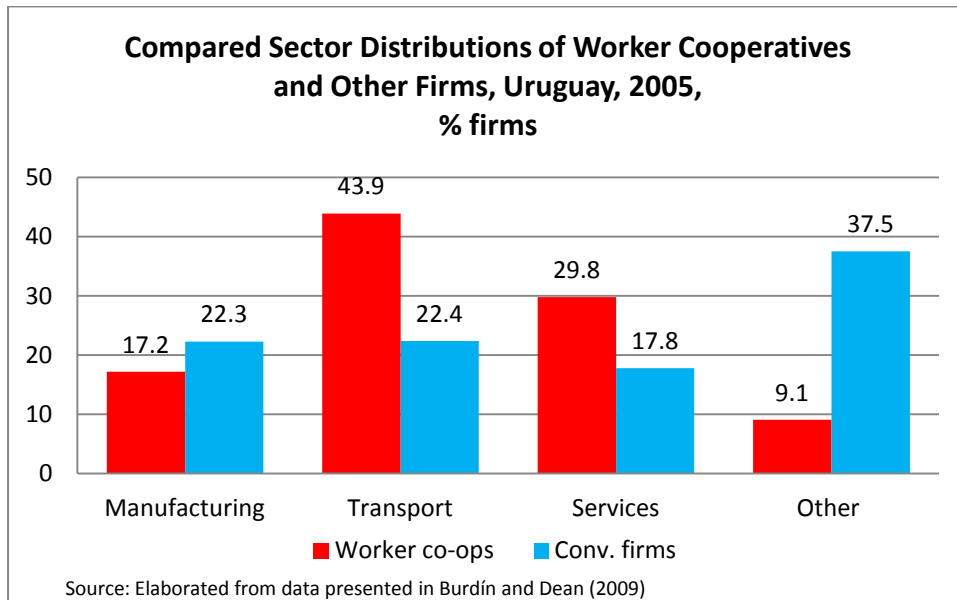


Figure 6

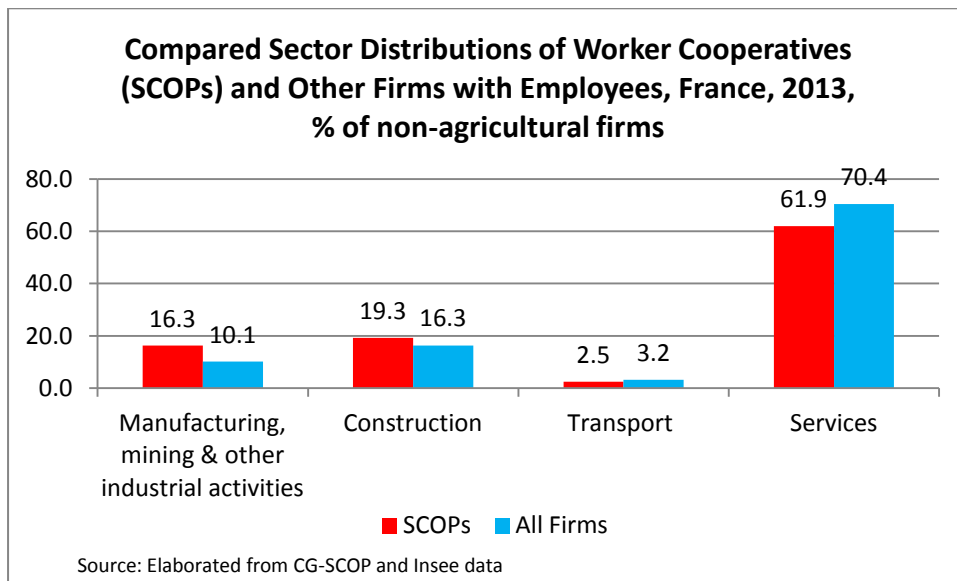


Figure 7

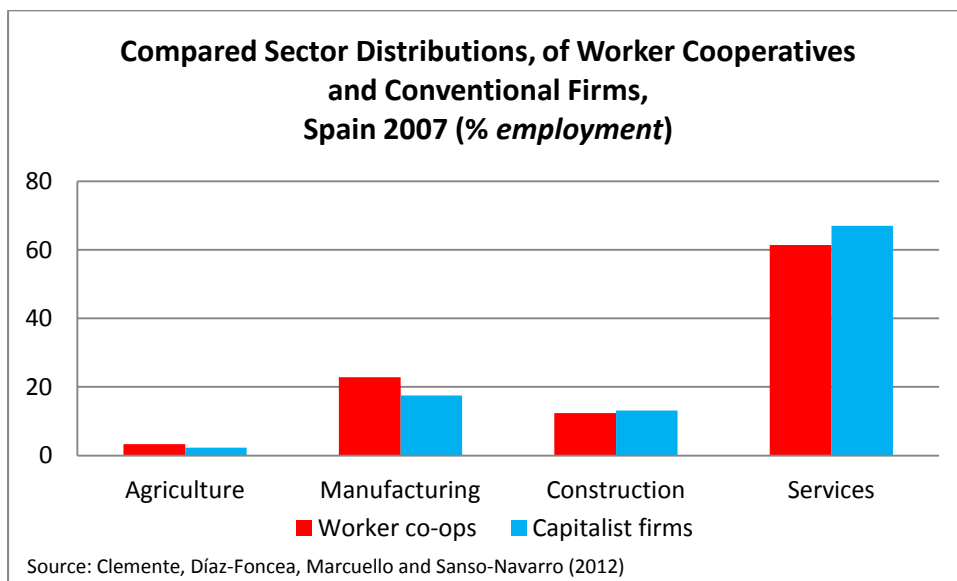


Figure 8

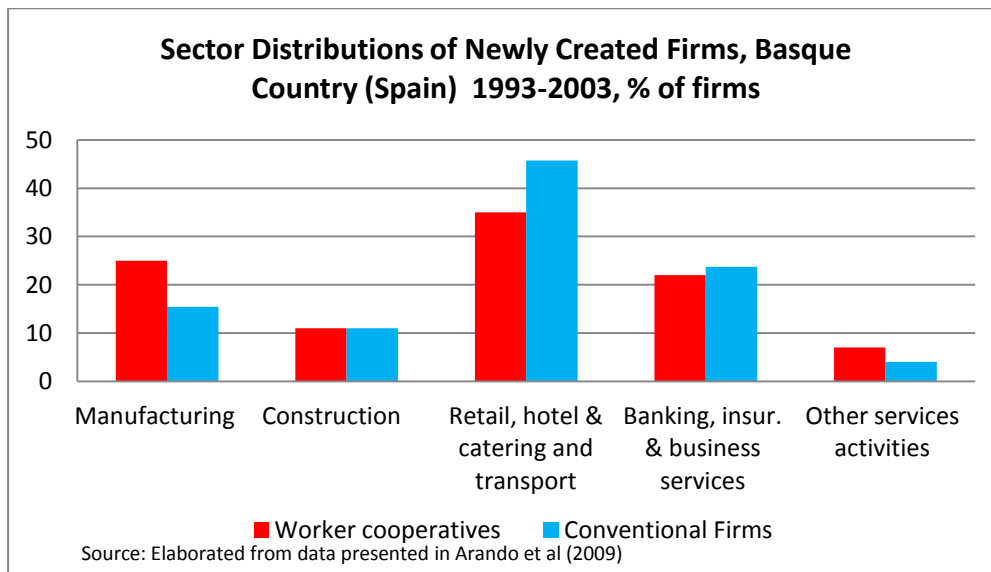


Figure 9

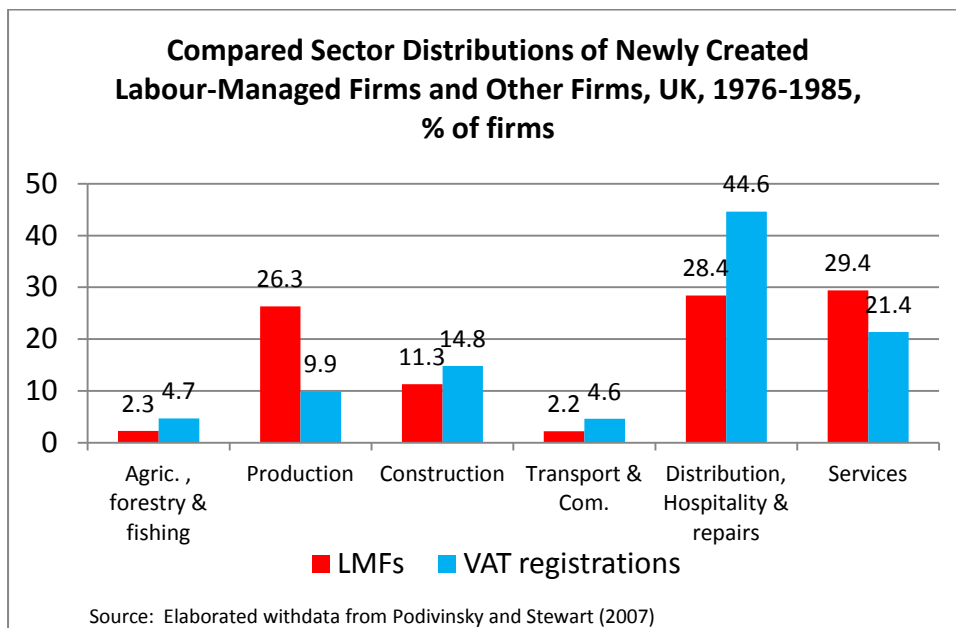


Table 2. Firm Creation and Failure Rates, France

<i>1979 - 1998</i>	Birth Rate*	Death Rate**
Worker Cooperatives (SCOPs)	0.16	0.11
All French Firms	0.12	0.11
<i>1993 - 2009</i>		
SCOPs	0.10	n.a.
All French Firms	0.10	n.a.

*Ratio of number of new firms in a given year to number of existing firms at the beginning of the year.

**Ratio of number of firms disappearing in a given year to number of existing firms at the beginning of the year.

Source: Derived from CG Scop and Insee data.

Table 3. Firm Creations by Origin, France, 1997 – 2001, % of firms

	From Scratch	Conversions of sound conv. firms	Rescues of failing conv. firms
Worker Cooperatives	84.0	9.4	6.6
All Firm Creations	63.5	16.1	20.4

Sources: derived from CG Scop and INSEE data.

Table 4. Compared Average Characteristics, Worker Cooperatives and Representative Sample of Conventional Firms with 20 employees or more°, France, 1987-1990 (continued on next page)

Industry (max No. of observations)	Capital Goods (Co-ops 157; Conv. 3,217)			Consumer Durables (Co-ops 128; Conv. 2,588)			Consumer Goods (Co-ops 272; Conv. 3,678)			Construction (Co-ops 645; Conv. 925)		
	Co-ops	Conv. Firms	<i>t</i> -test	Co-ops	Conv. Firms	<i>T</i>	Co-ops	Conv. Firms	<i>t</i>	Co-ops	Conv. Firms	<i>t</i>
Average number of employees	64	61	NS	79	63	NS	71	51	***	61	93	***
Average capital stock ^{°°}	1,668	2,718	***	4,401	1,649	NS	1,600	1,319	NS	958	1,220	***
Capital intensity ^{°°°}	20.8	31.3	***	20.2	19.0	NS	20.5	20.2	NS	14.1	14.1	NS
Investment ^{°°°°}	10.0	7.2	*	13.5	7.3	**	5.1	5.2	NS	8.8	6.2	***

***, ** and *: means are significantly different at the 1%, 5% and 10% levels respectively; NS: difference is not significantly different from zero.

° Observations on conventional firms weighted by inverse strata sampling probabilities; financial variables in € 1,000s.

°° Fixed assets.

°°° Fixed assets per employee.

°°°° Average annual percentage increase in capital stock.

Source: Fakhfakh et al (2012).

Table 4. (Continued) Compared Mean Characteristics, Worker Cooperatives and Representative Sample of Conventional Firms with 20 employees or more°, France, 1987-1990

Industry (max No. of observations)	Transport (Co-ops 71; Conv. 1,702)			Business Services (Co-ops 71; Conv. 2,788)			Consumer Services (Co-ops 47; Conv. 1,412)		
	Co-ops	Conv. Firms	<i>t</i>	Co-ops	Conv. Firms	<i>t</i>	Co-ops	Conv. Firms	<i>t</i>
Average number of employees	40	66	***	47	56	*	108	66	*
Average capital stock ^{°°}	1,113	1,933	***	561	1,891	***	539	1,538	***
Capital intensity ^{°°°}	25.7	32.7	**	17.1	16.7	NS	9.8	18.7	***
Investment ^{°°°°}	8.6	5.9	NS	18.6	9.7	***	11.0	7.7	NS

***, ** and *: the means are significantly different at the 1%, 5% and 10% levels respectively; NS: difference is not significantly different from zero.

° Observations on conventional firms weighted by inverse strata sampling probabilities; financial variables in € 1,000s.

°° Fixed assets.

°°° Fixed assets per employee.

°°°° Average annual percentage increase in capital stock.

Source : Fakhfakh et al (2012).

